

The new annexes to the trade and sustainable development chapter of the EU-Mercosur partnership agreement

Regulatory Implications and Impacts on Brazilian Agriculture

WAGNER DE MACEDO PARENTE FILHO
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ABOUT THIS STUDY

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1. Introduction

For over 25 years, two of the world's largest economic blocs have been engaged in negotiations that resulted, in early 2026, in one of the most ambitious Preferential Trade Agreements (PTAs) ever signed, among the nearly 400 agreements currently in force worldwide (WTO, 2025). The European Union Mercosur Trade Agreement (EUMETA) is expected to redefine bi-regional trade and investment flows with a potentially far-reaching economic impact on the agricultural, industrial, and service industries of both blocs. The agreement represents a profound shift in the relations between the two regions. It creates new opportunities for trade and mutual investment targeting economic growth and job creation. Additionally, it is intended to boost competitiveness by diversifying and adding security to production chains, energy sources, and raw materials, promoting sustainable development, environmental protection, and labor rights among its signatories (EU, 2025).

The extensively negotiated text includes 23 chapters that cover a range of topics with a direct impact on trade between the two regions, including: exchange of goods, rules of origin, technical and sanitary barriers, intellectual property, government procurement, and sustainability. However, at the core of all negotiated areas, lies Brazil, an agricultural superpower that is key to the global food security, and a leading producer and exporter of essential commodities such as soybean, beef, and coffee. Additionally, Brazil is home to the planet's largest rainforest, whose role in preserving biodiversity and mitigating climate change is irreplaceable. It is precisely at this intersection between agricultural power and environmental responsibility that Chapter 18 of the final text, which addresses Trade and Sustainable Development (TSD), has become the tipping point and, ultimately, the main hurdle to the ratification of the initial text agreed upon in 2019.

The 2019 agreement, signed as a historic milestone, rapidly faced resistance, especially from the European side. Growing concerns about escalating deforestation rates in the Amazon, which rose 34% in 2019 compared to the previous year (INPE, 2019), fueled the perception that the agreement's sustainability commitments were inadequate and lacked robust enforcement mechanisms. In response, the European Union not only postponed the ratification but also moved forward with an assertive unilateral regulatory agenda embedded in instruments such as the EU Deforestation Regulation - (EUDR) and the Carbon Border Adjustment Mechanism (CBAM). For Mercosur, these measures were

seen as non-tariff barriers implemented under “green protectionism,” undermining the trade benefits pledged in the agreement. This standoff, worsened by a geopolitical scenario of growing tensions and the need to diversify supply chains and strengthen relations with traditional partners — such as Mercosur — urged the reopening of negotiations.

The result of the recent bilateral renegotiation is the European Union-Mercosur Trade Agreement (EUMETA) 2024, a revised version of the agreement that sought to bridge the differences between the two parties. This new text represents a delicate balancing act: the EU achieved a significant enhancement of sustainability provisions, including raising the level of the Paris Agreement and the United Nations Framework Convention on Climate Change (UNFCCC) to an “essential element” of the treaty, the violation of which could lead to the suspension of trade benefits. Mercosur, for its part, managed not only to mitigate the impact of unilateral measures, but also to integrate them into the framework of the agreement — for example, enabling a positive risk rating within the EUDR — and to ensure important concessions, such as loosening up the liberalization schedule for the automotive industry and the right to apply export tariffs on strategic minerals. The epicenter of this renegotiation is the new and extensive **annex to the Trade and Sustainable Development (TSD) chapter**, which redefines the relationship between trade, environment, and labor rights within the agreement.

This article analyzes the new TSD provisions contained in Annex 18-A of EUMETA 2024, detailing their implications for sustainability, trade, and especially for the agricultural industry of both blocs. The goal is to go beyond political rhetoric and actually examine the changes, and critically assess whether this new framework can align the economic interests with the pressing environmental demands. Special attention will be given to topics that have been the subject of intense negotiation, such as climate change, new rules for agriculture, public procurement, the protection of geographical indications (GIs), the nature of the review clause, and the newly created cooperation protocol.

To achieve this goal, this paper is divided into two main sections. The first section presents a descriptive detailed analysis of the **new provisions**, outlining the substantial amendments to the TSD chapter and its annex. The new mechanisms, the commitments made, and exceptions negotiated by each bloc will be explored. The second section will move from description to evaluation and interpretation, focusing on the practical consequences of these new rules. With a special focus on the agricultural industry, the actual changes and their impacts on Germany, which is the EU’s leading economy, and on Brazil — the

leading country in Mercosur — are assessed. The analysis also covers the potential effects of the new regulations on Brazilian farmers and on the competitiveness of Brazilian agribusiness in general. Conversely, it explains how the new reality affects EU farmers and the European agri-food industry. Ultimately, it offers a factual and analytical perspective on whether EUMETA 2024 acts as a catalyst for sustainable development among regions, or whether the agreement is merely an intricate commitment that postpones inevitable clashes between the logics of trade and sustainability.

2. The Trade and Sustainable Development (TSD) Chapter:

The Trade and Sustainable Development (TSD) chapter in the initial text of the EU-Mercosur Agreement (EUMETA 2019) followed the traditional approach of European Union (EU) free trade agreements (FTAs).

The defining trait of this approach is the exclusion of provisions relating to the sanctioning power. Therefore, EUMETA 2019 did not include mechanisms allowing the suspension of tariffs or other enforcement measures in response to violations of sustainability rules, unlike what has been seen in more recent EU agreements with New Zealand and Kenya, for example. Instead of enforcement, the 2019 model relied primarily on cooperation and dialogue among the parties.

