



**Mercosur-EU Free Trade Agreement**  
Historic Opportunity for Transatlantic Trade Ahead of  
Signing

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On 17 January 2026, the signing of the free trade agreement between the European Union and Mercosur by the Mercosur states is scheduled to take place in Asunción, Paraguay – after more than 25 years of negotiations. This will open up significant opportunities for German companies in one of the world's most dynamic economic regions. Are you prepared?

# Current Developments: A Milestone Ahead

The Mercosur states are scheduled to sign on 17 January 2026 in Asunción, Paraguay. This marks a decisive step in transatlantic economic relations.

The Mercosur-EU Free Trade Agreement establishes one of the world's largest free trade zones – an economic area with over 700 million consumers and boasting a combined GDP exceeding €20 trillion.

Together, the Mercosur states of Argentina, Brazil, Paraguay and Uruguay represent a market with enormous growth potential and strategic importance for German companies.

**Important note:** *While the overall agreement still requires ratification by the EU member states and the parliaments of the Mercosur countries – a process that may take months or even years – parts of the agreement may be provisionally applied following Council approval. This particularly concerns areas falling within the exclusive competence of the EU. The matters discussed in the present article are complex in nature and can only be presented in abbreviated, outline form. Statements contained in the present article cannot supplant more detailed analyses into individual constellations. The present article should not be used as basis for decision-making or the taking of actions.*

## Core Elements of the Agreement

- Elimination of tariffs on over 90% of goods within a transition period of ten years
  - Facilitated market access for services and public procurement
  - Harmonization of technical standards and mutual recognition of certifications
  - Protection of geographical indications
  - Binding sustainability commitments covering environmental protection, climate action, and labor rights, with compliance mechanisms included
- Investment protection provisions and dispute settlement mechanisms

# Practical Impact: What Will Concretely Change

## For German Companies in Latin America

### **Automotive Industry**

The German automotive industry and its suppliers will benefit in multiple ways. Currently tariffs on vehicles and components can reach up to 35%, but they will be gradually eliminated. Under the product-specific rules of origin, finished vehicles may contain up to 45 % non-originating content, with full cumulation allowed inside the two blocs. Regulatory cooperation mechanisms will help reduce duplicate testing and accelerate model launches. This is particularly relevant for Brazil as a significant automotive market and production location. German manufacturers can optimize their supply chains and utilize production capacities more efficiently.

### **Mechanical and Plant Engineering**

Latin America is investing heavily in infrastructure and industrialization. German mechanical engineering companies can benefit from tariff reductions averaging 14%, and in some cases up to 20%, depending on product category. Particularly in demand are plants for food processing, mining equipment, construction machinery and production technology. Simplified certification procedures can significantly accelerate project implementation.

### **Chemical Industry**

Annual savings in the order of hundreds of millions of euros in customs duties are expected for the chemical industry. Several sectors, including specialty chemicals, pharmaceuticals and agrochemicals will particularly benefit from improved market access. Brazil and Argentina, as major agricultural nations, offer considerable potential for crop protection products and fertilizers.

### **Energy and Energy Technology**

The Mercosur region has enormous potential for renewable energy – ranging from hydropower to solar and wind energy. German expertise in energy generation, grid infrastructure, storage technologies and smart grid solutions is in high demand. The agreement facilitates the export of turbines, transformers and control technology as well as participation in infrastructure projects.

## For Latin American Companies in Germany and Europe

### Raw Materials and Mining

The Mercosur region is rich in critical raw materials – from lithium to copper, iron ore and rare earths, which are strategically important for Europe's energy transition and industrial resilience. The agreement facilitates the export of these materials, including lithium (Argentina), copper, and rare earths (Brazil), and supports local value chains, into the EU. At the same time, opportunities arise for joint ventures in further processing and refining.

### Agriculture and Food

Brazil and Argentina are among the world's leading agricultural producers. The agreement opens the EU market to beef, poultry, sugar, ethanol and other agricultural products – albeit with transitional periods and quotas. European consumers benefit from greater choice and increased competition.

### Financial Services and Insurance

Latin American banks and insurance companies that are already present in Spain and Portugal will be able to expand their activities in Germany and other EU markets. The agreement establishes clearer rules for cross-border financial services and simplifies the process of setting up branches. Brazilian and Argentine financial institutions, in particular, have significant experience in emerging markets.

### Telecommunications and Digital Services

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### Automotive Industry

Brazil has established itself as a major automotive producer. The country is both a production location for international manufacturers and home to its own automotive suppliers. The agreement gives Brazilian manufacturers and suppliers better access to the EU market, while simultaneously creating opportunities for German-Brazilian production cooperation.

# Concrete Action Areas for Companies

The signing on January 17 is an important milestone, but it is only the beginning. While some parts of the agreement will take effect immediately, complete ratification and implementation will take time. Companies should use this time to position themselves strategically:

## 1. Strategic Market Analysis

- Identification of concrete business opportunities in target markets
- Assessment of competitive advantages through tariff elimination
- Analysis of regulatory requirements in target jurisdictions
- Review of immediately applicable provisions

## 2. Rules of Origin and Supply Chain Optimization

- Review of preferential rules of origin for your products
- Optimization of value chains to maximize tariff benefits
- Documentation and certification of proof of origin
- Preparation for the gradual implementation of tariff reductions

## 3. Market Entry and Structuring

- Selection of optimal market entry strategy (export, joint venture, subsidiary)
- Tax-efficient structuring of cross-border activities
- Consideration of double taxation agreements and local incentives
- Use of the transitional phase to establish a local presence

## 4. Contract Design and Compliance

- Adaptation of supply and distribution contracts to new framework conditions
- Implementation of compliance structures for anti-corruption and export control

- Consideration of local employment law and corporate law particularities
- Preparation for changing customs procedures

## **5. M&A and Partnerships**

- Identification of suitable acquisition targets or joint venture partners
- Due diligence considering local particularities
- Structuring and negotiation of cross-border transactions
- Utilization of improved investment protection provisions

## **6. Regulatory Environment**

- Sector-specific permits and licenses
- Product approvals and conformity assessments
- Data protection and IT security in cross-border data flows
- Monitoring of ratification processes in individual countries

# How We Can Support You

At Deloitte Legal, we have a unique network that connects Germany with Spain and the entire Latin American region. Our Spanish/LATAM Desk is your gateway to Mercosur markets and beyond.

