Free Trade Agreements:

Strengthening Europe's Strategic Autonomy and Business Competitiveness

Presentation, Godfried Smit, European Shippers' Council

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How the EU's expanding network of trade agreements creates new opportunities for European businesses while strengthening Europe's position in an increasingly uncertain global economy.

At the **Nationaal Douanecongres in Rotterdam**, **Godfried Smit** delivered a presentation on the growing strategic importance of the European Union's free trade agreements (FTAs). Focusing particularly on the EU's trade relationships with Mercosur, India and Mexico, he explored how these agreements contribute to Europe's strategic autonomy while creating tangible opportunities for importers, exporters and internationally active businesses.

His presentation highlighted an important message: free trade agreements are no longer simply instruments for reducing customs duties. They have become essential tools for strengthening economic resilience, diversifying supply chains and improving the competitiveness of European companies.

Trade policy in a changing geopolitical landscape

In an era of geopolitical tensions, trade disruptions and growing economic uncertainty, international trade has become much more than a question of tariffs and market access. It is increasingly a matter of economic security, resilience and strategic independence.

For the European Union, free trade agreements play a crucial role in strengthening what is known as **open strategic autonomy**: Europe's ability to make independent economic choices, reduce excessive dependencies and protect its strategic interests while remaining open to international trade and investment.

Rather than turning inward, the EU is actively expanding and diversifying its international partnerships. By negotiating trade agreements with major economies and emerging markets, Europe seeks to secure access to essential raw materials, strengthen supply chains, open new export markets and create a more predictable environment for European businesses.

As Godfried Smit emphasised in his presentation, this strategy is particularly relevant for companies facing rising costs, geopolitical risks and increasing international competition.

Free trade agreements offer practical opportunities by reducing trade barriers, improving market access and creating new possibilities for international growth.

From strategic autonomy to business opportunities

Europe's strategic autonomy is closely connected to the competitiveness of its businesses.

A diversified network of trading partners reduces reliance on a limited number of countries or suppliers. This makes European supply chains more resilient to political tensions, export restrictions and unexpected disruptions.

At the same time, trade agreements allow European companies to reach new customers on more competitive terms.

Lower import duties can reduce production costs, while preferential access to foreign markets enables European exporters to offer their products at more attractive prices.

Modern trade agreements also go beyond tariffs. They address technical barriers, customs procedures, regulatory transparency, intellectual property protection, services and access to public procurement.

For businesses, these provisions can translate into concrete advantages:

- Reduced customs duties and lower landed costs.
- Improved access to international markets.
- Greater flexibility in sourcing and production.
- More predictable trading conditions and greater legal certainty.
- Stronger competitiveness and improved profit margins.
- Reduced dependency on individual countries or suppliers.

The EU's trade initiatives with Mercosur, India and Mexico demonstrate how trade policy is becoming an increasingly important instrument of economic growth and strategic autonomy.

EU–Mercosur: Opening new markets and strengthening supply chains

The EU–Mercosur agreement is one of the most significant developments in European trade policy.

Covering Argentina, Brazil, Paraguay and Uruguay, the agreement connects two major economic regions and creates substantial opportunities for companies on both sides of the Atlantic.

Since 1 May 2026, the EU–Mercosur Interim Trade Agreement has been provisionally applied, allowing businesses to benefit from applicable tariff reductions and eliminations.

For European exporters, the agreement opens opportunities in sectors such as automotive manufacturing, machinery, chemicals, pharmaceuticals and high-value agricultural products.

Many products that previously faced substantial import duties in Mercosur will gradually benefit from lower tariffs or duty-free access. This can strengthen the competitiveness of European manufacturers in South American markets.

The agreement also improves access to public procurement, increases transparency and aims to reduce certain non-tariff barriers.

For European importers, Mercosur offers opportunities to diversify sourcing strategies, particularly for agricultural commodities, industrial inputs and raw materials.

According to the liberalisation commitments, the EU will eliminate duties on approximately 92% of imports from Mercosur and provide preferential treatment for a further 7.5%. Mercosur, in turn, will reduce or eliminate tariffs on approximately 91% of EU exports.

However, tariff liberalisation is not unlimited. Sensitive agricultural products, including beef, poultry, sugar, ethanol, honey and rice, remain subject to specific restrictions, tariff-rate quotas or other protective arrangements.

The strategic significance of the agreement therefore extends beyond reducing customs duties. It strengthens commercial links with South America, supports supply chain diversification and gives European companies additional options in their international operations.

EU–India: A gateway to one of the world's largest markets

India represents another major opportunity for Europe's international trade strategy.

After years of negotiations, which started in 2007, were suspended in 2013 and resumed in 2022, the EU and India concluded negotiations for a comprehensive free trade agreement on 27 January 2026.

Together, the two economies represent a market of approximately two billion consumers. Bilateral trade in goods reached around €120 billion in 2025, highlighting the economic importance of this partnership.

Under the negotiated agreement, India would eliminate tariffs on approximately 86% of tariff lines, while the EU would remove duties on more than 90%.

European industries such as machinery, automotive manufacturing, chemicals, pharmaceuticals and medical technology stand to benefit from improved access to the Indian market.

For European SMEs in particular, lower tariffs and clearer trading rules could help reduce the financial and administrative barriers that often make international expansion difficult.

India can also play an increasingly important role in Europe's supply chain diversification by offering additional manufacturing and sourcing opportunities.

The agreement has not yet entered into force. Following the conclusion of negotiations, the necessary institutional procedures, including signature and approval, must be completed before the new preferential arrangements can be applied.

Nevertheless, its strategic importance is already clear: closer economic relations with India can strengthen Europe's global position while providing European companies with access to a large and expanding market.

