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EU-MERCOSUR: WHY IT MATTERS

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Understanding the EU: Why Does Everybody Seem to Be After Europe Nowadays?

First, the European economy is the largest in the world. The eurozone (including countries which have their currencies de jure or de facto pegged to the euro) represents the single largest purchasing power in the world.

This is largely due to Europe's central position along major trade routes, a condition determined primarily by geography. This has favoured migration, trade and development of this particular area of the world.

In turn, the Americas' isolation from other continents made it impossible to develop at the same rate, making it prone to European colonisation.

This situation makes it interesting for the current US administration to try to control the major trading routes, as they realise that by virtue of geography Europe is largely favoured as the core of the world trade. The opening of the Panama Canal in 1914 combined with the Suez crisis after WW2 has partially reversed this trend, establishing the US as a global power. However, emerging routes (through the Arctic) will render Europe dominant again if the US does not manage to block EU's dominance over Greenland - as currently US does not exert any jurisdiction along the Arctic routes, in particular over ports and refueling stations.

What is the US pursuing?

Putting it in the simplest way, one can argue that the current US administration is playing a game of Monopoly and trying to buy territories along the Arctic like real estate in order to levy taxes on future trade which is expected to grow significantly after 2030 because of global warming and progress in ice-breaking technology. US is pursuing a monopoly of all possible world trade routes - this will make US grow, albeit more slowly and at the expense of other economies which are expected to stagnate or fall.

Seems like a good strategy for the US, but overall, it will slow down world economic outlook and hamper technological progress and innovation worldwide.

Instead, by keeping world trade routes free and accessible to everyone, competition of goods will increase, and Europe will be advantaged by its natural position.

Shifting the Americas at the core of world trade

The Panama Canal primarily serves as a shortcut for maritime trade between the Pacific and Atlantic oceans, facilitating routes like Asia to the U.S. East Coast or U.S. West Coast to Europe. However, it plays a minimal direct role in China-Europe trade, which typically relies on shorter, more efficient paths such as the Suez Canal (around 10,000-11,000 nautical miles from Shanghai to Rotterdam) or emerging alternatives like the Northern Sea Route (NSR) through the Arctic (potentially reducing transit to 7,000-8,000 nautical miles in summer). Rerouting China-Europe shipments via the Panama Canal would add significant distance (roughly 13,000-14,000 nautical miles), time, and costs, making it unattractive under normal conditions. For the U.S. to make the Panama route "most popular" for such trade—essentially forcing a global reroute—it would require aggressive geopolitical manoeuvres to render all viable alternatives unfeasible or prohibitively risky. This could involve "controlling" other routes through military, economic, diplomatic, and proxy means, though full control is unrealistic given international law, alliances, and China's countermeasures.

Below, we outline potential strategies based on current geopolitical dynamics, with the caveat that these are hypothetical and could escalate to conflict.

1. Assert Direct U.S. Control or Influence Over the Panama Canal Itself

To position the canal as a reliable alternative, the U.S. would first need to ensure it operates under terms favourable to American interests, such as lower tolls for allied shipping or priority access. The canal is sovereign Panamanian territory since the 1999 handover, but U.S. influence remains strong due to historical treaties and economic leverage.

- Recent U.S. actions under the Trump administration (as of 2026) include threats to "reclaim" the canal, citing alleged Chinese operational influence and high fees.[1] This could involve invoking the 1977 Panama Canal Treaty for "defense" purposes or expanding military presence in nearby areas like Costa Rica and the Dutch Caribbean to secure access. [2]

- Diplomatic pressure or economic incentives (e.g., aid packages) could counter Chinese investments in Panamanian infrastructure, which have raised U.S. concerns about Beijing's growing foothold in Latin America.[3]By framing this as protecting U.S. supply chains (which handle 40% of U.S. container traffic via the canal), the U.S. could make it a "safe haven" route amid global disruptions.[4]

2. Disrupt the Primary Route: Suez Canal and Red Sea

The Suez Canal handles the bulk of China-Europe sea trade, but it's vulnerable to geopolitical instability. The U.S. could indirectly "control" this by exacerbating risks, forcing diversions to longer paths like the Cape of Good Hope (adding 2,000-3,000 miles) or, in extreme cases, pushing traffic toward Panama as a last resort.

