European Commission

EU-MERCOSUR
PARTNERSHIP AGREEMENT

ECONOMIC ANALYSIS OF THE NEGOTIATED OUTCOME OF THE EU-MERCOSUR PARTNERSHIP AGREEMENT (EMPA)

An analysis prepared by the European Commission's Directorate-General for Trade

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Executive Summary

The EU-Mercosur Partnership Agreement represents a landmark deal, concluded after more than two decades of negotiations. In today's complex geopolitical landscape, it is essential for the EU's competitiveness, economic security and resilience to secure new partnership agreements with reliable partners. Mercosur is the only major trading partner in Latin America with which the EU does not have a preferential trade agreement. Moreover, Mercosur has few free trade agreements (FTAs) with other partners and no FTAs with any other major industrialised economy, which means that this Agreement gives a first mover advantage to the EU. The latter is significant since Mercosur still has a high level of customs duties.

The agreement will secure and diversify EU supply chains and create new opportunities for business by removing often prohibitive tariffs on EU exports to Mercosur. It eliminates duties on 91% of Mercosur imports from the EU. It opens previously protected service sectors and public procurement markets, protects EU Geographical Indications and upholds high standards for food safety, consumer protection, and regulatory practices. The agreement further includes commitments to sustainable development, labour rights, environmental protection, and the fight against climate change.

This report aims to present the expected gains of the agreement based on a model simulation of its actual content. Such an endeavour is however bound to remain incomplete, as the available methodological framework and data allow to adequately quantify the impacts of costs reductions from tariff and to a certain extent also from non-tariff barriers but not the other expected effects of all areas covered by the agreement. Still, when taken in its quantitative and qualitative dimensions, the results presented here points to substantial benefits for the EU and Mercosur.

The reduction of trade costs stemming from the agreement is expected to boost bilateral trade. EU exports to Mercosur are projected to rise by 39% (€48.7 billion), with most gains expected in motor vehicles, machinery and equipment and chemicals. Exports of goods and services from Mercosur to the EU are expected to increase by 16.9% (€8.9 billion) and to foster sectoral diversification by reallocating resources away from primary goods. This shift will encourage exports of higher value-added goods, such as processed food, as well as services. Overall, the agreement is expected to increase EU GDP by EUR 77.6 billion (0.05%) and Mercosur GDP by EUR 9.4 billion (0.25%) by 2040.

These results do not consider qualitative factors such as enhanced protection of intellectual property, the impact on investment of greater legal certainty and economic security through diversification of supply chains. For this reason, the current quantification of the impact of the agreement on both the EU and Mercosur is conservative and can be considered as the lower bound.

Furthermore, the environmental impact of the agreement is expected to be negligible: global CO_2 emissions are projected to increase by 0.0006% and modelling of the impact on deforestation suggests a negligible impact even if productivity gains are ignored. Assuming conservative productivity gains of 1% in total over a period of 15 years the modelling suggests a reduction in deforestation. This is without even taking into account the impact of the EU Deforestation Regulation, which will, in any event, prevent the placing on the market of commodities covered by the Regulation from deforested areas.

The agreement is expected to reverse the deterioration of EU market shares in Mercosur imports. In 2000, the EU accounted for almost 30% of Mercosur imports, while China accounted for less than 5%. The EU lost its first place to China in 2017 and appears now well behind China, which now accounts for 27% of Mercosur imports against 19% for the EU. In the absence of the agreement, this trend is expected to continue. The EU-Mercosur agreement would reverse this negative dynamic, making it possible for the EU to regain market shares and potentially even restore its former position as the top supplier of Mercosur.

Overall, the EU-Mercosur agreement offers tangible economic benefits, fosters sectoral diversification, and upholds high environmental standards. It strengthens the EU's strategic position in Latin America, providing a first-mover advantage over other global competitors. By embedding high environmental and social standards, it also sets a benchmark for future trade agreements and supports economic resilience amid global uncertainty.

Contents

1. Introduction and rationale for the EMPA

Mercosur, officially the Southern Common Market, is a South American trade bloc established by the Treaty of Asunción in 1991 and the Protocol of Ouro Preto in 1994. Its founding members are Argentina, Brazil, Paraguay and Uruguay. Venezuela is a full member but has been suspended since 1 December 2016. Bolivia, while now a member, is still in a process of regulatory alignment. Once it has completed this process Bolivia could negotiate its accession to the EMPA. For purposes of this report "Mercosur" will refer to the four founding members.

With a population of over 270 million, Mercosur's annual output stands at more than €2.9 trillion. More than 600,000 jobs in the EU relate to exports to Brazil and Argentina[1] and over 60,000 EU companies already export to the trade bloc. The EU is Mercosur's number one investment partner and its second largest trade in goods partner after China. The EU accounted for close to 17% of Mercosur's total merchandise trade in 2024, while Mercosur is the EU's 10th trade in goods partner.

The EU has a well-developed economic and trade relationship with the Mercosur countries (see Section 2 for details), but EU exporters and investors still face considerable tariff and non-tariff barriers. The economic potential of the region was one of the factors behind the decision to launch negotiations in 2000 for a comprehensive agreement, including a trade pillar. The EU-Mercosur negotiations have gone through different phases over the years. In May 2016, the process gained decisive momentum as the EU and Mercosur exchanged new market access offers and intensified the pace of negotiations.

On 28 June 2019, the European Union and Mercosur reached a political conclusion on the trade agreement, while agreement on the political dialogue and cooperation part was reached a year later. However, changing circumstances led to a wish by both sides to add certain elements to the agreement, without modifying the overall balance of trade concessions. Negotiation of these additional elements took place from 2022, resulting in a second and definitive political conclusion on 6 December 2024.

The economic objective of the EU-Mercosur agreement is to increase bilateral trade and investment by lowering tariff and non-tariff trade barriers, which will benefit all companies and small and medium sized enterprises in particular. There will be considerable customs duty savings for EU exporters, as Mercosur will eliminate duties on 91% of its imports from the EU. The agreement will also open up service sectors (e.g. maritime services) that hitherto have been closed to foreign competition and will allow EU firms to bid for public procurement contracts in a wide range of areas.

The agreement gives the EU more opportunities to export agricultural products in sectors such as dairy, beverages, including wines, processed food stuff and olive oil, to Mercosur and protects 344 EU Geographical Indications of EU traditional food and beverage products from imitation. It further takes into account EU agricultural sensitivities, notably in beef, poultry and sugar, which have limited EU market access under tariff rate quotas.

The agreement will create a more stable and predictable framework for trade and investment through better and stronger rules, e.g. in the area of intellectual property rights (including geographical

[1] Eurostat, Domestic employment in exports - EU perspective (FIGARO application).

indications), competition and good regulatory practices. Another important dimension of the agreement is that it will promote a shared value-based agenda, covering topics such as sustainable development, including deforestation, worker's rights, the fight against climate change, environmental protection and encouragement to companies to act responsibly. The agreement further includes provisions to protect consumers and upholds the highest standards of food safety. It safeguards the right of Parties to regulate in this and other areas and reaffirms the precautionary principle as a basis for legislation.

The agreement creates opportunities for growth, jobs and sustainable development on both sides as part of a unique bi-regional strategic political and economic partnership. The EU would be the first major trading partner to conclude a trade agreement with Mercosur, giving EU companies a privileged position in a large market with significant potential. Once in force, the Agreement will bolster the position of EU exporters and investors vis-à-vis other important Mercosur trading partners, such as the USA and China. In a context of growing geopolitical uncertainty and increased protectionism, the agreement will establish a stable framework for trade between the two blocks, facilitating bilateral trade in goods and services as well as investment in export-oriented sectors, and contribute to their economic resilience.

This report assesses the economic impact of the actual outcome of the negotiations. It is not based on assumptions regarding the expected outcome of the agreement, as is a standard feature of ex ante impact assessments or Sustainability Impact Assessments (SIAs). The SIA in Support of the Negotiations between the European Union and Mercosur[2] assessed the impact of two scenarios, one conservative and one ambitious, with respect to the outcome of the negotiations in terms of the level of reduction of barriers to trade through tariff and non-tariff measures both parties.[3]

This report focuses on the finally agreed tariff and non-tariff provisions. It also takes into account the fact that the UK is no longer a member of the EU. This explains the difference in the estimated impact of the agreement in this report compared to that set out in the SIA.

The next section presents the main features of the economic and trade relation between the EU and Mercosur economies. Section 22 describes the different elements of the agreement in detail. Section 33 sets out the modelling strategy, parameters and presents the results.

[2] https://policy.trade.ec.europa.eu/news/commission-publishes-final-sia-and-position-paper-eu-mercosur-trade-agreement-2021-03-29_en

[3] LSE Consulting (2020) 'Sustainability Impact Assessment in Support of the Association Agreement Negotiations between the European Union and Mercosur', Draft Final Report, July 2020, available at: https://trade.ec.europa.eu/doclib/docs/2020/july/tradoc_158892.pdf.

1. Overview of EU-Mercosur economic and trade relations

1.1. Overview of the two economies

GDP for the four Mercosur economies (Argentina, Brazil, Paraguay and Uruguay) amounted to about €2.7 trillion in 2024, with Brazil accounting for 75% of this (see Table 1). Brazil is also, by far, the largest country in terms of population. Uruguay has the highest GDP per capita (€21,000) making it the only high-income economy within the trading bloc according to the World Bank's definition. The other Mercosur countries are classified as upper-middle income economies: Argentina and Brazil have similar per capita income levels at around €10,000, with Paraguay having a lower figure of €5,400.

Inflation rates hover around some 4-5% for three of the four countries, while Argentina's inflation rate reached close to 140% in 2024, which was the fourth highest in the world. This was driven by high government debt and a weakened currency; however inflation rates are now decreasing. Unemployment levels are similar across the countries, reaching 6-8%.

Looking at the EU (last column of Table 1), it can be seen that Mercosur has about 60% of the population of EU, while the EU's economy is about six times larger, giving rise to a per capita income which is about four times higher than that of the Mercosur countries. Inflation in the EU is lower than in Mercosur, while the unemployment rate at 6% is similar.

Table 1: Main economic indicators, Mercosur economies, 2024

	Argentina	Brazil	Paraguay	Uruguay	Mercosur	EU27
GDP, current prices (€ billions)	558.4	2,021.8	41.5	76.2	2,697.9	17,193.8
Population (million)	47.2	212.5	7.7	3.6	270.9	449.2
GDP per capita (€1,000)	11.8	9.5	5.4	21.3	10.0^	38,276
Inflation (%)	229.8	4.3	3.8	4.9	n.a.	2.4
Unemployment rate (%)	8.2	7.2	6.3	8.4	n.a.	6.1

Source: International Monetary Fund, World Economic Outlook Database, October 2024 (estimates). *Note:* GDP Data converted to Euro from USD using the 2024 average exchange rate €1 2024 = $1.0824 using https://www.ecb.europa.eu/stats/policy_and_exchange_rates/euro_reference_exchange_rates/html/eurofxref-graph-usd.en.html. ^ Obtained by dividing total Mercosur GDP by total Mercosur population.

1.2. Trade in goods

Overall, Mercosur trades over €650 billion worth of goods with the world (see Table 2). The EU is Mercosur's second largest trading partner in goods and accounted for 19% (€57 billion) of total Mercosur imports and 15% (€53 billion) of total exports in 2024, China is the trading bloc's largest partner, accounting for more than a quarter (€170 billion) of its total trade.

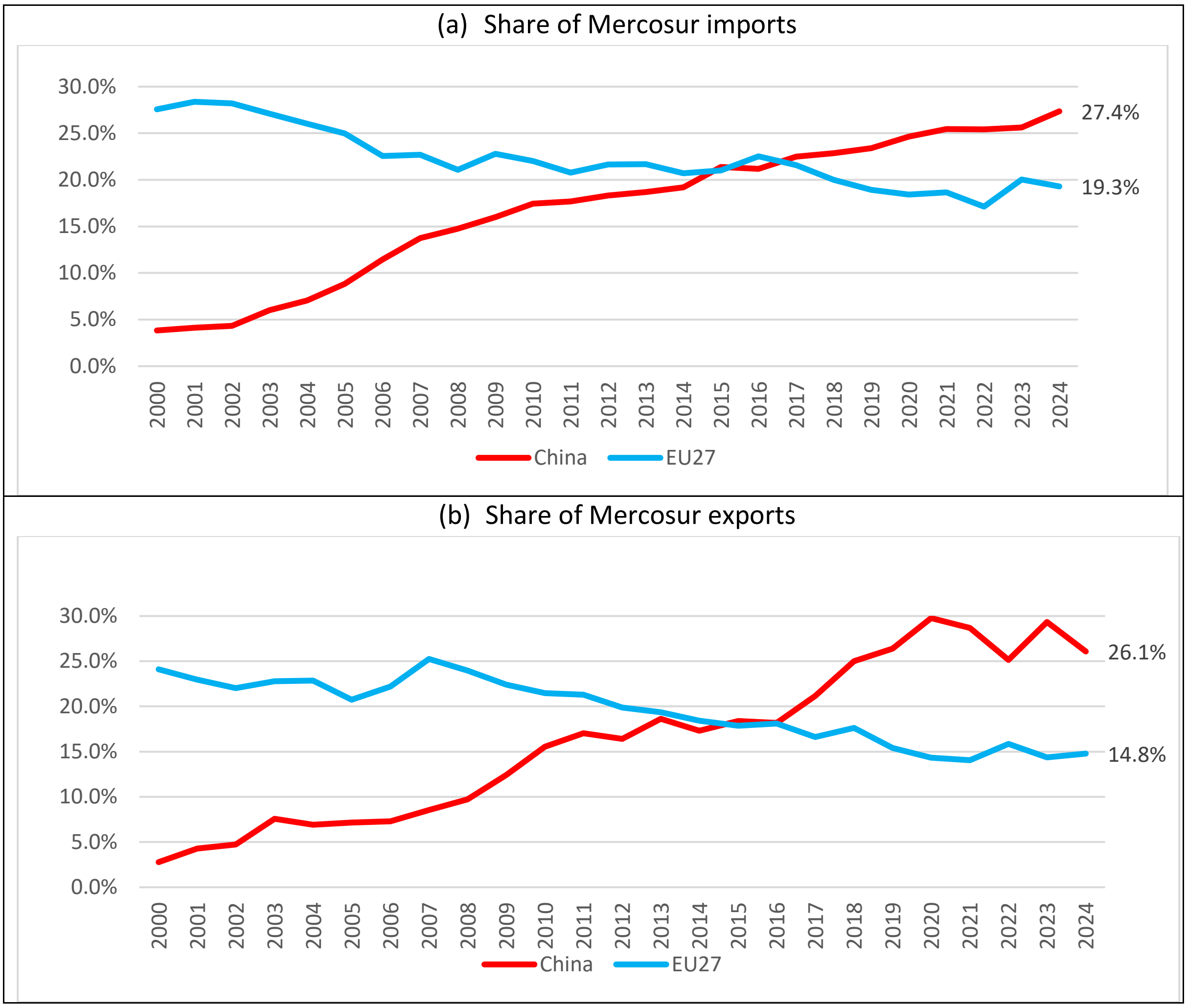
Table 2: Mercosur merchandise trade by main trade partner, 2024 (€ million and %)

Mercosur imports	€ million	Share (%)	Mercosur exports	€ million	Share (%)
World	295,655	100.0	**World**	360,661	100.0
China	80,873	27.4	**China**	94,049	26.1
EU27	57,067	19.3	***EU27***	53,271	14.8
United States	47,983	16.2	**United States**	44,980	12.5
Russia	11,029	3.7	**Chile**	12,964	3.6
India	8,514	2.9	**India**	8,640	2.4
Mexico	7,310	2.5	**Mexico**	8,124	2.3
Japan	6,807	2.3	**Singapore**	7,448	2.1
South Korea	5,881	2.0	**Canada**	6,955	1.9
Chile	5,807	2.0	**Vietnam**	6,875	1.9
Vietnam	4,463	1.5	**South Korea**	6,259	1.7

Source: IMF DOTS. Excludes region member states.

Looking at the evolution over time of Mercosur trade in Figure 1, it is noteworthy that, at the beginning of the negotiations, in 2000, the EU was the main partner of Mercosur in terms both of imports and exports. The EU accounted for almost 30% of the Mercosur market on the imports side and about 25% on the export side. China was a much smaller partner of Mercosur, with less than 5% of Mercosur imports and exports. Since then, China has constantly gained market shares vis-à-vis the EU, surpassing the EU in 2016-17. In a quarter of a century, the EU moved from a dominant position on the market of Mercosur to a clear second behind China. The EU market share in Mercosur imports was about six times bigger than China's in 2000 but China's market share is now 40% bigger than that of the EU in relative terms.