2.1. Key Lessons Learned and Criticisms

The 2019 TSD model was considered inadequate due to significant political movements and the perception that the lack of enforcement mechanisms undermined the guarantee of compliance with commitments. The rising deforestation rates in Brazil between 2019 and 2021 had international reverberations, which affected Brazil's image as a nation committed to protecting native vegetation. Additionally, Brazil's submission of the new climate target under the Paris Agreement in 2021 generated open criticism within the European community, especially because, in that year, the Conference of the Parties on Climate Change (COP26) was held in Glasgow, United Kingdom.¹²³

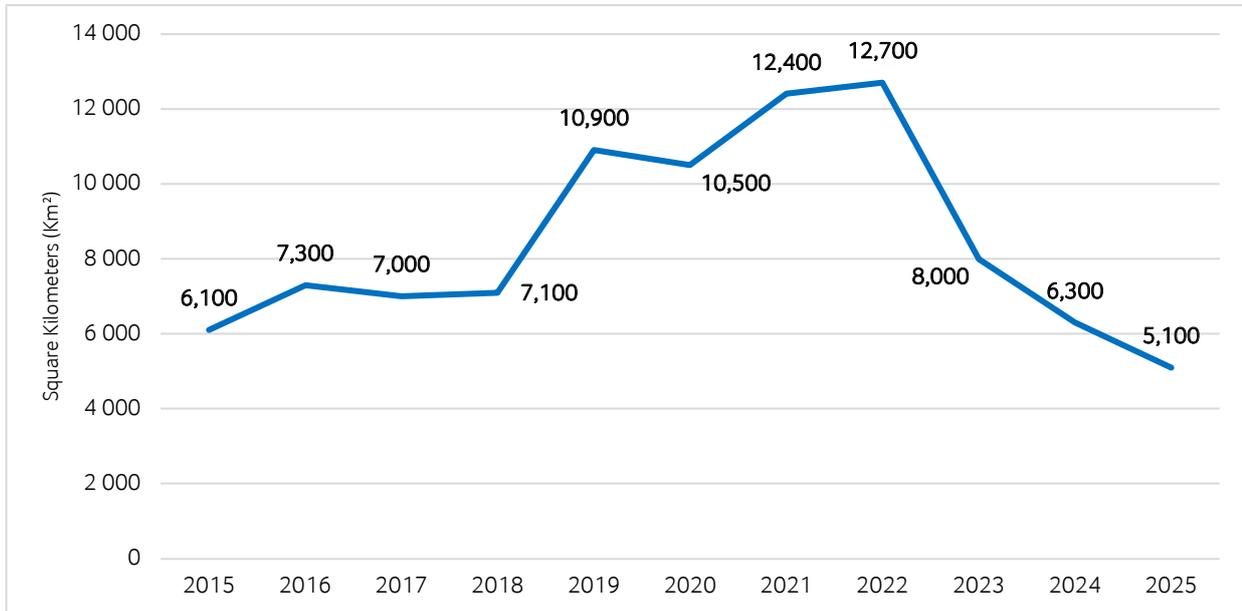
Rising deforestation rates, criticism from the European Parliament and Member States, the perceived lack of enforcement, and criticism from NGOs with significant political influence were some of the highlights of this learning experience.

¹ New York Times, 2021. [Once a Climate Leader, Brazil Falls Short in Glasgow - The New York Times](#)

² Washington Post, 2021. [Brazil, once a champion of environmentalism, grapples with new role as climate antagonist - The Washington Post](#)

³ Eurasia, 2020. [World's Biggest Trade Deal. In Danger: EU Angry Over Brazil's Deforestation – Analysis – Eurasia Review](#)

Chart 1 – Cumulative annual deforestation in the Legal Amazon (Km²)⁴



Source: Terra Brasilis (INPE), 2025

As the full text was drafted in 2019, annual deforestation rates in Brazil rose sharply, peaking in 2021. This escalation triggered strong opposition in the EU, and financial transfers to the Amazon Fund were frozen up, primarily supported by Norway and Germany. The freeze was also influenced by the Bolsonaro government’s attempt to alter, unilaterally, the allocation of funds injected in the fund, revising its governance.⁵

The sustainability concern led the European Parliament (EP) to declare in 2020 that the EU-Mercosur agreement could not be ratified that way. The European Parliament maintained this position. In 2023, it stated that the agreement could only be signed as long as the pre-ratification commitments regarding climate change, deforestation, and other concerns were satisfactory.

Given the perceived lack of enforcement, the main criticism was that EUMETA 2019 maintained the exclusion of sanctions on the TSD provisions. Faced with growing environmental concerns, the EU pressed for precise and enforceable sustainability

⁴ The Legal Amazon is a political-administrative concept framed in 1953 to plan the social and economic development of a strategic region of Brazil, covering 59% to 61% of the Brazilian territory. It includes the Northern states, Mato Grosso, and a portion of Maranhão, and defines areas to receive tax incentives and conservation policies.

⁵ Estadão, 2020. [Travado desde 2019, Fundo Amazônia congela R\\$ 1,4 bi para 40 projetos ambientais - Estadão](#)

commitments that allowed, for instance, the suspension of tariff concessions in cases of labor rights violations. The absence of sanctions in the 2019 model implied an enforcement failure to ensure the effective fulfillment of commitments.

Furthermore, it is worth noting the significant pressure from the European Parliament. The parliamentary bloc Die Grünen/European Free Alliance (Greens/EFA) was at its strongest, holding 72 seats, and was a key pillar supporting the coalition of the European People's Party (EPP) led by the President of the European Commission Ursula von der Leyen. This strength was further cemented precisely in the 9th European Parliament, which lasted from 2019 to the second half of 2024.

