

## ABAGTALKS

### Webinar EU-Mercosur Agreement: expectations for the next 5 years

**Powered by:** Brazilian Agribusiness Association (ABAG)

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**Participants:**

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- Ambassador Pedro Miguel da Costa e Silva - Head of the Brazilian Mission to the European Union | Ministry of Foreign Affairs | Brazil
- Marcelo Regúnaga - General Coordinator of Southern Producing Country Group (GPS)
- Ambassador Roberto Azevêdo - President of the International Initiative for Brazilian Agribusiness and former Director of World Trade Organization (WTO)
- **Moderator:** Ingo Plöger - Vice-President of ABAG

**Subject:** Discuss the impacts of the EU-Mercosur Agreement on the international scenario and expectations for the next five years, especially for agribusiness

## Intro

In the face of a constantly changing global geopolitical context, notably following recent months of turbulence involving United States and China, the EU-Mercosur Agreement has gained increasing relevance.

The reduction of "friendshoring" has been impacted by changes in geopolitical and economic dynamics, leading to a reconsideration of these strategies. Furthermore, the European Union (EU), through the recent "Omnibus" measure, has been softening environmental regulations, adjusting its priorities in light of challenges such as the pressure to balance economic growth with sustainability goals, particularly during times of economic adversity.

In the current geopolitical landscape, leaderships in China, the United States, and Russia play critical roles. China continues to expand its global influence through initiatives like the "Belt and Road" (Silk Road), alongside investments in technology and infrastructure. The United States maintains a dominant position with technological innovations and geopolitical alliances, reducing internal bureaucracies to attract investment while increasing protectionism. Russia, despite economic challenges, maintains political and military relevance, especially in strategic regions like Eastern Europe.

## EU-Mercosur Agreement

The EU-Mercosur Agreement has gained even greater significance, particularly in the geopolitical aspect, by demonstrating two large blocs seeking unity and dialogue. It strengthens Mercosur's capacity to conclude relevant and strategic trade partnerships, in addition to strengthening its long-standing relationship with Europe, which shares similar economic and political views.

The Agreement conclusion opens doors for Mercosur to have a negotiation agenda with other countries and continue its path of international integration. In the long run, through scientific and technological exchange, it could contribute to the development of bioproducts, bioinputs, new biofuels, and circular economy processes, resulting in opportunities to diversify the region's exports.

The European Union is willing to strengthen relations with Mercosur. Specifically, regarding Brazil, there is an intention to hold a presidential summit in the country to discuss convergent and complementary topics, which would serve as an additional stimulus to preserve multilateral institutions.

For the Agreement to come into force, there is a path to be followed. The European Union is interested in collaborating on certain topics, such as green hydrogen, critical and strategic minerals, and possibly Sustainable Aviation Fuel (SAF). However, it is important to note that more complex topics currently have little room for dialogue, such as biofuels due to the baseless “Food vs. Fuel” narrative, and agricultural chemicals and pesticides, whose rules will remain strict. However, with the implementation of the Agreement, the dialogue will be different, with much more openness to address these issues.

## COP30

The European Union should work towards the success of the Conference that will take place in Brazil, in the city of Belém (PA), on issues such as energy transition and climate change mitigation. Discussions on low-carbon technologies and biodiversity align with Brazil's position. Therefore, it is crucial to build a critical mass.

In this regard, it is essential to emphasize that the global food security agenda is compatible with the climate and environmental agenda, without conflict. The only sector that can capture carbon is agriculture, which greatly contributes to these fronts. The restoration of degraded areas, integrated crop-livestock-forest systems, no-till farming, crop rotation, and other sustainable agricultural practices aim to reduce environmental footprints and emissions.

There is much misinformation in the context of international negotiations, methodological calculation errors, and research that only applies to specific regions - such as temperate climates, which cannot be considered for tropical climates - but which still influence decisions. Therefore, it is crucial to direct the dialogue to illustrate the region's reality to avoid trade barriers and protectionism, while showcasing Brazil's and Mercosur's sociobiodiversity, improving the country's and the region's position due to its predominantly clean energy matrix.

## ESG Agenda

Even with the current U.S. government stance not prioritizing ESG initiatives, they remain a global reality, especially in the private sector, in value chains, and corporations. In Europe, these agendas will not lose momentum.

Another important point is the consumer's preference for more sustainable products. Additionally, billions of dollars are being invested by the private sector to reduce environmental impact and implement circular economy processes, which, when done well, increase profit margins and competitiveness. These are clear movements with no turning back.

## Asian Countries

When discussing trade, geopolitics, and sustainability, China must be brought into the conversation, as there is still potential to be explored by Brazilian agribusiness. China is relevant in all these areas.

Another country to be observed is India, due to its economic size, population, and technological advancements. The President of the European Commission, Ursula von der Leyen, visited the country in late February, accompanied by more than 20 commissioners, to strengthen strategic relations, which reinforces the concern to continue building a network of support from Europeans.

## Strategies

In this scenario, Brazil needs to adopt a strategy that considers its own competitive advantages, such as natural resources and agriculture, while seeking partnerships that can benefit its economic and political development. The country must also evaluate how to position itself on environmental issues, given its critical role in combating food and energy insecurity, which impacts both global environmental politics and its international image.

The sector should prepare for an environment of uncertainties, with competitiveness being the way to remain well-positioned in the face of environmental and regulatory demands. Strengthening partnerships with the European Union and diversifying markets are seen as strategic actions for Brazil, especially in a context of growing political and economic volatility.

Although the Agreement still needs to be ratified by parliaments, its implementation would represent a significant milestone for Mercosur's agribusiness, offering new export opportunities and better trade conditions with the European bloc. However, experts warn about the need for resilience in the face of risks and highlight that continuous dialogue between the public and private sectors will be essential to ensure the success of the partnership.

The meeting made it clear that, for Brazilian agribusiness, the key will be preparation for a competitive future, ensuring credibility and alignment with new international demands. The central message was that adaptability and planning are vital to make the most of the opportunities that will arise. Caution should be considered, but the region should not accept certain topics by principle, as there is no scientific basis. Therefore, it is essential that decisions are not guided by ideological or political issues. It is a challenging path, but it is important to defend the reality of the bloc, which is based on scientific research.

Indeed, if approved, the Agreement could be a turning point, both economically and politically, offering a pathway to strengthening partnerships in a world in transition.