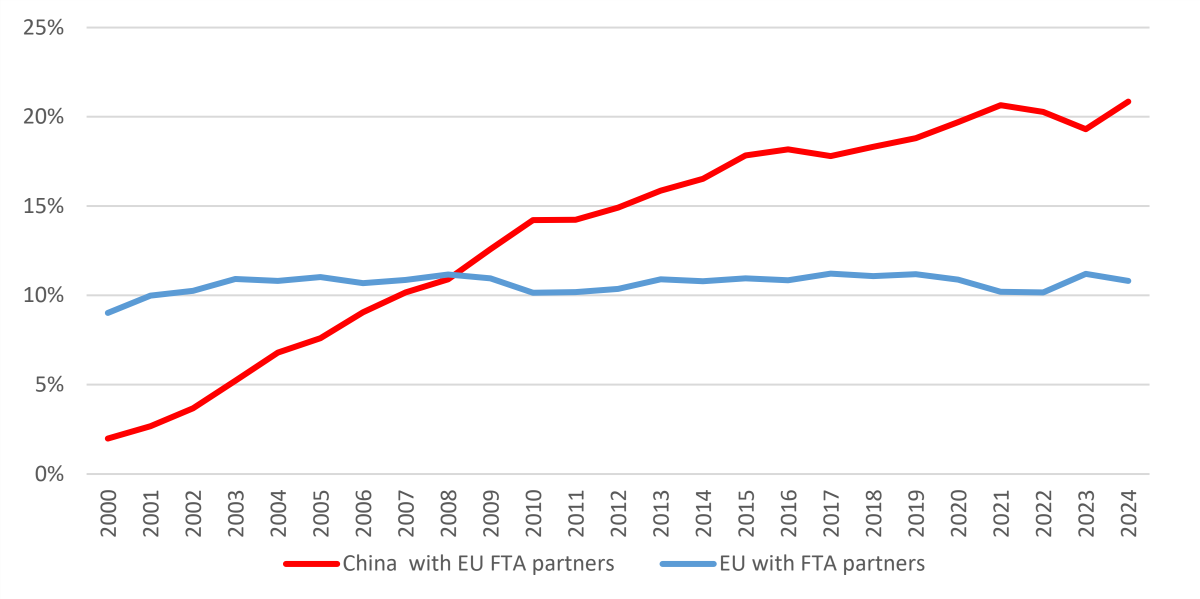
Figure 1: Mercosur merchandise share of trade with the EU and China, 2000-2024 (%)



Source: IMF DOTS. Excludes region member states.

Such a decrease of the EU's market share did not occur for imports from the EU of countries of Latin America where the EU has concluded FTAs (Chile, Mexico, Peru, Colombia, Ecuador and Central American countries). The 10-fold increase of the share of China in their imports over the same period (from 2% of their imports in 2000 to more than 20% in 2024) happened mainly at the expense of partners other than the EU, particularly the US, whose market share fell from 62% in 2000 to 34% in 2024. Indeed, the EU's market share remained stable in this changing environment, ranging between 9% in 2000 and 11% in 2024, see Figure 2.

Figure 2: EU and China market shares in Latin American EU FTA countries, 2000-2024 (%)



Source: IMF DOTS. Excludes region member states.

Table 3 shows that Mercosur is the EU's 9th largest export market and 10th largest source of imported goods, accounting for close to €110 billion or more than 2% of total EU trade in goods. China, USA and the UK are the EU's top trading partners, both for imports and for exports, albeit in different order depending on the direction of the flow.

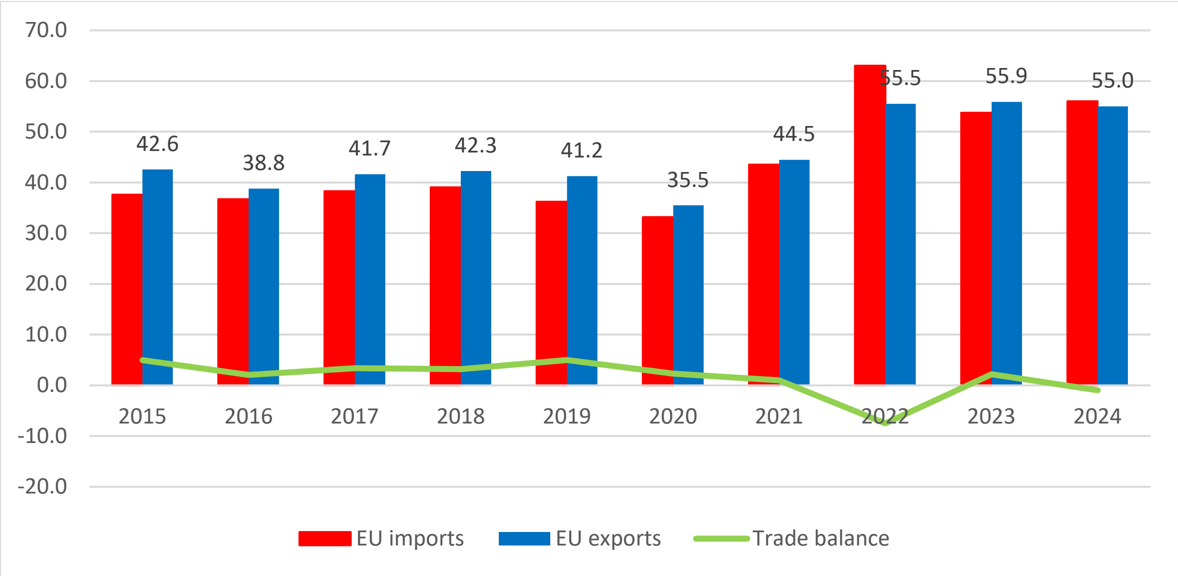
Table 3: EU27 merchandise trade by main trade partner, 2024 (€ million and %)

EU imports	€ million	Share (%)	EU exports	€ million	Share (%)
Extra EU27	2,433,974	100.0	**Extra EU27**	2,584,105	100.0
China	517,844	21.3	**United States**	531,592	20.6
United States	333,384	13.7	**United Kingdom**	340,216	13.2
United Kingdom	164,547	6.8	**China**	213,308	8.3
Switzerland	135,469	5.6	**Switzerland**	194,381	7.5
Türkiye	98,408	4.0	**Türkiye**	112,376	4.3
Norway	97,799	4.0	**Japan**	66,834	2.6
India	71,316	2.9	**Norway**	62,722	2.4
Rep. of Korea	67,945	2.8	**Rep. of Korea**	55,727	2.2
Japan	63,418	2.6	***Mercosur***	*55,037*	*2.1*
Mercosur	*56,024*	*2.3*	**Mexico**	53,113	2.1

Source: Eurostat (Comext, statistical regime 4).

Figure 3 shows the evolution of trade in goods between the EU and Mercosur over the last decade. The EU has had a small trade surplus with Mercosur since 2015, which became a deficit in 2022, and which was close to zero in 2024. EU goods exports to Mercosur countries grew by about 30% or €12 from 2015 to 2024 while imports increased by 50% (€18 billion) over the same period. Total trade went from €80 billion in 2015 to more than €110 billion in 2024. Trade has remained relatively constant between the two blocs from 2015 until 2020, when there was a Covid related dip. Since then, trade has increased by more than 60%, which can partly be explained by inflationary effects.

Figure 3: EU27 merchandise trade with Mercosur 2015-2024 (€ billion)



Source: Eurostat (Comext, statistical regime 4).

Table 4 provides a breakdown of EU-Mercosur trade in goods by sector. Minerals and hydrocarbons represent close to a third of total EU imports from Mercosur at some €17 billion. In order of importance, this product category is followed by vegetable products and food, beverages and tobacco at about €10 billion or 18-19% each. Live animals and animal products and pulp of wood and paper each account for an additional €3-4 billion or 4-7%. These five headings represented almost 80% of EU imports from Mercosur in 2024.

Table 4 shows that machinery and appliances is the most important product group exported by the EU to Mercosur, accounting for €15 billion or 28% of total EU exports to Mercosur. It is followed by chemicals at close to €14 billion or 25%. Transport equipment accounts for approximately €6.5 billion or 12%, while in 4th and 5th places are base metals and plastics and rubber, each with exports of about €3 billion or about 5-6%. These five product categories represented 77% of EU exports to Mercosur in 2024.

Table 4 also shows that the simple average tariffs applied by EU27 and Mercosur vary widely between the two blocs and across sectors. EU import tariffs in ad-valorem equivalents (AVEs) range between 0-16%. Two of the top five product categories in terms of imports (Live animals and animal products and Foods, beverages and tobacco) face the highest import tariffs at 16.5% and 13.3%, respectively.

Tariffs faced by EU exporters to Mercosur are highest for textiles (25.9%) and footwear and hats (23.8%). Overall, tariffs on EU exports to Mercosur are almost 2.5 times higher than those on EU imports from Mercosur.

Table 4: EU27 Mercosur merchandise trade and tariff structure by HS section, 2023/2024 (% and € million)

HS section	EU imports			EU exports		
	€ Million	%	Tariff rate (%)	€ million	%	Tariff rate (%)
Live animals; animal prods.	2,820	5.0	16.5	230	0.4	10.1
Vegetable products	10,591	18.9	7.4	799	1.5	7.9
Animal, vegetable fats & oils	4049	0.7	9.4	639	1.2	10.5
Foods, beverages, tobacco	10,245	18.3	13.3	1,593	2.9	15.7
Minerals	17,107	30.5	0.6	2,328	4.2	2.4
Chemicals	2,582	4.6	3.9	13,733	25.0	6.6
Plastics, rubber	392	0.7	4.5	2,921	5.3	11.7
Raw hides, skins & saddlery	348	0.6	3.4	118	0.2	16.8
Wood, charcoal and cork	869	1.6	2.1	67	0.1	9.7
Pulp of wood, paper	3,798	6.8	0.0	568	1.0	11.6
Textiles	183	0.3	8.8	492	0.9	25.9
Footwear & hats	184	0.3	7.6	79	0.1	23.9
Stone, glass and ceramics	125	0.2	4.0	508	0.9	11.0
Pearls, precious metals	383	0.7	0.8	501	0.9	12.9
Base metals	2,088	3.7	1.8	3,321	6.0	12.9
Machinery and appliances	1,792	3.2	1.8	15,493	28.2	10.1
Transport equipment	1,407	2.5	2.4	6,675	12.1	13.7
Optical and photo	346	0.6	2.5	2,907	5.3	10.5
Arms and ammunition	54	0.1	1.8	28	0.1	19.6
Miscellaneous	86	0.2	2.1	402	0.7	17.2
Works of art and antiques	25	0.0	0.0	14	0.0	3.9
Other	197	0.4	-	1,622	2.9	-
Total	**56,024**	**100.0**	**4.7**	**55,037**	**100.0**	**11.7**

Source: Trade values are from Eurostat (Comext, Statistical regime 4, 2024 values). *Note:* Import and export tariffs are simple averages by HS section based on MacMap data for 2023. Green cells denote top-5 sectors for imports and exports, respectively.

1.3. Trade in services

Mercosur holds a trade in services deficit of €40.6 billion with the rest of the world (Table 5). Total Mercosur trade in services amounted to €170 billion in 2023[4] and account for about 20% of total trade. Imports of trade in services are concentrated in a number of sectors: transport (€25.8 billion), other business services (€24.3 billion), travel (€22.4 billion) and telecommunication and ICT services (€13.2 billion) make up 81% of total Mercosur imports in services. These sectors also account for the majority of Mercosur exports of services to the rest of the world and totalled €56.8 billion (88%) in 2023.

4 Trade in services data for 2024 is not yet available.

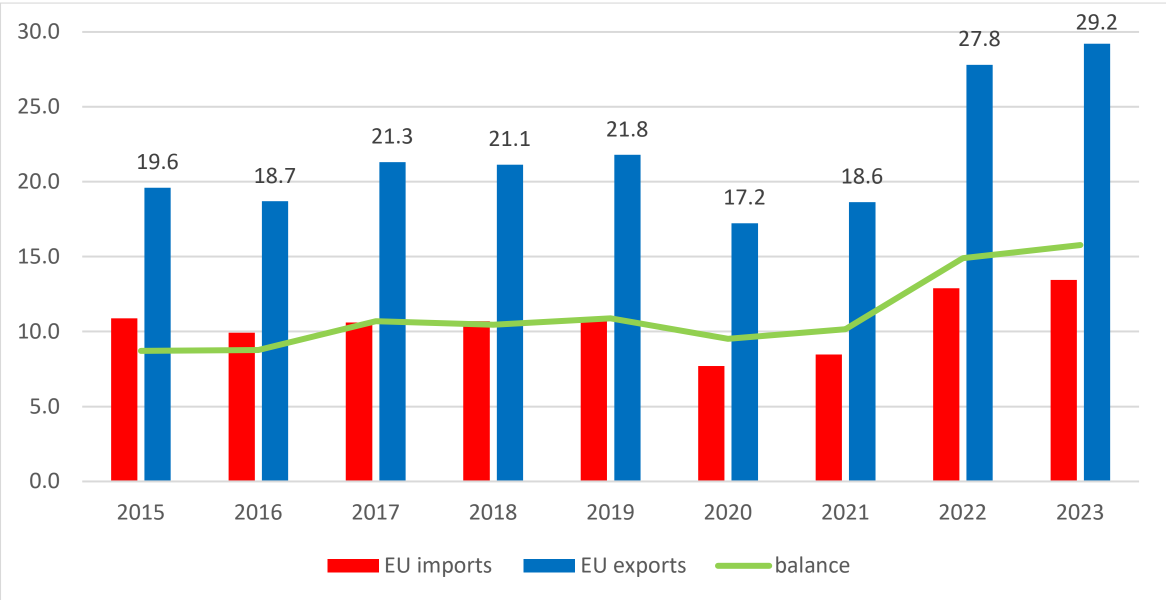
Table 5: Mercosur global trade in services by sector, 2023 (€ million, %)

Services sector	Imports		Exports	
	(€ million)	(%)	(€ million)	(%)
Manufacturing services	407	0.4	947	0.6
Maintenance and repair	686	0.7	1,162	1.8
Transport	25,791	24.5	9,172	16.4
Travel	22,447	21.3	14,356	21.2
Construction	26	0.0	29	0.1
Insurance and pension	3,511	3.3	1,130	2.1
Financial	1,090	1.0	1,492	2.2
Intellectual property	7,814	7.4	1,151	2.0
Telecommunications, computer, and IT	13,205	12.5	8,923	12.5
Other business services	24,300	23.1	24,276	37.5
Personal, cultural, and recreational	3,712	3.5	1,181	1.9
Government goods and services	2,382	2.3	1,273	1.7
Total Services	**105,373**	**100.0**	**65,090**	**100.0**

Source: WTO-UNCTAD-ITC. Includes intra-Mercosur trade in services.

The EU accounts for a quarter of total Mercosur trade in services, with EU imports of services totalling €13 billion and EU exports to the region amounting to €29 billion in 2023. The EU has held a trade surplus in services with Mercosur over the period which amounted to close to €16 billion in 2023, see Figure 4.

Figure 4: EU-Mercosur trade in services, 2015-2023 (€ billion)

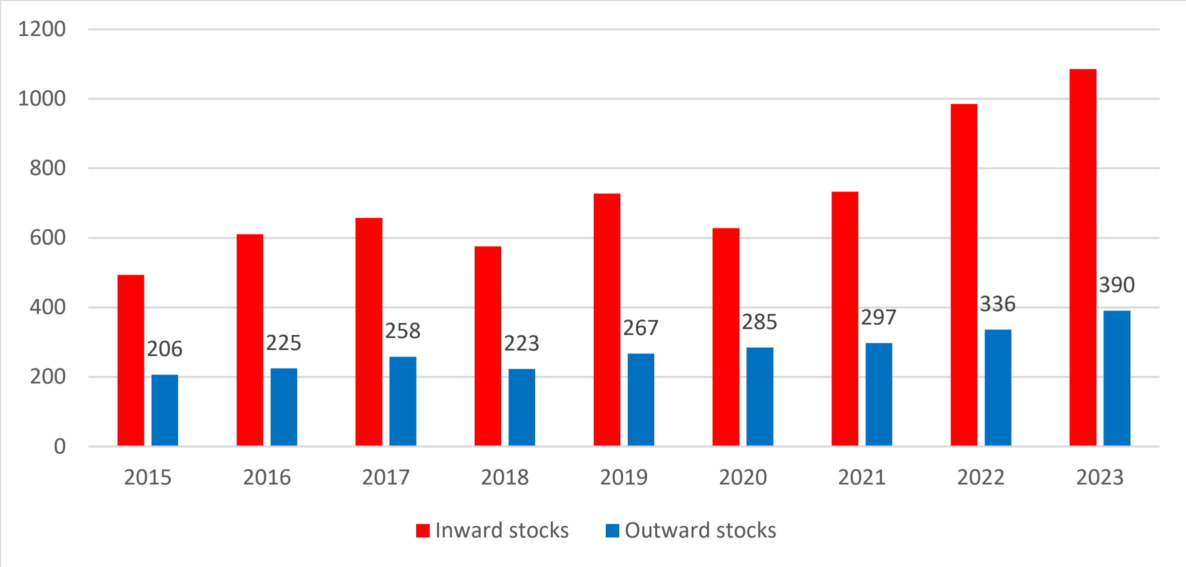


Source: Source: ESTAT (bop tables).

1.4. Foreign direct investment (FDI)

Figure 5 shows that Foreign Direct Investment (FDI) stocks in Mercosur have grown steadily over the last years. FDI inward stocks to the region have more than doubled since 2015 to reach more than €1 trillion in 2023, demonstrating the importance of foreign firms to Mercosur economies. Outward FDI stocks amounted to €390 billion in 2023 compared to €206 billion in 2015, a 90% increase.