Meanwhile, concerns regarding environmental regulations were expressed by multiple NGOs,⁶⁷ which urged the European Commission to prioritize agricultural and forest protection metrics in the EU Deforestation Regulation (EUDR) risk rating process.

2.2. The Need for a New Instrument

The political context that pushed the renegotiation and called for a new instrument was marked by a combination of strong popular pressure and pressure from European NGOs; the political strength of the Green bloc in the European Parliament and national parliaments; and the European Union's new environmental measures, which would tend to affect bilateral trade once the agreement came into force.

Internal pressure and the political scenario resulted in an agenda that persisted throughout the 9th legislature of the European Parliament, with maximum strength, fundamentally revolving around the European Green Deal package and the Fit-for-55 complementary package. The Commission addressed critical issues of high international relevance, such as new ambitious targets for decarbonization, investment in green hydrogen, and the expansion of the European Union Emissions Trading System (EU ETS). Additionally, other regulations were also put on the agenda over the five-year legislature, notably the European Union Deforestation-Regulation (EUDR), the Carbon Border Adjustment Mechanism (CBAM), the revision of the Renewable Energy Directives (RED III), the

⁶ European Green Party, 2026. [FOR PEOPLE AND THE PLANET, SAY NO TO EU-MERCOSUR](#) | Greens/EFA

⁷ Euro Group for Animals, 2023. [170+ civil society organisations demand just alternative to toxic EU-Mercosur deal](#) | Eurogroup for Animals

Packaging and Packaging Waste Directive (PPWD), and the creation of the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CS3D), to mention some of the most relevant ones during this period.

Mercosur and Brazil criticized the EU's unilateral measures for not having been presented at the multilateral level, in forums like the World Trade Organization (WTO), for example, and argued that they undermined the expected trade benefits of EUMETA 2019. It should be noted that the disagreement between the parties significantly disrupted diplomacy between Brazil and the European Union, which would only be re-established during Lula's administration in 2023. Even so, the scenario of increased pressure from the EU for more stringent and enforceable commitments, coupled with Mercosur's opposition and sanctions, led to an attempt to reach a compromise.

When the Bolsonaro administration ended in 2022, the European Commission proposed a Joint Investigation Team (JIT) or an "Additional Protocol" to amend EUMETA 2019, after nearly three years of silence on the continuation of negotiations. Mercosur expressed openness to the JIT, despite rejecting any mention of sanctions. Both parties were reluctant to reopen the texts agreed upon in 2019, which could lead to an even longer discussion. For this reason, the model of additional commitments was chosen.

As a result of this negotiation phase, the TSD chapter was presented in 2024 with the following perspective:

1. Maintaining the original TSD chapter unchanged;
2. Including an annex to the TSD and Article XX, allowing for a more robust dispute settlement system within the TSD.

This new annex to the TSD doubled the length of the original chapter. Substantial changes were made, such as explicitly linking EUMETA 2024 to unilateral EU measures (such as EUDR and CBAM), by offering, for example, the possibility of a favorable risk rating for Mercosur under the EUDR. Furthermore, the new text strengthened climate commitments and included explicit reference to the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement as essential elements of the agreement.

3. The New Provisions: A Comparative Analysis (2019 vs. 2024)

The evolution of the “Chapter on Trade and Sustainable Development” reflects an ongoing paradigm shift in the European Union’s trade policy and increasingly aligns the environmental standards of trade policies. An examination of Sustainable Development within the European Union reveals that the Treaty of Amsterdam already recognized the relevance of this purpose (EUROPEAN UNION, 1997, Art. 1st, § 2nd). One decade later, the Treaty of Lisbon also included, in the bloc’s environmental policy, the objectives of preserving, protecting, and improving environmental quality, and safeguarding human health (EUROPEAN UNION, 2007).

Both revisions illustrate how sustainable development has matured in the EU; however, it is primarily from 2016, with the EU’s publication of “Next Steps for a Sustainable European Future — European Action for Sustainability,” that policymaker began to adopt more consistent instruments to integrate the UN Sustainable Development Goals (SDGs) into their development policy.

Therefore, European sustainability policies have been continuously evolving. According to Wurzel and Connelly (2011), the EU pioneered pollution prevention by introducing initiatives such as the Integrated Pollution Prevention and Control Directive (IPPC) (EUROPEAN UNION, 2008) and the Water Framework Directive (WFD) (EUROPEAN UNION, 2000). Also, according to the authors, up until 2011, the establishment of EU sustainable policies went through four stages:

- i. 1980–1992, formulation and construction stage;
- ii. 1992–2001, Kyoto Protocol negotiation stage;
- iii. 2001–2005, Kyoto Protocol recovery and resumption stage; and
- iv. after 2005, implementation of the Kyoto Protocol and subsequent negotiations (WURZEL and CONNELLY, 2011).

However, there is an update to be made in this timeline: at least two new stages (5 and 6) appear to have ensued after 2005 — one prior to the Paris Agreement in 2015, and a subsequent one, marked by the Paris Agreement implementation and the creation of national rules to align trade with climate change mitigation objectives. In this scenario lie some treaty models with stricter environmental rules, beginning with the EU-Korea agreement, ratified in 2015, the EU-New Zealand agreement, and the EU-Mercosur agreement.

3.1. Overview of the Changes: From Cooperation to Conditionality

Two pivotal changes were made to the “Trade and Sustainable Development (TSD) Chapter” of the Mercosur-European Union Agreement through the “Brasília Package”: the “Annex to the Sustainable Development Chapter” and “Chapter XX on Dispute Settlement.” These additions make the Sustainable Development Chapter more programmatic, operational, and technically safeguarded vis-a-vis the European Union regulations. It also establishes a “partial” trade enforcement instrument, meaning that the “Rebalancing Mechanism” makes the agreement semi-sanctioning for trade and sustainability issues.

