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The EU - Mercosur Agreement in Agriculture, Opportunities and Threats for European Producers

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Abstract:

Purpose: *The paper tackles the problem of opportunities versus threats resulting from the Agreement between European Union and Mercosur countries in the agricultural sphere. Negotiations on the establishment of the EU-Mercosur free trade area are certainly one of the main integration processes of the current decade in the global economy. Mercosur deal could lead to a shift in world trade flows. Mercosur countries have enormous potential in the field of agriculture, as well as different standards in terms of production techniques, plant and animal health in comparison to the European Union. The South American exports may cause significant imbalances on the EU market in different spheres (economic, environmental and even social). That is why those prospects are worth examining.*
Design/Methodology/Approach: *In the article, apart from statistical information, reports of the European Commission and United States Department of Agriculture (USDA) were examined. The study analyzes trade statistics as well as reviews literature on the Mercosur Agreement. Document analysis, comparative methods, and partial SWOT techniques were employed.*
Findings: *The research clearly shows that in the agricultural sector, the benefits of concluding the Agreement are illusory, while the risks may be significant. The threats concern, apart from economic/social problems, environmental and animal welfare issues. In terms of export benefits, even the promising wine and olive sectors face significant non-tariff barriers on the Mercosur market. By contrast, many sectors of European agriculture (beef, cereals, poultry, biofuels) could be allowed to freely import South American products, most of which do not meet European standards.*
Practical Implications: *The results of the research shall be of interest for scientists, students, politicians and decision makers.*
Originality/Value: *In this research not only results of European and North American research were analyzed, but also economic literature originating from Mercosur countries were studied and quoted. It is a comprehensive study covering both some opportunities and real threats for European producers and consumers. It is clearly stated, without any camouflage, that threats can even weaken the crucial issue of European food safety.*

Keywords: *Mercosur countries, European Union, agriculture, agreement, international trade payments.*
JEL Codes: *A10, E00, F10.*
Paper type: *Research article.*

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1. Introduction

Mercosur (Spanish: Mercado Común del Sur – Common Market of the South) is an international economic organization established in 1991 by the Treaty of Asunción. The Member States are: Argentina, Brazil, Paraguay, Uruguay. Venezuela was admitted to the organization in 2012 but suspended its membership in 2016. Bolivia, being an associated country, like Chile, Bolivia, Peru, Ecuador (they use the free trade area, but do not participate in the customs union) became a member of the grouping in mid-2024.

Mercosur functions as a customs union (according to the treaty provisions since 1995) and a free trade area. The party has ambitions to become a common market modelled on the European Union. However, more than 30 years after its founding, the group is still striving to achieve this goal. Despite this, Mercosur remains an economic and political force in the region, connecting the two largest economies in South America.

On 6 December 2024, negotiations on the EU-Mercosur partnership agreement were concluded in Montevideo. Agriculture was a sensitive area in the negotiations of the Agreement, and in the so-called horizontal issues it concerned, i.a. phytosanitary barriers and animal welfare. Mercosur countries have enormous potential in the field of agriculture, as well as different standards in terms of production techniques, plant and animal health in comparison to the European Union.

Therefore, the negotiations were accompanied by opposition to the agreement by some countries (i.a., France, the Netherlands, Ireland and Poland), mainly concerning concessions in the access of agri-food products from Mercosur to the EU market. However, European Commission, together with its South American partners, stresses that the agreement is balanced and takes into account the concerns raised. Therefore, it is worth looking at the arguments of both sides.

The aim of the study is to draw attention to the importance of the agricultural part of the Agreement for agriculture in the European Union countries. A more specific objective is to identify opportunities and threats for both agriculture producers and consumers resulting from the conclusion of the agreement. In the first part of the article, after the presentation of data on mutual trade, the possible benefits for EU exporters of dairy products, meat products, wine, sugar and olives are presented.

The second part of the study highlights the significant imbalances that may appear on the EU market as a result of South American exports. This would primarily apply to the beef, cereals, poultry, isoglucose and biofuel markets.

Looking at the theoretical side of the problem, one could refer to the theories of food security (von Braun *et al.,* 2021; Burlingame, 2022).

2. Literature Review

The issue of assessing the impact of free trade agreements concluded by the EU with other countries or economic groupings is the subject of many studies and research. A preliminary ex ante assessment of the impact of a potential free trade agreement was published on the European Commission's website as early as 2011 (Burrel, Ferrari, González Mellado, Himics, Michalek, Shrestha, and Doorslaer, 2011).

The report presents simulations made with two different models (GLOBE and CAPRI) for alternative hypothetical versions of the bilateral free trade agreement between the EU and Mercosur covering different sectors. In 2017, the USDA published a report assessing the potential effects of the EU-Mercosur FTA on agricultural trade (Kirkpatrick, 2017). Pawlak and Sapa (2016) also assessed the potential effects of the creation of the EU-Mercosur free trade area on EU agri-food trade.

