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FEATURED Q&A

Why Has the E.U.-Mercosur Trade Deal Stalled Again?

Brazilian President Luiz Inácio Lula da Silva has urged French President Emmanuel Macron to move forward with the pending trade agreement between Mercosur and the European Union. // Photo: Ricardo Stuckert via Presidency of Brazil.

Q During a state visit to Paris earlier this month, Brazilian President Luiz Inácio Lula da Silva urged French President Emmanuel Macron to back the pending free trade agreement (FTA) between Mercosur and the European Union, which awaits approval from some key countries, including France. French farmers have lobbied for the deal to be scuttled, and Macron told Lula on June 5 that he wants new clauses inserted into the agreement, Reuters reported. Why has ratification stalled, and what is the likelihood of the deal being approved as written? How has the significance of the E.U.-Mercosur FTA changed since it was finalized in December?

A Izabela Rodrigues, graduate fellow for Brazil and the Southern Cone at McLarty Associates: "The future of the E.U.-Mercosur agreement may be uncertain, but there is still strong momentum from Brazil and its partners to ensure the deal is finalized. During his June visit to France, President Lula urged President Macron to present concrete proposals, criticizing France's protectionist stance aimed at shielding small farmers. French producers fear competition from Brazilian exports like soy and corn. While Lula reaffirmed Brazil's commitment, he acknowledged France's resistance but remained hopeful that continued dialogue will lead to consensus. The resistance from agricultural sectors not only in France, but also in Poland and Ireland, could significantly affect the deal's approval. These countries fear unfair competition from Mercosur's agribusiness, especially in beef and dairy, and they argue that allowing imports that do not meet E.U. standards could hurt farmers and weaken climate efforts. However, since

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TODAY'S NEWS

BUSINESS

TotalEnergies Joins Oil Project in Suriname

French oil major TotalEnergies has joined a second offshore oil project in Suriname after buying a 25 percent stake in Block 53 from a Spanish firm.

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ECONOMIC

Ratings Agencies Cut Fiscal Outlook for Colombia

Ratings agencies Moody's and S&P Global each downgraded their outlooks for Colombia on Thursday; the recent suspension of federal borrowing limits was mostly to blame for the decisions.

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POLITICAL

U.S. Signs Deals With Honduras, Guatemala: Noem

U.S. Homeland Security Secretary Kristi Noem said Thursday that she signed third-country asylum agreements with the governments of Honduras and Guatemala. Both countries subsequently denied having agreed to such a deal.

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Noem // File Photo: @KristiNoem via X.

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ECONOMIC NEWS

Colombian Credit Downgraded by Ratings Agencies

Moody's Ratings and S&P Global Ratings on Thursday each downgraded their credit outlooks for Colombia amid a rising public debt burden in the Andean nation, Bloomberg News reported. The decisions came largely in reaction to Colombia's government's move earlier this month to suspend borrowing limits, Reuters reported. Moody's reduced its rating for Colombian sovereign credit to Baa2, its lowest possible investment-status grade; S&P reduced its rating for local bonds to BB+, which is below investment status. "The current government has opted to suspend the fiscal rule despite the absence of a shock, reflecting negatively on the effectiveness of the fiscal policy framework," Moody's said in a statement, Bloomberg News reported. "Fiscal policy has also become less predictable, as highlighted by the government's recent decision to suspend the country's fiscal rule," S&P said in its own statement. Colombia's federal budget deficit is expected to rise from 6 percent to 7 percent of gross domestic product by the end of this year, and there is little likelihood of cuts to state spending between now and general elections in February of next year, the ratings agency added. Factors that prevented Colombia's credit rating from dropping even further included the country's strong track record of institutional stability in recent decades, as well as the central bank's independence from the presidency, Bloomberg News reported. S&P's rating downgrade was also influenced by deteriorating perceptions of security in Colombia, it said. Events this month, including an assassination attempt on a presidential candidate and a series of violent attacks by rebel groups in the southern Cauca department, have already affected investor confidence, Bloomberg News reported. "Colombia's security situation still poses political, social and economic challenges, and it affects our institutional assessment of the country," S&P said in its statement on Thursday.

POLITICAL NEWS

U.S. Signs Migration Deals With Honduras, Guatemala: Noem

The U.S. government has signed agreements with Guatemala and Honduras to possibly offer asylum to U.S.-bound migrants, Homeland Security Secretary Kristi Noem announced on Thursday. "Honduras and now Guatemala after today will be countries that will take those individuals and give them refugee status as well," Noem told reporters in Guatemala on Thursday after meeting with President Bernardo Arévalo, the AP reported. "We've never believed that the United States should be the only option," she added. Later on Thursday, both the governments of Guatemala and Honduras denied signing any third-country asylum agreement, the AP reported. Guatemala's presidential communications office said the government did not sign the agreement described, or any immigration-related deal during Noem's trip, according to the wire service. Honduran immigration director Wilson Paz also denied that such an agreement had been settled, the AP reported. Human rights advocacy groups have legally challenged the Trump administration's immigration efforts, including the deportation of asylum seekers to third countries. Earlier this week, the U.S. Supreme Court ruled in favor of the administration, temporarily allowing the Department of Homeland Security to deport migrants to a third country where they have no connection, Newsweek reported.

