

## Chart of the Week

# Trade Agreements in the Age of Geo-Economics

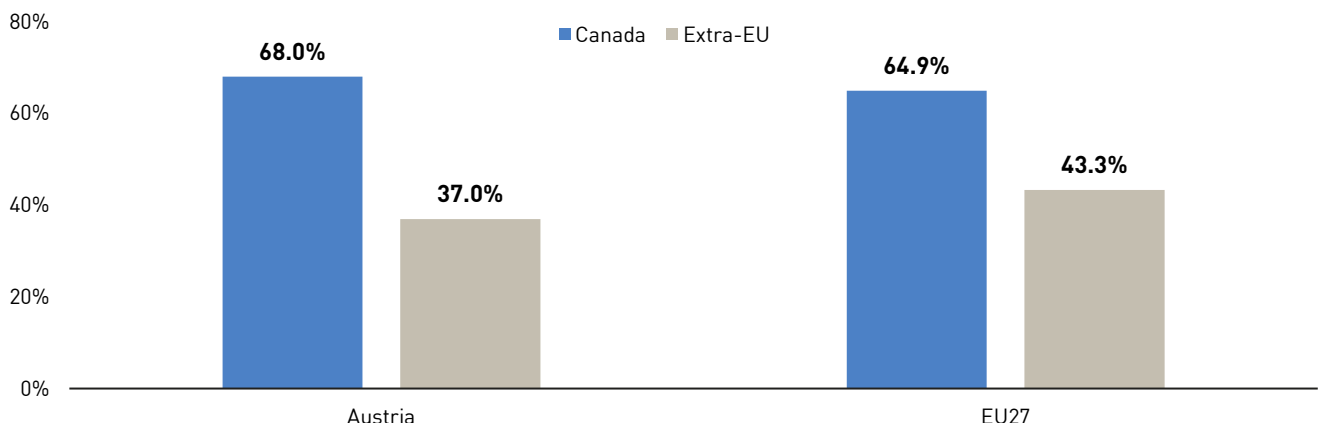
## Lessons from the Success of CETA for Mercosur & Co.

On 17 January, after more than 25 years of negotiations, the EU took a decisive step towards establishing the world's largest free trade area in terms of population by signing the EU-Mercosur Agreement in Paraguay. The agreement would cover more than 700 million consumers. In an increasingly fragmented and conflict-ridden global economy, trade agreements are not only instruments for opening foreign markets; they also carry geo-economic and geopolitical significance. Ultimately, rising pressure on the EU to diversify its export base appears to have been the decisive factor. The United States' retreat from the rules-based world and trade order, combined with an increasingly unbalanced trade relationship with China, gave the agreement the impetus needed to be finalised despite numerous concerns. The agreement with Canada (CETA), in force since 2017, clearly demonstrates the trade momentum that such agreements can generate. Since the end of 2016, the EU's annual exports of goods have increased by 43.3 % overall, while exports to Canada have risen by 64.9 %. For Austria, CETA has been particularly successful: while Austria's total exports grew by 37 %, exports to Canada increased by 68 %.

### Austrian and EU exports to Canada have grown at an above-average rate thanks to CETA

#### Increase in Austrian and European goods exports to Canada and the world since 2016

In %, based on rolling 12-month sums through October 2025



Source: Eurostat.

The agreement is therefore a strong example of how free trade agreements can boost demand and strengthen the market presence of European producers. CETA has eliminated almost all tariffs on goods traded between the EU and Canada. Despite concerns raised prior to its implementation, ex-post analysis shows that trade flows have increased across the board, with both industrial and agricultural exports rising. Furthermore, agricultural land use has increased by 1.5 million hectares on both sides.

**TAKE:** Trade agreements help secure export markets and support the EU's pursuit of strategic autonomy in a world increasingly dominated by geopolitical and geoeconomic considerations. They create opportunities for diversification, reduce dependencies, and strengthen the resilience of supply chains. For instance, concluding new agreements with the EU's seven most important trading partners could offset the adverse consequences of US tariff policy and even deliver net gains. This matters in particular for a small, open economy like Austria's, where the export-oriented industrial base is disproportionately exposed to external trade shocks. New trade agreements should therefore rank at the very top of the EU's policy agenda.



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