The 2019 version was characterized by a strong declarative tone, exchange of information, and technical cooperation to promote the implementation of multilateral environmental and labor agreements. Although the dispute settlement mechanism existed, it was consultative and did not fully apply to the TSD chapter. It provided the setup of a panel of experts, but did not authorize trade sanctions or the suspension of tariff concessions in cases of failure to comply with the commitments presented. Its main objective was to promote sustainable development through trade without requiring strict and verifiable compliance in order to allow preferential market access.

In contrast, conditionality is a cornerstone in the “Annexes and New Provisions of 2024.” Sustainability is no longer a cooperative aspiration but a contractual obligation with direct trade consequences. This shift is driven by growing public and regulatory European concerns about deforestation and the effective implementation of multilateral agreements, including the Paris Agreement, the Kunming-Montreal Global Biodiversity Framework, the Kigali Amendment to the Montreal Protocol, and others.

The new enforcement mechanism, which culminates in the possibility of suspending concessions, establishes a direct connection between compliance with TSD standards and the maintained access to the European market. Essentially, the new text transforms sustainability into a license to export, requiring exporting companies and governments to provide verifiable proof that their products are free from environmental and labor violations.⁸ However, Mercosur also offered a counterweight: the Rebalancing Mechanism would be a two-way avenue, allowing South American countries to also challenge European countries if environmental laws infringing trade rules are unilaterally imposed.

3.2. Comparative Chart: Contrast of Key Points

Table 1 below contrasts the main characteristics of the two versions of the TSD Chapter, highlighting the depth of the paradigm shift:

Table 1 – Comparative Chart — 2019 and 2024 TSD Chapter

Element	2019 (Original TSD)	2024 (TSD + Art. XX. Annex)
Enforcement of the Dispute System	Explicitly excluded	A phased process that may lead to the suspension of trade concessions as a last resort. Focus on enforcement and compliance. Reference to Article XX.
Arbitration Panels	Consultative, no sanctions	Formal arbitrations with a binding effect.
Measures to be taken in case of non-compliance	None	Temporary suspension of concessions (XX.20).
Review and Rebalancing	Not applicable	It allows for a rebalancing mechanism based on the environmental impact of trade.
Regulation Rights	Recognition of the parties' right to establish their own levels of protection	Maintained as long as the environmental and labor laws are not weakened to attract trade or investment.

⁸ The criteria are explained in Chapter 4 of this paper.

3.3. The New Dispute Settlement Mechanism

The Dispute Settlement mechanism, included in Chapter XX, is the most transformative element, as it gives binding power to the TSD Chapter, which was purely consultative. It establishes a three-step process: Consultations, Arbitration Panel, and the Rebalancing Mechanism/Compensatory Measures.

Stage 1: Consultations (Art. XX-5)

At this diplomatic stage, either party may request written consultations, identifying the problem and the relevant provisions. The other party must respond within 15 days, and consultations must begin within 30 days of the request (or 10 days for urgent matters). These consultations suspend the possibility of other actions (such as unilateral retaliation) with the objective of finding a peaceful and mutually agreed solution.

At this stage, civil society can participate through advisory groups, entities, and NGOs, which can play a crucial role by raising the initial concerns that lead to the consultations. In the context of the TSD, the initial dialogue should also take place in the Subcommittee on Trade and Sustainable Development before escalating to the formal level of Article XX.

An alternative, provided in Articles XX6 and Annex XX-C, is the mediation phase. This is voluntary and can be requested by either party. As the name suggests, a neutral mediator helps to find mutually acceptable non-binding solutions. Mediation does not suspend deadlines, but it can avoid the arbitration panel.

Stage 2: Arbitration Panel (Articles XX-7 to XX.13)

If consultations fail, the complaining party may request the setup of a panel of three independent arbitrators. Each party nominates one panel member, and a chairperson is chosen from a pre-agreed list or, if no consensus is reached, by drawing lots. The composition is public and transparent, with open hearings and the possibility of *amicus curiae* participation ⁹by civil society organizations.

⁹ *Amicus curiae* (Latin: “friend of the court”) is a third party (someone who is not a party to the proceedings) who offers technical or legal insights to support the arbitral award.



The panel issues a provisional report within 90 days of its establishment and, subsequently, a final report within 120 to 150 days. This report contains conclusions regarding breaches of obligations or nullification of benefits, as well as recommendations on achieving compliance. The crucial point is that the report is legally binding. The defending party must take action to comply with the determinations within a reasonable period.

The defending party may propose an implementation plan and inform a “reasonable” time period for such implementation. The complaining party may request compliance arbitration to check whether the measures adopted are appropriate for the case. If the measures taken are not sufficient, the case proceeds to the rebalancing period.

Stage 3: Rebalancing Mechanism (Articles XX-20 to XX-21)

This is the most innovative and sensitive instrument. It allows the application of temporary compensatory measures (e.g., increased tariffs, suspension of benefits or trade concessions) proportionate to the damage caused. Ultimately, this mechanism is the agreement’s pressure instrument, a way to recalibrate the trade balance in response to violations affecting economic concessions.

4. Detailed Analysis of Key Themes in the New TSD Annex

The new Article XX represents a paradigm shift in the EU-Mercosur Agreement's approach to sustainability. It moves the discussion from a predominantly aspirational and cooperative level to one of more detailed commitments, incentive mechanisms, and targeted cooperation. This analysis delves into the central themes that define the new scope of the agreement: agriculture and deforestation, climate change and energy transition, the role of cooperation, and the review clauses. It also addresses relevant topics not included in this specific annex.

