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EU-Mercosur FTA

Lithuania – Brazil: New Opportunities for Trade and Investment

14 May 2026

Agenda

01 Spotlight on FTA's

02 Focus on the EU-Mercosur FTA

03 EU-Mercosur Rules of Origin

04 Investments and Public Procurement

05 Sustainability & Environment

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01 Spotlight on FTA’s

EU FTA-map of 2025



EU FTAs – in force

Europe & Neighbourhood	Americas	Asia-Pacific	Africa & Mediterranean
■ UK ■ EFTA (CH, NO, IS, LI) ■ Western Balkans	■ Canada ■ Mexico ■ Chile ■ Colombia ■ Peru ■ Central America: Costa Rica, Guatemala, Honduras, Nicaragua, Panama ■ Mercosur: Argentina, Brazil, Paraguay, Uruguay)	■ Japan ■ South Korea ■ Singapore ■ Vietnam ■ New Zealand	■ South Africa ■ Morocco ■ Egypt ■ Israel

What Does 2026 Have to Bring ...?

Three major FTA's currently in the pipeline.



EU-Mercosur

- Eliminates 91% of duties on European exports to Mercosur.
- Ratified by all Mercosur countries, awaiting Opinion of CJEU in EU.
- Provisional application of trade aspects as of 1 May 2026.



EU-India

- Largest FTA by population (2 billion people)
- Eliminates 96,6% of duties for EU exports to India
- Expected entry into force in 2027



EU-Indonesia

- Strong focus on sustainability and critical raw materials
- Eliminates most of the customs duties (98.5%)
- Expected to take effect later 2026/ early 2027.

02 Focus on the EU-Mercosur FTA

Importance of EU-Mercosur FTA

- Unlocks large-scale growth through preferential access to a 770 million consumer market
- Significantly reduces tariffs, thereby strengthening margins, pricing power and competitiveness
- Improves supply-chain resilience by diversifying sourcing and markets
- Strengthens legal certainty via clear, binding rules on trade and customs
- Strategic & geopolitical value, aligning trade expansion with ESG commitments

EU–Mercosur | Key Figures



€4 billion+
Annual duty savings for EU exporters



+700 million
Combined population



91% / 92%
Of tariff lines liberalised, respectively in Mercosur and the EU



€388 billion
EU FDI stock in Mercosur in 2023



€84 billion
of EU exports (Goods + services) to Mercosur in 2024



1 May 2026
Provisional application

EU–Mercosur | Timeline

	Steps	Institution	Date	Comments
1	Adoption of a negotiating mandate	Council	1999	
2	Signature of the political agreement	European Commission	December 2024	
3	Adoption of a proposal for a Council decision on the signature and conclusion of the Interim Trade Agreement (IPA)	European Commission	September 2025	
	Adoption of a proposal for a Council decision on the signature and conclusion of the EU-Mercosur Partnership Agreement (EMPA)	European Commission	September 2025	
4	Adoption of a Council decision authorising the signing of the ITA	Council	January 2026	
	Adoption of a Council decision authorising the signing of the EMPA	Council	January 2026	
	Adoption of a Council decision authorising the provisional application of the ITA	Council	January 2026	
5	Provisional application of the ITA	European Commission	May 2026	Provisional application of the ITA as of May 2026
6	Consent of the European Parliament on the ITA	European Parliament	?	On 21 January 2026, the European Parliament decided to request the European Court of Justice to assess whether the EU-Mercosur agreement is in conformity with the EU treaties.
	Consent of the European Parliament on the EMPA	European Parliament	?	
7	Ratification of the EMPA by Member States	Member States	?	
8	Adoption of a Council decision concluding the IPA	Council	?	
	Adoption of a Council decision concluding the EMPA, and hence replacing the IPA	Council	?	

Two parts – EMPA and iTA

EMPA



- Purpose: comprehensive, long-term agreement strengthening political, economic and cooperation
- Scope: covers political dialogue, sustainability, environmental protection, human rights and trade
- Status: requires full ratification by the European Parliament and all 27 EU Member States
- Function: once ratified, it will permanently replace the Interim Trade Agreement (iTA)

Two parts – EMPA and iTA

Interim Trade Agreement (iTA)



- Purpose: “bridging” agreement designed to implement trade benefits quickly without waiting for full ratification by all EU Member States
- Scope: limited specifically to trade-related matters, such as tariff reductions and eliminations, market access for goods and services, and government procurement
- Status: Provisionally applied starting 1 May 2026, requiring only Council approval and European Parliament consent
- Function: stand-alone, temporary agreement until the full EMPA enters into force.