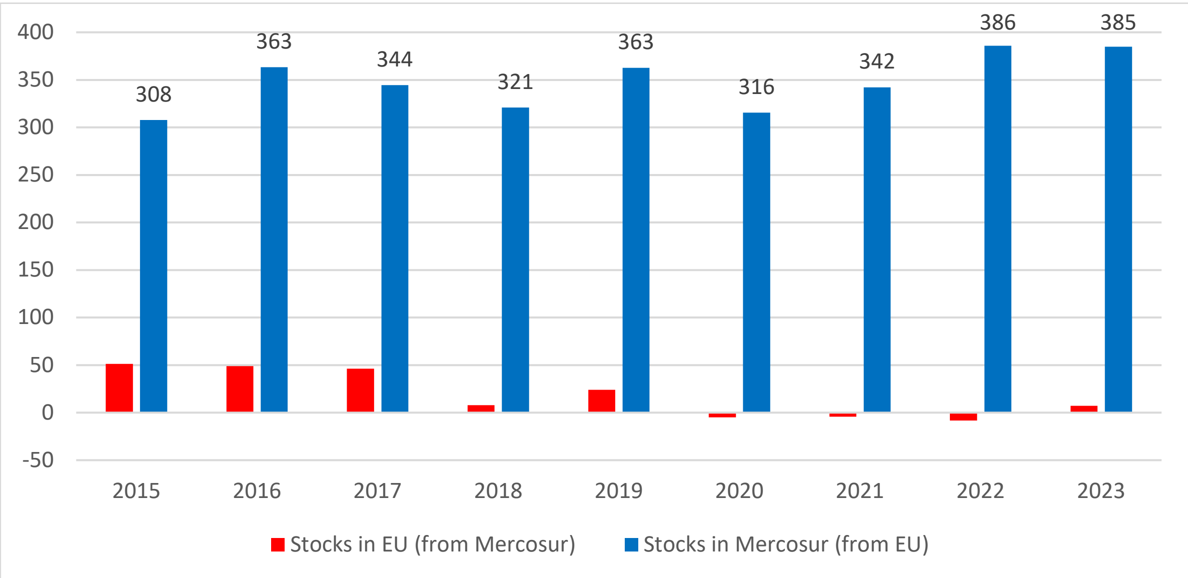
Figure 5: Global FDI stocks in Mercosur economies, 2015-2023 (€ billion)



Source: UNCTAD. Prepared by DG Trade's Statistics sector.

The EU is the top investor in the region and outward investment to Mercosur has risen from €308 billion in 2015 to €385 billion in 2023, a 25% increase, see Figure 6. In contrast, EU inward FDI from Mercosur fell from about €50 billion in 2015 to €7 billion in 2023.

Figure 6: EU-Mercosur FDI stocks, 2015-2023 (€ billion)



Source: Eurostat bop_fdi6_geo. *Notes:* Negative stocks may occur due to valuation issues or to reverse investment flows, i.e. investments of the controlled firm in the direct investor, or in other enterprises of the same group.

2. Content of the EU-Mercosur agreement

The EU-Mercosur agreement is a modern and comprehensive deal, which covers the full spectrum of trade relations between the two blocs. The agreement will open up new opportunities for investment in both services and manufacturing sectors and will make it easier for firms to bid for and win government procurement contracts. The agreement will eliminate the majority of tariffs, provide a set of modern rules of origin and remove and reduce discriminatory obstacles and non-tariff trade barriers.

It contains a set of disciplines covering all relevant areas, ranging from sanitary and phytosanitary measures, to trade facilitation, technical barriers to trade, intellectual property rights, competition, subsidies, state-owned enterprises, transparency and SMEs. The trade and sustainable development chapter lives up to the highest standards, comparable with chapters in other modern agreements such as those the EU has in place with Mexico and Japan, with the aim of ensuring that trade under the agreement serves to promote sustainable development. This objective has been further strengthened in the latest negotiations, in which it was agreed that the UNFCCC Paris Agreement should be considered an “essential element” of the EU – Mercosur agreement. This means that should a Party leave the Paris Agreement or fail to implement it in good faith the other Party has the right to partially or fully suspend the trade agreement.

The agreement provides for each Party to establish a civil society consultative body which will be able to comment on the implementation of any part of the agreement. It also establishes an EU – Mercosur Joint Parliamentary Committee that will allow legislators from both blocks to meet and review progress under the agreement.

2.1. Trade in goods

2.1.1. Tariffs

Mercosur will fully liberalise 91% of its tariff lines and 91% of its imports from the EU over a period of up to 15 years. For most products, the phasing in period lasts up to ten years, but 9.1% of the tariff lines and 18.5% of imports will have a liberalisation period of over 10 years. The EU will liberalise 95% of its tariff lines and 92% of its imports from Mercosur over a period of up to ten years. One might note that two-thirds of EU imports from Mercosur are in lines already subject to MFN zero tariffs.

For fully liberalised products, all EU tariff cuts are linear. Tariff cuts by Mercosur in products to be fully liberalised are also linear, except for:

- Passenger vehicles, which will be fully liberalised by Mercosur over 15 years, with a seven-year grace period that will be accompanied by a transitional quota of 50 000 units. For electric vehicles the period will be 18 years, with an initial tariff of 25%.
  This transitional quota will have an in-quota rate of half the MFN duty (for example 17.5% for Argentina and Brazil, which have a MFN duty of 35%).
  After the grace period, duties will come down at an accelerated pace to reach zero at the end of the dismantling period.
- Chocolates: no cuts in out-of-quota duties until year 10 and 15 (transitional tariff rate quotas (TRQs) apply). Full liberalisation occurs in year 10 or 15, depending on the product.
- Sparkling wine: liberalised only and fully in year 12.

For products that are not fully liberalised by the EU, the EU provides access in the form of Tariff Rate Quotas (TRQs) or partial tariff cuts. However, exclusions apply for wheat and sheep meat. For products not fully liberalised by Mercosur, the bloc provides additional market access for some agricultural products in the form of TRQs or partial cuts of 30% or 50% of the MFN rates.

2.1.2. Provisions on non-tariff measures in the Trade in Goods chapter

The Chapter on Trade in Goods addresses a number of areas that are important for liberalising EU – Mercosur trade in both directions and includes several novel features concerning non-tariff measures.

For example, Article 5 limits fees and formalities, excluding exceptional cases. This would translate into a reduction of costs of doing business, in particular with Uruguay where the existing fee of 6% applicable to all imports would be abolished, and with Brazil, where many Customs fees/taxes will disappear. Article 10(3) prohibits export and import monopolies, Article 11(2) prohibits price requirements as regards imports or exports, Article 7(3) restricts the use of non-automatic import licenses and Article 9 eliminates or limits bilateral export duties in key raw materials used for EU meat and footwear production.

2.2. Rules of Origin

The Chapter on Rules of Origin and Origin Procedures reflects modern rules of origin and origin procedures, in line with recent EU practice.

2.2.1. General provisions

Rules of Origin. This section defines the requirements for originating products, including i.a. wholly obtained products, the absorption rule and the principle of territoriality. Definition of wholly obtained for fish caught beyond the territorial sea is based on three vessels criteria: 'flag' and 'registration' and 'ownership or crew requirement'. The provision on cumulation allows for bilateral cumulation between the Parties. The EU traditional approach to insufficient operations to confer the origin applies. Accounting segregation may be applied for fungible materials. The so called 'non-alteration' rule stipulates the activities which may be undertaken with respect to originating products in a third country such as operations to preserve the products, storage, splitting of consignments, exhibitions, etc. The content and structure of the chapter reflects the most recent EU FTAs.

Origin Procedures. Claims for preferential tariff treatment are based on a statement of origin by the exporter (with a transitional period of 3+2 years for Mercosur). In the EU, the exporter is required to be registered in the Registered Exporter System. Regarding verification, customs authorities of the importing party may request administrative cooperation to obtain information by the exporting Party. In the case of suspected irregularities and fraud, the customs authorities of the Parties shall provide each other mutual administrative assistance.

2.2.2. Product-specific rules of origin

Overall, the product-specific rules of origin (PSR) mirror the rules of origin used in recent EU FTAs, in particular in key sectors of EU exports (cars, machinery, chemicals) as well as in older EU FTAs in a few cases, as described below. Some specificities in the rules reflect mainly Mercosur's key agricultural exports areas and careful balancing of EU's and Mercosur's offensive and defensive interests. Details:

- Cars: max 45% of non-originating materials (NOMs) in the ex-works price of the product; core car parts (including engines) max 50% of NOMs.

- Machinery: change of tariff heading (CTH) or max 50% NOMs for most items and max 45-50% NOMs for the rest. More flexible CTH or max 55% NOMs apply to a limited number of cases.
- Chemicals: mostly based on EU standard rules, i.e., change of tariff sub-heading (CTSH), max 50% NOMs or main chemical processes.
- Textiles and clothing: the rules are based on the EU double transformation principle, with few exceptions. This means that at least two substantial stages of production need to be carried out to confer origin.
- Shoes: the rules are differentiated on the basis of prices as in EU-FTAs with Central America/Peru, Ecuador and Colombia).
- Iron and steel, products of iron and steel, non-ferrous metals and remaining industrial products: the rules are based on rules from previous EU FTAs, with some exceptions. The same basically also holds true for agricultural products.

2.3. Customs and trade facilitation

As far as customs and trade facilitation, the agreement improves on the WTO Trade Facilitation Agreement. It provides enhanced rules of good governance for custom procedures and high levels of transparency. Business will be properly consulted prior to the adoption of new rules. Parties will have the possibility to develop joint initiatives including technical assistance, capacity building and measures to provide effective services to the business community. The rules will be reviewed regularly to meet the needs of business and to reduce red tape.

2.4. Trade remedies

The trade remedies chapter consists of two parts, one covering the WTO trade defence instruments and the other the bilateral safeguard clause.

The purpose of trade defence instruments is to address unfair trade practices such as dumping and subsidisation, or to deal with a sudden surge of overall imports.

The provisions under this agreement confirm the continued availability to the parties of the anti-dumping, the anti-subsidy and the safeguard instruments as well as the rights and obligations of the parties under the WTO rules. The chapter also contains certain provisions that go beyond WTO minimum standards. In particular, it provides for increased transparency of the proceedings and additional consultations in the framework of global safeguard investigations.

It allows for the possibility to impose duties at a lower level than the dumping or subsidy margin, if a lower duty is sufficient to remove the injury. In addition, the interests of users and consumers of the imported product are taken into consideration. These latter provisions ensure a proportionate use of the instruments and avoid any undue negative economic effect for the downstream industry.

The bilateral safeguard clause is designed to serve as a safety net. The clause may be used in cases of an increase of preferential imports that causes difficulties to an industry or sector. It provides for a temporary remedy of two years, which can be extended by a further two years, and is available up to 18 years from the entry into force of the agreement. Unlike other agreements concluded by the EU, the safeguard clause is available also in relation to products subject to TRQs and hence only partially liberalised. Finally, the clause also contains provisions that cater for the needs of the EU outermost regions, in order to avoid market disruptions in these regions due to imports from Mercosur.

2.5. Sanitary and phytosanitary (SPS) measures

The agreement fully upholds EU SPS disciplines and standards applied by the EU to protect the health and life of its consumers and the interests of its producers concerning agriculture and fishery products, while facilitating trade. It reaffirms the WTO obligations of the parties and includes commitments that go beyond WTO rules, in line with other recent EU trade agreements. These include commitments to work towards a regional (Mercosur) approach for approving imports of relevant products from the EU, as opposed to a country-by-country approach and greater predictability due to better defined deadlines for approvals.

The SPS chapter will reinforce transparency and exchanges of information on import conditions and controls, inspection and approval procedures, including details about mandatory administrative steps and expected timelines, which should be made available publicly (free of charge, on the respective websites of the Parties).

Notification and emergency measures will allow the Parties to notify any serious or non-serious risk to human, animal or plant life or health, including any food or feed control emergencies. In addition, the Parties agreed to reinforce the opportunity to take immediate action (which should be promptly notified to the other Party) to manage serious risks in the event of food or feed control emergencies and food or fraud crises. It also strengthens the possibilities to hold consultations and considering options for the facilitation of the implementation or the replacement of the emergency measures.

Where justified and agreed by the parties, on a risk basis and without lowering the EU's levels of protection, the chapter further allows the Parties to simplify controls and verifications and to reduce the frequency of the import checks made by an importing Party on products of an exporting Party. Parties also agreed to expedite exports with faster, detailed and predictable procedures (import checks, assessment and approval), which should be completed by the Parties within specific deadlines or without undue delays including, as regards imports of products of animal origin, the listing of establishments of the exporting Party.

As far as costs are concerned, the agreement ensures that any fees imposed for the procedures on imported products are equitable (in relation to any fees charged on like domestic products or products originating in any other WTO Member) and shall not be higher than the actual cost of the service. In addition, the expenses incurred by the Party carrying out the verification shall be borne by this Party (e.g. the cost of audits performed by the importing Party in the exporting Party, shall be borne by the importing Party).

The chapter requires Mercosur countries to apply the same requirements to the entire territory of the EU, i.e. applying the 'EU as a single entity' concept.

At the same time, it allows for trade of animals, plants and their products to take place from pest or disease-free areas, low pests or disease prevalence areas or protected zones, as it mandates the implementation of the 'regionalisation' principle. In order to help solve problems related to the implementation of the SPS Chapter (without prejudice to the Dispute Settlement Chapter of the

Agreement), the Parties agreed to establish a mechanism (technical consultations) under which the Parties exchange all the information necessary to avoid trade disruptions or limiting trade.

The SPS chapter allows the Parties to establish and maintain their own appropriate levels of SPS protection, preserving the right of each Party to regulate while enhancing trust and deepening cooperation. That is, domestic policies and standards will not be changed and levels of protection will not be lowered, including in the areas covered by the Dialogues Chapter.

2.6. Dialogues

The Dialogues chapter covers bilateral and international cooperation in the areas of animal welfare, biotechnology, food safety and the fight against antimicrobial resistance (AMR). These are key issues covered in Sustainable Food Systems chapters in other recent EU trade agreements, such as that with Chile. These dialogues and exchanges of information between the EU and Mercosur aim at strengthening mutual confidence and improving common understanding.

The agreement will promote animal welfare. The Parties will be able to discuss specific topics on animal welfare relevant to trade. The agreement will result in increased exchange of information, expertise and experiences and will strengthen cooperation in research. The Parties will cooperate in international fora with the aim of promoting further development of international standards on animal welfare by the World Organization for Animal Health (OIE), and best animal welfare practices and their implementation. This is in line with EU policies of supporting the development and improved implementation of OIE animal welfare standards. This will allow the Parties to establish an appropriate level of protection, while fully preserving the right of each Party to regulate.

On issues related to the application of agricultural biotechnology, the Parties have agreed to exchange information on policies, legislation, guidelines, good practices and projects of agricultural biotechnology products, as well as specific topics on biotechnology that may affect trade, including cooperation on GMO testing.

The Parties recognise the importance of tackling anti-microbial resistance. They commit to work bilaterally and internationally to fight against antimicrobial resistance and in particular to promote the prudent and responsible use of antibiotics in animal production and veterinary practices.

For scientific matters related to food safety, animal and plant health, the Parties will foster cooperation between their respective official scientific bodies responsible for food safety (e.g. on maximum residue levels) and animal and plant health. This cooperation will aim to increase the scientific information available to the Parties to support their respective approaches on regulatory standards that may affect mutual trade. It will also address gathering scientific data and improve cooperation in building a common understanding regarding the World Organisation for Animal Health, International Plant Protection Convention and Codex Alimentarius standards.

2.7. Technical barriers to trade (TBT)

Technical standards and related issues such as labelling requirements are vital mechanisms for ensuring that products are safe and effective. The TBT Chapter recognises the need for such standards and the right to regulate while at the same time setting out a set of rules and cooperation mechanisms to ensure that they do not create unnecessary barriers to trade.

The TBT Chapter follows the state-of-the-art text proposed in recent EU FTAs. The most salient feature is a provision laying down the Parties' common understanding of international standards, facilitating regulatory convergence, leading to the reduction of adaptation costs across the board (in sectors such as machinery, electronics, telecommunication equipment, medical devices, etc.). It has a closed definition of international standard setting organisations, with specific mentions of the International Standards Organisation (ISO), the International Electrotechnical Commission (IEC), the International Telecommunication Union (ITU) and the FAO/WHO Codex Alimentarius, complemented by a definition aligned with the EU's understanding of international standards. This will encourage the alignment of technical regulations in Mercosur countries to the same international standards that EU technical regulations are based on. This should reduce adaptation costs for manufacturers in sectors such as machinery, electronic equipment, etc.

The reference to the Codex Alimentarius is important for labelling issues regarding agricultural products, which is a type of market barrier frequently encountered in the Mercosur countries. Differences between Brazilian regulations on wine and the recommendations of the International Organisation of Vine and Wine (OIV) - the relevant international standard setting body, is a long-standing market barrier for EU exports.

This is complemented by a special article (Article 9) on marking and labelling, notably reducing barriers related to the prior approval of labels in order to ensure that requests are decided without undue delay and on a non-discriminatory basis. The Parties agree to require relevant information on labelling, allowing supplementary labelling to be carried out in the country of importation, and accepting non-permanent labels to be affixed to products.

On conformity assessment, the Chapter establishes general principles such as fostering the use of international schemes for conformity assessment, basing the choice of conformity assessment procedures on risk assessment; promoting the use of first-party conformity assessment (the lightest form of certification) and increased transparency for such procedures. This should lead to a reduction of certification barriers.

Moreover, in certain areas (notably electrical safety, electromagnetic compatibility, energy efficiency and restriction of hazardous substances) where the EU uses supplier's Declaration of Conformity, the Mercosur parties will accept test results by EU conformity assessment bodies, reducing costs stemming from double testing in the electric and electronics sectors. The agreement also sets up frameworks for cooperation on future trade facilitating Initiatives and technical discussions to address trade irritants as they arise, in a timely manner.

The annex on motor vehicles recognises the importance of relevant UN Regulations (the international standards based on which the EU adopts technical regulations in the sector) as a point of reference for regulators, encouraging regulatory convergence on this basis. Mercosur countries also undertook to accept UN/ECE test results in areas where their domestic regulations are based on the relevant UN Regulations, thereby reducing homologation costs. Argentina also undertook the acceptance of the EU Whole Vehicle Certificate. The Parties further agreed on cooperation provisions in this area.

