

EU-Mercosur fuels nature destruction and undermines EU efforts against deforestation

Policy briefing for decision-makers

This policy briefing explains how the EU-Mercosur free trade agreement (EU-Mercosur FTA) could have catastrophic consequences for forests and other ecosystems in South America, as well as for the communities that live in them, counteracting EU efforts with the landmark [EU Deforestation Regulation \(EUDR\)](#).

This briefing explains the incompatibility of current EU trade policy with the Union's environmental policy, showing the need for a complete overhaul of the former.



Soya Production in the Cerrado Region, Brazil. By Marizilda Cruppe / Greenpeace

On 19 April 2023 and 16 May 2023, the [European Parliament](#) and [Council](#) respectively approved the EUDR. This landmark law aims at preventing commodities and products linked to deforestation and forest degradation from being placed on, made available in, or exported from, the EU market. It will regulate certain commodities (cattle, cocoa, coffee, palm oil, soya, wood and rubber) as well as some relevant products, deriving from, or containing, such commodities.

The EUDR officially enters into force on 29 June 2023. However, medium and large companies will have to start complying only 18 months later. For micro and small companies established before 30 December 2020, this delay will last 24 months (except for wood products that are currently covered by the EU Timber Regulation).

The Commission is mandated to review the legislation and assess whether to extend the protection to other wooded land and other ecosystems, broaden the list of commodities and products, and impose specific obligations on the financial sector. This review, which is crucial for the protection of forests and ecosystems around the world and the Indigenous Peoples who live in and protect them, will start immediately. The presentation of the impact assessment (and, if appropriate, of the legislative proposal) to extend the protection to other wooded land is due within one year of the entry into force of the law, while for other items listed above, the deadline is two years.¹ However, the entire process is likely to take several years to conclude, considering that it will involve the proposal and approval of one or more legislative acts.

As soon as the regulation takes full effect by the end of 2024 / early 2025, it will be only possible to lawfully place and make available on, or export from, the EU market relevant products that are deforestation-free, comply with the laws of the country of production, and are covered by a due diligence statement. The EUDR is an important step towards reducing the negative environmental and social impacts of the EU's consumption (and, eventually, of its financial sector).

However, at the same time as the European Parliament and the EU Council adopt this crucial piece of legislation for nature protection, the European Commission is pushing to finalise a trade agreement with the Mercosur countries (Brazil, Argentina, Paraguay and Uruguay) which will boost trade in various agricultural commodities between the two blocks. One of the agreement's purposes is to promote a sharp and fast increase in trade in harmful commodities and products, to which the new EUDR does not apply, or that are produced on land resulting from the conversion of ecosystems, which the new law does not yet protect.

As such, the EU-Mercosur FTA risks protracting the EU's dependency on its extractive trade approach, while undermining the steps that it has just started to undertake to reduce its footprint on global ecosystems.

¹ For products derived from commodities covered by the legislation, the Commission can amend the list by means of delegated acts.

Summary

- The main purpose of the EU-Mercosur FTA is to boost trade in agricultural products such as meat and soy, chemicals such as pesticides, and cars and car parts. A relic from the past, it is in direct opposition to the goals of the European Green Deal and completely counterproductive for the action needed to protect the climate and biodiversity.
- The hostility of Mercosur governments towards the EUDR is very concerning. Mercosur leaders seem to be using the EU-Mercosur negotiations as a forum to express their displeasure with the EUDR.
- The EU-Mercosur FTA is expected to have numerous environmental and human rights impacts which are beyond the remit of the EUDR:
 - **Detrimental footprint on ecosystems** other than forests, by boosting imports of agricultural commodities such as soy, beef and sugarcane which are destroying biomes like the Brazilian Cerrado savannah and Pantanal wetlands. The EUDR will not address this footprint as it does not currently protect “other wooded lands” or natural ecosystems with high carbon stock or high biodiversity value, other than forests.
 - **Financing forest destruction:** the trade deal facilitates and encourages EU investments in the Mercosur region; however, there are currently no regulatory instruments to address the environmental and social impacts of the financial sector. This leads to a paradoxical situation in which the EU will require that products sold on its market comply with a deforestation-free standard, while its financial sector will still be allowed, and even encouraged, to provide financial services to companies linked to forest destruction.
 - **Boosting commodities linked to nature destruction:** the deal liberalises Mercosur exports to the EU of a wide range of agricultural commodities, beyond those covered by the EUDR, such as sugar cane, rice, poultry, maize, as well as derived products such as bioethanol (mostly obtained from sugar cane and maize) and biodiesel (mostly obtained from soy). The new law does not require that beef imported to the

EU market is only fed with sustainable feed, meaning that the soy used to feed cattle in the Mercosur countries will still be at risk of coming from deforested land or converted ecosystems.