iTA – Chapters

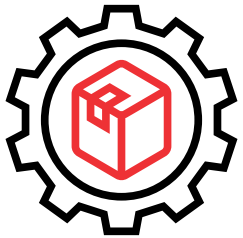
Chapter 1	›	Initial provisions
Chapter 2	›	**Trade in goods**
Chapter 3	›	**Rules of origin**
Chapter 4	›	Customs and trade facilitation
Chapter 5	›	Technical barriers to trade
Chapter 6	›	Sanitary and phytosanitary measure
Chapter 7	›	Dialogues on issues related to the agri-food chain
Chapter 8	›	Trade defense and global safeguards
Chapter 9	›	Bilateral safeguard measures
Chapter 10	›	**Trade in services and establishment**
Chapter 11	›	Current payments and capital movement
Chapter 12	›	Government procurement
Chapter 13	›	Intellectual property rights
Chapter 14	›	Small and medium-sized enterprises
Chapter 15	›	Competition
Chapter 16	›	Subsidies
Chapter 17	›	State-owned enterprises
Chapter 18	›	Sustainable development
Chapter 19	›	Transparency
Chapter 20	›	Exceptions
Chapter 21	›	Dispute settlement
Chapter 22	›	Institutional provisions
Chapter 23	›	General and final provisions

iTA – Annexes

In total 45 Annexes; some examples listed below

Annex 2-A	›	Tariff elimination schedule
Annex 2-B	›	Export duties
Annex 2-D	›	Trade in wine products and spirits
Annex 3-B	›	Product specific rules of origin
Annex 3-C	›	Statement on origin
Annex 5-B	›	On motor vehicles, equipment and parts thereof
Annex 9-A	›	Safeguard measures for vehicles (HS 8703, HS 8704)
Annex 10-A	›	EU list of commitments on cross-border supply of services
Annex 10-B	›	EU list of commitments on establishment
Annex 10-E	›	Mercosur list of commitments on services and establishment

iTA – Chapter 2: Trade in goods



- Tariff elimination: The agreement removes import duties on over 91% of EU goods exported to Mercosur over a transitional period
- Key sectors
  - EU Exports to Mercosur: Automobiles (tariffs up to 35% fall), machinery (14-20% fall), pharmaceuticals (up to 14% fall) and chemical products.
  - Mercosur Exports to EU: Agricultural products including beef, poultry, sugar and specifically for Brazil, bleached hardwood pulp (BHKP).
- National treatment: Imported goods must generally be treated the same as domestic goods one imported
- Import and export restrictions: limited use of export bans, import quotas and other restrictions that block trade
- Special agricultural protections: Safeguards allowing temporary protection if imports seriously harm local producers

iTA – Annex 3-C – statement on origin



English version

The exporter of the products covered by this document (exporter reference no…[1]) declares that, except where otherwise indicated, these products are of … preferential origin [2].

03 Zoom into the EU – Mercosur FTA

iTA – chapter 3: Rules of origin

01 **Origin criteria**

- Wholly obtained (such as crops, lifestock, mined materials)
- Sufficiently transformed through manufacturing or processing

02 **Product-specific rules**

- How much local content is required
- Which manufacturing steps must occur locally
- How much imported (non-originating) materials are allowed

03 **Cumulation**

- Originating materials from EU and originating materials from Mercosur can be combined

04 **Proof of origin**

- Statement on origin
- Supporting customs records
- Verification procedures by customs authorities

05 **Administrative cooperation**

Product-Specific Rules (PSR) — Annex 3-B of the EU-Mercosur FTA

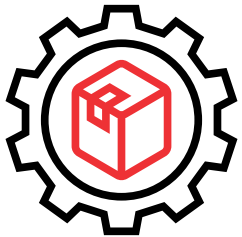
Rule Type	Concept	Example
Change of classification	Change of: • Change of chapter; • Tariff heading (4-digit); • Tariff subheading (6-digit).	Raw cocoa beans → Chocolate bar
Requirement of originating input	Key inputs are originating goods	Tobacco manufacture of which all materials are wholly obtained
MaxNOM	Maximum value/ weight etc. of non-originating materials	Example of thresholds: • Max 40% of EXW value is non-originating • 15% of the total weight is non-originating • Etc.
Specific Process	Defined manufacturing operations required	Twisting + singeing

iTA – Annex 3-B – Example “Food preparation” HS Code 2106



21.05 – 21.06	CTH, provided that: – all the materials of Chapter 4 used are wholly obtained; and – the total weight of non-originating materials of headings 17.01 and 17.02 used does not exceed 20 % of the weight of the product.