Environmental and human rights organizations have expressed concerns (The Silent, 2023) stating that the Agreement shall speed up the growth of farmland grabbing through large-scale deforestation, which would contradict the parties' climate change commitments and threaten the rights of indigenous peoples (Imminent, 2019). Agricultural associations in Mercosur are worried about the scope of the precautionary principle (Cláusula, 2017)[2] and the wine industry is concerned about the "asymmetric" agreement (Estallo, 2019).[3]

Some European processing industry groups have voiced serious concern about Mercosur's use of hormones, growth promoters and pesticides banned in the EU (Agri-Industry, 2023). The EU's beef (EU-Mercosur, 2019), ethanol (Last-minute, 2019), sugar (International, 2024) and poultry producers (EU Poultry, 2019) with defensive interests openly oppose the provisions of the Agreement, representatives of the EU's agricultural sub-sectors with offensive interests, such as wine associations (EU-Mercosur, 2019) and dairy (Unprecedented, 2019), are in favor of the agreement.

The most vivid debate revolved around the effects on agricultural sectors where Mercosur countries are expected to benefit the most and where they can increase agricultural production for EU exports, which will have a negative impast on the environment, in particular in terms of deforestation. EU producers in some agri-food sectors would suffer negative economic effects on the other hand. The results of the CGE model support these expectations, even though there are specific agri-

[2] *Invoking the precautionary principle, imports can be blocked without an investigation.*
[3] *Mercosur winemakers believe that with the mutual elimination of tariffs, they will be at a disadvantage because winemaking in the EU is subsidized.*

food sectors in the EU with export potential, for example, dairy or processed food and beverage products (Gruebler *et al.,* 2020).

Close to the conclusion of negotiations, a number of articles were published again expressing concern about the threats posed by the Agreement to European agriculture. Concern is voiced by both scientists – agricultural economists and people associated with environmental protection (Mileinomics, 2024; Legal, 2023).

3. Materials and Methods

In the article, apart from statistical information, analyses of the European Commission and United States Department of Agriculture (USDA) were examined. The study analyzes trade statistics as well as reviews literature on the Mercosur Agreement, written by European, both North and South American scientists and experts. In this paper both document analysis (Bowen, 2009) and comparative methods are employed. Document analysis involves skimming (superficial examination), reading (thorough examination), and interpretation.

Literature review as a research methodology (Snyder, 2019) was used as well. Other employed methods were also employed: applying keywords to examine different reports on trade between EU and Mercosur and partial SWOT analysis, considering opportunities and threats, especially for the EU producers.

4. Research Results and Discussion

Between 2013 and 2023, the value of agri-food exports from the EU to Mercosur grew by 6.6% annually, while the value of imports increased by 2.1% per annum over the same period. So far bilateral trade reached its highest value in 2022, when its value amounted to €31.3 billion. The value of agri-food goods exported to the four Mercosur countries, which amounted to €2.2 billion in 2019, reached €3.2 billion in 2023. Mercosur imports were incomparably higher and increased, from €16.1 billion in 2019 to €23 billion in 2023. In trade in agri-food goods with Mercosur, the EU recorded a negative balance throughout the years.

The share of EU agri-food exports to Mercosur countries in the total agri-food exports of the Community is only 1.4 per cent, and imports are 14.5 per cent, respectively.

Exports to Mercosur countries are characterized by a relatively small commodity diversity (e.g. compared to EU exports to the U.S. A.) and there are products that have a definite predominance. On the list of the 15 most important export goods in the years 2019-2023, there are 8 product groups which share in total exports was over 5 percent (Table 1). These include olives and olive oil (15.4%), beer, cider and other beverages (10.3%), as well as fruit, nuts and their preserves, vegetable preparations, mixed food preparations, cereals and cereal products. Exports of the products listed in Table 1 grew dynamically.

Table 1. *Top 15 food products exported to Mercosur, 2019 – 2023*

		Export						
		Value, milion €					**%**	
		2019	**2020**	**2021**	**2022**	**2023**	**Share in total agri exports 2023**	**+/- 2022 -2023**
	Agri-food	**2 199**	**2 195**	**2336**	**2924**	**3200**	**100.0**	**9.4**
1	Olives and olive oil	330	342	338	444	493	15.4	11.0
2	Beer, cider and other beverages	149	185	214	319	331	10.3	3.8
3	Preparations of fruit, nuts and vegetables	171	176	172	242	253	7.9	4.5
4	Mixed food preparations and ingredients	179	183	188	236	252	7.9	6.8
5	Cereal preparations and milling products	165	161	162	228	234	7.3	2.6
6	Wine and wine based products	166	172	195	197	224	7.0	13.7
7	Cereals	83	95	126	123	219	6.8	78.0
8	Fruit and nuts	155	117	96	163	215	6.7	31.9
9	Confectionery and chocolate	82	62	72	94	140	4.4	48.9
10	Pet food and forage crops	115	125	138	150	133	4.2	-11.3
11	Vegetables	133	113	89	105	122	3.8	16.2
12	Coffee, tea, cocoa and spices	82	90	102	103	107	3.3	3.9
13	Other animal products	109	88	95	116	106	3.3	-8.6
14	Non edible for technical use	61	69	96	111	100	3.1	-9.9
15	Dairy products	47	44	49	39	58	1.8	48.7
	Remaining Agri-food products	172	173	205	253	213	6.7	-15.8

Source: *Agri –food trade with Mercosur 4 (2024).*

Import data are presented in Table 2.