4.1. Agriculture, Deforestation, and Biodiversity

The text of the Trade and Sustainable Development (TSD) Chapter, consolidated with the 2024 Annex, expressly recognizes the strategic role of agriculture for the economic development, food security, and environmental sustainability of the parties. The annex introduces provisions that bind agricultural trade to sustainable production, responsible management of natural resources, and the integration of small and medium-sized farmers into global value chains.

In further detail, it provides the creation of a list of sustainable products within one year of the Agreement's effective date, accompanied by market incentives and technical assistance; the promotion of climate-resilient agricultural practices based on science and innovation, and recognition of the importance of traceability and environmental certification to ensure transparency and market access.

From a legal and economic point of view, agriculture becomes the most sensitive and strategic axis of the TSD, as it concentrates the greatest potential for interaction between sustainability and trade. The new regulatory design creates positive incentives through preferential treatment, capacity-building, and technical cooperation, but also significant regulatory pressures, particularly regarding traceability and environmental compliance requirements.

Regarding Mercosur, particularly Brazil, the transition to a production model fully compatible with European standards will require:

- Firmly establishing **national agriculture and forestry traceability systems**;
- Strengthening **policies to support smallholders**;
- Interministerial coordination to provide technical answers to any queries or disputes.

By recognizing that sustainability is not just environmental, the annex incorporates a strong social dimension. It acknowledges the leading role of indigenous peoples and local communities in protecting biodiversity and ensuring the sustainable use of land, and states that policies designed to curb deforestation must consider the social and economic challenges and the rights of these communities. It also highlights the importance of supporting smallholders and cooperatives, and creates mechanisms to ensure sustainable sources of income and market access.

The annex goes beyond deforestation; it addresses biodiversity more broadly. The parties undertake to cooperate to strengthen the conservation and sustainable use of all types of ecosystems. This includes promoting activities, products, and services based on biodiversity which empower and especially benefit the most vulnerable populations. There is also an explicit commitment to the fair and equitable sharing of benefits from the utilization of genetic resources, in line with each party's international commitments.

4.2. Climate Change

The 2024 Annex substantially expands the climate dimension of the Agreement. It reaffirms the parties' commitment to the Paris Agreement (UNFCCC) and incorporates other related multilateral instruments, including the Kunming-Montreal Global Biodiversity Framework (GBF). The annex stipulates that the parties:

- Maintain and strengthen their Nationally Determined Contributions (NDCs);
- Align financial flows and public and private investments with climate goals;

- Support the review of existing financing instruments and ensure proper funding allocated to forest conservation, reforestation, restoration, reduction of deforestation, and conversion of native vegetation;
- Implement policies for mitigation, adaptation, and a fair energy transition. They cover critical mineral mining, renewable energy, green hydrogen, sustainable biofuels, and other sectors.

The incorporation of the climate agenda adds a normatively integrative character to the Agreement by enhancing the interdependence between trade, the environment, and sustainable finance. At the same time, it reflects the European view that trade policy should be an instrument of global climate governance, which could strain the regulatory autonomy of Mercosur states.

The challenge lies in the asymmetry of institutional and technological capabilities between the parties. While the European Union has a consolidated regulatory framework and access to green finance, Mercosur countries sustain fiscal and technological constraints that may limit the fulfillment of climate obligations. On the other hand, the explicit mention of technical cooperation and international financing makes room for a distinguished cooperative interpretation of the principle of common but differentiated responsibilities.

Furthermore, although the regulatory debate tends to focus on the production and environmental practices of Mercosur countries, the content of the 2024 Annex establishes reciprocal obligations and expectations. The climate coherence of the Agreement may also raise questions about the energy matrix and industrial production standards of the European Union itself, especially in energy- and carbon-intensive industries. Therefore, sustainability leaves the status of a criterion applied exclusively to South American exports, affecting, at least at a regulatory level, the entire transnational value chain covered by the Agreement.

Nevertheless, economic, technological, and institutional asymmetries make the regulatory risk and the burden of adaptation to fall more heavily on Mercosur countries, especially Brazil, which shows the political — not just legal — dimension of climate governance incorporated into the Agreement.

4.3. Indigenous Peoples and Traditional Communities

Annex TSD 2024 incorporates, for the first time, the explicit recognition of the role of indigenous peoples and traditional communities in the protection of biodiversity, sustainable management of natural resources, and preservation of traditional knowledge. It refers to the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) and establishes commitments to:

- Promote the socioeconomic inclusion of these communities in sustainable value chains;
- Respect collective land ownership and land use rights;
- Promote development models based on traditional knowledge and agroecological practices.

The inclusion of this topic is a significant step forward in terms of regulatory consistency with international human rights and biodiversity rights. Nevertheless, its practical implementation will depend on effective internal policies on land markings, territorial protection, and free, prior, and informed consent (FPIC). Without such guarantees, recognition in the trade scenario may remain merely declaratory.

For Brazil, the Annex reaffirms the need to align the Agreement with the National Policy on the Territorial and Environmental Management of Indigenous Lands (acronym in Portuguese: *PNGATI*), and to ensure the active participation of these communities in defining products and chains eligible for the “list of sustainable products.”

4.4. Cooperation Protocol

Cooperation is presented as an essential tool to enable the achievement of the objectives outlined in the annex. It establishes a cooperative approach to address the challenges associated with compliance with the parties’ sustainability measures affecting trade. The annex considers the “Cooperation Protocol” a key instrument for this purpose.

Support for Mercosur countries should include funding, capacity-building programs, technical assistance, and other joint initiatives to promote sustainable value chains.