iTA – Chapter 10: Trade in services and establishment



- Same market conditions: Supply of services by Mercosur business in the EU shall be provided under no less favorable conditions than the conditions for EU domestic service providers (and vice versa)
- “Negative list approach”: All service sectors are liberalized by default, unless explicitly listed.
- Key sectors benefitting from liberalization:
  - EU: Financial services, Telecommunications and digital infrastructure services, Transport and logistic services, Engineering and Construction, Environmental and sustainability-related services
  - Mercosur : IT/Software/Data processing, Digital media/content creation

04 Concrete actions and Risk Mitigating processes

Optimizing From an Origin Perspective

Preferential origin - rules of origin

Identifying the relevant Rules of Origin



1. Determine customs tariff classification of finished product from perspective of country of import
2. Determine whether a trade agreement is in force between country of export and import
3. Identify product specific ROO from relevant annex in agreement
4. Check whether finished product meets the relevant ROO, with reference to accompanying notes*

*Note, FTAs will generally have a general rule for a Chapter and then a list of exceptions identified by the pre-fix “ex”. Where “ex” is used it does not mean that all products of that tariff heading are caught – you need to look at the description column.

Proof of Origin — Process

Step 1	Step 2	Step 3
Exporter issues statement on origin	**Importer claims preference at import**	**Customs verify (based on risk assessment methods)**

Instrument	Description
Statement on Origin (Annex 3-C)	Primary instrument: exporter self-declaration (not yet possible for exporters from Paraguay)
Certificate of Origin (Annex 3-D)	Transitional: for all Mercosur exporters (up to 5 years)
Statement on origin for multiple shipments or importer's knowledge	Excluded from the EU-Mercosur FTA

REX required for EU exports >€6,000 | Validity: 12 months | Retrospective claim for preferential tariff treatment possible (max. 2y.)

Verification & Burden of Proof



Risk-based selection by importing customs authority



Documentation request to importer and/or exporter



Authority-to-authority verification (max 2 years after claim for preferential treatment + deadline of 10 months to respond)



Outcome: preference confirmed/denied or consultation between the concerned authorities.

Key Risk



Burden of proof rests on the importer / exporter

No sufficient proof = possible denial of preferential treatment and incurrence of customs debt

Practical Actions & Key Risks

Actions



- Register / verify REX number
- Map supply chain origins end-to-end
- Apply PSR per product line (Annex 3-B)
- Retain origin documentation ≥ 3 years
- Train customs teams

04 Investments and Public Procurement

Investment & Services

Establishment	Services
Right of establishment	GATS-plus commitments (= including more sectors than under WTO GATS model)
National treatment (Not included: expropriation clause, fair & equitable treatment standards)	All 4 modes of supply covered: 1. Cross border supply 2. Consumption abroad 3. Commercial presence / establishment 4. Temporary presence
Free capital movement (incl. liquidation and repatriation of capital)	Specific rules for certain sectors: financial, telecom, e-commerce, postal services etc.
No Investor State Dispute Settlement (ISDS) under ITA	Certain services excluded (e.g., national maritime cabotage, audio-visual services etc.)

Government Procurement — Framework

Topic	Key Rule	Detail
Scope	Goods, services & mixed contracts	Purchase, lease and rental covered.
Equal treatment	National treatment and prohibition of offsets (e.g., requirement of local content, technology transfer etc.)	Subject to Party-specific carve-outs.
Thresholds	+€160k for goods/services; +€6 million for construction	Mercosur grace period (higher thresholds in Mercosur during first 7 years).
Entities	Central gov. + ambition to also cover sub-central procurement	Brazil has opened sub-central procurement to EU suppliers in almost all states.

Key Exclusions & Carve-outs

- Brazil: public health, school feeding & family farming programmes;
- Defence & national security excluded by all Parties;
- Brazil: offsets allowed if non-discriminatory; AR: offsets 40-50% of procurement value, decreasing to 20% over 16 years;
- Anti-circumvention: procurement may not be split into lots to avoid thresholds

05 Sustainability & Environment

Sustainable Trade & Deforestation Commitments

TSD Chapter 18

- Binding sustainable trade commitments
- Applies to both EU and Mercosur parties
- Promotes sustainable development in trade
- Enforcement of this chapter subject to specific Dispute settlement procedure

Annex 18A — Binding

- Legally binding: halt deforestation by 2030
- Maintain at least current protection levels
- Same legal force as the agreement itself

EUDR Cooperation

- Supports Mercosur EUDR compliance capacity
- Facilitates implementation and monitoring of EUDR in Mercosur

Questions

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