Table 2. *Top 15 Agri-food imports from Mercosur 4 to the EU in 2019-2023*

		Imports						
		Value, milion €					**%**	
		2019	**2020**	**2021**	**2022**	**2023**	**Share in total agri imports 2023**	**+/- 2022 -2023**
	Agri-food	16 051	16 491	19 577	28 205	22 978	100.0	-18.5
1	Oilseeds and protein crops	6 832	7 538	9 786	12 323	9 898	43.1	-19.7
2	Coffee, tea, cocoa and spices	2 002	2 040	2 532	4 556	3 488	15.2	-23.4
3	Fruit and nuts	1 391	1 520	1 571	1 756	1 770 8	7.7	0.8
4	Beef and veal	1 166	967	1 065	1 468	1 339	5.8	-8.8
5	Preparations of fruit, nuts and vegetables	1 175	1 088	990	1 170	1 230	5.4	5.1
6	Cereals	898	764	825	2 646	1 151	5.0	-56.5
7	Non edible for technical use	312	466	466	925	767	3.3	-17.1
8	Tobacco, cigars and cigarettes	601	538	547	635	712	3.1	12.1
9	Poultry and eggs	435	360	397	685	615	2.7	-10.2
10	Sugar and isoglucose	151	147	207	446	566	2.5	26.9
11	Other animal products	386	375	383	514	436	1.9	-15.2
12	Pet food and forage crops	254	246	266	364	265	1.2	-27.2
13	Vegetable oils (Oilseeds and Palm)	106	67	142	212	209	0.9	-1.4
14	Mixed food preparations and ingredients	99	82	102	147	115	0.5	-21.8
15	Wine and wine based products	108	124	112	130	110	0.5	-15.4
	Remaining Agri-food products	137	169	187	230	309	1.3	34.3

Source: *Agri-food trade with Mercosur 4 (2024).*

4.1 Opportunities and Threats for the EU Agricultural Exports to Mercosur

When defining the offensive tariff demands of the European Union, it is necessary to take into account, firstly, the production potential of the agri-food sector of these countries, secondly, the existing exports or the interest of EU producers/exporters in the American market, and thirdly, the level of customs duties applied by Mercosur. Considering the approach used by the EC in the negotiations of other trade agreements, it can be assumed that the conditions for trade in goods, where tariffs are already not high, will be fully liberalized with the establishment of the free trade area, or after a transition period.

The agreement creates both opportunities and threats the EU agricultural exports. The most important opportunities are:

- prospect of gaining market access. The EU has several core interests here, which include, first and foremost, gaining access to certain markets that are strongly protected by customs duties and, even more strongly, by regulatory barriers that often prevent foreign producers from accessing the market, such as in the case of sugar exported to Brazil and Uruguay (Non-Tariff, 2017);
- regulatory convergence. There are areas where legislation can be harmonised or mutual recognition can be applied. This will reduce transaction costs, potentially benefiting consumers;
- an opportunity to harmonise costly and ineffective economic policy measures. State policy and legal regulations artificially shaped the structure of production and demand on both sides of the Atlantic. In the biofuels sector, for example, different regulations have resulted in trade flows of identical products. Support and export promotion policies in the EU and Mercosur countries lead to a high level of public expenditure that would not have to be incurred if an agreement were concluded, at least not at this level. If the Agreement has the effect of improving cooperation, it could be beneficial for EU taxpayers.

When considering the significance that the Agreement may have for EU agri-food exports, it is necessary to take into account the direct impact resulting from the improvement of access conditions (thanks to the abolition of tariff and non-tariff barriers) to the South American market for EU goods, as well as the indirect impact, understood as the impact of the Agreement on agri-food exports of individual EU member states to other EU countries (the so-called Intra Trade).

With regard to the direct impact, it should first be noted that, in general, Mercosur's tariff rates on agri-food imports were high. For example, in 2022 they were for olive oil – 10%, malt – 14%, wine – up to 35%, beverages (other than wine) – up to 35%, chocolate - 20%, whiskey and other spirits: 20-35%, pastries, waffles and biscuits - 18%, canned peaches -55% (EU - Mercosur, 2024).

As this enumeration shows, for some agricultural goods, Mercosur countries were protecting the internal market by applying tariffs at the prohibition level.

What can the EU agri-food sector gain from the Agreement?

The EU-Mercosur agreement is the largest agreement in the history of the EU to protect traditional food and drinks registered as geographical indications. It will protect around 350 EU food and drink products from counterfeiting in Mercosur countries. Such protection will help to make these products more recognisable, allowing manufacturers to strengthen their market position in Mercosur countries and sell them at a higher price.

EU agri-food companies exporting to Mercosur will benefit from:

- the same requirements for all EU Member States in all Mercosur countries;
- faster, simpler and more predictable procedures and clear and transparent audit rules;
- fewer animal health restrictions: in the past, all EU exports could be stopped because of diseases in certain regions. The agreement will allow exports from EU zones that are not affected by the disease, despite the disease of the regions of the EU.