The Cooperation Protocol is based on articles 18.5 and 18.11 of the “Trade and Sustainable Development Chapter,” and on Part B of Annex 18-A, which provide technical cooperation, exchange of information, institutional strengthening, and support to the implementation of sustainability measures affecting trade. In particular, paragraphs 47 and 51 to 56 of the Annex recognize the need to consider national and sectoral capacities, and the role of national monitoring and traceability systems, establishing a legal basis for actions aimed at small and medium-sized enterprises (SMEs), smaller-scale producers, and family farmers. However, a direct or well-established mechanism for such has not yet been created. Financing is a recurring theme. The parties express support to increased funding to protect and restore ecosystems and undertake to review the existing financial instruments to ensure adequate funding for forest conservation. Raising funds through results-based payments and ecosystem services is also supported. Cooperation is not limited to the public sector and should also involve businesses, academia, and society.

4.5. Review Clause

The “Review Clause” provides that the parties must periodically review the functioning of the TSD Chapter and its supporting instruments (such as the “Cooperation Protocol” and the “List of Sustainable Products”). The TSD Subcommittee oversees proposing adjustments based on implementation experience and changes in international environmental and labor law.

The “Review Clause” reflects the evolving and dynamic nature of the Agreement. It allows updates in response to global regulatory changes. From a legal perspective, it reinforces its framework agreement nature, with adaptive capacity. However, the review process must ensure social participation — through Domestic Advisory Groups (DAGs) — to prevent changes from resulting solely from intergovernmental decisions and lacking democratic legitimacy.

4.6. Topics not Covered in the Annex: Geographical Indications (GI) and Government Procurement

Although the “TSD Chapter” does not directly address the topic of public procurement, the “2024 Annex” proposes that the governments of the parties incorporate environmental and social sustainability criteria into their procurement policies. The parties can:

- Promote the acquisition of environmentally sustainable products and services;
- Facilitate the participation of small and medium-sized enterprises in sustainable procurement processes;
- Technically cooperate in the development of common verification and certification criteria.

Including public procurement as a driver of sustainability translates the foundations of the institutional green economy, in which the State’s purchasing power is used to induce environmentally responsible production and trade standards. From a legal perspective, the Annex is of a guiding nature, but it lays the foundations for future synergies between the chapter on public procurement and the chapter on sustainable development. Its implementation will depend on alignment with the principles of equal treatment and international competition set out in the Agreement and in the domestic legislation of each party.

Although the “Government Procurement Chapter (XII)” does not establish full reciprocity in the access to public procurement between the EU and Mercosur, it alters the existing regime by progressively expanding opportunities for European companies — including Small and Medium Enterprises (SMEs) — to participate in procurement processes in the Mercosur. At the same time, it legitimizes the incorporation of environmental and social criteria into public procurement policies (green public procurement) and enhances the role of government procurement as a catalyst of sustainable production standards. The effectiveness of these provisions, however, will depend on domestic implementation and the States’ administrative capacity to translate programmatic guidelines into concrete practices.

Although “Chapter XII” establishes the principle of non-discrimination and ensures national treatment to the parties’ enterprises, reciprocity is essentially legal, not necessarily material. Market access to the entities expressly listed in the Annexes is contingent upon the types of contracts covered (goods, services, and construction projects) and the thresholds defined for the application of the Agreement. However, as for the European Union, much of this level of openness results from its participation in the WTO’s Government Procurement Agreement (GPA), of which Mercosur countries are not members. The incremental gain for South American enterprises may be relatively limited, while the agreement represents a more significant expansion of access for European enterprises to enter the Mercosur market. There are no specific mechanisms for facilitating or actively promoting Mercosur enterprises to enter the European market, nor are there any preference clauses. The regime, therefore, creates a formal equality of conditions, but its effectiveness will depend on each party’s competitive and institutional capacity.

Geographical Indications are not addressed at all in the text of the “TSD Chapter.”

5. An Evaluation and Impacts on European and South American Agriculture

Agriculture takes a structurally central position in the Mercosur-European Union Agreement, both because of its economic weight in Mercosur countries and because of its political sensitivity in the European Union member states.

The “Trade and Sustainable Development (TSD) Chapter”, especially after the additions introduced by the 2024 Annex, represents a milestone in the attempt to integrate trade, environmental, and social objectives in a mutually conditioning manner.

In this new regulatory context, agriculture is no longer merely an economic sector but an instrument of environmental and climate governance, and is bound to traceability, forest protection, social inclusion, and emission reduction criteria.

5.1. Quotas for Agricultural Products from Mercosur to the European Union

Product ¹⁰	Volume (t) ¹¹	Regulatory Observations
Beef	99,000	Divided by fresh/chilled and frozen beef; reduced in-quota tariff rate.
Poultry meat	180,000	Includes different cuts; gradual liberalization.
Pork	25,000	In-quota preferential tariff rate.
Sugar	180,000	Includes raw and refined sugar.
Ethanol	450,000	200,000 tons for chemical use (zero tariff rate) and 250,000 tons for other uses (reduced tariff rate); subject to sustainability criteria (RED III).
Rice	60,000	Partial liberalization via quota.

¹⁰ Please note that this is a group of products. Discrimination by tariff code is not possible. For a full range of information, refer to Annex 02-A – Tariff Elimination Schedule for a detailed description of the products.

¹¹ The tariff quotas provided in the EU-Mercosur Agreement operate under the tariff-rate quota (TRQ) regime. Once the annual quota volume is finished, additional imports of the relevant product are subject to the import tariff applied by the European Union under the Most Favored Nation (MFN/WTO) regime according to the EU Common Customs Tariff, without prejudice to compliance with the current sanitary, phytosanitary, and environmental requirements.