2.8. Services and establishment

The agreement extends to all modes of supply. Therefore, it covers investment liberalisation (“establishment”), both of services and non-services sectors. It does not include investment protection standards. Liberalisation commitments follow a positive lists approach. The agreement contains detailed provisions on the movement of professionals for business purposes (“mode 4”), such as managers or specialists that EU companies post to their operations or subsidiaries in Mercosur countries.

It also contains several provisions that apply horizontally to all trade in services, such as a provision reaffirming the Parties’ right to regulate. As in all previous EU agreements, public authorities in the EU retain full freedom to continue to regulate on matters concerning public services, at all levels of government. An article on mutual recognition acknowledges the importance of recognition of professional qualifications and the right to regulate in this domain.

The sub-section on domestic regulation includes a set of rules on conditions and procedures with regard to licensing and qualification. Those disciplines go beyond GATS, especially since the rules also apply to investors in non-services sectors.

In the area of postal and courier services, the agreement includes provisions on prevention of anti-competitive practices, universal service obligations, licences and the independence of the regulators. It seeks to ensure a level-playing field between EU and Mercosur suppliers of postal and courier services.

The agreement includes provisions establishing equal rights for telecommunications services providers, namely through provisions dealing with the regulation of the sector (such as licencing, management of scarce resources or universal service obligations) as well as provisions precluding anti-competitive practices. The agreement also includes a set of consumer-oriented provisions, such as those pertaining to mobile roaming or confidentiality of communications. The regulatory provisions go beyond the WTO Reference Paper on Telecommunications services, which represents the basic set of regulatory principles for the sector and which, within Mercosur, has only been subscribed to by Argentina.

The agreement contains specific definitions, exceptions and disciplines on new financial services, recognition, self-regulatory organisations, payment and clearing systems and transparency. Many of these provisions are based on rules developed under the World Trade Organisation, while addressing specificities of the financial services sector.

The agreement includes an e-commerce chapter, aiming at removing unjustified barriers to e-commerce; bringing legal certainty for companies; and ensuring a secure online environment for consumers.

The chapter applies to all sectors and includes binding rules in the sense of (i) prohibiting the imposition of customs duties on electronic transmissions; (ii) banning excessive authorisation procedures; (iii) guaranteeing the legal validity and effect of electronic contracts; and (iv) precluding the spreading of "spam".

The annexes to the services and establishment chapter include the liberalisation commitments of the parties, concerning both the services sector and the establishment of companies in the other Party. The main benefit of these commitments is to bring legal certainty for exporters of services, as the Parties lock-in their current level of openness. This, in turn, increases the transparency of trading conditions, reduces discrimination and promotes a level playing field between domestic and foreign operators.

Mercosur's services and establishment commitments extend to most services sectors and go significantly beyond their respective commitments in the WTO, albeit with variations among the Mercosur countries. For instance, only Uruguay takes commitments on research and development, real state and rental services; only Argentina takes commitments on air transport; while Paraguay does not take commitments on professional, postal, construction, environmental or recreational services.

The commitments for intra-Mercosur international maritime transport deserve specific attention. The agreement includes substantial Mercosur concessions in this sector, leading to new market access: transport of containers between all maritime ports in Mercosur, after a 10 years transition period; bulk transportation of wheat and iron ore; repositioning of empty containers between Mercosur countries and the removal of Brazil's "Lighthouse fees"[5] after a 2 years transition period.

2.9. Government procurement

This chapter is of particular relevance as none of Mercosur countries is party to the WTO Government Procurement Agreement.

EU companies will be the first from major non-Mercosur trade partners to have legal rights to participate in public procurement procedures covered by the agreement on an equal footing with domestic suppliers. Mercosur countries accepted to cover public contracts for the purchase of goods, services and works (the latter except Paraguay), and in the case of Brazil and Argentina, also work concession contracts. Brazil has provided access to its sub-central level, while Argentina and Uruguay undertook to consult, within a certain timeframe, their states and provinces with a view to covering states/provinces that represent 65% of GDP. Given its lower level of development, some flexibility has been granted to Paraguay. The EU took a reciprocal commitment to cover the sub-central level, provided that the conditions foreseen for this materialise.

2.9.1. Market access commitments

The text of the Government Procurement chapter applies to the EU and to Mercosur as a whole, but the market access commitments of each of the Mercosur countries are specified in market access schedules.

Argentina, Brazil and Uruguay have committed that procurement of goods, services and works carried out by federal and central level of government will be subject to the GP chapter. In addition, Brazil and Argentina committed to open up work concessions contracts on a non-discriminatory basis. The main elements of covered procurement for each country are summarised below:

[5] Taxes for foreign ships' access to ports and port services in Brazil.

Argentina opened up procurement of goods, with only some exemptions foreseen for specific Ministries and central entities, specific goods, specific services (including computer services, business services, communication services, and environmental services), works and works concessions carried out by the central level. The scope covers entities of:

- the central administration (all Ministries and their subordinate centralised entities),
- 42 decentralised entities ("organismos descentralisados") such as entities and institutes active in sectors like aviation, health, water but also gas and electricity regulators and
- 3 Social Security institutions

Brazil opened up procurement of goods, with some exemptions, of specific services (including professional services, other business services such as cleaning services, packaging services and environmental services), works and works concessions by both federal and sub-central levels of government (specified in the agreement), with some flexibilities that were either scoped, transitional (thresholds) or in exchange for providing access to sub-federal level (which the EU does not provide currently).

Uruguay opened up procurement of goods, with limited exemptions, services (all) and works by the central level of government and a set of autonomous entities (independent bodies and entities operating in utilities sectors).

Furthermore, EU companies will be able to participate, on non-discriminatory terms, to works concessions contracts tendered out by covered entities of Brazil and of Argentina.

The chapter provides for transitional measures for Argentina, Brazil and Uruguay to allow them time to comply with its rules or and to adapt to EU levels of thresholds.

Argentina and Uruguay have also committed to enter into negotiations with their sub-central entities (entities at state, province or municipal level) to allow EU firms to tender for contracts at those levels. They committed to consult with a view to covering their sub-central level representing 65% of their GDP and to conclude those consultations within two years of the entry into force of the agreement. The EU committed to provide reciprocal access to its sub-central level, provided that the conditions for this materialise (as foreseen in the EU market access schedules).

Paraguay took a commitment to open up public procurement of goods (with exceptions) and of specific services carried out by a variety of central level entities such as branches of the executive level, the judicial level and the legislative level, national universities and financial institutions. The commitment also covers entities at sub-central level including departmental governments. Paraguay has been granted a period of three years to confirm its consent to apply its GP commitments. If the EU does not receive such consent, the EU offer to Paraguay will be withdrawn.

The EU has offered Mercosur suppliers of goods and services reciprocal access to the EU procurement market at central level. Mercosur suppliers will also acquire the right to participate in public procurement procedures for works concessions contracts by central level EU entities on an equal footing with EU suppliers.

The EU has also offered a commitment for its sub-central level (meaning regional, province and cities' level) corresponding to the commitment offered by Argentina and Uruguay, namely a commitment to consult with a view to future coverage. The EU has also offered a commitment for its sub-central level to Brazil that would correspond to Brazil's modified market access schedules.

2.9.2. Rules of the Government Procurement chapter

The Mercosur countries have committed that their procurement procedures covered by the Agreement will be consistent with principles of non-discrimination, transparency and fairness. They also agreed to detailed provisions implementing those principles, in line with the WTO Government Procurement Agreement (in its revised version).

The agreement will make it easier for EU companies to tender for contracts in Mercosur in three ways. Firstly, it will prevent discrimination by Mercosur governments against EU suppliers of goods and services. Secondly, it will make the tendering process more transparent. Each Mercosur country has agreed, for the procurement covered by the agreement, to publish notices online at a national single point of access and to publish information on procurement legislation. Finally, the agreement sets standards of fairness throughout the whole procurement process. These include high standards for the remedies available to bidding companies if they think that they have been treated unfairly.

2.10. Competition, subsidies and State-owned Enterprises (SOEs)

The agreement confirms that both sides will maintain comprehensive competition laws that follow similar principles. This includes notably the existence of Competition Authorities. Enterprises from both sides are to be treated equally by the Competition Authorities, especially in terms of procedural fairness and rights of defence.

In case of anticompetitive practices that may harm the interests of the other Party, the competition authorities may call for consultations to resolve the situation. The competition authorities of both sides may exchange non-confidential information. There will be technical assistance to support capacity building and the implementation of competition law.

The agreement recognises that subsidies may be necessary to achieve public policy objectives, but that they may also have the effect of distorting markets. The agreement establishes a cooperation mechanism that provides for joint work and exchange of information on transparency and subsidy control systems.

The agreement sets out binding rules on the behaviour of State-owned enterprises and enterprises granted exclusive or special privileges ("SOEs"). The rules ensure a level playing field by requiring that SOEs act according to commercial considerations in their commercial activities. This means that the buying and selling decisions of the SOEs must be commercially motivated, according to market economy principles in a way that a privately owned enterprise would act.

The rules apply to the commercial activities of SOEs and only to the largest SOEs. Public service obligations of SOEs are an exception: they are not required to follow commercial considerations. Certain specific sectors and enterprises are also exempted.

In case of potential problems, rules on transparency allow both sides to seek further information on particular enterprises and their activities on a case-by-case basis. In the Mercosur countries that have a federal structure (Argentina and Brazil), the disciplines initially apply only to the central-level SOEs, with a review scheduled after five years. In Uruguay, Paraguay and the EU, the rules apply to SOEs at all levels.

2.11. Intellectual property rights (IPR)

IPR-intensive industries are key contributors to the economy, providing valuable and sustainable employment opportunities for society. They contribute to more than 47% of the EU's total annual GDP and make a significant contribution to EU's external trade, with more than 80% of EU exports generated by the IPR-intensive industries. Furthermore, companies owning IPR estimate a 41% higher revenue per employee. This positive relationship between IPR ownership and firm performance is particularly strong in the case of SMEs, which register a 44% higher revenue per employee[6].
EU IPR-intensive industries wishing to export goods or services into Mercosur will rely on a legal framework that features a high level of protection of intellectual property rights and a wide array of measures to enforce such rights.

In the chapter on IPR, the EU and Mercosur reaffirm their commitments stemming from the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and intellectual property treaties to which they are contracting parties. Moreover, the Agreement includes new commitments that increase the current protection of IPRs in Mercosur. The EU and Mercosur also commit to cooperate to improve the protection and enforcement of IPRs.

The agreement provides for rules on protection and enforcement that cover the full spectrum of intellectual property rights. On copyright and related rights, the provisions reflect the high level of protection of the EU rules. For instance, the agreement provides for the right of making available to the public of fixations of broadcasts. It also grants rights to performers and producers of phonograms concerning the broadcasting and communication to the public of phonograms published for commercial purposes.

On trademarks, the provisions on the registration procedure, the rights conferred to the trademark owner and the invalidation of applications in bad faith ensure a good level of protection for EU trademark owners operating in Mercosur. On designs, the term of protection will last at least 15 years, higher than the standard set in the TRIPS Agreement. On patents, the Agreement encourages Mercosur countries to ratify the Patent Cooperation Treaty if they are not parties to it yet. This would speed up international patent applications and provide more legal certainty to stakeholders.

On plant varieties, the EU and Mercosur will cooperate on promoting the protection of plant varieties as set out in the two versions of the International Convention for the Protection of New Varieties of Plants (UPOV ACT). Finally, more and more businesses, including SMEs, rely on trade secrets for their economic success. The agreement, in line with the rules adopted by the EU in 2016, protects trade secrets with higher standards than the TRIPS Agreement.

The provisions on enforcement of rights are essential to ensure that the protection granted under the agreement is effective in practice. The 2025 Commission Report on the Protection and Enforcement of Intellectual Property Rights in Third Countries, issued by the Commission in May 2025 includes Brazil and Argentina under Priority 3 (i.e. countries that show some serious problems in the area of

[6] https://www.euipo.europa.eu/en/publications/firm-level-analysis-report-january-2025

intellectual property, causing considerable harm to EU businesses). The provisions on protection and enforcement of rights aim to address such problems.

The agreement contains detailed provisions on civil and administrative enforcement to deter and provide remedies against infringements of intellectual property rights. Right holders will rely on various provisions dealing with the availability of provisional and precautionary measures on intermediaries involved in an infringement; evidence; right of information; injunctions; damages; and remedies.

The agreement allows judicial authorities to order the communication of relevant banking, financial or commercial documents for the purposes of gathering evidence. The provisions on border enforcement provide for the active involvement of customs authorities in identifying and targeting infringements of intellectual property rights with respect to goods under customs control. The agreement also encourages customs authorities to use modern methods of risk assessment and electronic means.

2.11.1. Geographical Indications (GIs)

The quality of EU agri-food products is often related to their geographical origins, the traditional production and processing methods, know-how and reputation. Most of the wine and spirits exports are covered by GIs. Therefore, the protection of EU Geographical Indications (GIs), especially against imitation in third countries, is a key interest of EU trade policy.

The agreement with Mercosur as regards GIs offers opportunities for EU producers of quality products with strong export potential and the possibility to expand their businesses for those already present in the Mercosur markets. A study[7] shows that in 2017 exports of GI products to countries outside the EU amounted to €17 billion, corresponding to close to a quarter of global sales of GI products.

Three hundred and forty four EU GIs will be protected in Mercosur through the Agreement at a level comparable to that under EU legislation. The recognition as GIs, which are intellectual property rights, improves the position of EU products in the Mercosur market of covered products and protects them from illegitimate competition of products not originating in the EU, but currently being sold under terms associated with EU high-quality products. This stems from the fact that the use of a GI term for non-genuine products is prohibited and expressions such as 'kind', 'type', 'style', 'imitation' or the like will not be allowed. This also holds for misleading use of symbols, flags or images suggesting a "false" geographical origin. GI protection has been further strengthened by the possibility to uphold GI rights via administrative enforcement, including measures by customs officials at the border, on top of judicial action.

There are a limited number of exceptions, under the so-called grandfathering principle, which were granted to producers which have already been selling products with these names on the market concerned for a certain number of years. Such companies may continue using the name subject to

[7] Study on economic value of EU quality schemes, geographical indications (GIs) and traditional specialities guaranteed (TSGs), 20/4/2020. https://op.europa.eu/en/publication-detail/-/publication/a7281794-7ebe-11ea-aea8-01aa75ed71a1/language-en/format-PDF/source-135166798.

labelling requirements, notably on the non-EU origin of the product. This solution protects the market position of EU producers by distinguishing such products from EU GI products.

The production of GI-labelled products cannot be delocalised, which means that new export opportunities offered through the agreement will contribute to jobs, growth, rural development in the EU, with positive spill-over effects in the geographical areas concerned on tourism, related services and environmental protection.

The Agreement also protects in the EU more than 200 Geographical Indications from the four Mercosur countries. The Geographical Indications represent a tool for creating added value to agricultural products in Mercosur countries and will therefore be particularly important for the production of differentiated products in rural areas.

2.12. Trade and sustainable development

An essential premise underlying the agreement is that increased trade and investment should promote sustainable development. Building on the Parties' multilateral commitments, the agreement's Trade and Sustainable Development (TSD) chapter plays an important role in this respect. Its comprehensive and legally binding provisions are at par with those in other modern EU trade agreements.

In the TSD chapter, Parties have agreed that they should not lower labour or environmental standards in order to attract trade and investment. The chapter also stipulates that the agreement should not constrain the right of Parties to regulate on environmental or labour matters, including in situations where scientific information is not conclusive (precautionary principle).

With respect to labour rights, Parties commit to respect the core International Labour Organization (ILO) Conventions (on forced and child labour; non-discrimination at work; and freedom of association and the right to collective bargaining). The TSD chapter also contains commitments on health and safety at work and labour inspection.

Both sides have also confirmed their commitment to promote and effectively implement the multilateral environmental agreements that they have ratified (e.g. conventions on biodiversity, wildlife trade, waste and chemicals). In a specific article on climate change, Parties have committed to implement the Paris Agreement and to cooperate on the trade-climate change interface. The chapter also includes thematic articles on trade-related aspects of natural resources such as biodiversity, fisheries and forests. With respect to the latter, Parties have inter alia committed to encourage trade in products from sustainably managed forests; promote the inclusion of forest-based local communities and indigenous peoples in sustainable supply chains of timber and non-timber forest products; and implement measures to combat illegal logging and related trade.

The Parties have also committed to promote responsible business conduct, in line with international guidance such as those of the OECD or the UN. The TSD chapter further lists a number of areas of potential cooperation including voluntary sustainability assurance schemes, such as fair and ethical trade schemes and eco-labels, responsible management of global supply chains and accountability, as well as private and public initiatives to halt deforestation.

The new annex to the TSD Chapter adds further details to the principles and commitments in the TSD Chapter, such as outlining what effective implementation of the Paris Agreement means. The Annex outlines areas of cooperation on the interface between sustainability and trade, in which traceability systems have an important role to play. The Parties agree to promote trade in products whose production contributes to biodiversity conservation and to take trade facilitation actions or measures to this end. The Annex also identifies an additional area of work: trade and women's economic empowerment - seeking to ensure that women benefit as much from the economic opportunities offered by the agreement as men. The Annex also includes a new commitment on deforestation which, unlike some global political declarations on this topic, is binding on the Parties. It also includes provisions concerning the EU Deforestation Regulation (EUDR), inter alia recognising that Mercosur countries may provide information on forest cover or on legal compliance of products exported to the EU.