As far as traditional agricultural products of the temperate zone are concerned, it is worth noting that the MERCOSUR countries have a huge production potential in agriculture, which is able to meet the food needs of the internal market and generate surpluses that can be exported (Pawlak *et al.,* 2016). This means that expansion in the market of the "breadbasket of the world" can be very difficult.

Establishment of a free trade area on the basis of Mercosur may indirectly affect the export of EU agricultural goods to the markets of individual EU countries. In this case, we should expect a rather negative impact of the Agreement, i.e., the possibility of displacing EU exports from European markets by goods imported from the zone.

This may be primarily due to the abolition of customs barriers on imports from Mercosur to the EU, as well as possible concessions made by the EC in the field of agricultural production technologies which have not yet been allowed in the EU (i.e., certain methods of decontamination of meat, production of food from genetically modified or cloned organisms).

Mercosur countries are a major producer of many agricultural commodities, such as soybeans (1), corn (3), beef (1), poultry meat (2), [4]cotton (3). Liberalization of the conditions for importing these goods to the EU under the Agreement may result

[4]*Place in global world production (FAS, USDA, 2024).*

in their increased imports to European markets, and thus a decrease in imports from other EU countries. In particular, this can be important for poultry meat and beef.

Liberalization in the case of the Mercosur EU Agreement consists in setting duty-free quotas. A gradual reduction in tariffs is introduced on some goods, even within 10 years.

The European Union has a strong dairy industry. However, EU dairy faced high tariffs that limit entry into the Meercosur market, and preferential access under the agreement could provide a cost advantage over competitors such as New Zealand.

For some dairy products, the quotas will gradually apply zero tariffs (10 years to eliminate tariffs):

- cheese 30,000 tons, current tariff of 28%. Some European cheeses are in significant demand in Mercosuer countries (semi-hard Gouda and Edam types).
- milk powder - 10,000 tonnes, 28% duty. Demand mainly from Brazil.
- infant formulas – 5,000 tonnes, tariff – 18%.

The EU is unlikely to start sending large quantities of beef and other meat products to Mercosur countries, which have extremely low production costs. However, the EU can benefit from easier access to markets for highly specialised meat products.

Most probably export of wine, and spirits in general, will increase, due to the elimination of customs duties and the absence of a transitional period.

Olive oil is an important export product. The agreement provides for the elimination of tariffs without a transitional period.

Representatives of the EU livestock, food and horticulture sectors believe that benefits can be expected if the Agreement helps to conclude negotiations on sanitary and phytosanitary rules.

4.2 Threats to the Agricultural Sector in EU Countries

The most important issues in this regard include:

- Market distortions. Some manufacturing sectors in the EU would face competition from Mercosur producers, where production costs are lower than in the European Union. Particular problems may arise in the beef sector. These may have far-reaching social and environmental consequences for certain regions of the EU that specialise in the production of suckler cows and calves, reared on the properly maintained pastures;

- Trading on unequal terms. The regulations of the EU and South American countries differ. There are many areas where EU producers and processors are subject to stricter restrictions than their overseas partners (rules on biotechnology, chemicals, environment, animal welfare). If customs duties were waived without further adjustments, there would be a risk of distortion of competition.
- The threat of lowering standards in the EU. The previous issue directly results from the need to expand the common ground with regard to legal standards and regulations. Due to the divergence between the EU and Mercosur countries on issues as fundamental as the concept of risk management, the level of protection required by consumers, and the role of the state in these areas, there are concerns that harmonisation or mutual recognition of standards may lower current EU standards or undermine the foundations of EU consumer protection and environmental policy. An EU-Mercosur trade agreement could trigger significant imbalances, in particular in EU agricultural markets, where the current tariff protection in the EU is high and Mercosur production has cost advantages. The situation in the various sectors of the EU depends to a large extent on the situation on global markets and on exchange rates. In some sectors, EU agriculture can cope with the consequences of the FTA, while in others there will be difficulties.

The potential liberalization of trade between the EU and Mercosur countries could have very serious consequences for the sector in the EU. This problem has already been signaled earlier. Disruption to the suckler cow sector in the EU was identified by an independent scientific commission (McAleese *et al.,* 2006) as a major threat to the implementation of the WTO agricultural agreement as early as 20 years ago.

A similar threat was seen for EU agriculture in the case of the EU-Mercosur agreement. However, negotiating bilateral trade agreements (e.g., with Chile, South Africa, Canada) and being aware of the difficult situation in the beef sector, the EU has set quantitative limits on beef imports.

Beef production in the EU is not competitive on international markets. In the 1980s, the EU was one of the world's major exporters, but this was mainly due to high intervention prices, public purchases and export subsidies. Since the early 2000s, these instruments have been gradually reduced and beef production in the EU has declined while imports have increased.

The average size of a beef producing farm is small compared to what can be observed in most large-scale beef producing countries, resulting in differences in production costs. Land and labor (at least in some Member States) are also more expensive. Payments from the EU budget generally account for the majority, if not all, of the revenue value of beef producers. Moreover, the downstream sector also has low revenues, leading to limited investment across the supply chain.

Therefore, beef must be treated as a sensitive product in the negotiations, otherwise there will be serious consequences for producers in the EU. This sector is characterized by a variety of products (from frozen carcasses to fresh boneless cuts of meat); quality differences according to the origin and type of animals, processing and transport; different types of duties applied; and the fact that a large part of the domestic markets have a combined production of meat and milk.

