

Amazon deforestation and EU-Mercosur deal

After coming to a political agreement on the trade pillar of the three-pronged EU-Mercosur association agreement in June 2019, the EU and the four founding members of Mercosur (Argentina, Brazil, Paraguay and Uruguay) reached agreement on the political dialogue and cooperation parts in July 2020. However, as environmental deregulation and deforestation continue unabated in Brazil, opposition to the deal is growing. It is unlikely to be submitted to the European Parliament for consent in its current form. A study of the trade pillar's provisions concludes that, taking the risk of deforestation into account, the deal's environmental costs are likely to exceed its economic gains. This raises doubts as to whether Brazil's compliance with its climate change commitments can realistically be achieved based on provisions devoid of an effective enforcement mechanism.

Rising Amazon deforestation in Brazil in 2020

In 2012, Brazil, which hosts [12 %](#) of global forests, saw a historically low yearly deforestation level of 4 600 km² in the Legal Amazon. The region is composed of [nine federal states](#) and corresponds to [58.9 %](#) of Brazil's territory (Figure 1), down [80 %](#) from 2004. In 2004, Brazil was well placed to reduce its yearly overall deforestation rate to [3 925 km²](#) by 2020 – a government [commitment](#) under the country's legally binding [National Policy on Climate Change](#). Brazil curbed deforestation based on a range of [policies, including](#) the 2004 [Action Plan](#) for the Prevention and Control of Deforestation in the Legal Amazon and the recently [contested](#), but [investor-supported](#), voluntary 2006 [Soy Moratorium](#) signed by major soy traders [pledging](#) not to purchase soya from Amazon areas deforested after 2008. However, a [2012 Forest Code revision](#) has reversed this positive trend.

In 2019, deforestation in the Legal Amazon soared to [10 129 km²](#), an area similar to the [territory](#) of Lebanon and up from 7 536 km² in 2018, according to annual [satellite-based data](#) from the Brazilian National Institute for Space Research (INPE). From August 2019 to July 2020, INPE's monthly real-time [data](#) report a [34 %](#) rate of deforestation associated with an area of more than [9 200 km²](#), up from over 6 800 km² in the previous reporting period. Brazil is now [expected](#) to miss its [Paris Agreement target](#) of zero illegal deforestation in Amazônia by 2030.

Brazil's continued environmental deregulation to open the Amazon for business

In 2020, the Brazilian government has continued to pursue a policy of [deflecting](#) responsibility for the deforestation of the Amazon and of [portraying](#) itself as the victim of a disinformation campaign, while it has [continued](#) to open up the Amazon for [economic development](#), and to alter Brazil's legal framework and institutional arrangements accordingly. Brazil's Minister for the Environment, [Ricardo Salles](#), made this plain when he [proposed](#) to ['run the cattle herd'](#) through the Amazon and 'change all the rules and simplify standards', while the public's attention is distracted due to the coronavirus pandemic. In the legal sphere, the government has emphasised the distribution of [land titles](#) and has [fast-tracked pesticide approvals](#). It has initiated two controversial legislative proposals: [one allowing impact-heavy mining on indigenous lands](#) and [another](#), dubbed the 'land grabbing law', aimed at legalising claims to illegally occupied [land](#). The latter [bill](#) was set to transpose a [contested 2019](#) provisional government [measure](#) intended to allow squatters (*posseiros*) and land grabbers (*grileiros*) to self-declare their land ownership, with an amnesty [until 2018](#), and to include indigenous territories whose protection has not yet been formally confirmed. The bill followed in the footsteps of [similar legislation](#) adopted by previous governments in 2009 and [2017](#). However, even [soy and meat businesses](#) were opposed, fearing reputational damage, and Brazil's Congress ultimately [refrained](#) from voting on the proposal. A recent reversal of [rules](#) for [unrecognised indigenous](#)

Figure 1 – The Legal Amazon and Brazil's biomes



Source: EPRS based on [INPE](#); map shows deforested areas in the period 2018-2019.