The chapter and annex are subject to a specific dispute settlement procedure under which a complaint concerning non-compliance is first considered in formal government consultations. If disputes cannot be resolved in this way, an independent panel of experts can be established to examine the matter. The report by the panel must be made public. The civil society monitoring and consultation mechanism foreseen in the agreement, based on active involvement by "domestic advisory groups" that each Party to the Agreement will establish, will help monitor and implement the above provisions.

2.13. Transparency

The agreement contains similar transparency provisions as other agreements recently concluded by the EU. The Parties confirm their objective to promote a transparent and predictable regulatory environment and efficient procedures for economic operators, especially small and medium-sized enterprises.

There are provisions on the publication, administration and review and appeal of measures of general application related to trade matters. Measures of general application with respect to any matter covered by the agreement will be published via an officially designated medium and will include an explanation of the objective of, and rationale for, the measure, to ensure that stakeholders can get acquainted with them. Adequate non-discriminatory procedures of review and appeal must be in place to provide a fair regulatory environment.

2.14. Small and medium-sized enterprises

The EU-Mercosur agreement includes a dedicated SME chapter with two main commitments. First, the Parties agree to provide user-friendly, easily accessible information facilities specifically designed to help SMEs take advantage of the agreement. Each Party must provide a specific website with information relevant to SMEs seeking to access the market. The Parties must also provide an electronically searchable database by tariff code that contains product-specific market access information such as customs duties and other fees, rules of origin and other relevant product-specific import requirements. A maximum 3-year transition period (from the date of entry into force) is foreseen for Mercosur signatory countries to have these information tools in place.

Second, the Parties will appoint SME coordinators in their respective administrations to take into account SME specificities in all chapters during the implementation phase of the agreement.

2.15. Dispute settlement

To ensure the effective implementation of the agreement, it is important to put in place appropriate procedures to solve differences of views, including via dispute settlement where appropriate. In the applicable areas, dispute settlement provisions are an effective, transparent and efficient way to secure enforcement and compliance with the obligations of the agreement.

The Dispute Settlement chapter establishes a mechanism for the purposes of resolving any dispute between the Parties concerning the interpretation or application of the trade part of the agreement. To that end, the EU will also be able to challenge measures of individual Mercosur countries. Either of the Parties may resort to the Dispute Settlement mechanism if it considers that the other Party has failed to comply with one or more obligations under the trade part of the agreement. As a first step in the process, consultations allow for an amicable resolution of the dispute.

If consultations fail, the complaining Party may request the establishment of an arbitration panel composed of three arbitrators with expertise and experience in law and international trade. Arbitrators must observe high ethical standards guaranteeing their independence and impartiality. These standards are enshrined in a code of conduct annexed to the Dispute Settlement chapter, while a provision to select arbitrators through pre-agreed rosters guarantees that the defendant party in a dispute cannot block the establishment of a panel.

Transparency is an important part of dispute settlement. Hearings are open to the public and interested persons are entitled to make their own submissions to the panel in the form of amicus curiae briefs. The panel's report is final –subject to no appeal –and binding on the Parties. Any such Party found to be in breach of its obligations must bring itself into compliance with the agreement.

The complainant can put in place countermeasures if the infringing Party fails to comply with the panel's report. Apart from panel procedures, the Parties have agreed to establish a detailed mediation procedure, which will help them to find an amicable solution to their dispute with the help of a mediator. Recourse to mediation requires mutual consent and the Parties can resort to it at any time, i.e. before a party initiates a dispute or even in parallel to panel proceedings.

Finally, negotiations in 2023-2024 led to the inclusion in the agreement of a mechanism termed "non-violation complaint mechanism". This mechanism is established to resolve disputes when a Party considers that its benefits under the agreement are seriously affected by a measure taken by the other Party, even if the measure is not illegal under the agreement. In such a situation the affected Party can ask a panel to rule on the matter. Should the panel confirm a nullification or substantial impairment to benefits under the agreement has taken place the complaining party may take measures. The non violation complaint mechanism is closely modelled on the WTO non-violation complaint system. The non violation complaint mechanism does not undermine the parties' right to regulate - no party can be required under this mechanism to withdraw or amend its measure(s). The non violation complaint mechanism only concerns measures that the complainant could not have foreseen when the negotiations were concluded.

3. The economic assessment of the EU-Mercosur EMPA

3.1. Modelling methodology

3.1.1. CGE models- overview of main features

These simulations are based on a Computable General Equilibrium (CGE) models. These have been the workhorse models used for assessing the economy-wide impact of trade policy changes for more than three decades. The main advantage of CGE models is that they analyse the effects of trade policy taking into account the main links between sectors and between the domestic and international production of goods and services. They also include consumption and investment decisions across sectors of firms as well as of consumers and governments; they also account for the fact that different sectors compete for capital, labour and land.

The efficiency gains from trade liberalisation are captured by tracking the reallocation of the factors of production across sectors. This follows a stylised structure of the economy whereby in response to changes in costs and prices, firms at a first stage substitute land, labour (skilled and unskilled) and capital for one another and, at a second stage, substitute intermediate inputs, which include imported intermediates for domestic value-added.

These types of models help to answer 'what if…' questions by simulating the price, income and substitution effects of different policy changes and comparing them to a so-called baseline (i.e., what would happen without a policy change). The baseline is key as it is the counterfactual element against which the economic outcome of the initiative is assessed. Hence, CGE models allow economists to simulate, at the same time, how all sectors and actors adjust to the changes to costs, prices and/or incentives that a trade policy change would cause. This allows for an ex-ante assessment of all the direct and indirect effects of changes to trade policy in terms of a wide range of indicators among which gross domestic product, sectoral trade, production and value added, reflecting inter-sectoral input-output links, including sourcing of inputs (goods and services) from abroad.

CGE models contain more variables than equations; hence some variables have to be determined exogenously (outside the model). The choice of variables which are to be exogenous is defined as the model closure. Alternative closure rules may significantly influence the results of CGE simulations and the way in which they are interpreted.

One of the most common closure rules relates to the labour market. For the purpose of this analysis, one should note that the labour supply is given, and the model restores equilibrium by adjusting the nominal wage rate, which is a standard specification in such modelling exercises. In the model, the market prices are also computed endogenously so that results can show the real wage changes. Furthermore, this 'fixed employment closure' provides information on shifts between sectors thus indicating which sectors employment is likely to increase and decrease as a result of the new agreement.

While these models are useful tools for the quantification of the expected impact of trade agreements, their results should be seen only as indications of the *magnitude* of such effects. The accuracy of their results is to some extent constrained by the fact that it only picks up the impact of a trade agreement on the existing trade flows. It cannot capture the potential expansion of trade in new products and services and any welfare gains from access to a greater variety of final products, greater variety and quality of inputs and greater incentives to innovate, which are long-term drivers of intra-industry productivity gains. Nor can it model increased investment arising from greater legal certainty due to the existence of the agreement.

3.1.2. Description of the Global Trade Analysis Project CGE model(s) and database

The dynamic Global Trade Analysis Project (GTAP) CGE model,[8] GTAP-RD which is used for the purpose of these simulations, is a recursively dynamic applied general equilibrium model of the world economy and is built upon Social Accounting Matrices (SAMs) of individual countries and regions[9]. This model extends the comparative static framework of the standard GTAP model developed by Hertel (1997)[10] to a dynamic framework by incorporating international capital mobility and capital accumulation, while preserving all the features of the standard GTAP model, such as constant returns to production technology, perfectly competitive markets and product differentiation by countries of origin - the so-called Armington assumption. It captures the effects of agreements on investment and wealth that are missed by a static model (Ianchovichina and McDougall, 2000).[11] In GTAP-RD, each region is endowed with fixed physical capital stock owned by domestic firms. The dynamics are driven by net investment, which is sourced from regional households' savings. The savings in one region are invested directly in domestic firms and indirectly in foreign firms. The dynamics arising from positive savings in one region are related to the net investment in other regions. Overall, at the global level, the savings across regions are fully invested in home and overseas markets. However, despite the fact that GTAP-RD accounts for capital mobility, FDI is not explicitly modelled since capital does not have any specific national ownership.

The GTAP database Version 11c is used in this report; it includes data on 160 regions and countries, 65 industries and 8 endowments. It uses 2017 as the base year but underlying basic trade and economic data have been updated to reflect the most recent information available (see section 3.1.4). As far as trade data is concerned, the underlying GTAP database is based on COMTRADE data, supplied by the United Nations Statistical Office, through an ad-hoc reconciliation procedure based on a reliability indicator of the information supplied by each importing and exporting country. Protection data comes from the MacMap database,[12] while data on domestic support in agriculture is based on the OECD Producer Support Estimates (PSE). Export subsidies are directly derived from countries' notifications to the WTO. Elasticities are sourced from Fontagné et al (2022).[13]

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8 https://www.gtap.agecon.purdue.edu/about/project.asp

9 Social Accounting Matrices (SAMs) provide a comprehensive representation of the economic structure of individual countries or regions, capturing transactions between sectors, households, government, and with the rest of the world through trade. They enable consistent analysis of production, income distribution, and trade linkages, offering a solid basis for assessing economy-wide impacts.

10 Hertel, T.W. et al (1997), Global Trade Analysis: Modelling and Applications, Cambridge University Press.

11 Ianchovichina, E. I. and R. A. McDougall (2001), Structure of Dynamic GTAP, *GTAP Technical Paper 17*, Center for Global Trade Analysis.

12 https://www.macmap.org/

13 Fontagné L., Guimbard H. and G. Orefice G (2022), Product-Level Trade Elasticities. *Journal of International Economics*, Vol 137, https://doi.org/10.1016/j.jinteco.2022.103593.

3.1.3. Aggregation (sectors and countries)

The simulations used in this report were run at a higher level of aggregation than the 65 industries and 160 countries covered by the GTAP database[14]. Sectors that are closely linked (e.g. paddy (rough) rice and processed rice) or sectors that are similar (e.g., textiles and wearing apparel) have been aggregated. However, this has not been done for sectors with a relevant share of bilateral trade between EU and Mercosur partners. Transport sectors have been kept separate because of how they are coded in the model. The sectoral aggregation is presented in Table A.1 of Annex 2.

Countries have been aggregated by geographic proximity or level of development except in the cases of countries with a high share of bilateral trade (either for the EU or Mercosur countries), countries that have bilateral trade agreements with EU or countries that represent a significant share of international trade (like USA, China, etc.). The geographical aggregation is presented in Table A.2 of Annex 2.

3.1.4. Baseline

To build the baseline (i.e. what the situation would be without the agreement), GDP has been projected based on estimates from the IMF. Population projections also come from the IMF, while projections for changes to the labour force are derived from the ILO and CEPII[15]

The latest release of the GTAP database, with 2017 as the base year, includes all EU FTAs implemented by that year. EU agreements which have been concluded since 2017 are also added to the baseline. FTAs for which negotiations are not yet concluded are not incorporated. The baseline also incorporates the first wave of bilateral tariffs introduced between the US and China (i.e., the first phase of the US-China trade war), as well as the set of restrictive trade measures imposed by the EU and its allies on Russia following Russia's invasion of Ukraine.

3.2. Simulation parameters

3.2.1. Tariffs and custom fees

The schedules of the agreement (including ad-valorem equivalents (AVEs) for TRQs and specific duties) are used to define the tariff cuts that the EU and Mercosur will face once the agreement is implemented.[16] Annex 1 Table 7 shows the baseline and final trade weighted EU and Mercosur import duties.[17] The EU will liberalise 95% of its tariff lines and 92% of its value of imports from Mercosur. Tariffs have been completely or substantially reduced across the majority of sectors by the EU except for some agricultural sectors such as beef and other animal products and rice.

Regarding TRQs, the model does not allow for an explicit quantity-based representation. However, since the negotiated increase in quotas is a certain outcome, we have calculated an equivalent tariff that reflects the expanded quota while simultaneously representing the out-of-quota tariff. This approach ensures that the results remain consistent with both the agreement and the economic

[14] https://www.gtap.agecon.purdue.edu/databases/default.asp
[15] Centre d'études prospectives et d'informations internationales (CEPII, http://www.cepii.fr)
[16] Tariff reductions by Turkey on Mercosur exports of manufactures have also been included.
[17] Due to the trade weighting, import duties may vary by partner.

structure: competitive exporters can supply beyond the quota but will face the corresponding out-of-quota tariff. While this is an approximation, it provides a realistic and coherent representation of trade flows within the model's value-based framework.

Mercosur will fully liberalise 91% of its tariff lines and 91% of the value of its imports from the EU. Mercosur has agreed to fully liberalise imports of most agri-food sectors while their tariffs in manufacturing sectors, which are substantially higher than corresponding EU tariffs, will be significantly reduced. The phase-in period of the tariff cuts, as set out in the text of the agreement, has been taken into account in the simulations.

Furthermore, fixed custom fees in Mercosur countries will be eliminated, making imports from the EU cheaper.[18] These range from 1% in Paraguay and Argentina to almost 4% in Brazil and 6% in Uruguay. Export duties in Brazil, Argentina and Uruguay on some products will also be eliminated over a period of 10 years.

3.2.2. TBT and SPS cost reductions

An important element of the agreement that need to be quantified is the impact of lowering the costs on complying with TBT and of reinforcing transparency and exchanges of information on import conditions and control, inspection and approval procedures in the area of SPS.[19] The first step of this exercise is to carry out a qualitative assessment of what has been agreed. This is done by assigning one of the following options to each HS6 line of the tariff schedule:

1) Zero - nothing changes compared to the current level of non-tariff measures (NTMs),
2) Low - there have been some achievements, but barriers remain; barriers that remain are more important than those eliminated,
3) Medium - there have been some achievements, the barriers that remain are less important than those eliminated and
4) High - elimination of all the barriers that can be eliminated.

A progressive score of 0, 33, 66 or 100 is then assigned to each option. The scores by HS6 line have then been applied to estimated ad-valorem equivalents (AVEs) of NTMs available in the literature.[20] Such AVEs have a bilateral dimension, and we have matched, for each exporter, each HS6 product to its corresponding AVE. The NTM shocks (reductions) are then calculated by multiplying the average AVEs of NTMs by the score measuring the achievements. We have then aggregated these scores to GTAP sector level (by simple average of the HS6 codes within each GTAP sector). These scores have been further refined for TBTs.[21] The recognition by Mercosur countries of UN Regulations in the agreement's annex on motor vehicles has been quantified on the basis of the number of regulations recognised relative to the safety regulations in place.

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18 http://www.planalto.gov.br/ccivil_03/_Ato2007-2010/2009/Decreto/D6759.htm

19 We label these non-tariff measures (NTMs)

20 For this exercise, we have used the most recent estimates available, Kee H.L. and A. Nicita (2016) "Trade Frauds, Trade Elasticities and Non-Tariff Measures", mimeo (available at http://pubdocs.worldbank.org/en/315201480958601753/3-KEE-paper.pdf).

21 In the case of electrical safety, electromagnetic compatibility, energy efficiency and restriction of hazardous substances, Mercosur Parties committed to accepting test results by EU conformity assessment bodies but have no specific regulations in place so this has been considered equivalent to binding of current level of restrictions.

These achievements apply to EU exports to Mercosur. On the EU side, the agreement does not foresee any changes in TBT or SPS regulations, therefore there are no NTM cost reductions on EU imports of goods from Mercosur's countries. Annex 1 Table 8 presents the averages (at GTAP level sectors) of the reduction of costs related to NTMs (percentage points) by individual Mercosur country. NTMs on EU exports have been reduced across a small amount manufacturing sectors, while the agreement also provides for some reductions in NTMs across a number of agri-food sectors in Argentina and Brazil.

3.2.3. Services non-tariff barrier reductions

For services trade, new market access has been achieved on intra-Mercosur maritime transport. For all the other sectors a 3% reduction to both the EU and Mercosur countries AVEs of the services barriers has been added as a proxy for binding the current level of applied restrictions that is expected to bring about a reduction in uncertainty (equivalent to a reduction of 3% of trade costs). The AVE of services barriers derive from estimates taken from the literature.[22] No barriers have been reduced for utilities and public services, as they are not covered by this agreement.

Annex 1 Table *9* provides an overview of services trade barrier reductions across the Mercosur countries (except for Paraguay). It shows that the largest reductions are in water transport services (i.e. maritime transport). The AVE reductions in barriers range from 0.8% for air transport and warehousing to about 2% for water transport, financial services and insurance in the EU. The trade barrier reductions are lower in the EU than corresponding reductions for Mercosur because the initial AVE of services trade restrictions for the EU are lower. Given that most of the AVE reductions is associated to binding, the legal binding offered by Mercosur countries is thus more valuable for the EU in terms of the reduction in trade costs than vice versa.

3.2.4. Other trade enhancing provisions

The prohibition of export and import monopolies, price requirements as regards imports or exports and non-automatic import licenses are not modelled. In addition, in the CGE modelling framework, it is not possible to assess the impact of achievements in public procurement, GIs and/or IPR clauses. FDI is not included in the analysis either. For this reason, the current quantification of the impact of the agreement on both the EU and Mercosur is conservative and can be considered as the lower bound – the actual impact can be expected to be greater than that indicated by the modelling.