A characteristic feature of the European beef market is the fact that two-thirds of beef consumption in the EU is meat from dairy cows. The delivery of such meat is not flexible. This means that in the event of higher imports, the suckler cow sector (which produces only meat) would bear all the costs of adaptation.

At the same time, the suckler cow sector is probably the only agricultural sector that generates real, positive externalities. Permanent pastures and extensive grazing provide a range of important agri-environmental services (e.g., biodiversity, water management, carbon capture). There is also an important social aspect to this sector, suckler cows concentrated in a few regions and Member States (e.g., Ireland, France), in areas with limited opportunities for alternative production.

According to the Commission's analysis (EU – Mercosur, 2024a), the Agreement will have a limited impact on the EU beef market and will not cause further deforestation in Mercosur countries (EU – Mercosur, 2024). The agreement does not provide for duty-free access to beef imported from Mercosur, except for the so-called "Hilton" quota.

The quota is to be 99,000 tonnes of Mercosur beef with a 7.5% duty. 55% of the quota will consist of fresh or chilled meat, and 45% of frozen meat. The total volume represents 1.6% of total European beef production and is less than half of Mercosur's current imports of 196,000 tonnes (2023). It should be added, which is rather not mentioned, that the old import quota "Hilton" (67,250 tonnes) enters the EU market duty-free.

EU is a net exporter of beef, with total exports worth €4.6 billion in 2023, which is almost double the total EU imports. The conclusion of the Agreement should not result in a significant increase in beef production in Mercosur. It should be specified that the total production of Mercosur (2024/2025) is 16.2 million tonnes, including: Brazil 11.9; Argentina 3.1; Uruguay 0.6; Paraguay 0.6 (Production, 2025). The amount resulting from the Mercosur agreement represents around 0,7 % of the grouping's production.

The consequences of the free trade agreement between the EU and Mercosur countries may lead to trade flows in the cereals market that will be difficult to predict due to possible substitutions between different cereals on both the supply and demand sides. The existing protection of the EU's borders against cereal imports is complex. In recent years, the actual role of tariffs has been reduced, but this was mainly due to high world prices.

When prices are low, the tariff structure in the EU defends European farmers. In particular, the tariffs protect EU producers from imports of medium and low-quality feed wheat. In this sector, a trade agreement could result in a high level of grain imports from Mercosur countries. A similar situation may occur in the maize sector.

The potential of Mercosur countries in terms of cereal production is enormous. The largest export-oriented farms reach up to 500,000 hectares, which is the size of the average French Department ((EU – Mercosur, 2024b).

Almost all of the corn grown there is genetically modified, and producers have been widely using plant protection chemicals based on active substances that have been strictly prohibited in Europe for many years. Of the 178 active substances authorized for use in maize in Brazil and Argentina, 92 are banned in Europe because they are considered to pose risk to human health or the environment.

Atrazine, for example, is a herbicide that is harmful to humans and toxic to the environment due to its presence in water and aquatic environment, banned since 2007 at European level. Another example: neonicotinoids. These insecticides, banned in the European Union, are routinely used by Mercosur maize producers. With rising demand for maize in Europe, there is a concern that European maize imports could double, negatively affecting European maize production. These imports could increase from 5 to 10 million tonnes by 2030(EU – Mercosur, 2023).

According to the Agreement, the duty-free import quota is to amount to 1 million tons of cereals (EU-Mercosur, 2025).

However, developments depend largely on Mercosur's ethanol policy. A significant part of maize production has been redirected to the bioenergy sector, due to regulations on biofuels. In 2023 Brazil and Argentina sent 13.3 million tonnes of soybean meal to the EU, which accounted for 60% of the EU's total imports. Currently, there are no tariffs or quotas for imports of soybeans from Mercosur into the EU. However, Mercosur countries impose export taxes on soybeans.

According to the agreement, export duties on the main export products of the soybean complex will be limited to 18% by the first day of the fifth year after the agreement comes into force. This includes soybean meal and soybean pellets, biodiesel, soybean oil, soybeans and other animal feed products such as soybean meal, which are already one of Mercosur's main exports to the EU.

Poultry products are subject to different duty rates, depending on whether the product is cut into pieces or not, whether it contains offal or not, and whether it is fresh or frozen (e.g., chicken is subject to an erga omnes rate of EUR 299 per tonne).

Under the Agreement, the EU allowed duty-free imports of 180,000 tonnes of poultry. It will be introduced gradually over five years. This represents 1.4% of total EU consumption and is less than current imports from Mercosur (240,000 tonnes in 2022). These imports are largely offset by EU exports, which amount to 2.2 million tonnes.

As regards sugar, Brazil benefits from the tariff rate quota granted under the EU WTO quota list. Under the agreement, 180,000 tonnes of raw cane sugar for refining will be released into the EU duty-free under the existing quota. A new duty-free quota of 10,000 tons was agreed only for Paraguay. The agreed quantities correspond to 1.2% of the EU's sugar consumption (about 16 million tonnes).