BUSINESS NEWS

TotalEnergies Buys Stake in New Oil Block in Suriname

French oil major TotalEnergies has purchased a 25 percent stake in an offshore oil block in Surinamese waters, the firm said today in a

NEWS BRIEFS

Colombian Court Rules Against Investigating Petro Campaign Case

Colombia's Constitutional Court ruled on Thursday that the National Electoral Council must halt an investigation of President Gustavo Petro for alleged campaign finance violations, the Associated Press reported. The court decided the investigation should be referred to Colombia's lower house of Congress; it is unclear whether lawmakers will advance the case, the AP reported.

Sheinbaum Blasts U.S. Sanctions on Three Mexican Financial Firms

Mexican President Claudia Sheinbaum on Thursday criticized the U.S. Treasury's sanctioning of three Mexican financial institutions, which it accused of laundering money for drug cartels, the Associated Press reported. "The Treasury Department hasn't provided a single piece of evidence to show that any money laundering was taking place," Sheinbaum said Thursday. All three companies, CIBanco, Intercam Banco and Vector Casa de Bolsa, have denied the allegations.

China Schedules Cargo of Soymeal From Argentina

A group of Chinese shipping firms and animal feed producers have arranged for a trial cargo of 30,000 tons of soybean meal to be sent next month from Argentina to China, marking the first such shipment since 2019, sources close to the matter told Bloomberg News on Thursday. The move comes as China looks to diversify its agricultural suppliers amid ongoing trade tensions with the United States, Reuters reported. Soybean meal accounted for just around $30 million of China's imports last year, compared to $53 billion in unprocessed soybeans, according to data from the Observatory of Economic Complexity.

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statement. TotalEnergies bought the stake from Spanish firm Moeve; it joins U.S.-based APA, which has an operating 40 percent stake, and Malaysia's Petronas, which has a 35 percent stake in Block 53. The block is located directly to the east of Block 58, the site of TotalEnergies' pre-existing Gran Morgu project. TotalEnergies operates the adjacent project, holding an equal 50 percent stake with APA. Gran Morgu is expected to unlock large-scale oil production for Suriname, bringing more than 200,000 barrels per day in crude oil capacity online by 2028. The companies made a positive final investment decision for the project in October of last year. TotalEnergies did not disclose a timeline for investment, permitting or exploration for the Block 53 venture in its statement today. Suriname aims to follow in the footsteps of neighboring Guyana, where an ExxonMobil-led consortium in 2019 began pumping oil from the same geological formation as Blocks 53 and 58. Suriname has a population of approximately 600,000, compared to more than 800,000 in Guyana.

U.K. Fintech Buys Argentine Lender From BNP Paribas

United Kingdom-based fintech Revolut on Thursday announced a deal to buy a subsidiary of BNP Paribas in Argentina, Reuters reported. Revolut will purchase Cetelem Argentina from BNP Paribas Personal Finance; the acquisition will allow the company to offer services including accounts with multiple currencies and fee-free bank transfers to Argentine consumers, Reuters reported. The move marks the fintech's expansion into a fourth country in Latin America, following forays in Brazil, Mexico and Colombia, according to the wire service. Cetelem Argentina is a small lender with around $6 million in assets, Bloomberg News reported. Revolut did not disclose the terms of the purchase, which remains subject to federal regulatory approval. The company will need to obtain a banking license in order to operate in Argentina, sources close to the matter told the news service on Thursday.

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its finalization, the E.U.-Mercosur agreement has taken on new strategic importance amid rising global trade tensions, especially after Trump's tariff implementations and threats. The deal now offers both blocs a chance to strengthen ties and reduce reliance on the United States. Europe's industrial sector stands to benefit from expanded access to South American markets and stronger positioning against Chinese competitors, which could play an important role in advancing the deal. Although revisions are expected, Brazil may leverage COP30 in Belém this November to build momentum. Despite uncertainty, political support for the deal is stronger than ever, and its success will depend on leaders' willingness to compromise."