- **Reduction of import controls:** for products and commodities not covered by the EUDR, the EU-Mercosur FTA actually lowers import controls. Under the trade deal, exporters will be allowed to self-certify that they comply with EU rules, for instance on pesticide residues and growth hormones.

Greenpeace calls on policy-makers on both sides of the Atlantic to reject the EU-Mercosur deal and to support the EUDR and its objectives, as well as its swift implementation and strict application, in addition to ambitious reviews to close the gaps identified during the legislative process.

A) The EU-Mercosur agreement

The European Union and the Mercosur countries have struggled to negotiate a trade agreement for over twenty years. The two blocks reached a political agreement in July 2019, while Brazil was under the leadership of Bolsonaro. The negotiated deal is an instrument of extraction: intended to secure EU imports of commodities and raw materials from South America, while increasing EU exports of industrial and chemical products.

The purpose of the FTA is primarily to boost trade in agricultural products such as meat and soy, chemicals such as pesticides, and cars and car parts. A relic from the past, it is in direct opposition to the goals of the European Green Deal launched in December 2019, and completely counterproductive to the action needed to protect climate and biodiversity.

The planned agreement would be devastating for the climate and people. The EU already imports large quantities of beef and soya as animal feed from the Mercosur trade area. Every day, gigantic areas of forests and other ecosystems are destroyed to make way for cattle pastures and soya cultivation. The planned free trade agreement would further exacerbate these existing problems.

B) EU-Mercosur negotiations used as a forum to undermine the EU Deforestation Regulation

While Mercosur civil society [welcomes](#) the regulation due to its expected positive impacts on the fight against deforestation, the Mercosur governments have expressed their opposition to the EUDR on several occasions. Already in November 2022, Brazil, Argentina and Paraguay criticised the EUDR at a [WTO meeting](#), claiming that the law is “inherently punitive” and protectionist. In January 2023, Brazil’s President Lula da Silva and Argentina’s President Alberto Fernandez adopted [a joint declaration](#) in which they “expressed concern about recent European unilateral protectionist measures, under the guise of alleged environmental concerns, which may affect the balance of the (EU-Mercosur) agreement”.

Their criticism of the EUDR has been a key issue of discussion in recent meetings between Mercosur and EU leaders on the EU-Mercosur deal.

According to [Brazilian newspapers](#), at a meeting between the EU and Mercosur in March 2023, Mercosur countries reiterated their concerns and are now planning to present a side letter to the EU-Mercosur deal regarding the EUDR.

This hostility of Mercosur governments towards the regulation is very concerning, as is the fact that the Commission has failed to obtain a commitment from the Mercosur governments that they will recognise the importance of the new legislation and cooperate towards its full and effective implementation. Indeed, under the Treaty on the Functioning of the European Union, the Commission and the Council have the obligation to ensure that EU trade deals are consistent with EU policies and rules, including the EUDR.

C) The EU-Mercosur deal will fuel nature destruction

The EUDR will ensure that certain commodities and products will only be placed on the EU market if they are “deforestation-free” and if they are produced in compliance with the laws applicable in the country of production. This new legislation will contribute to minimising the impact of EU consumption on forests around the world.

Yet, the EU-Mercosur trade agreement [is expected to have numerous environmental and human rights impacts](#), several of which currently fall outside the scope of the EUDR or are inadequately addressed. The following analysis explores some of these aspects.

Destruction of ecosystems

The EU-Mercosur agreement is expected to have a detrimental footprint by boosting imports of agricultural commodities such as soy, beef and sugarcane which are destroying biomes like the Cerrado and the Pantanal. These biomes are crucial for climate change mitigation and biodiversity, yet they are not fully protected by the new EU deforestation law.