Quota amounts to 25 thousand tons, duty to 83 Euro per ton for the next 6 years. The 2024 political agreement added a quota of 1 500 tons for Paraguay, which takes its land-locked developing country status into account (Euro – Mercosur, 2025).

The agreement will open a quota for honey of 45,000 tonnes of duty-free imports. It will be introduced gradually over five years. Mercosur's current imports to the EU from Mercosur amount to 30,000 tonnes, which meets the EU's demand for honey and ensures the diversification of imports to the EU. The quota for Mercosur is less than 10% of total consumption in the EU.

The EU is not self-sufficient in rice production (60% EU self-sufficiency in rice) and needs imports. The agreement will allow 60,000 tonnes of Mercosur rice to enter the EU duty-free, with a gradual reduction in tariffs over five years.

This is less than Mercosur's current imports of an average of 100,000 tonnes per year and equivalent to 2 per cent. consumption of rice in the EU, amounting to 3 million tonnes. The EU-Mercosur agreement will not endanger rainforests in this respect.

The EU could face both risks and opportunities if transatlantic trade in the biofuels sector were to be liberalised. Under the Agreement, a duty-free quota of 450,000 tonnes will be opened for ethanol to be used by the chemical industry.

A quota of 200,000 tonnes will also be opened for all other applications. It will be phased in over five years and will be used mainly in the fuel segment, which accounts for by far the largest share of ethanol consumption in the EU. Of the 6 million tonnes of ethanol consumed each year in Europe, 4 million are used as fuel.

Biodiesel, another key Argentine export to the EU, will have its tariff gradually reduced from the current 6.5% to 0% over 11 years, with an approximate annual reduction of 0.6%.

If the negotiations of the Agreement led to the liberalization of trade without an attempt to harmonize the rules, producers, subject to different regulations, would sell their products on one market. This would be particularly difficult for EU producers. They fear that they would have to compete in a situation where they incur higher energy costs and comply with higher labour law standards. They would also have to comply with more restrictions.

There are several areas where regulations impose different costs on producers where the playing field can be uneven if the agreement is implemented.

In the case of GMOs, EU farmers fear a situation where they would not have the right to use biotechnology, but products from Mercosur placed on the EU market would not be covered by this ban (as is currently the case with soybeans). In Southern America beef can be treated with rBGH (bovine recombinant growth hormone), as well as ractopamine. In the case of pesticides and additives – Mercosur producers complain that barriers resulting from different regulatory standards for pesticides and food additives are unfairly restricting exports.

In the case of trade liberalization, there is a risk that producers would compete in the single market without being able to use the same chemicals, both in agriculture (pesticides) and in the food industry (food additives).

Cases of easing plant and animal health regulations have not been and are not negotiable. The EU has very strict standards in place to protect human, animal and plant health. Any product sold in the EU must comply with all standards. This, of course, also applies to imports from Mercosur.

It turns out that Argentina has long been recognized as one of the three largest users of pesticides in the world, along with Brazil.With the increase in the production of genetically modified soybeans and the development of the agrochemical industry in Argentina, the use of herbicides, pesticides and insecticides has increased sharply.

Over the past 25 years, there has been an almost tenfold increase in pesticide use (25 years, 2021). The scale of pesticide use, which includes aerial spraying, threatens the biodiversity of the Gran Chaco (Comparative, 2012; Agricultural, 2021).

The availability and use of veterinary medicines is much less limited than in the EU. Poultry, pig and bovine farms that are not registered in the traceability system of the production chain (Comparative, 2012).

Regulatory convergence and mutual recognition create the risk that Agreement could equalize common standards with inferior standards. Adjustments are difficult, all the more so as there are significant differences at the core of "security policy" in the EU and in the Mercosur countries (Agricultural, 2021).

Mercosur companies, farmers, and authorities claim that the safety of GMOs has been scientifically proven and that their exclusion is based on unreasonable concerns. Hence, it will be very difficult to reach an agreement on biotechnology issues.

According to German sources (Brazil, 2022), the increase in pesticide use in Brazil goes hand in hand with the increase in the area under cultivation of genetically modified organisms. Currently, 92 percent of soybeans, 87 percent of corn, and 94 percent of cotton seeds in Brazil are genetically modified crops. Quoting the same source, the use of these substances has a serious impact on health of the Brazilian population.

From the end of 2025, only deforestation-free products, including products such as soy, beef, palm oil, timber, cocoa, coffee and rubber, will be allowed to enter the EU market. This rule will also apply to imports under the EU's partnership agreement with Mercosur, ensuring that products imported under this agreement do not contribute to deforestation in Mercosur.

In EU agri-food imports in 2023, the largest imports came from Brazil. Argentina was in third place The list of the 15 most important product groups imported from Mercosur is shown in Table 2. This list differs from Table 1. Table 2 shows mainly agricultural products: oilseeds and protein crops, coffee, tea, cocoa and spices, fruits and nuts, while Table 1 shows olives and olive oil, spirits and preserves.

In the European Union, relatively low customs duties apply to imports of products from other climatic zones, i.a. coffee, tea and oilseeds, fats and oils. A higher degree of protectionism, on the other hand, covered the basic branches of agriculture and the food industry. A high level of customs protection was also characteristic of beverages and tobacco (19.6%), animal products (15.7%) and cereals and cereal products (12.8%).