## Our Advisory Services

### Legal Advice through Deloitte Legal

- Corporate law and M&A transactions in Germany and Latin America
- Contract design for international trade and cooperation relationships
- Market entry strategies and structuring advice
- Trade and customs law, rules of origin and preferential agreements
- Corporate compliance and export control
- Employment law and secondments
- IT law and data protection in cross-border activities
- Dispute resolution and arbitration proceedings

### Advice through Deloitte

- Tax structuring and optimization of cross-border investments
- Customs and foreign trade advice, transfer pricing
- Market analyses and location assessments
- Due diligence and transaction advice (Financial, Tax, Legal)
- Identification and assessment of acquisition targets and partners
- Operational support in market development
- Compliance systems and internal audit



# Our Advisory Approach

We support you from both Germany and Latin America through our Deloitte Legal colleagues. With locations in Argentina, Brazil, Chile, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Colombia, Mexico, Nicaragua, Paraguay, Peru, Uruguay and Venezuela, we cover nearly all Spanish-speaking jurisdictions – including all four Mercosur states..

- This presence enables us to provide the following services:
- Advice in German, English and Spanish
- Understanding of local business practices and cultural particularities
- Coordination of complex multi-jurisdictional projects
- Efficient project execution through local teams in each respective country
- Uniform quality standards across all jurisdictions

## Your Spanish/LATAM Desk at Deloitte Legal

Our Deloitte Legal Spanish/LATAM Desk is led by **Felix Felleisen** and **Pedro Vera Martínez**, who together possess comprehensive expertise in German-Latin American mandates.

**Pedro Vera Martínez**, Senior Associate in the Corporate/M&A practice, is admitted as a lawyer in Germany and as Abogado in Spain and Mexico. He advises on national and cross-border M&A transactions, VC investments, corporate law matters, corporate compliance and corporate contracts. His education in Hamburg, Madrid and Monterrey as well as his several years of experience in IT, finance and logistics companies make him the ideal contact for German-Latin American mandates.

**Felix Felleisen**, Partner at Deloitte Legal since 2006, advises German and international clients on M&A transactions and complex cross-border

restructurings as well as on corporate, commercial and company law matters. He frequently acts as lead partner of multidisciplinary international advisory teams. Felix Felleisen speaks fluent Dutch, English and Spanish and is regularly listed in the JUVE handbooks as a frequently recommended lawyer for corporate law and M&A – described among other things as "pragmatic and solution-oriented, but with a fine legal touch" and "excellent M&A lawyer".

# Why Act Now?

The period between signing and complete ratification of the Treaty offers companies a strategic window:

- **Secure first-mover advantages:** Those who build partnerships and create structures now will be immediately capable of action when the agreement enters into full force
- **Utilize immediate benefits:** Some parts of the agreement will take effect immediately – those who are prepared can take advantage of them straight away
- **Manage complexity:** The transitional arrangements and gradual tariff elimination are complex – early planning will help you avoid mistakes
- **Strengthen your competitive position:** Whilst others wait, you can already position yourself
- **Minimize risks:** Thorough preparation reduces legal and operational risks

# Germany and Latin America: A Natural Partnership

Germany and the Latin American markets complement each other perfectly: German technology, quality and engineering meet dynamic growth markets with young populations and increasing prosperity. At the same time, Latin America offers Europe access to critical raw materials and agricultural products.

Spain plays a special role as a bridge between Europe and Latin America – historically, culturally and economically. Many Spanish corporations are already successfully active in Latin America and can serve as role models.

With our Spanish/LATAM Desk, we connect these worlds. We understand the legal requirements, speak the languages and know the cultural nuances on both sides of the Atlantic.

## Conclusion: Seizing a Historic Opportunity

The Mercosur-EU free trade agreement represents a paradigm shift in transatlantic economic relations, going beyond the scope of a mere trade treaty. It opens up opportunities for German companies, in markets with over 260 million people in the four Mercosur states. Meanwhile, Latin American companies will have significantly easier access to the European single market.

The signing of the Treaty scheduled to take place on 17 January 2026 in Asunción will mark a decisive step. Companies that plan strategically now and set the right course can secure considerable competitive advantages – particularly by utilizing the provisions that take effect immediately.

## Let us jointly develop your opportunities in this new economic area.

Whether you are a German businessperson looking to expand into the Mercosur region, or to strengthen your existing presence there, or a Latin American businessperson seeking to enter the German and European markets – we support you with our legal expertise, local know-how and a strong international network.

## Contact us – we look forward to dialogue with you.

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## About our Spanish/LATAM Desk

Our Spanish/LATAM Desk connects German companies with the markets in Spain and Latin America. With locations in Germany (Berlin, Düsseldorf, Frankfurt, Hamburg, Hanover, Cologne, Mannheim, Munich and Stuttgart), Spain and nearly all Latin American countries – including all four Mercosur states – we offer you comprehensive legal and tax advice from a single source: in your language and with understanding of local particularities.

Our advisory services are aimed at companies of all sizes, particularly medium-sized and family-owned businesses, which we value and wish to promote for their importance to the economic strength of our countries.

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