

Delay of EU-Mercosur deal sparks discontent in Berlin

Aleksandra Kozaczyńska

On 21 January, the European Parliament decided, by a narrow margin of ten votes, to refer the EU-Mercosur trade agreement to the Court of Justice of the European Union (CJEU) in order to examine its compatibility with the EU treaties. 35 German MEPs voted in favour of the motion – primarily those representing the Greens, Die Linke and the AfD – while 54, mostly Christian Democrats and Social Democrats, opposed it.

The Parliament's decision has halted the ratification process; the CJEU's compatibility review may take up to two years. However, the agreement could be applied provisionally under Article 218 of the Treaty on the Functioning of the European Union (TFEU) – a solution favoured by the German government and European Commission President Ursula von der Leyen. The provisional implementation may begin once one of the Mercosur countries ratifies the agreement, with Paraguay expected to do so in March.

The suspension of ratification has been met with disapproval from the German government and industry associations, who view the agreement as an opportunity to enhance the competitiveness of German industry. Its implementation was also intended to demonstrate the EU's capacity to act in the face of the hardline US trade policies and Europe's heavy dependence on imports of critical raw materials from China. As a result, the Greens have come under intense criticism in Germany, facing accusations of having 'misjudged the geopolitical situation' and of voting alongside MEPs from the far-right AfD.

Commentary

- **For Germany, the agreement with the Mercosur countries forms part of a broader trade diversification strategy in response to US protectionism and China's growing competitiveness.** According to government and industry associations, intensifying trade with South American countries would allow Germany to sustain its export-oriented economic model and support key industrial sectors, particularly the automotive, machinery and chemical industries. Small and medium-sized enterprises, which account for 95% of all exporters in the country and which are considered to be the backbone of the German economy, would benefit in particular, given their greater vulnerability to trade barriers. However, some economists have tempered the government's enthusiasm, arguing that in the automotive sector, current German production in Brazil and Argentina (289,000 vehicles in the first half of 2025) is already meeting regional demand to the extent that lifting tariffs would not translate into a significant increase in the export of their cars, which remain expensive for local consumers. For comparison, in 2024 Germany exported 25,700 passenger cars to the Mercosur countries, while 450,000 were

sent to the United States.

- **The quantitative effects of the agreement would only become visible in the long term.** As the process of phasing out tariffs will take several years – 15 years for combustion-engine vehicles and 18 years for electric cars – the impact in the form of boosting exports and accelerating the EU's economic growth would be negligible in the short to medium term. According to the European Commission, the agreement would contribute to a 0.1% increase in the EU's GDP by 2031. Meanwhile, a study by the Ifo Institute indicates that new trade agreements with seven partners – including India and Australia, alongside the Mercosur countries – would raise German exports by 4.1% and the country's GDP by 0.5% in the medium term. This would help offset the decline in German sales to the United States resulting from Donald Trump's protectionist policies (see '[Europe compensates for losses in German exports](#)'). A significant increase in EU exports would not be expected until 2040, with a projected rise of 39%.
- **The agreement would help reduce the EU's dependence on China for raw materials.** Under its terms, the EU would gain privileged access to imports of raw materials from Brazil in the event of emergencies or if it (Brazil) introduces export restrictions. The agreement would also guarantee reductions in export tariffs on raw materials purchased from the Mercosur countries. In 2023, Brazil was one of the EU's three most important partners for supplies of critical raw materials; it holds the world's second-largest reserves of rare earth metals. Argentina, for its part, is one of South America's leaders in lithium production and refining. Given Europe's heavy dependence on China, diversifying sources is of strategic importance for European industry, as it reduces the risk of supply chain disruptions and limits the potential for other countries to use export restrictions as a tool of political pressure (see '[At the monopolist's mercy: Germany's dependence on Chinese rare earth elements](#)').
- **Germany's governing parties have blamed the Greens for the negative outcome of the vote,** noting that eight out of their 12 MEPs supported referring the agreement to the CJEU. Senior Christian Democratic politicians have accused the Greens of voting in line with the far-left and far-right parties and of acting against the interests of both Germany and the EU. However, the Greens' leadership has distanced itself from the European Parliament's decision, expressing support for the trade agreement. Green MEPs cited concerns over the rule of law, emphasising that the vote did not concern acceptance of the agreement itself, but merely its legal scrutiny. This episode highlights the growing influence of the party's left wing, which opposes initiatives to expand international trade, at the expense of the so-called realists.