In Mercosur countries, tariffs on animal products, dairy products, sugar and confectionery were significantly lower, while higher tariffs were on coffee and tea. Low tariffs are not the main obstacle to mutual trade. Non-tariff barriers (NTBs) are also important, such as strict phytosanitary and veterinary regulations for market entry (Sanitary and Phytosanitary Standards – SPS).

The main objective of including those issues in the Agreement is to minimize the negative impact of the SPS measures in force on trade, while ensuring the protection of human, animal and plant health. Because of the importance of these issues, there is a special SPS chapter in the Agreement.

The SPS chapter of the Agreement contains provisions to ensure food safety, animal and plant health, including a procedure for the recognition of pest and disease-free zones, which allows safe trade from these zones and the implementation of the "principle of regionalization". It sets out i.a.:

(i) the procedure for approving (or refusing) establishments in the exporting country for the importation of products of animal origin ('pre-listing'), the lists of approved establishments from third countries to be made public, and the verification of the system of official controls of the exporting country by the importing country;

(ii) sanitary and phytosanitary checks on imports into the EU and notifications resulting from cases of non-compliance;

(iii) forward-looking measures to simplify import and approval procedures, including efforts to harmonise import requirements, certificates and controls by Mercosur. It also provides for steps to establish a procedure for recognizing the equivalence of individual sanitary and phytosanitary measures. Bilateral and international cooperation in the framework of dialogue is foreseen in the areas of animal welfare, biotechnology, food safety and the fight against antimicrobial resistance.

Contrary to the European Commission's assurances, too deep (or too fast) liberalization of the conditions for trade in agricultural commodities with Mercosur countries may have negative consequences for the situation in the EU agricultural sector, in particular in the case of sensitive goods. on the domestic market.

It is important to take into account the high standards in force in the EU (e.g., in the field of animal welfare, food safety), which have a negative impact on the price competitiveness of EU goods on foreign markets. The poultry industry, which is of importance for agri-food exports in many countries, may serve as an example.

To defend the interests of European farmers, in the face of the huge negative balance in mutual trade in agri-food products, the EU granted under the Agreement very limited access to its market for imports of agri-food products. In particular, for sensitive products such as beef, poultry or sugar, access to the EU market will be permanently restricted thanks to phase-in quotas.

In addition, the bilateral safeguard clause can be used in the event that increased imports from Mercosur cause – or even threaten to cause – serious injury to the relevant EU sectors. For the first time, this safeguard clause also covers imports under tariff rate quotas.

When assessing the possibilities of protecting the interests of the agricultural sector (also by means of tariff instruments), the following circumstances should be taken into account:

The first problem is the currently liberal approach of the European Commission (EC) to issues related to the protection of the interests of the agricultural sector in trade negotiations. Looking at some other negotiation processes (e.g., with Canada), one can notice the EC's focus on seeking benefits in non-agricultural negotiation areas (industrial goods, but also services, public procurement, non-trade aspects), for which the EC is ready to pay with significant agricultural concessions, e.g., the acceptance of asymmetric proposals to the detriment of the EU.

This position is the result of the clash of interests of various sectors and sectors of the EU economy, as well as, without any doubt, the different interests of the Member States. In its decisions on the scope and scale of liberalization in the negotiations of trade agreements, the EC unfortunately does not sufficiently take into account the impact of non-trade aspects on the competitiveness of EU agriculture (e.g., animal welfare, food safety, multifunctionality of agriculture).

The second aspect is the possibility of real impact of EU member states on the negotiation process. According to Article 207(3) of the Treaty on the Functioning of the European Union, the EC is obliged to conduct negotiations in consultation with EU member states.

However, in practice, the information provided by the EC is very general, and sometimes the Commission limits itself to informing member states on issues that have already been negotiated. This problem significantly hinders the possibility of monitoring the negotiation process and, above all, the effective protection of the interests of the agricultural sector in trade negotiations.

Thirdly, already during the negotiations of the TTIP Agreement, the chances of creating a coalition of EU countries interested in protecting the interests of the agricultural sector were considered. Some EU economies have traditionally taken a cautious stance towards negotiation proposals that could lead to excessive liberalization of agricultural trade rules (e.g., Poland, France, Ireland, Hungary, Greece), while other countries are usually ready for greater flexibility in this area (e.g., Sweden, the Czech Republic, Estonia).

Taking into account these conditions, it is necessary to include in the Agreement provisions guaranteeing preferential trade only in goods that can be considered as originating in the EU economies or Mercosur countries. The rules of origin under the Agreement should protect EU markets from re-exports of goods from third countries to the EU, using Mercosur countries only as an intermediary.

EU farmers fear that they would not be allowed to use biotechnology, but Mercosur products placed on the EU market would not be affected by this ban (as is currently the case with commodities such as soybeans).

As stated above, trade liberalization without taking care of differences and divergences in government support leads to a situation where EU and Mercosur producers compete on unequal terms. However, harmonization of legal regulations also carries risks.

The disagreements between the two sides of the Atlantic refer to real differences in the concerns expressed by citizens. As explained by Bureau and Marette (2000), differences in risk perception are rooted in fundamental differences in cultural and institutional frameworks.