Product ¹⁰	Volume (t) ¹¹	Regulatory Observations
Honey	45,000	In-quota zero tariff rate.
Sweet corn	1,000	Residual quota

The tariff rate quotas set out in the EU-Mercosur Agreement do not operate uniformly across different agricultural products. Each quota reflects a specific combination of internal political sensitivities within the European Union, Mercosur’s offensive interests, and the level of regulatory protection applied to the sector.

For the most sensitive products — such as beef, sugar, and poultry — the tariff rate quotas serve as a mechanism to curb liberalization, allowing limited and controlled access to the European market. In these cases, the quota does not represent full liberalization, but rather a calibrated opening, accompanied by strict sanitary, environmental and, more recently, sustainability and traceability requirements. Once the tariff rate quota volume is reached, normal tariff rates are applied to the excess. For example, for raw sugar (NC 1701.13), one of the most imported sugars in the EU, the charges are 98.00 EUR / t + 1,372 EUR / 10,000 kg/degree pol. For refined white sugar (NC 1701 99 10), a tariff rate of 419 EUR/t applies. For beef, the most exported category from Mercosur is frozen boneless beef (NC 0202.30.00), which is subject to a 12.8% *ad valorem* rate on Cost, Insurance and Freight (CIF), in addition to a specific additional duty of EUR 3,041 per ton, which raises the tariff rate to about 70% on the CIF amount.

Products like ethanol follow a different approach. The division of the quota by intended use demonstrates the EU’s attempt to align industrial, climate, and energy interests. Chemical use, considered strategic, receives more liberal treatment, while other uses are subject to greater regulatory control, especially under the criteria of the European biofuels policy.

Products with less political sensitivity — such as honey — have easier in-quota access, with zero tariff rates and less internal resistance. In contrast, residual quotas, such as that of sweet corn, illustrate sectors where trade liberalization is merely symbolic.

Although the tariff rate quotas define the maximum legal volume for preferential access, effective access to these volumes depends, in practice, on compliance with the environmental and traceability requirements incorporated into the “Trade and Sustainable

Development (TSD) Chapter” and related European regulatory instruments, such as the Deforestation- Regulation (EUDR). Sustainability then becomes a material filter for the use of quotas by placing tariff liberalization contingent upon the regulatory compliance capacity of Mercosur exporters.

5.2. For Agriculture in Brazil and Mercosur

Agriculture in Mercosur, particularly in Brazil, is the main beneficiary and, at the same time, the industry that is most exposed to the new requirements of the agreement. The inclusion of a more stringent chapter on sustainable development and the connection with unilateral EU policies, such as the EUDR, redefine the conditions for access to the European market.

The main benefit is the predictable preferential access to one of the world’s largest consumer markets. Eliminating tariff rates on a wide range of agricultural products, despite the quotas applied to the most sensitive ones, offers a significant competitive advantage (GOV.BR, 2025).

Producers who can demonstrate compliance with the EU’s strictest environmental and social criteria, such as not being associated with deforestation after 2020 (an EUDR requirement), may distinguish themselves and have easier market access. The revised 2024 text provides Mercosur with the possibility of benefiting from the EUDR risk rating, which can simplify due diligence procedures for verified exporters (RUDLOFF, 2025).

This new reality acts as a catalyst for investments in technology and traceability. To meet the requirements of proof of origin and compliance, the industry will be required to invest in advanced satellite tracking systems, georeferencing, and transparent supply chains. Although these investments may be overly high at first, they have the potential to modernize Mercosur agriculture, increasing efficiency and resilience in the long term.

However, the challenges are substantial and lie in the producers’ adaptability. Adaptation costs for small and medium-sized producers represent the biggest hurdle. Implementing complex traceability systems, certifying sustainable practices, and proving that production is not connected with deforestation require financial and technical resources that are not available to all producers (SANTOS, 2025).

The complexity of tracking systems and having to provide documentary proof on an ongoing basis create a significant administrative burden. The risk of excluding producers who fail to adapt is real, and may potentially lead to the concentration of exports in large trading companies and producers with greater capacity to invest in compliance. Mercosur perceived the EUDR as an instrument that could undermine the benefits of the 2019 agreement, which led to the inclusion of safeguards and cooperation mechanisms in the 2024 text (RUDLOFF, 2025).

5.3. For the EU and German Agriculture

The Mercosur-EU agreement has always been a sensitive topic for European farmers, who fear competition from South American products, especially beef, sugar, and poultry, which are produced at more competitive costs.

The main impact on EU farmers is increased competition. Although market access quotas for sensitive products are limited — for example, the beef quota represents a small fraction of EU consumption (Swissinfo, 2024) — the perceived threat is high, especially in countries like France and Germany, where agriculture is a politically influential industry.

The debate over mirror clauses is core to the acceptance of the agreement. European farmers argue that it is not fair competition if Mercosur products do not have to comply with exactly the same production rules (use of pesticides, animal welfare, etc.) that apply to EU producers. The 2024 text addresses this concern by conditioning market access to more stringent sustainability commitments, such as fighting deforestation and complying with international agreements — Paris Agreement (RUDLOFF, 2025). The point is whether these sustainability rules are enough to ensure fair competition. The EUDR, for example, imposes a no-deforestation regulation, but it is not a complete mirror clause, as it does not require Mercosur producers to follow all EU production standards.

For the EU's agri-food industry, the agreement offers legal security for the import of raw materials from sources verified as sustainable. Soybean and corn, for example, are the core inputs for animal feed in Europe. With the EUDR and TSD, European companies have mechanisms to make sure that their supply chains are deforestation-free, which mitigates reputational and compliance risks.