3.3. Simulation results

3.3.1. Macroeconomic outcomes and trade effects

The CGE model-based simulation confirms the economic importance of the agreement. The main results in terms of impact on GDP and bilateral trade are displayed in Table 6. The results are presented for 2040, the year in which the agreement is assumed to be fully implemented. The impact on GDP is projected to be about €77 billion or 0.05% for the EU, while for Mercosur the figures are €9 billion or

[22] Fontagné, L., Mitaritonna, C. and J, Signoret (2016), Estimated Tariff Equivalents of Services NTMs, CEPII Working Paper No. 20

0.25% of GDP. This means that for every year that follows, EU GDP will be about €77 billion higher than what it would have been without the agreement.[23]

Table 6: Macroeconomic impact of the EU-Mercosur EMPA in 2040 (€ billion and %)

	EU		Mercosur	
	€ billion	**%**	**€ billion**	**%**
GDP	77.6	0.05	9.4	0.25
Bilateral exports	48.7	39.0	8.9	16.9

Source: DG Trade simulations. Data converted from USD to Euro using 1 euro 2019 = 1.1195 USD (Source: Euro/ECU exchange rates - annual data)

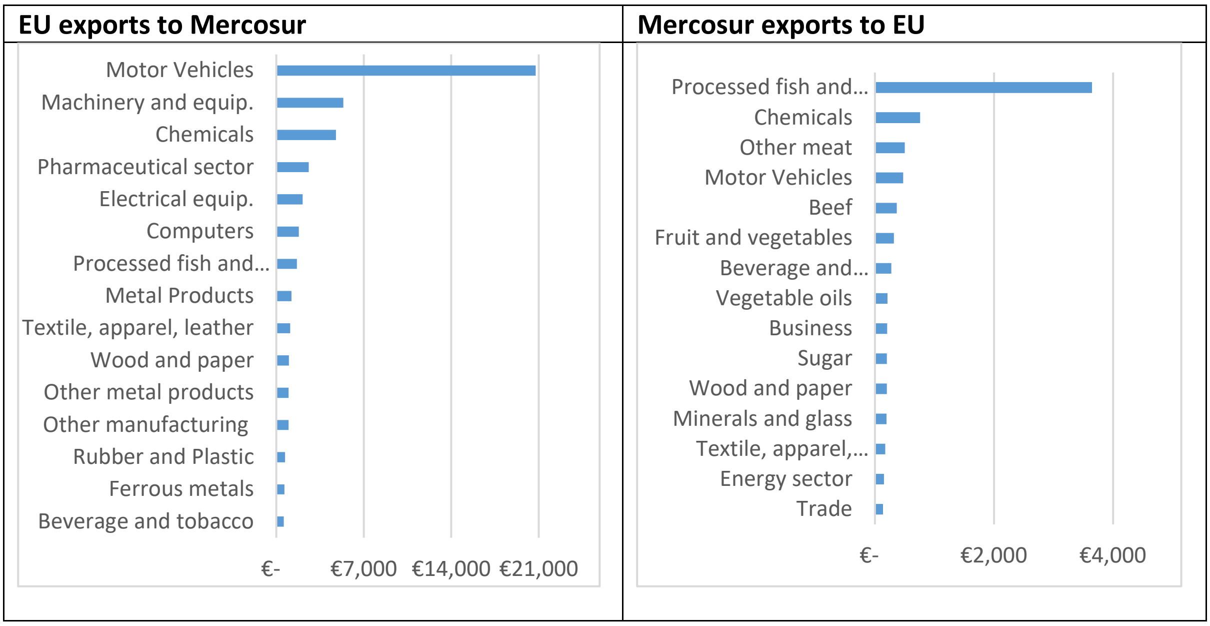
EU exports to Mercosur are expected to increase by close to €50 billion or 39%, while Mercosur exports to the EU could rise by €9 billion or 17%. Annex 1 Table 10 provides the details by GTAP sector and Figure *7* shows the 15 sectors with the highest increases for both EU and Mercosur. The sectors in the EU that are expected to see the largest increases in exports to Mercosur are first and foremost Motor vehicles (€20.7 billion), Machinery (€5.4 billion), Chemicals (€4.8 billion), Pharmaceuticals (€2.6 billion) and Electrical equipment (€2.1 billion). The export increases reflect the lowering of the relatively high Mercosur tariffs in most of these sectors, such as close to 20% for Motor vehicles and around 10% for Machinery and Chemicals.

Mercosur exports to the EU will primarily increase in the category Processed fish and agricultural products (€3.6 billion), Chemicals (€760 million), Other meat[24] and Motor vehicles (in the range of €500 million) and Beef (€365 million). The additional beef imports expected from Mercosur countries will be equivalent to 0.3% of the total consumption in the EU (by firms and producers). Moreover, the EMPA represents a unique opportunity for Mercosur to diversify its exports. This is confirmed by the sectoral concentration index (Herfindahl-Hirschman Index), which decreases from 0.072 in the baseline to 0.068 with the policy, signalling a clear move toward greater diversification. Resources such as labour and capital are reallocated not only across agricultural subsectors but also toward manufacturing (such as motor vehicles, machinery, processed foods, and beverages) and services (including business and financial services). This shift reduces Mercosur's over-specialization in land-intensive sectors like cattle and oilseeds, thereby alleviating productive pressure on forests and offering a more balanced economic structure.

[23] One should note that it does not mean that EU GDP will increase by €77 billion every year that follows.

[24] Fresh or chilled pork, rabbit/hare, and poultry; other fresh or chilled meats and offal.

Figure 7: Impact on EU and Mercosur bilateral exports in 2040 (€ million)



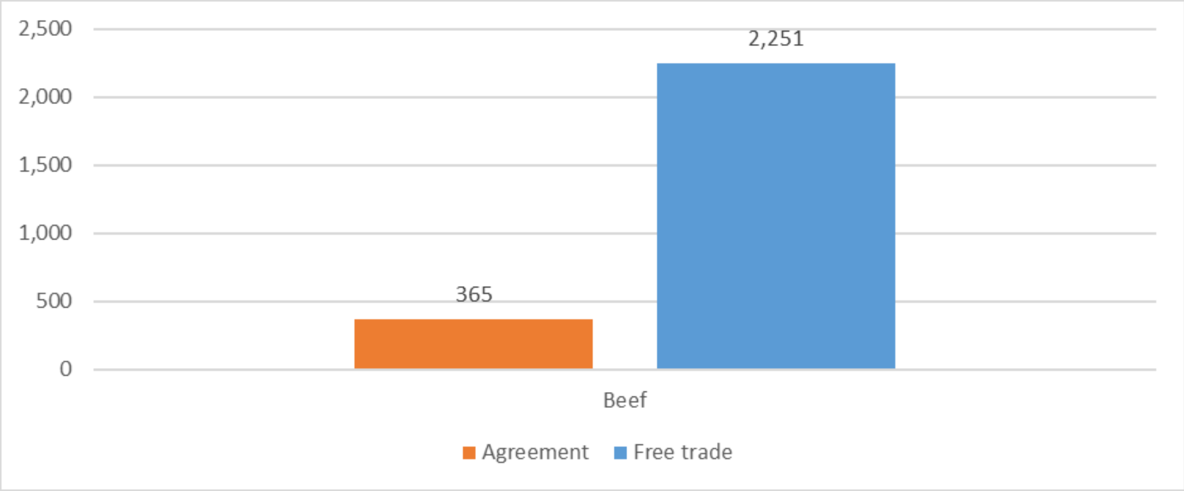
Source: Annex 1 Table 10.

Annex 1 Table 10 shows that most of EU agricultural sectors are projected to increase their exports, the highest gains will be for Beverages (€608 million, 54%) followed by Fruit and vegetables (€185 million, 37%) and Vegetable oils (€185 million, 21%). The EU is also projected to increase its exports of Dairy products by another €85 million (102%). In total, EU exports of agricultural products to Mercosur will increase by almost €1.2 billion (+49% relative to current levels) while imports of agricultural products from Mercosur will increase by €2 billion (+34%). Thus, while EU farmers will face increased competition in some sectors, they will also see increased export opportunities in Mercosur.

BOX 1: The impact of full tariff liberalisation

One should note that the increase in Mercosur exports of Beef of €365 million or 33% reflects the TRQ agreed upon. This is quite different to what would happen if there were a full liberalisation of EU import tariffs of all products from Mercosur, including beef, and of all Mercosur import tariffs of all products from the EU. Figure 8 shows the impact of such a scenario, full tariff liberalisation would lead to an overall increase of €2.3 billion of Mercosur exports of beef to the EU. This is more than 6 times higher than the €365 million increase expected from what has been negotiated in the agreement. This suggests that the TRQs included in the agreement for the beef sector are very effective in controlling and limiting the rise of imports in sensitive sectors compared to full liberalisation (the increase of exports is 84% lower than what a full liberalisation scenario would entail).

Figure 8: Mercosur beef exports to the EU, impact of the agreement vs. hypothetical full tariff liberalisation, 2040 (change in € million)

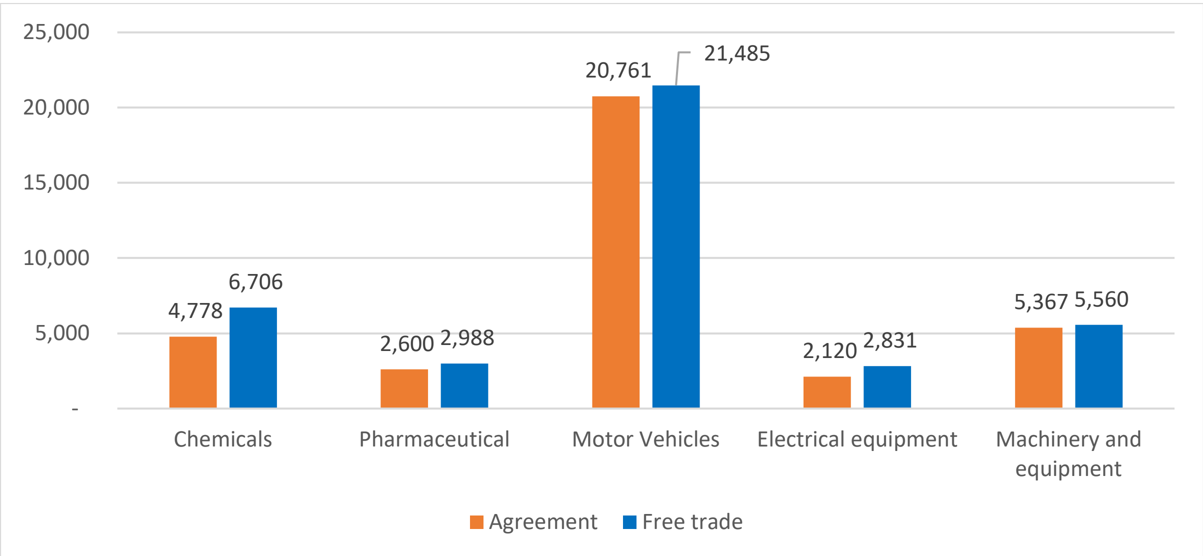


Source: DG Trade simulations.

On the other hand, with regard to EU exports of manufactured products to Mercosur, the agreement comes quite close to the outcome if there were to be a full liberalisation of trade (see Table *7* in the Annex). Under this scenario, EU manufacturing exports would increase by €56 billion compared to a projected €49 billion increase from the agreement. Figure 9 shows that full tariff liberalisation of EU exports of chemicals to Mercosur would stand to gain the most from a full liberalisation compared to the agreement and would increase by close to €2 billion. For motor vehicles and electrical equipment, the figure is about €700 million in extra exports.

The substantial gains in Mercosur manufacturing exports to the EU with the agreement (as shown in Annex Table 10) are also close to the full liberalisation scenario.

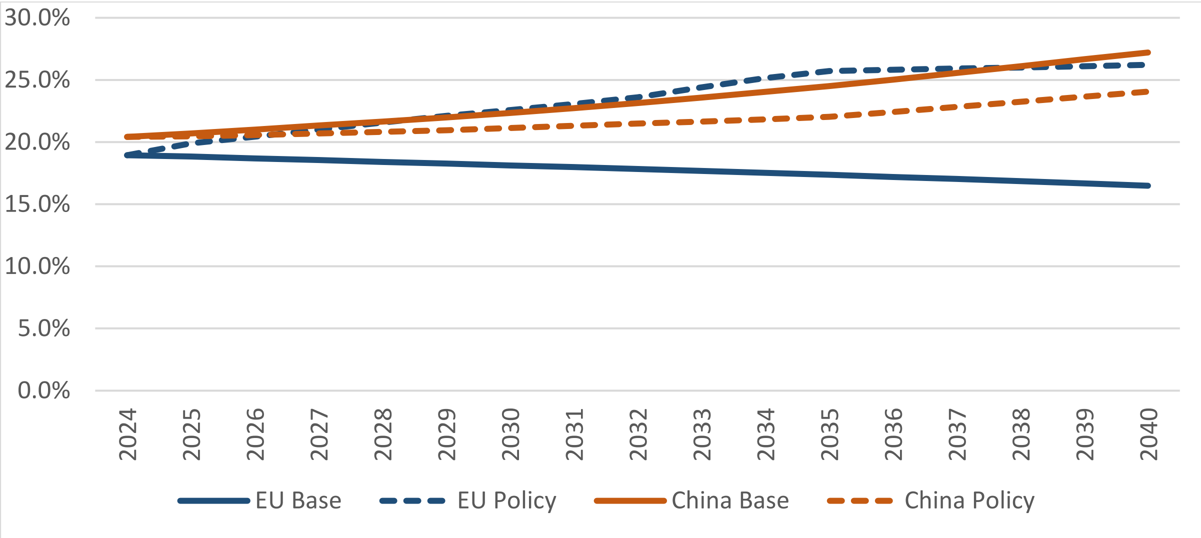
Figure 9: EU exports to Mercosur by top-5 manufacturing sectors, impact of the agreement vs. hypothetical full tariff liberalisation, 2040 (change in € million)



Source: DG Trade simulations.

Figure 10 below show the evolution of EU and Chinese market shares in Mercosur both in the case of no agreement ("base") and with the agreement ("policy"). Without the agreement China is expected to continue gaining market share in Mercosur while the EU would lose market share. This trend would reverse under the agreement, make the EU more competitive relative to China and even potentially overtaking China in Mercosur imports. Instead of losing 2.5 additional percentage points in Mercosur imports without the agreement by 2040, the EU would, with the agreement, gain 7.3 percentage points in Mercosur imports and recover the position it had on Mercosur market 25 years ago despite the rise of China in the meantime.

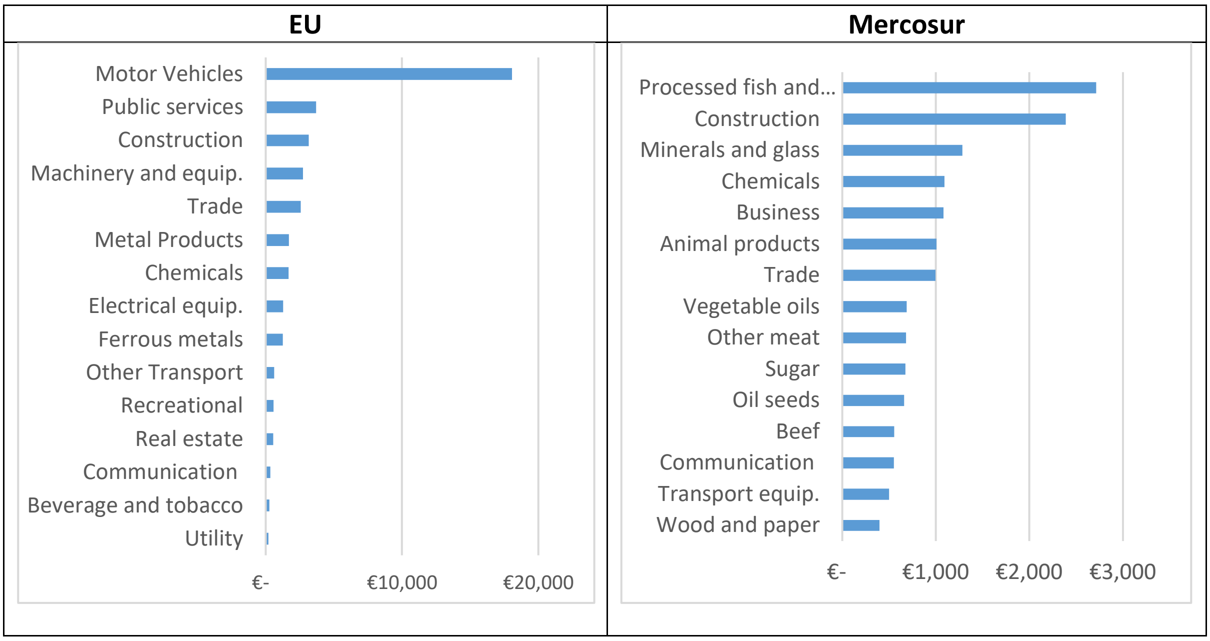
Figure 10: Evolution of market shares: baseline versus EMPA (%)



Source: DG Trade simulations on GTAP. The denominators of the market shares indicators (Mercosur total imports) include intra-Mercosur trade.

Annex Table 11 presents the impact of the agreement on output by sector and Figure 11 shows the 15 sectors with the highest increases. Output of the motor vehicles sector (€18.1 billion or 1.6%) and of machinery and equipment (€2.7 billion or 0.2%) are expected to account for the largest overall manufacture gains in the EU, while, in terms of services, construction and trade (wholesale and retail) expand output in the range of €2.5-3.5 billion (or 0.0-0.1%). These service sectors expand because they are essential inputs to the expanding manufacturing sectors and to other services. The production in the beverages sector will increase by €275 million thanks to a 50% increase in exports to Mercosur. Production in other agri-food sectors in the EU is expected to be slightly affected, mainly in processed fish and agricultural products (-€2.1 billion or -0.3%), other meat (-€565 million or -0.3%) and beef (-€342 million or -0.4%).

