

TRADE OBSERVER

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YOUR CUSTOMS MONITORING

MERCOSUR: UNDERSTANDING A TRADE AGREEMENT AS STRATEGIC AS IT IS CONTROVERSIAL

Mercosur is a South American free trade zone created in 1991. Today, it brings together Brazil, Argentina, Uruguay, and Paraguay, forming an economic heavyweight, particularly in the agricultural sector. On the other side, the European Union represents the other block in this partnership, totaling nearly 700 million consumers.

The EU-Mercosur agreement, negotiated for more than twenty years, aims to bring these two blocs closer together by removing most customs barriers. Officially, it is a broad association agreement covering trade, political cooperation, human rights, education, and counter-terrorism. In practice, however, it is the commercial aspect that generates the most tension.

Specifically, Mercosur would commit to eliminating tariffs on 91% of European products, currently taxed up to 35% for vehicles, machinery, or chemical and pharmaceutical products. In return, the European Union would open its market to 92% of Mercosur imports, mainly agricultural products (beef, poultry, sugar) but also minerals, such as lithium and copper. For example, the agreement sets annual export quotas of 160,000 tons of beef and 180,000 tons of poultry at virtually zero tariffs.



This sectoral imbalance explains much of the opposition. European industries (automotive, chemical, pharmaceutical, and large energy or infrastructure groups) stand to benefit. In contrast, European agriculture, particularly beef farming, faces direct competition from South American producers with significantly lower costs. According to available data, producing beef costs on average 40% less in Mercosur, and up to 60% less in Brazil. Even limited import volumes could drive prices down. The European Commission is aware of this and promises an annual €1 billion compensation fund, though details remain unclear.

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Beyond price concerns, the agreement raises significant health and environmental issues. The use of pesticides banned in Europe, GMO soy, hormones, or antibiotics as growth enhancers remains permitted in South America. While Brussels asserts that European standards will remain unchanged, questions about actual traceability persist, as highlighted by a 2024 audit noting Brazil's inability to guarantee the absence of certain hormones in exported meat. Additionally, there is the climate impact: meat and soy production are major drivers of deforestation, which the agreement risks accelerating.

Politically, the agreement has faced numerous twists and turns. First finalized in 2019, it was then frozen, notably due to the Brazilian context. On December 6, 2024, the European Commission announced the political conclusion of the negotiations, without direct participation from member states, as trade policy falls under its exclusive competence.

The key remaining question is adoption. To avoid national blockages, the Commission relies on a procedural workaround called "splitting," which separates the trade component from the rest of the agreement. This mechanism could allow faster ratification without going through national parliaments, provided a qualified majority in the European Council and a vote in the European Parliament are obtained.

The EU-Mercosur agreement is therefore far from a formality. It represents a major political choice: embracing free trade, at the cost of social, agricultural, and environmental tensions that Europe will have to confront sooner or later.



WHEN FOREIGN POLICY BECOMES A TRADE WEAPON

The threat is clear, brutal, and fully deliberate: tariffs of up to 200% on French wines and champagnes. In just a few statements, the U.S. president has reminded those in international trade of a stark reality: commercial exchanges have become a political lever in their own right.

The origin of this announcement is not a typical trade dispute. It occurs in a very specific diplomatic context: France's refusal to join a new international body proposed by Washington, presented as a "Peace Council." Paris considers this initiative incompatible with the principles of multilateralism and the functioning of the United Nations. The American response is unambiguous: turning a diplomatic disagreement into a targeted economic threat.

The situation took a new turn on Saturday, January 17, when Donald Trump announced the imposition of tariffs on goods from eight European countries – Denmark, Norway, Sweden, France, Germany, the United Kingdom, the Netherlands, and Finland. These tariffs will start at 10% from February 1, rising to 25% from June 1, and will remain in place until the United States is allowed to purchase Greenland. This measure, targeting multiple European economies in an unprecedented manner, turns a bilateral dispute into a continental issue.

In France, the reaction has been firm. The government denounces what it sees as interference and the use of tariffs as a political pressure tool. The agricultural sector, directly affected, describes a deliberate power play and calls on Europe to stop being subjected to such brinkmanship. Behind the dramatic announcements, entire sectors find themselves exposed. A tax of this magnitude would have immediate consequences. For French producers, the American market would become largely inaccessible due to a lack of price competitiveness. For American importers and distributors, the supply would shrink drastically. And for the end consumer, the result is simple: higher prices or products simply absent from shelves. Such measures do not only punish one exporting country—they disrupt an entire value chain.

Beyond the case of wines and spirits, this episode illustrates a broader trend: the rise of unapologetic protectionism, used as a tool of geopolitical negotiation. Trade is no longer merely a space governed by rules and agreements; it has become a field of direct confrontation. Tariffs have become political messages, delivered in percentages.

For Europe, the stakes are now strategic. It is not just a matter of responding to a single threat, but of establishing a credible and coordinated capacity to react. Defending its producers, protecting consumers, and asserting a coherent diplomatic line. Without this, such tensions risk becoming the norm rather than the exception.



EU-INDIA: A TRADE DEAL THAT CHANGES THE GAME

It took more than twenty years, with pauses, deadlocks, and setbacks. But this time, it's done: the European Union and India have concluded a free trade agreement of unprecedented scale. Announced on January 27, the deal was greeted with strong words: "historic," "the deal of all deals," "a clear choice of partnership." Behind the enthusiasm, one fact stands out: in an increasingly conflictual world, Europe and India have decided to bet on each other.

The stakes match the numbers. Together, the EU and India represent nearly 2 billion people, about a quarter of global GDP, and a third of international trade. Trade between them is already substantial: €120 billion in goods and €60 billion in services in 2024. But both sides aim to go much further.

