

EU trade

EU and Mexico seal trade deal ahead of Donald Trump's return

Update to existing agreement comes after US president-elect threatened both sides with tariffs



Ursula von der Leyen, president of the European Commission, said the 'landmark deal proves that open, rules-based trade can deliver for our prosperity and economic security' © Philipp von Ditfurth/dpa

Andy Bounds in Brussels and **Christine Murray** in Mexico City YESTERDAY

The EU and Mexico have agreed a long-delayed trade deal as they seek to reduce their reliance on the US days ahead of Donald Trump's return to the White House.

After nine years of negotiations, the two sides on Friday said they will modernise their existing agreement. The announcement comes just weeks after Trump threatened them with tariffs and follows a similar trade deal between the EU and the South American trade bloc [Mercosur](#) in December.

“This landmark deal proves that open, rules-based trade can deliver for our prosperity and economic security, as well as climate action and sustainable development,” said Ursula von der Leyen, president of the European Commission.

EU-Mexico trade in goods reached €82bn in 2023, while two-way trade in services reached €22bn in 2022.

Mexico will remove tariffs as high as 100 per cent on EU exports including cheese, poultry, pork, pasta and jams and marmalades as well as chocolate and wine. Mexican producers will not be able to use the protected names of over 500 products including champagne, Parma ham, and Rioja wine.

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The deal will allow Mexico to export electric vehicles free of duty to the EU if they contain at least 60 per cent Mexican or EU-made components by value.

That will make it harder for China to try to use Mexico as a manufacturing base for EU-bound electric vehicles, as they will pay the standard 10 per cent duty if they use Chinese batteries. “Companies will be far better off sourcing in Europe . . . than from China,” said an EU official.

The EU will increase low tariff quotas for Mexican exports such as beef, poultry and ethanol.

The two sides reached a preliminary agreement in 2020 to expand a 20-year-old agreement but the decision was delayed in part by Mexican reluctance to open its energy market to EU companies. President Claudia Sheinbaum's leftwing nationalist Morena party has reversed a broader opening of the market, causing a collapse in new private investment in that sector. She has now said that she will present much-anticipated new rules for energy investment in February.

EU companies will be given the same treatment as other preferential trade partners of Mexico, including the US and South Korea, the official added.

Mexico is one of the most vulnerable countries in the world to [Trump's tariff threats](#), sending more than 80 per cent of its exports to the United States. This deal could help provide options for exporters should the new president implement the 25 per cent tariffs he has promised, but is also an important signal.

“It is very positive . . . it will give certainty to investors because it'll include protection mechanisms,” said Carlos Serrano, chief economist at BBVA Mexico. “It is a vote of confidence in Mexico and also shows that Mexico wants to be aligned with the US and Europe.”

Dmitry Grozoubinski, of the consultancy ExplainTrade, said “turbulent times” had pushed the two sides to solve the final outstanding issues.

“As the Trump administration and its accompanying uncertainties loom, those determined to demonstrate stability, like Mexico and the EU, are suddenly finding compromises so as to have the ink dry on their deals before he starts flipping global tables.”

The EU said the deal, which includes investment provisions, will help grow the bloc's services exports in key areas, such as financial services, transport, ecommerce, and telecommunications, and more effectively protect intellectual property rights.

It also includes legally binding commitments on labour rights, environmental protection, climate change and responsible business conduct, policed by a dispute settlement procedure.

The deal still needs to be signed and then approved by EU and Mexican lawmakers. European farmers have protested against the Mercosur deal and are likely to put pressure on governments to resist ratifying the agreement with Mexico, too.

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