- Support proxies or maintain military presence in the Middle East to heighten threats, such as backing actions that sustain Houthi attacks in the Red Sea (as seen in 2023-2025 diversions).[5] This has already led major carriers to avoid Suez, increasing costs by 15-20% and transit times.[6]

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[1] https://internationalbanker.com/finance/escalating-us-china-tussle-underscores-the-panama-canals-strategic-importance/
[2] https://www.atlanticcouncil.org/dispatches/the-trump-corollary-is-officially-in-effect/
[3] https://www.iris-france.org/en/panama-canal-a-coveted-space-at-the-heart-of-the-us-china-rivalry/
[4] https://epthinktank.eu/2025/05/13/the-panama-canal-panamas-sovereign-rights-under-threat/
[5] https://porteconomicsmanagement.org/pemp/contents/part1/interoceanic-passages/routing-options-shanghai-rotterdam/
[6] https://trans.info/en/northern-sea-route-393940

- Impose sanctions or naval blockades under the guise of counterterrorism, limiting Chinese vessels' access. U.S. naval dominance in the Indian Ocean and alliances with Egypt (Suez operator) could enforce this, though it risks alienating Europe.[7]

3. Undermine Land-Based Alternatives: Belt and Road Initiative (BRI) Rail and Middle Corridor

China's BRI includes rail networks like the China-Europe Railway Express, which bypass oceans entirely and handle growing volumes of high-value goods (e.g., electronics). The Middle Corridor (via Kazakhstan, Caspian Sea, Caucasus) is another overland option gaining traction as a Suez alternative.

- Use sanctions and tariffs to target BRI infrastructure, labelling it a "debt trap" or security risk to deter European participation. The U.S. has already shifted its own imports away from China, promoting "friendshoring" to aligned nations.[8] Extending this to Europe via transatlantic pressure (e.g., through NATO) could slow BRI expansion.

- Compete directly by funding rival corridors, such as U.S.-backed initiatives in Eurasia to draw trade away from Chinese routes.[9] Sabotage or cyber operations against key nodes (e.g., ports in Pakistan or rail hubs in Central Asia) could be covert options, though deniable.

- China's proposed "land-based Suez Canal" (a high-speed rail/megaproject bypassing sea routes) would be a prime

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[7] https://www.wilsoncenter.org/article/americas-maritime-blind-spot-how-china-gaining-upper-hand-high-seas
[8] https://www.allianz.com/en/economic_research/insights/publications/specials_fmo/251105-allianz-trade-report.html
[9] https://www.chinausfocus.com/finance-economy/us-tests-corridor-strategy-in-eurasia

target for U.S. opposition through alliances with involved countries like Turkey or Iran.[10]

4. Block Emerging Arctic Routes: Northern Sea Route (NSR)

The NSR, increasingly viable due to melting ice, cuts China-Europe transit to 18 days vs. 30 via Suez and is dubbed the "China-Europe Arctic Express" with direct services from Chinese ports like Shanghai to Europe.[11] Russia controls most of it, but China is investing heavily.

- Leverage sanctions on Russia (post-Ukraine) to restrict NSR access for Chinese ships, or pressure Arctic Council members (e.g., Canada, Nordic countries) to impose environmental regulations or navigation fees that favor U.S. allies.[12]

- U.S. naval patrols in the Bering Strait or alliances with Japan and South Korea could monitor and deter usage, framing it as countering "Chinese Arctic ambitions."[13]

5. Broader Economic and Military Leverage to Force Reroutes

- **Trade Wars 2.0**: Escalate tariffs on Chinese goods entering Europe via non-Panama routes, or subsidize shipments that use U.S.-influenced paths. This aligns with ongoing U.S.-China decoupling, where Washington controls critical chokepoints like rare earths or semiconductors to reshape global flows.[14]

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[10] https://www.euronews.com/business/2025/09/02/china-to-build-land-based-suez-canal-to-connect-europe-and-asia-bypassing-shipping-routes
[11] https://www.bjreview.com/Opinion/Fact_Check/202510/t20251013_800417612.html
[12] https://www.thearcticinstitute.org/wp-content/uploads/2013/11/The-Future-of-Arctic-Shipping-A-New-Silk-Road-for-China.pdf?x62767
[13] https://www.wilsoncenter.org/article/americas-maritime-blind-spot-how-china-gaining-upper-hand-high-seas
[14] https://www.cfr.org/backgrounder/contentious-us-china-trade-relationship

- **Military Dominance**: The U.S. Navy's global reach could enforce "freedom of navigation" operations selectively, harassing Chinese vessels on rival routes while protecting Panama traffic.[15] In extremis, blockades in the South China Sea or Malacca Strait (China's main outbound chokepoint) could divert all eastward trade toward Panama.