At the heart of the agreement is a simple goal: removing customs barriers, especially on the Indian side. The Indian market is known to be one of the most protected in the world. In the future, tariffs on European cars would drop from 110% to 10%, and those on wine from 150% to 20%. Everyday products, such as pasta or chocolate, would enter duty-free. For European companies, Brussels estimates a potential gain of €4 billion per year.



In return, Europe is opening its doors further to Indian textiles and pharmaceuticals, two key sectors for New Delhi. The message is clear: each side is leveraging its strengths. The EU sees in India a vast, young, and rapidly growing market, poised to become one of the world's leading economic powers. India, meanwhile, is seeking investments, technology, and industrial partnerships to accelerate modernization and create large-scale employment.

But this agreement is about more than trade. It comes at a time of geopolitical tension. Amid the U.S. trade war, rivalry with China, and fragile supply chains, both partners are seeking more stable alliances. The deal also includes provisions on the mobility of skilled workers, academic exchanges, and a partnership on security and defense.

By signing this agreement, the EU and India are making a deliberate bet: openness in a world that is increasingly closing in. The challenge now is to turn promises into tangible results and to manage the imbalances that such a deal inevitably creates.



WCO – HS 2028: MAJOR OVERHAUL OF THE NOMENCLATURE

The WCO has finalized the amendments to HS 2028, effective January 1, 2028, with 299 sets of changes following an exceptional six-year cycle.

The nomenclature will include 1,229 headings and 5,852 subheadings, with 6 new headings introduced and a targeted overhaul of sensitive sectors.

- ◆ Health: Complete reorganization of vaccines (Ch. 30) with two new distinct headings for human and veterinary medicine.
- ◆ Dietary supplements: Creation of a dedicated heading (21.07) to ensure clear classification between food and pharmaceutical products.
- ◆ Environment / Plastics: Alignment with the Basel Convention and clear definition of single-use items to support fiscal and regulatory policies.

EU-SINGAPORE: EUROPEAN AGREEMENT ON DIGITAL TRADE

Published in the Official Journal of the EU on January 20, 2026, the EU-Singapore Digital Trade Agreement marks a first for the European Union.

It establishes a modern legal framework to secure and streamline the exchange of goods and services electronically.

- ◆ Free flow of data: Guarantees cross-border data transfers between the two parties.
- ◆ Zero customs duties on electronic transmissions: Covers software, digital content, and online services.
- ◆ Enhanced customs cooperation: Facilitates data exchange between authorities to support trade.

EXCISE GOODS: UPDATE OF CIRCULATION DOCUMENTS

Two regulations published in the Official Journal of the EU on January 15, 2026, modernize the procedures related to the movement of excise goods.

Regulations (EU) 2026/50 and (EU) 2026/51 update the data and structure of electronic administrative documents exchanged between Member States.

Objective: To align messages (operators, excise warehouses, statistics, reports) with developments in the computerized system.

 Entry into force: February 12, 2026.






FISHERIES: THE EUROPEAN CATCH PLATFORM BECOMES MANDATORY

The European Commission is extending the use of CATCH, the IT platform dedicated to catch certification in the fisheries sector.

All procedures related to catch certificates and accompanying documents for fishery products imported into the EU must now be processed through CATCH.

 Mandatory from: January 10, 2026, for the relevant imports.

- ◆ A transitional grace period is provided to support the implementation of the new system.

FISCAL REPRESENTATION: NEW VAT RULE FOR NON-ESTABLISHED TAXABLE PERSONS IN FRANCE AS OF 01/01/2026

An official guidance note details the VAT fiscal representation framework for taxable persons not established in France, applicable since January 1, 2026.

It sets out the obligations and impacts depending on the taxable person's situation:


- ◆ Third countries without a tax convention: Specific rules apply to the recovery of tax claims.
- ◆ EU Member States or third countries with a tax convention: Adjusted arrangements are in place to facilitate compliance.

Flowcharts are provided to clarify the different scenarios and to guide businesses in implementing the reform.

EORI 2026: TRANSITION FROM SIRET-BASED TO SIREN-BASED EORI

As previously indicated, from January 1, 2026, the use of SIRET-based EORI numbers remains accepted in most applications, except for DELTA H7, which already only accepts SIREN-based EORI numbers.

An official timeline for the definitive transition to SIREN-based EORI is expected to be communicated later this year.

 If an EORI number is rejected by a national application, the operator must verify its validity in the EU-wide EUROPA database.

- ◆ This check helps confirm that the EORI has not been deactivated following an INSEE update or due to a synchronization error between national and European databases.





EUDR: POSTPONEMENT AND SIMPLIFICATIONS FOR SMES AND MICRO-ENTERPRISES

The Due Diligence Regime (EUDR) has been postponed, with entry into force set for 2026 for SMEs and 2027 for micro-enterprises.

Several practical simplifications have been introduced:

- ◆ No repeated due diligence downstream: If an article has already been subject to due diligence upstream, the operator only needs to retrieve the reference of the initial due diligence statement and retain it for five years.
- ◆ Simplification for micro-enterprises and very small businesses: A single simplified declaration may replace multiple due diligence statements, and no due diligence is required where all information is recorded in an approved information system and the risk is considered low.

LOGISTICS & CUSTOMS 2026: NEW OBLIGATIONS

Following Brexit, several major changes are coming into force this year for logistics flows into the EU:

- ◆ ICS2 (Import Control System 2): The European safety and security system, enabling advance submission of information before goods arrive in the EU.
 - ◆ ANTES: A French national tool for the Notification of Presentation (NoP) and the Temporary Storage Declaration (TSD), directly linked to ICS2.
 - ◆ ELO: Centralizes all post-Brexit border formalities through a single barcode, simplifying the movement of goods across the border.