As a result, consumers in Europe see biotechnology (as well as nanotechnology) as a significant threat. The South American authorities generally view EU regulation on biotechnology as mere non-tariff barriers. Member States that have invested heavily in organic farming are also concerned that their investments will be jeopardised by potential genetic contamination (Graff *et al.,* 2009).

If the Agreement leads the EU to recognition that a large part of Mercosur countries legislation provides a satisfactory level of protection for consumers and the environment, this could bring changes in EU legislation. For example, the fact that the EU has allowed the import of Mercosur beef produced with a different level of hygiene and farming method means that it is actually the EU that has modified its own standards.

The need for regulatory convergence within the framework of the Arrangement can also be exploited by interest groups opposed to environmental regulation. The issue of biofuels can be used as an example. In Mercosur, interest groups have led to the adoption of fairly lenient environmental criteria for state support for biofuels, which largely protect the corn-based ethanol industry.

Animal welfare groups, on the other hand, are also concerned that regulatory convergence will be used to relax EU standards and possible changes in the legal status of animals, as demanded by these organisations.

It is extremely important to combat climate change. Meanwhile, according to the European Commission's assessment, the Agreement shall lead to an increase in greenhouse gas emissions rather than contribute to climate change mitigation and carbon sequestration.

Given current projections that the world is on track for a 2.9°C temperature increase compared to pre-industrial levels, it is legally unacceptable to conclude a trade agreement that would lead to an increase in emissions both within and outside the EU, as well as a loss of carbon sequestration and harmful impacts on biodiversity (Legal, 2023).

The European Commission has concluded that the EU-Mercosur agreement adequately addresses environmental and social issues in the trade and sustainable development chapter. However, the TSD chapter has been criticised by legal experts due to its serious weaknesses and deemed inadequate for the purpose (Mileinomics, 2021).

One key shortcoming is that many of these provisions contain only 'best efforts' clauses and are often merely declarations of intent or remain vague. This means that their actual implementation depends on the political will of the parties.

The research also concludes that the TSD chapter does not significantly strengthen countries' climate change commitments, as set out in the Paris Agreement, and that it does not provide a robust framework to address other important environmental and human rights issues.

In addition to being insufficient in scope and content, the TSD chapter excludes sustainable development commitments from the state-to-state dispute settlement mechanism that applies to the other chapters of the agreement and may lead to trade sanctions in case of breaches of the agreement. Instead, sustainability commitments will be decided by a panel of experts who, unlike the general dispute settlement mechanism, cannot impose sanctions for non-compliance.

Consequently, its clauses are generally unenforceable. The European Commission appears to assume that the agreed TSD chapter is insufficient to maintain the spirit and purpose of the Green Deal, and intends to provide further details.

A notable feature of the agreement is its "balancing mechanism", which allows trade to adjust if either party fails to meet its environmental commitments. These measures aim to protect key ecosystems such as the Amazon while promoting sustainable trade practices between regions.

Bilateral safeguards: The trade pillar contains a horizontal bilateral safeguard mechanism, which can therefore also be applied to agricultural products. This mechanism allows the parties to impose provisional measures in the event of 'an unexpected and significant increase in imports which causes or threatens market access for exports of Mercosur agri-food products considered sensitive.

5. Conclusions

Negotiations on the establishment of the EU-Mercosur free trade area are certainly one of the main integration processes of the current decade in the global economy. Mercosur deal could lead to a shift in world trade flows.

The analysis clearly shows that in the agricultural sector, the benefits of concluding the Agreement are illusory, while the risks may be significant. In the case of Mercosur, the threats concern the entire sphere of food safety, the environment and animal welfare.

In terms of export benefits, even the promising wine and olive sectors face significant non-tariff barriers on the Mercosur market. By contrast, many sectors of European agriculture (beef, cereals, poultry, biofuels) would be allowed to freely import South American products, most of which do not meet European standards.

Trying to summarize the above considerations, it should be stated that:

1. Mercosur countries are an important partner of the European Union in the area of agri-food trade among economies outside the Community, but the value of EU exports to this grouping is small.

2. The agreement should not lead to a lowering of EU standards on sanitary and phytosanitary issues, food safety, animal welfare, as well as environmental protection and sustainable development. On the other hand, the high standards in force in the EU, which increase the costs of agricultural production, should be reflected in a cautious approach to the liberalization of trade conditions for some agricultural goods.

The possibilities for protecting the interests of the agricultural sector are limited. This is mainly due to:

- the Commission's liberal approach to agricultural issues, as a consequence of its focus on other sectors of the economy (where some EU countries have significant interests);
- the EC's approach to consulting with Member States during negotiations (low transparency, insufficient information to Member States about the status of negotiations and the positions of the parties).

It is not known what shall be the future fate of the Agreement. Perhaps agriculture is the sector that will delay the conclusion of the entire Agreement. It is nevertheless important that the interests of European agriculture, but also of the EU's consumers are not jeopardized. One should stress once again that entry into force of the Agreement could be a threat to the European food safety.

However, discussion on these issues may also lead to improvement of environmental conditions, animal welfare and thus health standards in Mercosur countries.

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