While the new EU deforestation law will address the impact of some commodities like soy and beef on Mercosur forests, it does not protect “other wooded lands”² or other natural ecosystems with high carbon stock or high biodiversity value. Limiting protection to forests leaves other natural ecosystems [exposed](#) to pressure from commodities producers,

² Such as shrubland, wooded grassland, and wooded wetland. The large majority of the Cerrado biome, for example, can be considered “forest or other wooded land” according to the FAO.

and could even increase the risk of their conversion and degradation through leakage (where the protection of an area, biotype or a landscape simply transfers the destruction to other areas).

The **Brazilian Cerrado** is the most biodiverse savannah in the world. Spanning 200 million hectares, the Cerrado is home to 5% of the planet's plant and animal species, over 4,800 of which are found nowhere else. The region is known as a 'cradle of waters', because it is critical to eight of the 12 Brazilian river basins. Yet, despite its ecological importance, the Cerrado is being rapidly cleared. It lost 2.8 million hectares of natural forest and 1.8 million hectares of natural grassland between 2010 and 2017, with the main threats coming from soy farms and cattle ranches. It is estimated that nearly half of the Cerrado's natural vegetation (covering about 95 million hectares, an area larger than Venezuela) has already been destroyed. The remaining area holds an estimated carbon store equivalent to 13.7 billion tonnes of CO₂. [Source](#).

The **Pantanal** in Brazil is the world's largest contiguous inland tropical wetland. An annual cycle of flooding and drying gives the area a range of major habitats – among them permanent lakes and swamps, seasonally flooded savannahs, forests, and flood forests – making the Pantanal biome one of the most biodiverse in the Americas. In addition to a remarkable diversity of aquatic plants, it is reportedly home to over 650 species of birds, 250 of fish and 170 of mammals. Around 12% of mammal species in the Pantanal are globally endangered. The Pantanal also provides vital ecosystem services to surrounding populations, including climate stabilisation, water purification, flood reduction, and an extensive waterborne transport system. The gradual release during the dry season of the water absorbed during the rainy season provides a steady water supply to millions of people downstream. The future of the Pantanal hangs in the balance due to multiple threats to its ecological stability. The most direct threat is from commodity agriculture, including cattle ranching. [Source](#).

The review clause in the EUDR commits the European Commission to examine, one year after its entry into force, whether the law should include "other wooded lands" and, two years after entry into force, whether its protection should be extended to other natural ecosystems. However, until the completion of the review and depending on the decision the Commission will take, important ecosystems such as the Cerrado and the Pantanal will not be fully protected by the law.

Financing deforestation and ecosystem degradation

According to the [European Commission](#), the EU-Mercosur deal will make it easier for EU companies to invest in Mercosur countries and will generally expand opportunities for EU investors. Yet the EU Deforestation Regulation will not apply to the financial sector, meaning that investors

can continue to invest in the agricultural or other sectors in the Mercosur region without needing to conduct due diligence to guarantee that these investments are not linked to deforestation and forest degradation. The existence of the EU-Mercosur is likely to even encourage further negligent and destructive investments.

The review clause in the EUDR commits the European Commission to evaluating the role of the financial sector in preventing financial flows that contribute directly or indirectly to deforestation and forest degradation and the need to introduce specific obligations for financial institutions. However, until the completion of the review and unless the Commission presents a legislative proposal, we will continue to have a paradoxical situation: while the EU will now require that products sold on its market comply with a deforestation-free standard, its financial sector will still be allowed to provide financial services to companies linked to forest destruction.

Boosting trade in commodities linked to deforestation and ecosystem degradation

With the EU-Mercosur deal, the EU will liberalise [82% of agricultural imports](#) from Mercosur and will grant additional preferential tariff quotas for sensitive commodities and products like meat, sugar, rice and bioethanol (mostly made from sugar cane). An overview provided in this [joint Greenpeace and CIDSE study](#) shows that the beef and chicken quotas would increase by a half compared with the existing Mercosur exports to the EU, while bioethanol quotas would increase by a factor of more than six. The EU-Mercosur deal also allows for duty-free imports of biodiesel (made in Mercosur mostly from soy) and reduces Argentina's export duties on soy and biodiesel based on soy, thus encouraging expansion of soy production there.