- **Allied Coordination**: Rally QUAD (U.S., India, Japan, Australia) and AUKUS to patrol Indo-Pacific routes, while pressuring the EU to align on "de-risking" from China.[16]

This could make other routes economically unviable through higher insurance premiums or bans.

Feasibility and Risks

Controlling "all other" routes isn't fully achievable without war, as China counters with its own navy, BRI diplomacy, and alternatives like multimodal air-rail combos.[17] Such strategies would spike global shipping costs (already up due to 2024-2025 disruptions), harm U.S. consumers, and risk escalation—e.g., Chinese retaliation via port control or cyber attacks.[18] Historically, U.S. interventions (e.g., 1989 Panama invasion) secured assets but drew international backlash.[19]

In 2026, with U.S.-China rivalry intensifying, this approach fits a "Trump Corollary" to the Monroe Doctrine, prioritizing hemispheric dominance.[20] Ultimately, it would aim to funnel trade

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[15] https://www.heritage.org/defense/report/asserting-assured-american-access-the-panama-canal
[16] https://www.atlanticcouncil.org/in-depth-research-reports/report/convergence-and-divergence-in-us-and-eu-policies-on-china/
[17] https://www.yunsongfreight.com/blog/what-are-the-major-shipping-routes-from-china-to-europe483
[18] https://bridgeheadagency.com/navigating-geopolitical-risks-in-2025-strategies-for-international-expansion/
[19] https://www.npr.org/2026/01/04/nx-s1-5665800/u-s-interventions-venezuela-panama
[20] https://www.atlanticcouncil.org/dispatches/the-trump-corollary-is-officially-in-effect/

through U.S.-monitored waters, enhancing surveillance and leverage over China's economy.

A federal Europe: Not yet

Europe should understand from the start that a trade war or military war with the US is not an option. US already understands this.

Uniting within a single federal country – this could be an option, but not in the near future. Single European countries are too different in order for this to happen naturally. This could also diminish smaller countries' voice in the EU and ignite some sort of counterweight to the US, by that diminishing the North Atlantic Alliance. It could make the US and EU into "frenemies", which is against our own nature: Americans are originally Europeans. Europe needs America (both North and South), and America needs Europe.

Also, in this scenario, countries like Denmark, France and Netherlands will have to relinquish their overseas territories which guarantee Europe's access to the global trading routes. This includes Greenland (along the Arctic corridor), Caribbean Netherlands (near the Panama Canal), the French Polynesia (in Southeast Asia). Renouncing these territories will limit European influence on a global scale.

The smarter option: Mercosur

If we cannot rival the US, we should at least make sure that we are bound as tight together as possible. If US wants to focus trade routes over America, then two can play that game. We should move the center of Europe there first.

That is where the EU-Mercosur Agreement comes in. This agreement, which has been under negotiation since the 2000s, is currently at its highest momentum.

Spain, Netherlands, Germany and Portugal push forward for this agreement which will regain some of their most important former markets.

But a free trade agreement is not a return in time. We are not going back to colonisation. This time, South Americans will be our peers.

The EU–Mercosur agreement can be understood not merely as a trade deal but as a strategic instrument capable of reshaping Europe's geopolitical posture. By deepening ties with South America, the European Union effectively extends its economic and political center of gravity westward, anchoring itself more firmly in the Western Hemisphere and altering the dynamics of its relationship with the United States.

Shifting EU's centre of gravity in the Atlantic

The agreement allows the EU to rebalance its external orientation. For decades, Europe's global engagement has been structured around two poles: the transatlantic relationship with the United States and, increasingly, economic interdependence with East Asia, particularly China. Mercosur introduces a third, strategically significant pole. By integrating major South American economies into a long-term framework of regulatory alignment, market access, and political cooperation, the EU repositions itself at the core of world trade, avoiding its importance being diminished by emerging new short supply chains between Southeast Asia, US and Russia.

Europe will become an active player in Southeast Asia – today it imports most goods from ASEAN countries via China and US, by that enriching these world actors. EU's trade with South East Asia and Australia lies below 5% of total volumes. In case of Australia EU is not even among top 5. Phillipines, Indonesia and New Guinea still act largely as colonies of US and China. EU could help them democratise as recent history has shown that EU has extended it's model by contact wherever it traded.