Furthermore, the agreement opens up opportunities for exporters of technology, inputs, and processed products from the EU. Germany, in particular, is a major exporter of high-tech agricultural machinery, traceability equipment, and specialized inputs. The modernization of agriculture in Mercosur, driven by sustainability requirements, could drive significant demand for European technologies.

5.4. Quota and Market Access Analysis

Market access for sensitive Mercosur products (beef, sugar, ethanol, poultry) is governed by tariff quotas. The new addition set out in the revised 2024 text lies in how the new sustainability rules become a practical filter for filling these quotas.

Sustainability becomes, in fact, the new license to export. For a sensitive product, such as beef, to be exported under the preferential tariff rate quota, it must not only meet the regular sanitary and phytosanitary (SPS¹²) requirements, but also new environmental requirements. For example, the EUDR requires European operators to prove that the product was not grown or raised on land deforested after December 31, 2020. Without this proof, the product cannot enter the EU market, regardless of the availability of quotas.

In short, the quotas define the maximum volume of preferential access, but sustainability clauses define the minimum quality required to fill that volume. As the 2024 agreement incorporates Trade and Sustainable Development and recognizes the importance of instruments such as the EUDR, it makes sustainability, once a marginal issue, an essential requirement for agricultural trade with the EU. This implies that, even if the quotas remain unchanged from 2019, actual access to them will be determined by Mercosur's ability to adapt quickly to this new regulatory reality.

¹² **SPS (Sanitary and Phytosanitary Measures):** Measures established by the World Trade Organization (WTO) to protect human, animal, and plant health, and to ensure that food and agricultural products traded internationally are safe and free from pests or diseases.

6. Conclusion and Prospects

The analysis presented in this paper lead to the conclusion that the revised 2024 Mercosur-European Union Agreement consolidates a highly ambitious legal and trade framework in terms of sustainability. However, it is structurally asymmetrical as to the distribution of adjustment costs, the effective conditions of market access, and the ability to use enforcement instruments. Although EUMETA 2024 appears, from a strictly formal standpoint, to be in line with Article XXIV of the GATT,¹³ *by providing for substantial liberalization of bilateral trade (“substantially all the trade”), its actual implementation reveals imbalances that transcend legal compliance and directly affect the competitiveness of Mercosur’s agribusiness, especially Brazil’s.*

Strengthening the “Trade and Sustainable Development (TSD) Chapter” by adding Annex 18-A to it and by connecting it with unilateral European regulatory instruments represents an unequivocal shift in the European Union’s trade policy, which now uses market access as a vector for extraterritorial environmental and climate governance. Elevating the Paris Agreement and other multilateral commitments to the status of essential elements of the treaty provides the agreement with regulatory weight and establishes a conditionality regime whose practical application tends to fall disproportionately on Mercosur countries, whose institutional, technological, and fiscal capacities to absorb regulatory costs are significantly smaller.

This asymmetry is particularly evident in the relationship between sustainability and access to agricultural markets. The tariff concessions negotiated in 2019 are formally preserved, but their effective use will depend on the cumulative fulfillment of environmental, traceability, and due diligence requirements, backed up by European regulations external to the text of the agreement, such as the EUDR. In this context, tariff quotas — legally permissible in the multilateral system — no longer operate merely as quantitative instruments of managed liberalization and begin to serve, in practice, as selective regulatory filtering mechanisms. Products such as beef, sugar, corn, sorghum, orange juice, ethanol,

¹³ **GATT (General Agreement on Tariffs and Trade)**: An international agreement signed in 1947 to reduce tariffs and establish basic world trade rules. GATT is a precursor to the World Trade Organization (WTO).

and others remain subject not only to quantitative limits but also to considerably high off-quota tariffs, which substantially reduces the predictability and effectiveness of the promised preferential access.

From the angle of the multilateral trading system, strictly speaking, this arrangement does not constitute a violation of the WTO rules. However, by combining limited tariff liberalization and increasing regulatory requirements, the agreement disrupts the guideline of progressive liberalization laid down in Article XXIV of the GATT. The opening of the European market is gradual, conditional, and heavily protected in sensitive sectors, which, in the final treaty, have the additional protection of regulations and environmental standards.

This asymmetrical pattern extends to enforcement mechanisms. Although the new dispute settlement system and the rebalancing mechanism are formally bidirectional, their effective use depends on technical, institutional and political capabilities that structurally support the European Union. The possibility of Mercosur legally challenging European environmental measures affecting trade exists, but it encounters significant practical limitations, whether due to the technical complexity of the disputes or the political and diplomatic costs associated with taking such legal actions. As there are no equivalent instruments of economic and regulatory pressure, the enforcement regime tends to consolidate, rather than rectify, the power asymmetries between the parties.

EUMETA 2024 then consolidates a model of conditional integration, in which sustainability is not merely a cross-cutting objective, but rather a material criterion for access to the European market. Although this model represents progress in terms of regulatory consistency between trade, the environment, and labor rights, it lacks robust, automatic, and financially binding cooperation and compensation instruments capable of mitigating the adaptation costs imposed on Mercosur producers, especially small and medium-sized farmers.

In perspective, the agreement cannot be understood as an instrument of symmetrical liberalization, but as a hybrid arrangement that combines selective trade opening, advanced regulatory protection, and asymmetrical transfer of compliance costs. Its long-term economic and political feasibility will depend on the parties' ability to transform the

cooperative commitments set out in the text, particularly in the “Cooperation Protocol” and in the review clause, into effective mechanisms for reducing asymmetries. Without this material rebalancing, the agreement risks consolidating a regulatory sustainability model that, while legally sophisticated and multilaterally defensible, remains disconnected from the production and socioeconomic realities of Mercosur’s agribusiness.

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