[areas](#) issued by Brazil's indigenous agency, the National Indian Foundation (FUNAI), adopted after a [controversial](#) new FUNAI head took office, has been associated with this legislation. In the institutional sphere, the government [re-assigned](#) the certification of protected indigenous lands from FUNAI to the agro-business-friendly Ministry for Agriculture. It has [empowered](#) the military to carry out [selected](#) law enforcement operations in the Amazon, while it has slashed the [budget](#) for forest monitoring of the Brazilian Institute of the Environment and Renewable Natural Resources (IBAMA), [undermining](#) its operational capacity to perform inspections. The government has weakened the IBAMA and scientific research institutes by firing [renowned scientists](#) and [staff](#). At the same time, a [presidential decree](#) has hampered IBAMA's fining policy and facilitated impunity of environmental criminals. A [report](#) reveals that thousands of fines against environmental offenders have gone unpaid. Various [stakeholders](#) heavily contest these changes. Three [legal actions](#) were launched to overturn some of Brazil's harmful deforestation policies, and opposition parties initiated a Federal Supreme Court [public hearing](#). Faced with mounting [foreign](#) and domestic [criticism](#), the government [created](#) the [Amazon Council](#) for inter-agency coordination, headed by Vice-President [Hamilton Mourão](#), a former general, and a new [environmental police force](#). As in 2019, the military was again [tasked](#) in 2020 to enforce a temporary presidential Amazon fire moratorium under [Operação Verde Brasil 2](#), the effectiveness of which has, however, been widely [questioned](#).

Could leveraging the EU-Mercosur deal curb Amazon deforestation?

EU-Mercosur deal [ratification](#) has become more [uncertain](#) in 2020, as the Brazilian government has proved [resilient](#) against [criticism](#), EU citizens polled have been [predominantly](#) opposed, and Parliaments in [Austria](#), [Belgium](#), [Ireland](#) and [the Netherlands](#) have voted against. In France a vote [is pending](#). Previously strong advocates of the deal such as [Germany](#), which in 2019 [froze](#) part of its [funding](#) to the [Amazon Fund](#) due to the Brazilian government's interference in the Fund, have become [sceptical](#). Weak enforceability of the [trade pillar's](#) trade and sustainable development [chapter](#), built on dialogue alone, is an issue. The [idea](#) of making climate change pledges an 'essential element' of trade deals allowing for sanctions is more recent.

A recent [study](#) considers the EU-Mercosur trade pillar a 'missed opportunity' for the EU to leverage its negotiating power to obtain solid guarantees on environmental, labour and (phyto)sanitary standards, matching citizens' expectations. The study posits that the deal will fuel deforestation and that the environmental costs are likely to exceed the economic gains. Brazil has [dismissed](#) these conclusions as [protectionist](#) and ignoring its technology-based [productivity gains](#) in agriculture and traceability of agricultural goods. Brazil [relies](#) on [diplomacy](#) to solve the matter

On one hand, it is evident that Brazil's development strategies include agribusiness and mining expansion into remote areas, exposing [environmental defenders](#) and indigenous peoples to deforestation-linked [violence](#). Brazil's military-led anti-deforestation action consists of temporary and selective remedies at best. Brazil's policies seem contrary to EU [commitment](#) to ambitious green policies and its [obligation](#) to promote human rights in external policies. On the other hand, without an EU-Mercosur deal, the current Brazilian trend is likely to become further [entrenched](#), cancelling out EU climate change mitigation efforts. As [China](#) has replaced the EU as the first destination of Brazilian [beef](#) and [soy](#), pressure on Brazilian [agricultural associations](#) to comply with high EU standards has diminished. This has led to the withdrawal by [some](#) from the [Brazilian](#) Coalition on Climate, Forests and Agriculture, which recently issued a [study](#) on [beef chain traceability](#). A 2020 [study](#) estimates that 17 % of the meat and 20 % of soy imported into the EU from the Amazon and the Cerrado may have been [produced](#) in illegally deforested areas, but that only 2 % of the locations analysed accounted for 60 % of the illegal deforestation detected. [Focusing](#) law enforcement on this 2 % could be an effective remedy, in tandem with the [current](#) EU [due diligence initiatives](#) that may act as a safeguard to ensure deforestation-free supply chains from Brazil to the EU. Zero-deforestation commitments by Chinese [traders](#) would be key to [avoiding](#) a fragmented market. [Argentina](#), [Paraguay](#), and [Uruguay](#) have remained silent on deforestation.

European Parliament position

In its October 2020 [resolution](#) on the implementation of the common commercial policy, the European Parliament emphasised 'that the EU-Mercosur agreement cannot be ratified as it stands'. A September 2020 [resolution](#) on the EU's role in protecting and restoring the world's forests calls for an EU legal framework for due diligence to ensure sustainable and deforestation-free supply chains for products and commodities placed on the EU market. Following a [debate](#) on Amazon forest fires in September 2019, Parliament organised a [debate](#) on land grabbing and deforestation in the Amazon in June 2020, which called for support for stakeholders and initiatives in Brazil opposing deforestation.