This will certainly not create a perfect world. But it will improve the quality of life of several people above to what an US monopoly would mean.

Enhancing competition

Imposing a strong regulatory framework on the Americas as well as stimulating competition and democratic elections in neighbouring countries outside of Mercosur will generate advances in technology which transcend countries.

Influence spheres have been shown to work in favour of monopolising technologies and has historically been associated with reduced market competition. Communism has been shown to neglect competition and force people into bankruptcy.

Modern economies should operate on a true global scale. China has understood that and moves on all continents. US currently operates to the detriment of that, prioritising isolation in the Western Hemisphere and monopoly over trade routes. EU should act as a balance between the two, as it did for the last few decades as well as impose itself as a player between ASEAN countries and US. That would be for the benefit of all parties involved as it is only in that way that the regulatory framework of EU will actually work. Otherwise, these regulations will turn to our major enemy.

Making Euro a true global currency

The euro is currently the second largest reserve currency in the world, a status which it inherited from the German mark.

Over the last twenty years, while the influence of the dollar diminished Euro has been proven more steady at 20% of all reserves.

A decision by Sadam Hussein to trade oil in Euro in 2000 has sparked enormous panic in Washington and has been said to have provoked the intervention in Iraq. Shortly after the intervention, Middle Eastern oil trade has reverted to the US dollar.

The EU-Mercosur agreement is equivalent to that in terms of Euro. Mercosur's 3 trillion euro economy represents will make the euro account for 35–38% of world invoicing, narrowing the dollar. Further increase of trade with ASEAN countries could make Euro the dominant world currency within the foreseeable future.

In this sense, the EU–Mercosur agreement obliges the United States to collaborate with Europe rather than marginalize it. A Europe that is economically embedded across the Western Hemisphere cannot easily be sidelined in transatlantic decision-making. Instead of being perceived as a junior partner reacting to US initiatives, the EU becomes a co-architect of Western economic governance, capable of shaping standards on sustainability, digital regulation, and trade. The US, facing a Europe with diversified alliances and enhanced leverage in the

Americas, is incentivized to coordinate rather than compete or impose unilateral solutions.

Finally, the agreement reinforces the political relevance of the EU as a global actor. By offering Mercosur countries an alternative to exclusive dependence on China or the United States, Europe positions itself as a stabilizing, norm-setting presence in South America. This strengthens Europe’s diplomatic capital and amplifies its voice in global forums. In doing so, the EU does not diminish US importance but rather contributes to a more balanced Western Hemisphere in which leadership is shared. The result is a transatlantic partnership based less on hierarchy and more on mutual necessity, with Europe anchored firmly in the West and equipped to act as an indispensable partner rather than a peripheral one.

What should EU and Romania do next

- Romania needs to adopt the euro as its currency as soon as it meets the convergence criteria. There is no justification at this point to keep trading internally in a currency which does not exist outside of the country.
- Europe should further increase investment and imports from weak markets and exports to stronger markets. This can be done by strengthening institutions and education in Africa, Southeast Asia and the remainder of South America
- Europe should strengthen its military and diplomatic presence in Greenland-related Arctic regions and work to negotiate Greenland re-entering the EU as currently there is strong will according to polls for that to happen
- In order to delay competition from Arctic routes (at least until Greenland’s sovereignty question is resolved) EU should push furtherly on the green agenda, delaying global warming

and ensuring in the meantime it has established all necessary supply chains with SE Asia

- Lift barriers for immigrants. Romania is seeing a significant influx of migrants from outside of the EU, which gives way for production inside the EU. If one thing Trump is doing wrong in his policy is his stance against immigrants. In his case that is motivated by election scores, because he fears losing ground and power because of immigrants traditionally voting for the democrats. Instead, they rely on **cheap workforce** outside of US borders - that is a wrong path, as history has shown that workforce which is outside of fiscal system rebels. Romania should do more to integrate foreign workers (it has the largest amount of net foreign workers among new member states, except Czechia) and help push economic reforms in Bulgaria, Moldova and other territories which it controls economically.

How can lawyers help?

Lawyers and other consultants can give you advice on your businesses, helping you adapt to new regulatory frameworks and future trade possibilities.

Your lawyer can advise you on obtaining licenses, conditions to hire workforce abroad, setting up a new company or making a deal under the new trade benefits.