Bartłomiej Znojek, Latin America analyst at the Polish Institute of International Affairs: "While in Brazil at the end of May, European Council President António Costa confirmed that the E.U.-Mercosur deal would be translated to the 24 E.U. languages in June or July so the E.U. Commission could pass the text for approval to the Council of the European Union. Costa and Brazilian officials were very optimistic about the possibility of the accord being signed at the Mercosur summit in Brasília in December. Making that plan a reality was one of President Lula's goals when he met President Emmanuel Macron in France in June. The conspicuously presented close personal relationship between the two leaders may have favored bilateral relations, but it didn't help to alter France's strong resistance to the E.U.-Mercosur agreement negotiated last December. France alone will not be able to derail the approval process. It will need a coalition with Italy, Poland and other E.U. members with strong agricultural defensive interests to veto the text. It is doubtful that the deal's supporters will convince these countries that advancing liberalization is the best answer to the current turbulent global economic and political context—including the boost of U.S. protectionism. The challenge is that the negative stance among E.U. farmers goes beyond the deal with Mercosur—it is part of a broader rejection of the E.U. green transition strategy as one of the excessive burdens on European agriculture. The European Commission must offer sound concessions to the concerned countries and sectors if it wants to mitigate the chances of the veto."

Josemar Pessoa, coordinator in international trade at BMJ Consultores Asociados: "The ratification of the E.U.-Mercosur agreement is facing resistance from several E.U. member states. Their main concern is the agreement's potential effects on the European agricultural sector. France is leading this opposition, with Ireland, Austria, the Netherlands, Poland, Italy and Romania also expressing reservations. However, it's important to note that these objections haven't escalated to a formal opposition that could lead to the FTA's rejection by the Council of the European Union, which is the body responsible for signing it. In this context, the European Commission is considering separately approving the agreement's trade pillar. This strategy aims to mitigate opposition and accelerate the process by avoiding the individual parliamentary ratification in each member state that would be required for the political and cooperation chapters. The imposition of new U.S. tariffs and subsequent global developments have heightened the priority of ratifying the E.U.-Mercosur agreement for both blocs. Since the beginning of the second Trump administration in January, the agreement has gained significant momentum. This is largely fueled by the instability in E.U.-U.S. relations, fostering a narrative that reduced access to the U.S. market could be offset by strengthening the trade relations between the two blocs through the FTA. Both the Brazilian government and the European Commission officially anticipate signing the

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E.U.-Mercosur FTA by the end of 2025, which would then allow for ratification. This timeline, however, appears achievable only if the European Commission remains committed to addressing agricultural sector concerns without reopening negotiations."

Luiz Eduardo Salles and Lucas Mandelbaum Bianchini, both partners at Azevedo Sette in São Paulo: "The long-awaited free trade agreement (FTA) will come into force after each party completes its ratification process. For the European Union, the ratification process entails approval by a qualified majority of the European Council (at least 15 of the 27 member states, representing a minimum of 65 percent of the bloc's population) and the European Parliament. France is the most prominent country attempting to block the approval of the FTA. France claims that the agreement does not consider certain environmental requirements in agricultural production (such as the application of E.U. pesticide regulations), favoring Mercosur's exports. Mercosur stakeholders often have the view that E.U. concerns about food security and the environment are, in fact, disguised protectionism intended to shield European farmers from competition. The final version of the FTA was agreed upon in December 2024, after more than 20 years of negotiations. Changing the text of the agreement would require reopening the negotiations, which could seriously hinder the parties' abilities to quickly put the FTA into force. The European Commission has been discussing alternatives to convince France, which include issuing a nonbinding declaration regarding agricultural imports and implementing a fund to compensate farmers. The agreement reduces or eliminates tariffs on more than 90 percent of goods and aims to open public procurement markets, as well as facilitate trades in services. The moment offers a long-awaited window of opportunity: Resolving the deal depends on overcoming certain disagreements regarding agriculture and, as always, on the parties' goodwill and intentions to truly liberalize trade."

Lia Valls Pereira, chief of the Department of Analysis Economics of the State University of Rio de Janeiro and associate researcher at the Fundação Getulio Vargas: "Negotiations on the agreement between Mercosur and the European Union were first announced in 1999. After advances and periods of paralysis in the negotiations, on Dec. 6, 2024, the definitive conclusion of the negotiations on the Partnership Agreement between Mercosur and the European Union was announced. From Brazil's perspective, the moment was favorable for the agreement to be approved by the European Union. The Brazilian government supported the environmental agenda prioritized by European countries. And, after President Trump took office in January, the partnership between the two blocs with common positions in defense of multilateralism was understood as a positive sign for the approval of the agreement by European countries. This month, during President Lula's visit to France, several partnerships and memorandums of understanding were signed in areas such as biodiversity protection, culture and foreign trade. Statements by Lula and government representatives associated the positive results of the visit with President Macron's accession to the agreement. Macron is responding to the demands of French farmers, who are against the agreement; after the visit of the Brazilian president, he again made it clear that he wants changes to the agreement that address environmental issues related to agriculture. Reopening negotiations would make the outcome of this agreement increasingly distant. Furthermore, with the heightening of tensions in the Middle East, in the political arena, the agreement tends to diminish its relevance on the European agenda. Still, in a world of uncertainty, surprises can happen."

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