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BLOG POST

Unpacking the EU-Mercosur deal: ambition, pushback, and the new (geo)politics of trade

A conversation with Jean-Luc Demarty (former Director General for Trade, European Commission) and Antoine Bouët (Director, CEPII), moderated by Elvire Fabry. A Jacques Delors Institute and Sciences Po PSIA event.

On 1 May 2026, the EU-Mercosur Partnership Agreement entered into force on a provisional basis, closing a chapter that began with a Council mandate adopted in 1999. The deal was politically concluded in December 2024, formally signed in January 2026, and approved by the Council shortly thereafter. Ratification in the European Parliament is now pending, with a referral to the European Court of Justice on procedural questions still outstanding. To make sense of where this leaves Europe, the Jacques Delors Institute and Sciences Po PSIA convened **Jean-Luc Demarty**, who steered the file for years as Director General for Trade, and **Antoine Bouët**, head of the CEPII, for a frank, evidence-led conversation. **Elvire Fabry** chaired this discussion.

A note worth flagging at the outset. More than a dozen French parliamentarians, Members of the European Parliament (MEPs) and economists known for opposing the agreement were invited to take part. None accepted. That absence is itself part of the story.

I • A negotiation finally caught up by events

As Jean-Luc Demarty recalled, the 1999 mandate sat largely dormant for two decades. Mercosur's manufacturing protectionism and its agricultural competitiveness made it the most delicate file in the EU's bilateral pipeline, and political alignment between Brasília and Buenos Aires only rarely materialized. The window that mattered opened in 2023, with Lula back in power and Javier Milei broadly open to trade liberalization in Argentina. Negotiators closed the substance at the end of 2024. What pushed it over the line, in Demarty's reading, was the changing external context: a Trump administration unwinding the postwar trading order, and a Chinese economic posture he described, candidly, as predatory. The same logic explains the unusually quick ratification on the Mercosur side, including in Brazil, where parliamentary processes are typically slow.

Antoine Bouët took the audience through the gravity logic that underpins most modelling work in this area. The EU and Mercosur are large economic blocs but geographically distant, and Mercosur today accounts for only around two per cent of total EU goods exports. Trade creation should be most visible where tariffs are highest and competitive advantage clearest. On the EU side, that means electrical equipment, transport material, chemicals, pharmaceuticals, plastics and optical products. For France specifically, it means dairy, wine and spirits, three sectors that are currently exposed to US tariff pressure and weaker Chinese demand. Bouët used cognac as an illustration: 95% of production is exported, and small and medium producers in his native region lack the financial cushion of the large houses to absorb a US shock and find new markets quickly. The agreement's SME chapter, modelled on the one that proved effective under CETA, matters precisely for these firms.

On the magnitude question, Demarty pointed to recent work by Alexandre Gohin and Alan Matthews, published in the *Journal of Agricultural Economics*. Using a more recent GTAP (Global Trade Analysis Project) database than the European Commission's earlier estimate, they put the EU GDP gain in the 0.2 to 0.4% range, materially higher than the often cited 0.05% figure, because Mercosur's manufacturing tariffs have risen significantly over the past decade. Bouët also cautioned against the winner-versus-loser framing: cheaper inputs raise competitiveness across value chains, and consumers gain from access to differentiated goods.

II • Agricultural sensitivities: what the tariff rate quotas actually do

The tariff rate quotas negotiated for beef, poultry and sugar were calibrated to roughly 1.5 per cent of EU domestic consumption. As Demarty put it, with quantities this small the catastrophist scenarios circulating in the French debate simply cannot materialize. The EU already imports close to 200,000 tons of beef from Mercosur every year, mainly through pre-existing WTO quotas, and EU producer prices have doubled since 2019. Gohin and Matthews estimate the income loss for EU beef farmers at 0.6 per cent. The agricultural impact, in other words, is real but bounded, and broadly balanced overall between Mercosur and the EU.

This led to one of the franker exchanges of the evening. The French agricultural sector is not doing well, but the causes lie in roughly fifteen years of national policy choices rather than in trade agreements: EU agri-food exports to third countries have continued to grow, and France's deteriorating position is most visible in its intra-EU trade balance. Mercosur, on this reading, has been functioning as a convenient scapegoat for a domestic problem.

III • Geopolitics: a derisking instrument by accident

The geopolitical case has shifted faster than the text itself. Between 1999 and 2024, the EU's share of Mercosur's external trade roughly halved, while China became Brazil's first trading partner, with growing settlement in yuan and significant Chinese investment across mining and now automotive. The Mercosur deal was not designed as a derisking instrument, but it has effectively become one. Both speakers were emphatic on the counterfactual: without ratification, Brazil at least would tilt further towards China. A Mercosur-China FTA, however, would devastate Mercosur's own manufacturing base, which is why the speakers see it as unlikely. The EU's comparative advantage of being the only major economy with an FTA covering Mercosur should not be squandered.

On critical raw materials, Bouët set Mercosur in its proper proportion. Brazil accounts for over five per cent of world lithium production, and meaningful shares of bauxite, graphite and manganese, but the EU's broader strategy will rest on the cumulative coverage of agreements with Chile, Canada, South Africa, Australia and others. The Mercosur agreement's contribution is the binding commitment by partners not to restrict critical-minerals exports, with preferential treatment for EU buyers. It is not a substitute for the scale of Chinese investment, nor for the coercive market access leverage available to Washington, but it is a credible instrument consistent with the kind of partnership the EU wants to build.

IV • Sustainability: a quietly serious chapter

This was perhaps the most counter-intuitive part of the conversation for non-specialists. The Mercosur text makes the Paris Agreement an essential clause, joining only New Zealand and Australia in that category. Breach of an essential clause permits unilateral partial or full suspension of the agreement under the Vienna Convention. The Glasgow Declaration on Deforestation, non-binding in its original form, is rendered legally binding here. Both speakers agreed that this is a remarkable diplomatic outcome, and that the routine dismissal of the chapter by some French NGOs is not borne out by the text.

On deforestation impact specifically, Bouët's modelling points to a two to three per cent increase in Mercosur cattle production, absorbable through productivity gains. Gohin and Matthews estimate that additional EU-bound Brazilian beef exports would generate roughly 1,500 hectares of additional deforestation, a negligible figure against the 500,000 hectares cleared annually for beef production overall in the period studied. Demarty added a sharper observation: the EU Deforestation Regulation's objective is sound, but the text is so poorly drafted that delays in implementation reflect operational rather than political difficulties.

V • What the French debate actually tells us

Bouët closed with a textual analysis his team has conducted of French presidential manifestos from 1981 to 2022. Across eighty-nine manifestos, not a single positive association is made between free trade and economic outcomes for France. The intellectual roots go back to the late nineteenth century, when, as David Todd has shown, protectionists prevailed in shaping the country's economic identity. The result today is a political class in which no party will defend the Mercosur agreement publicly, even where the underlying data is positive.

The EU's response, on the Commission's side, was to refuse to let the deal be held hostage to that domestic blockage. Outside France, the political map looks rather different: Ireland, Italy, Spain and most other member states ultimately backed provisional implementation, and Mercosur's own quick ratification reflects a clear preference for an open, rules-based partner.

VI • Where does this leave us?

What emerges from the discussion is a deal that is more ambitious than its critics acknowledge, more modest in headline GDP terms than its supporters sometimes suggest, and more strategically significant than its 1999 origins would have allowed anyone to predict. It is a useful corrective to a debate that has too often turned on what cannot be said rather than on what the text contains.

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