EU–Mexico: Modernising a long-standing economic partnership

Mexico is already an important trading partner for the European Union. The modernisation of their existing trade relationship is designed to take this partnership to a new level.

The EU and Mexico signed the modernised agreement and an interim trade agreement on 22 May 2026. Although the EU has subsequently approved the interim agreement, its new preferential arrangements cannot be applied until entry into force.

The modernised framework aims to eliminate virtually all remaining customs duties on bilateral trade, subject to certain exceptions and specific arrangements for sensitive products.

For European exporters, this creates opportunities in sectors such as machinery, transport equipment, chemicals, pharmaceuticals and agri-food products.

For importers and manufacturers, closer cooperation with Mexico can also contribute to more diversified production networks and improved access to industrial materials and components.

Mexico's role within international manufacturing and logistics networks makes it particularly interesting for European businesses seeking to broaden their sourcing and investment strategies.

Once the new trade provisions become applicable, companies will have additional opportunities to improve their competitiveness and strengthen commercial relationships in the region.

Turning free trade agreements into financial benefits

One of the key practical messages of Godfried Smit's presentation at the Nationaal Douanecongres was that **the commercial advantages of free trade agreements are not automatic**.

Companies must understand and correctly apply the relevant customs and origin requirements before they can benefit from preferential tariff treatment.

One of the most important conditions is preferential origin.

A product must satisfy the specific rules of origin established under the relevant agreement before it can qualify for reduced or zero customs duties.

These rules determine whether a product is sufficiently produced or processed within the contracting territories.

Importantly, the country from which goods are shipped is not necessarily their country of preferential origin.

For companies operating international supply chains, this distinction is essential.

Businesses must evaluate the origin of raw materials, components and finished products, as well as the production processes involved. Depending on the agreement, bilateral cumulation may allow materials originating in one contracting party to count towards the origin of products manufactured in the other.

Correct documentation is equally important.

Under the EU–Mercosur agreement, for example, European exporters generally need to use the Registered Exporter System (REX) to issue statements on origin for consignments exceeding €6,000. The relevant origin documentation and supporting records must meet the agreement's requirements.

Companies must also consider tariff-rate quotas, transitional periods and product-specific exclusions.

A product may qualify as originating under an agreement but still face restrictions if a preferential quota has been exhausted or a tariff reduction is being phased in.

For businesses, effective management of preferential origin can directly influence profitability.

Lower customs duties reduce landed costs, improve pricing flexibility and may create a competitive advantage over companies that do not make use of available trade preferences.

Preparing businesses for the next generation of trade agreements

To maximise the commercial benefits of the EU's expanding trade network, companies should integrate free trade agreements into their procurement, customs and export strategies.

This starts with identifying traded products and reviewing their Combined Nomenclature (CN) classifications and applicable customs duties.

Businesses should then examine whether preferential origin requirements can be met, collect reliable information from suppliers and establish appropriate procedures for obtaining and retaining origin documentation.

Companies can also assess whether alternative sourcing arrangements or adjustments to production processes would make their products eligible for preferential tariff treatment.

A structured approach should include:

1. **Mapping trade flows:** Identify which products are imported or exported and which trade agreements may apply.
2. **Checking tariff preferences:** Determine whether preferential tariff rates or tariff-rate quotas are available for each product.
3. **Verifying origin requirements:** Review product-specific rules of origin and assess whether the relevant production processes meet these requirements.
4. **Engaging suppliers:** Obtain reliable information about materials, manufacturing processes and preferential origin.
5. **Managing documentation:** Implement procedures for origin statements, supplier declarations, exporter registrations and record retention.
6. **Evaluating supply chain opportunities:** Consider whether alternative sourcing or production arrangements can reduce customs costs and improve resilience.

For importers, this may lead to lower purchasing costs and more resilient supply chains. For exporters, it can mean improved market access, stronger margins and greater international competitiveness.

For both groups, origin management should no longer be seen merely as a customs compliance obligation. It is increasingly a strategic business capability.

Strategic autonomy requires proactive businesses

Europe's growing network of trade agreements creates opportunities, but it is ultimately up to businesses to translate these opportunities into measurable economic benefits.

Companies that actively monitor new agreements, understand the applicable customs requirements and adapt their commercial strategies can gain a meaningful competitive advantage.

The benefits are not limited to large multinational companies. SMEs can also use preferential market access to explore new export destinations, diversify suppliers and become less dependent on traditional trading relationships.

This is particularly important in a global environment where geopolitical developments can rapidly affect sourcing costs, market access and the reliability of international supply chains.

The EU's trade policy therefore provides businesses with more than potential tariff savings. It supports a broader transition towards diversified, resilient and strategically managed international trade.

Conclusion: Trade diversification as a competitive advantage

As highlighted by Godfried Smit during his presentation at the **Nationaal Douanecongres in Rotterdam**, the EU's expanding network of free trade agreements reflects a broader strategic ambition: building a stronger, more competitive and more resilient European economy.

Agreements with Mercosur, India and Mexico demonstrate how international trade partnerships can support this objective by opening new markets, securing alternative supply sources and reducing barriers to cross-border business.

Strategic autonomy does not mean economic isolation. It means having the freedom to choose, supported by diversified partnerships, reliable supply chains and a strong competitive position.

For European businesses, this creates a clear opportunity.

Companies that understand the available trade preferences, prepare their origin documentation and integrate free trade agreements into their commercial strategies will be better positioned to reduce costs, expand internationally and respond to geopolitical uncertainty.

Ultimately, free trade agreements are not simply legal instruments negotiated between governments. They are strategic tools that can help European businesses grow, compete and succeed in a rapidly changing global economy.

The message for businesses is clear: understanding and using free trade agreements is no longer just a matter of customs compliance. It is an investment in competitiveness, resilience and Europe's strategic autonomy.