Figure 11: Impact on sectoral output in 2040 (€ million)



Source: Annex 1 Table 11.

The largest increases in output in Mercosur countries are expected to occur in processed fish and agricultural products (€2.7 billion or 2.4%), followed by construction services (€2.4 billion or 0.5%), minerals and glass (€1.3 billion or 1.4%) and chemicals and business services at around (€1.1 billion or 0.9% and 0.3%, respectively). Construction services grow because these are important inputs to the mineral and energy sectors that see their output increase.

A direct comparison with the outcome of the ex-ante Sustainability Impact Assessment (SIA) is difficult to make.[25] The modelling parameters are all different (assumed trade barrier cuts in the SIA vs the actual outcome and the horizontal reductions in customs fees in this report, which has a big impact due to the stringency of TRQs in the agricultural sector) as well as the time horizon (2032 vs 2040) and the number of EU Member States (because of Brexit). In addition, the volatile economic development in Argentina over recent years alters the baseline values in the GTAP database.

BOX 2: The EU-Mercosur agreement mitigates the effect of higher US tariffs

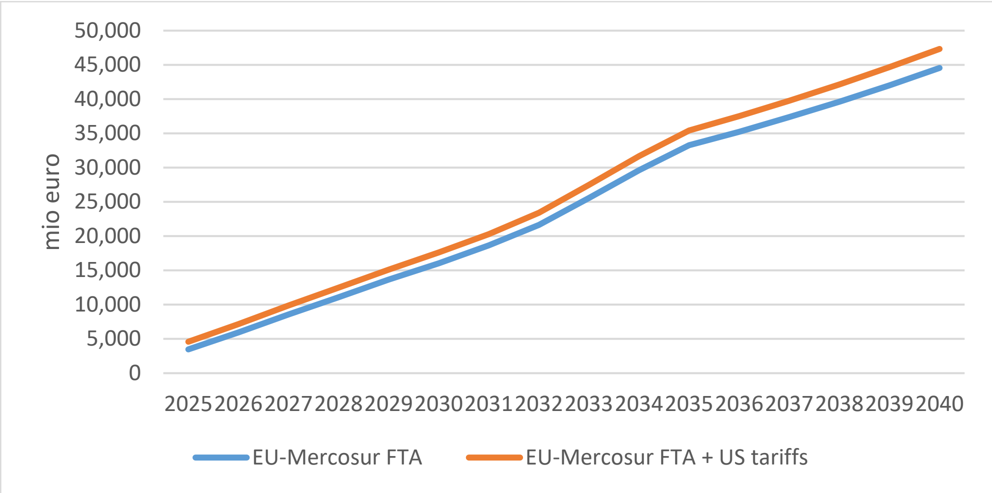
The EU-Mercosur agreement diversifies EU exports (Annex Table 10 and Figure 7). In addition, the introduction of US tariffs further increase EU exports to Mercosur as the EU re-directs some of the lost exports destined for the US market. This is also made easier by US exports becoming less competitive in general due to increased costs of imported intermediates used in the production of export goods. The shares in Mercosur market lost by US companies can be taken up also by other countries (e.g. China) but relative to them, the EMPA makes EU exporters more competitive. Thus, the agreement with Mercosur mitigates some of the negative effects on the EU of the US' policies.

Figure 12 shows the impact of a hypothetical (albeit plausible) scenario of an additional US 10 percent tariff, in the baseline, across the board for all partners except for China (which faces higher tariffs on

[25] https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/abfa1190-59d1-4f59-93a5-9b9810d2b744/details.

the US market), and the retaliation of Canada and China, as implemented in April 2025. In this case, with the EU-Mercosur Agreement, the EU manages to re-allocate some of its export to Mercosur and the projected increase in EU exports of the EU-Mercosur agreement is magnified. The increase amounts to close to €3 billion or 6.2.%. The anticipated benefits for EU exports to Mercosur would be even more pronounced if the US imposes tariffs higher than 10% on EU imports.

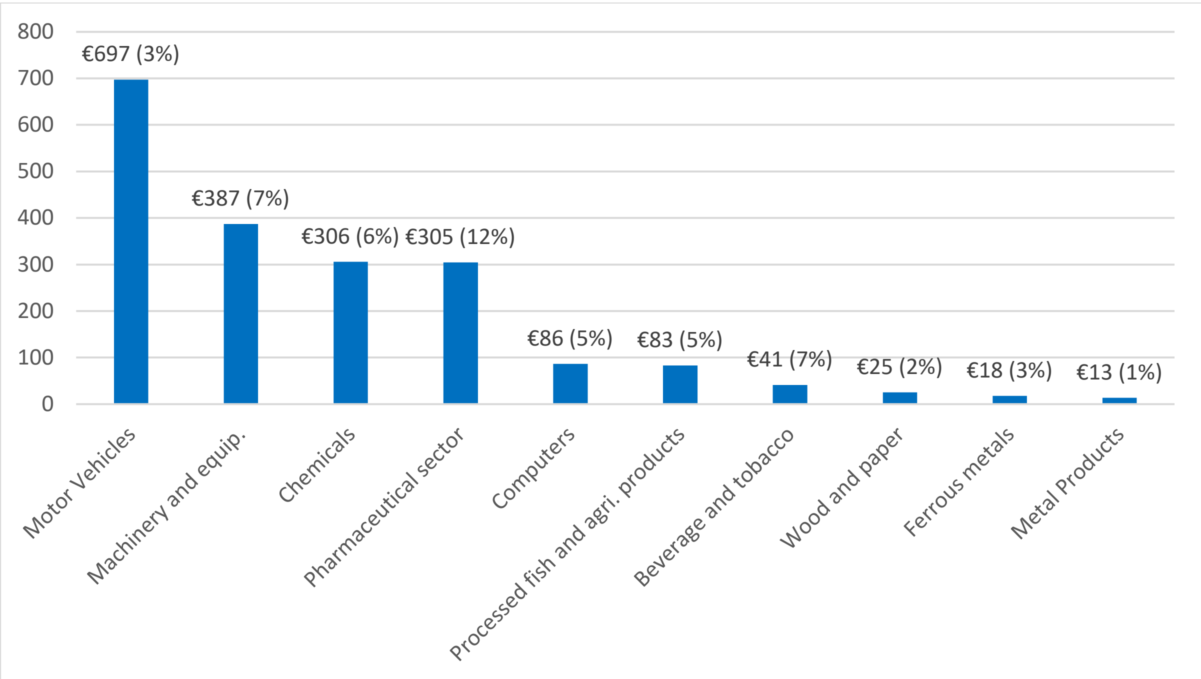
Figure 12: Additional EU exports to MERCOSUR in the presence of US tariffs (€ million)



Source: DG Trade simulations.

This is particularly true for a sector like Motor Vehicles that is heavily penalised in the US market. Figure 13 shows that motor vehicles, machinery, chemicals and pharmaceutical products could see increases in exports (relative to the case when only the EMPA would be in place) between 3% and 12%.

Figure 13: Additional EU exports to MERCOSUR caused by US tariffs by GTAP sector (€ million, 2040; and % change relative to EMPA only)



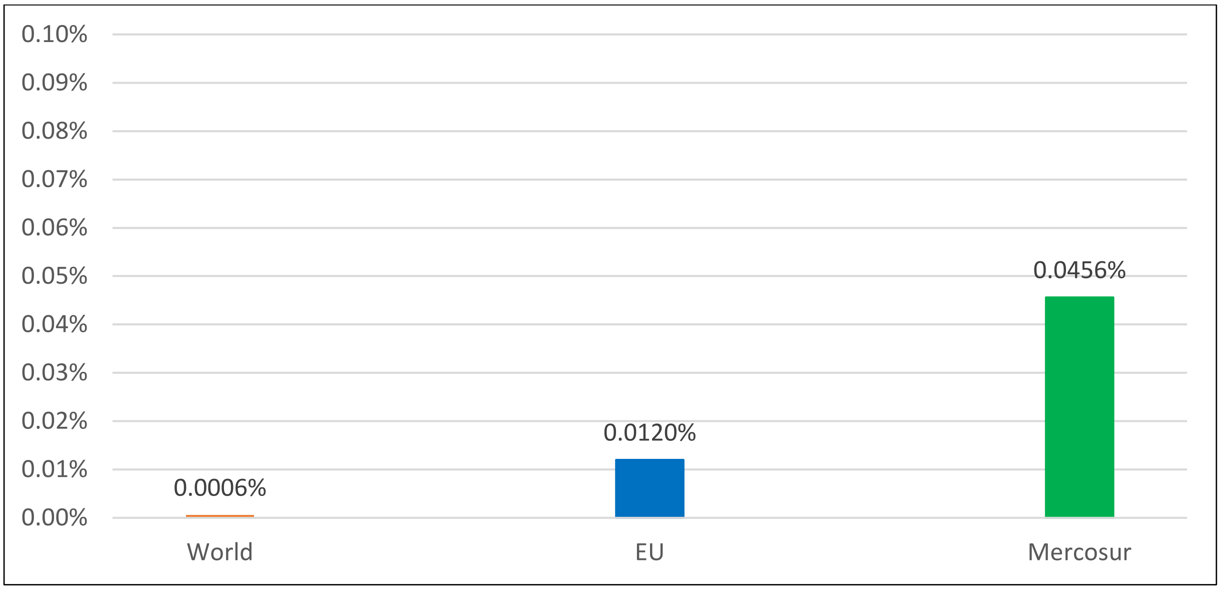
Source: DG Trade simulations.

3.3.2. Impact on greenhouse gas emissions

For assessing the impact on greenhouse gas emissions of the agreement, an integrated energy-economic recursive dynamic CGE model based on the GTAP database and the Rundynam model suite is used.[26] Figure 14 shows the impact on CO2 emissions of the agreement in the EU, Mercosur and globally.

This reflects not only a scale effect (more production and trade) but also a substitution effect — where the EU and Mercosur shift trade away from other partners, reducing emissions that would have occurred in those third countries. As a result, the overall impact on global emissions is marginal, representing only about 0.0006% of annual global greenhouse gas emissions (based on the total emissions estimate of 53,000 metric tonnes in 2023, Co2 and Non-Co2[27]). This modelling does not take into account the qualitative impact of increased availability of EU low carbon technologies in Mercosur as a result of lower tariffs[28]nor the fact that in Mercosur countries energy has a high proportion of energy produced from renewable resources.

Figure 14: Change in Co2 and Non-Co2 emissions (% relative to 2023 emissions)



Source: DG Trade simulations.

[26] This energy-economic model is an outcome of the "Trade and Climate change: an energy-economic modelling approach – project" (reference TRADE 2019/G2/G10).

[27] https://ourworldindata.org/co2-emissions and https://www.epa.gov/global-mitigation-non-co2-greenhouse-gases.

[28] Trade integration can lead to the transfer of low-carbon technologies, as noted in the literature, which refers to the impact of technological innovations on production and consumption patterns (Grossman & Helpman, 1991; Acemoglu et al., 2014)

3.3.3. Impact on deforestation

The analysis of a possible impact on deforestation is carried out using an integrated version of the GTAP framework, which includes the AEZ (Agro-Ecological Zoning) module. This extension disaggregates land by agro-ecological zones and usage types—such as forestland, pastureland, cropland, and other uses—allowing for a more detailed representation of land-use dynamics. Unlike the standard GTAP model, land is mobile across crops but constrained by the specific characteristics of each AEZ, enabling a more accurate assessment of potential deforestation impacts under counterfactual scenarios. For this analysis, the most important feature of this extension is that it can attribute changes in land use between forest areas and agricultural land. A change in the economic system—such as the reduction of trade barriers between Mercosur and the EU—will impact land allocation through price changes. From this, it is possible to estimate the impact on forest area.

Land rent drives the allocation of land among different uses. The harvested area is allocated among crops. Furthermore, evidence shows that farmers may grow more than one crop on the same parcel of land at different intervals throughout the calendar year. For example, farmers grow early double-crop rice from March to July, then grow catch crops (e.g., vegetables) for the remainder of the year. Accordingly, the model can capture adjustments between forestland, cropland, and pastureland.

It is important to recall that trade typically leads to productivity increases, even if moderate, due to technology transfer, improved practices, and access to broader markets. This means that even small productivity gains can contribute to reducing land-use pressure, offsetting part of the deforestation drivers. One of the main causes of deforestation in the Mercosur region is linked to the production and export of oilseeds.

Interestingly, following the agreement, the oilseeds sector shows the smallest percentage change—only 0.8%—because the EU market represents an opportunity for higher value-added products. When the output of higher value-added products (e.g., chemicals) increases more than that of oilseeds, capital and labour tend to shift toward other, more profitable and more efficient sectors in terms of land use. This can trigger a virtuous cycle, where stronger forest protection at the national level, reduced production of low-value bulk exports, and productivity improvements driven by synergies between Mercosur and EU companies collectively reduce pressure on forested areas from agricultural expansion.

Therefore, when assessing the potential impact of the agreement on deforestation, we focus first on the scenario that includes the potential positive effects of increased land productivity. The aim is to assess whether the welfare gains induced by the agreement can occur without further deforestation—and possibly even reduce it— thanks to the adoption of improved agricultural practices. This dynamic is well-documented in the literature where such link has been extensively analysed.[29] Further, there

[29] See e.g., Beddow, J. M., Pardey, P. G., Hurley, T. M., and Alston, J. M. (2015), Rethinking yield gaps, *Food Policy, 50, 153-166*, Farrokhi, F. and Pellegrina, H. S. (2020), Global Trade and Margins of Productivity in Agriculture, *NBER Working Paper No. 27350* and Fuglie, K. O. (2018), Is agricultural productivity slowing? *Global Food Security, 17, 73-83*.

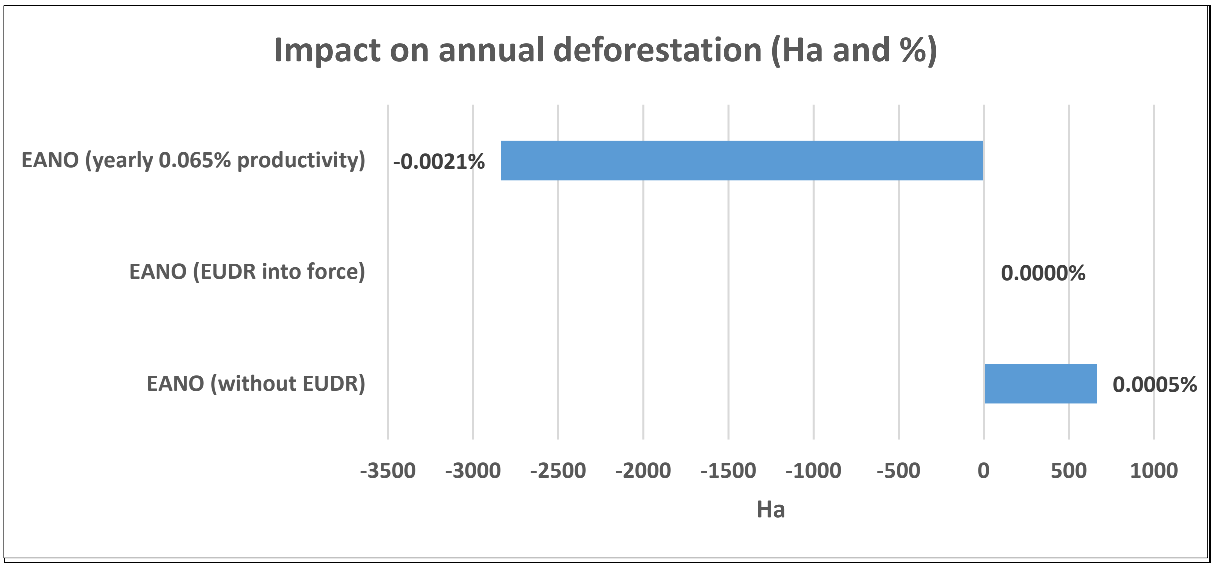
are real-world such initiatives, for example the Green Imperative Project between Nigeria and Brazil, which promotes the exchange of agricultural knowledge and technology.[30]

In this scenario, we apply a conservative assumption on productivity gains: a yearly increase of 0.065%, resulting in a cumulative improvement of about 1% over 15 years. Under these conditions, deforestation is projected to *decrease* by around 2,813 hectares per year, corresponding to a 0.002% reduction compared to the baseline trend, see Figure 15. This reinforces the idea that even modest productivity gains from trade, when combined with adequate environmental safeguards, can significantly contribute to reducing deforestation.

To complete the analysis, we also simulate a scenario with no additional productivity growth and compare the outcome with and without the EUDR. With the EUDR coming into effect, EU imports of goods linked to deforestation will be prevented. Mercosur exports to the EU will no longer be associated with deforestation.

However, even without the EUDR and assuming no productivity gains, the impact on deforestation attributable to Mercosur exports destined to the EU[31] will be small – around 670 hectares per year or 0.0005% relative to an estimated total of 1.65 million hectares per year across the Amazon.[32]

Figure 15: Change in Mercosur forest area, 2040 (Ha and %)



Source: DG Trade simulations.

In conclusion, while the EMPA and productivity improvements have some influence on deforestation dynamics, their impact is minimal compared to the critical role of national governance and policy enforcement. As shown in Figure 16, the recent political experience in Brazil underscores this: under Presidents Michel Temer (2016-2019) and Jair Bolsonaro (2019–2022), environmental protections were relaxed and enforcement weakened, resulting in a sharp increase in deforestation. By contrast,

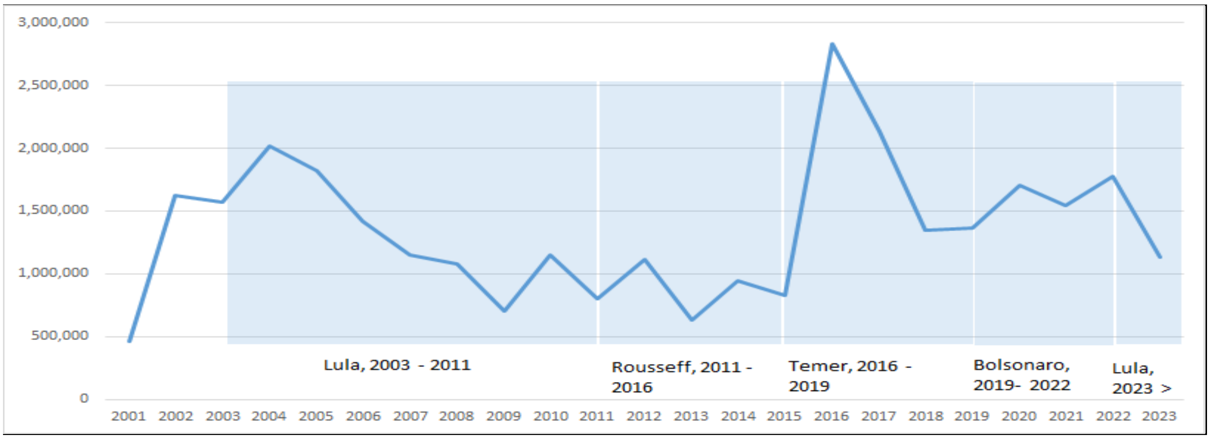
30 See http://greenimperative.org/green-imperative-project/.

31 The average share of deforestation embodied in exports to the EU is approximately 17% of total deforestation from traded production, see https://www.wwf.eu/?2831941/EU-consumption-responsible-for-16-of-tropical-deforestation-linked-to-international-trade.

32 Global Forest Watch (2024).

under President Luiz Inácio Lula da Silva, who took office in 2023, renewed environmental commitments and strengthened governance led to a significant reversal of the trend, with deforestation in the Brazilian Amazon dropping by roughly 31% in 2023 compared to the previous year — reaching the lowest levels in nearly a decade.

Figure 16: Brazil - Tree cover loss in primary forest (2001-2023, Mha)



Source: National Institute of Amazonian Research (INPA)

In this context, the EUDR plays an important supporting role by ensuring that EU demand for commodities is not sourced from deforested areas, reinforcing domestic environmental policies and strengthening the hand of governments and institutions committed to protecting forests.

Annex 1

Table 7: EU and Mercosur import tariffs, 2024 and 2040 (%)

	EU import tariffs		Mercosur import tariffs	
Sector/year	**2024**	**2040**	**2024**	**2040**
Rice	7.6	6.3	10.8	0.0
Wheat	27.0	27.0	9.2	9.2
Cereals	0.0	0.0	6.5	0.0
Fruit and vegetables	6.4	0.5	9.4	0.5
Oil seeds	0.0	0.0	3.9	0.0
Sugar	50.2	37.6	15.8	0.1
Fibres	0.0	0.0	5.3	0.0
Other crops	0.1	0.0	5.3	0.0
Vegetable oils	0.3	0.0	10.1	0.0
Live and fresh fish	5.7	0.0	6.6	0.3
Animal products	11.5	8.3	1.2	0.0
Dairy	16.9	0.7	20.3	5.6
Beef*	32.1	25.0	7.0	0.0
Other meat	20.2	11.2	10.8	0.0
Beverage and tobacco	6.6	0.0	21.5	0.0
Processed fish and agricultural products	16.6	0.0	12.6	1.0
Wood and paper	0.4	0.0	10.9	1.6
Textile, Apparel and Leather	4.5	0.0	23.5	2.1
Minerals and glass	0.1	0.0	8.5	1.0
Energy sector	0.0	0.0	0.0	0.0
Chemicals	4.2	0.0	8.5	2.1
Pharmaceutical sector	0.5	0.0	5.4	0.7
Rubber and Plastic	4.6	0.0	13.7	7.6
Ferrous metals	0.3	0.0	11.1	0.7
Other metal products	0.6	0.0	6.7	1.6
Metal Products	2.8	0.0	16.1	1.8
Motor Vehicles	4.2	0.0	19.6	0.8
Transport Equipment	1.3	0.0	3.5	1.1
Electrical equipment	2.2	0.0	13.8	3.1
Computers	0.7	0.0	9.5	0.5
Machinery and equipment	1.3	0.0	11.8	0.5
Other manufacturing	0.6	0.0	14.0	2.2

Source: DG Trade calculations. *Notes:* *This corresponds to the GTAP sector "ruminant meat" which includes both beef and sheep. However, since sheep is excluded from the EMPS, it is correct to expect that all the results for this sector refer to beef.

Table 8: NTMs trade cost reductions (%)

Sector	Argentina	Paraguay	Uruguay	Brazil
Rice	-	-	-	-
Wheat	-	-	-	5.5
Cereals	-	-	-	-
Fruit and vegetables	0.5	-	-	1.1
Oil seeds	-	-	-	-
Sugar	-	-	-	-
Fibers	-	-	-	-
Other crops	-	-	-	-
Vegetable oils	-	-	-	-
Live and fresh fish	-	-	-	0.7
Animal products	1.4	-	-	0.1
Dairy	5.4	-	-	5.3
Beef*	-	-	-	1.2
Other meat	3.9	-	-	2.8
Beverage and tobacco	-	-	-	-
Processed fish and agricultural products	-	-	-	6.5
Wood and paper	0.0	0.0	0.0	0.0
Textile, apparel, leather	0.0	-	-	0.0
Minerals and glass	0.0	0.0	0.0	0.0
Energy sector	-	-	-	-
Chemicals	0.0	-	-	0.0
Pharmaceutical sector	-	-	-	-
Rubber and Plastic	0.0	0.0	0.0	0.0
Ferrous metals	-	-	-	-
Other metal products	-	-	-	-
Metal Products	0.0	0.0	0.0	0.0
Motor Vehicles	0.3	-	-	0.1
Transport equip.	0.1	-	-	0.1
Electrical equip.	1.1	0.2	0.2	0.3
Computers	0.9	0.0	0.1	0.3
Machinery and equip.	0.1	0.1	0.1	0.1
Other manufacturing	0.1	0.1	0.0	0.0

Source: DG Trade calculations. *Notes:*: 0.0 indicates that minor NTM reductions take place in the sector. "-" indicates that no reductions have been achieved. ; *This corresponds to the GTAP sector "ruminant meat" which includes both beef and sheep..

Table 9: Services trade barriers reductions – simulation parameters , percentage point reductions in trade costs (%)

	EU	Argentina	Paraguay	Uruguay	Brazil
Utilities	(a)	(a)	(a)	(a)	(a)
Construction	1.5	3.0	(a)	3.0	3.0
Trade	1.4	2.3	3.0	3.0	2.6
Land Transport	0.8	(a)	(a)	(a)	(a)
Water Transport	1.9	9.5	(a)	9.9	6.9
Air Transport	0.8	1.5	(a)	(a)	(a)
Warehousing	0.8	1.5	(a)	1.7	1.7
Post, telecommunication and ICT	1.2	2.1	3.0	3.0	3.0
Financial services	2.0	3.0	3.0	3.0	3.0
Insurance	1.9	2.9	2.8	3.0	3.0
Real estate	1.1	(a)	(a)	2.6	(a)
Professional and Technical services	1.1	1.2	(a)	2.6	1.0
Recreational	1.9	2.4	(a)	2.7	2.3
Public services	(a)	(a)	(a)	(a)	(a)

Source: DG Trade calculations. *Notes:* (a) = excluded

Table 10: Impact on EU and Mercosur bilateral exports in 2040 (€ million and %)

	EU to Mercosur		Mercosur to EU	
Sector	**€ million**	**%**	**€ million**	**%**
Rice	10	90.6	11	13.4
Wheat	0	9.4	0	1.7
Cereals	0	19.2	13	1.4
Fruit and vegetables	185	36.9	318	28.2
Oil seeds	2	9.0	33	0.8
Sugar	1	68.8	200	42.4
Fibers	1	89.7	2	5.0
Other crops	20	13.4	74	1.7
Vegetable oils	185	21.2	210	2.5
Live and fresh fish	1	40.7	1	43.2
Animal products	2	5.2	12	13.1
Dairy	85	101.9	2	148.1
Beef*	23	30.8	365	33.8
Other meat	62	59.1	500	61.3
Beverage and tobacco	608	53.5	275	23.9
Processed fish and agri. products	1,659	69.9	3,647	122.7
Wood and paper	1,014	76.3	200	12.2
Textile, apparel, leather	1,117	150.4	173	33.3
Minerals and glass	543	55.7	194	6.3
Energy sector	21	0.6	152	2.7
Chemicals	4,778	49.2	761	57.3
Pharmaceutical sector	2,600	27.3	26	15.4
Rubber and Plastic	701	40.3	51	50.9
Ferrous metals	648	26.7	91	5.1
Other metal products	979	69.6	56	29.5
Metal Products	1,205	59.6	45	19.1
Motor Vehicles	20,761	199.3	472	70.1
Transport equip.	414	12.4	125	21.8
Electrical equip.	2,120	48.7	54	17.6
Computers	1,801	54.1	24	9.8
Machinery and equip.	5,367	35.7	120	11.9
Other manufacturing	978	62.1	27	9.2
Utility	0	-2.3	0	5.6
Construction	32	5.3	4	9.9
Trade	366	2.2	137	6.5
Other Transport	-10	-1.4	15	5.1
Water Transport	147	12.1	102	8.5
Air Transport	-8	-0.2	13	5.6
Communication	163	3.4	53	6.1
Warehousing	8	1.7	18	4.8
Business	17	0.1	204	7.5
Finance	80	4.2	19	8.2
Insurance	27	3.9	9	8.3
Real estate	-4	-1.2	44	5.5
Recreational	15	2.1	10	7.3
Public services	-18	-1.4	5	3.2
Total	**48,704**	**39.0**	**8,867**	**16.9**

Source: DG Trade simulations; *Notes:* *This corresponds to the GTAP sector "ruminant meat" which includes both beef and sheep. However, since sheep is excluded from the EMPS, it is correct to expect that all the results for this sector refer to beef.

Table 11: **Impact of the EU-Mercosur EMPA in 2040, sectoral output (€ million and %)**

	EU		Mercosur	
Sector	**€ million**	**%**	**€ million**	**%**
Rice	-21	-0.3	132	0.5
Wheat	-55	-0.2	71	1.5
Cereals	-82	-0.3	338	1.0
Fruit and vegetables	-337	-0.3	353	1.1
Oil seeds	-141	-0.3	661	0.8
Sugar	-338	-1.1	674	1.4
Fibers	-19	-0.7	153	1.8
Other crops	-135	-0.3	151	1.0
Vegetable oils	-158	-0.2	688	1.2
Live and fresh fish	-27	-0.1	38	0.6
Animal products	-401	-0.2	1,006	0.8
Dairy	-5	0.0	-28	-0.1
Beef*	-342	-0.4	554	0.8
Other meat	-565	-0.3	680	1.8
Beverage and tobacco	275	0.1	11	0.0
Processed fish and agricultural products	-2,152	-0.3	2,715	2.4
Wood and paper	-677	-0.1	396	0.4
Textile, apparel, leather	-267	-0.1	123	0.1
Minerals and glass	44	0.0	1,285	1.4
Energy sector	-76	0.0	230	0.1
Chemicals	1,685	0.2	1,092	0.9
Pharmaceutical sector	109	0.0	-274	-1.0
Rubber and Plastic	162	0.0	-45	-0.1
Ferrous metals	1,254	0.2	-474	-1.0
Other metal products	-372	-0.2	265	2.0
Metal Products	1,689	0.2	-528	-1.0
Motor Vehicles	18,059	1.6	-9,376	-8.9
Transport equip.	-1,942	-0.6	500	2.8
Electrical equip.	1,277	0.2	-334	-1.0
Computers	-837	-0.1	169	0.6
Machinery and equip.	2,732	0.2	-1,285	-1.6
Other manufacturing	-135	0.0	59	0.1
Utility	191	0.1	11	0.0
Construction	3,146	0.1	2,389	0.5
Trade	2,567	0.1	995	0.1
Other Transport	609	0.0	328	0.2
Water Transport	167	0.1	161	0.8
Air Transport	-84	0.0	131	0.6
Communication	338	0.0	552	0.3
Warehousing	190	0.0	165	0.3
Business	-765	0.0	1,082	0.3
Finance	-95	0.0	360	0.2
Insurance	8	0.0	113	0.1
Real estate	543	0.0	353	0.2
Recreational	568	0.1	8	0.0
Public services	3,685	0.1	338	0.0

Source: DG Trade simulations. *Notes:* This corresponds to the GTAP sector "ruminant meat" which includes both beef and sheep. However, since sheep is excluded from the EMPS, it is correct to expect that all the results for this sector refer to beef.

Annex 2

Table A.1: Sectoral aggregation used for CGE simulations

GTAP Sector Name	Description
Rice	Paddy and processed rice
Wheat	Wheat
Cereals	Cereal grains nec. (e.g. corn, barley, rye)
Fruit and vegetables	Vegetables, fruit and nuts, edible roots and tubers, pulses
Oil seeds	Oil seeds and oleaginous fruit
Sugar	Sugar crops and sugar and molasses
Fibres	Fibres crops
Other crops	Spice and aromatic crops; forage products; plants and parts of plants used primarily in perfumery, pharmacy, beet seeds (excluding sugar beet seeds) and seeds of forage plants; cut flowers and flower buds; flower seeds
Vegetable oils	Margarine and similar preparations; cotton linters; flours and meals of oil seeds or oleaginous fruits
Live and fresh fish	Hunting, fishing, fish farms
Animal products	Swine; poultry; other live animals; eggs of hens or other birds in shell, fresh; reproductive materials of animals; natural honey; bovine animals, live, other ruminants, horses and other equines, bovine semen
Dairy	Milk and dairy products
Ruminant meat/Beef	Meat of bovines, sheep, goats, horses
Other meat	Pig meat and offal, poultry
Beverage and tobacco	Beverages and tobacco products
Processed fish and agricultural products	Prepared and preserved fish; prepared and preserved fruit and vegetables; wheat and meslin flour; other cereal grain products (including corn flakes);
Wood and paper	Forestry, Wood products and Paper products, publishing
Textile, Apparel and Leather	Textiles, Wearing apparel and Leather products
Minerals and glass	Mining Extraction
Energy sector	Coal, Oil, Gas (extraction and distribution) and manufacture of coke and refined petroleum products
Chemicals	Manufacture of chemicals and chemical products
Pharmaceutical sector	Manufacture of pharmaceuticals, medicinal chemical and botanical products
Rubber and Plastic	Manufacture of rubber and plastics products
Ferrous metals	Ferrous metals (Iron and steel)
Other metal products	Pproduction and casting of copper, aluminium, zinc, lead, gold, and silver
Metal Products	Non-Ferrous Metals and Fabricated Metal Products
Motor Vehicles	Motor vehicles and parts
Transport Equipment	Transport equipment nec
Electrical equipment	Manufacture of electrical equipment
Computers	Manufacture of computer, electronic and optical products
Machinery and equipment	Machinery and equipment nec (including medical, precision and optical instr.)
Other manufacturing	Manufactures nec
Utility	Water supply and electricity

Construction	Construction: building houses factories offices and roads
Trade	Wholesale and retail trade; accommodation, food and service activities
Other Transport	Road and Rail Transport
Water Transport	Water transport (pipelines, water, auxiliary transport activities;)
Air Transport	Air Transport
Communication sector	Information and communication
Warehousing	Warehousing and support activities
Business	Other Business Services nec
Finance	Other Financial Intermediation
Insurance	Insurance
Real estate	Real estate activities
Recreational	Recreation & Other Services
Public services	Government, public administration and defense; Education; Human health and social work; Dwellings

Table A.2: Geographical aggregation used in CGE simulations

Regions	Comprising*
EU	aut bel bgr hrv cyp cze dnk est fin fra deu grc hun irl ita lva ltu lux mlt nld pol prt rou svk svn esp swe
UK	gbr
Argentina	arg
Paraguay	pry
Uruguay	ury
Brazil	bra
Mexico	mex
Chile	chl
Andean Community	col per
Rest of Latin America	bol ven xsm cri gtm hnd nic pan slv xca dom jam pri tto xcb
EFTA	che nor xef
Other EU FTAS	kor sgp ecu
Australia	aus
New Zealand	nzl
Turkey	tur
Russia	rus
USA	usa
Canada	can
Japan	jpn
China	chn hkg
India	ind
Thailand	tha
Vietnam	vnm
Indonesia	idn
Rest of ASEAN	brn mys phl
LDCs	xoc khm lao xse bgd npl xsa ben bfa gin sen tgo xwf xcf xac eth mdg mwi moz rwa tza uga zmb xec xsc
Gulf Cooperation Council	bhr kwt omn qat sau are
North Africa	mar tun xnf
Rest of Africa	cmr civ gha nga ken mus zwe bwa nam zaf
Rest of the World	mng twn xea pak lka xna alb blr ukr xee xer kaz kgz tjk xsu arm aze geo irn isr jor xws egy xtw

* ISO abbreviations; all abbreviations starting with "x" are countries aggregation in the GTAP database, details are available here: *https://www.gtap.agecon.purdue.edu/databases/regions.aspx?version=10*.

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