The EU deforestation law in its current form will not apply to many of these commodities, such as sugar cane, rice, poultry, maize, nor to derived products such as bioethanol (mostly obtained from sugar cane and maize) and biodiesel (mostly obtained from soy). All of these commodities and products will be boosted by the EU-Mercosur deal.

Biodiesel from soy: Argentina exported more than 1 million tonnes of soy-based biodiesel to the EU in 2022 alone, [worth over 1.8 billion dollars](#). In Brazil, more than [4 million tonnes of soy oil](#) are used for the production of biodiesel. Biodiesel from soy in both countries has been [linked](#) to deforestation and ecosystem degradation.

There is not much information available on the links between sugar cane, bioethanol, maize, rice and poultry and destruction of ecosystems in Argentina, Paraguay and Uruguay, but several reports illustrate the risks associated with these commodities in relation to production in Brazil.

Sugar cane and bioethanol: EU imports of Brazilian ethanol from sugar cane are increasing rapidly. In 2018, imports amounted to over [40 million litres](#). By the 2019/2020 crop year, this had risen to [73 million litres](#), and to [175 million litres](#) in 2020/2021. The EU-Mercosur deal provides a duty-free quota for 650,000 tonnes of bioethanol from Mercosur.

Research by [Friends of the Earth Europe](#) shows that Brazilian sugarcane plantations are linked to unsustainable water use and water pollution, soil degradation due to monoculture practices, land-rights violations, and widespread pesticide contamination. According to the research, between 2010 and 2020, the area planted with sugarcane in the Center-West region of Brazil, where the Cerrado predominates, grew by 620,000 hectares. There are [serious concerns](#) that further expansion of sugar cane based ethanol and maize-based ethanol will lead directly and indirectly to deforestation in the Amazon and in other ecosystems throughout the country, as a 2009 decree which prevented sugarcane expansion into the Amazon and into Pantanal was [lifted](#) by former Brazilian President Jair Bolsonaro ³ in 2019. For more than a decade, there have been [reports](#) that the expansion of sugar cane plantation in the Brazilian Cerrado was damaging the biome and [its waters](#), as well as indirectly boosting deforestation in the Amazon by pushing cattle ranching [further towards the rainforest](#).

Maize: there are [links between maize cultivation and deforestation](#) in Brazil, for example in the Tapajós Basin in the Brazilian Amazon. Maize and soy expansion are correlated as it is common to rotate land between these crops. [Reporter Brasil](#) explains that because it is planted during the off-season of another crop, such as soy, maize may not be directly or solely responsible for changes in land use, but it can make such changes more profitable and encourage the deforestation of new areas of native vegetation or even compete with food production. The production of maize-based ethanol in Brazil has increased by almost 500% in the past five years, [raising significant concerns](#) that its expansion could fuel deforestation in the Amazon and in the Cerrado.

Rice is also linked to deforestation in Brazil. There are regular [reports](#) of rice being produced in illegally deforested areas in the country. A [recent report](#) showed that 170 hectares of Indigenous land in Mato Grosso in Brazil were deforested to give way to rice plantations. The Indigenous community argues it did not give its free, prior, and informed consent (FPIC), saying it had not even been consulted. See below for more on the lack of guarantee of FPIC in EU-Mercosur.

Last, but not least, **poultry** imports from Brazil into Europe have also been shown to be associated with deforestation, as [investigations](#) reveal that the soy and maize with which the chickens are fed in industrial poultry farming often come from deforested areas in the Amazon and in the Cerrado.

³ In negotiations over the Revision of the Renewable Energy Directive, EU negotiators [failed to include](#) soy in the phase-out of biofuels with a high risk of deforestation.

On the basis of the review clause, it is possible that additional commodities (including poultry and maize) and products (including biofuels) will be included in the scope of the EUDR. As the law stands, however, and until it is reviewed and the changes are actually made, these commodities and products will continue to be placed on the EU market without being subject to the “deforestation-free” standard or to the traceability requirement of the EUDR.⁴ Boosting trade in those commodities and products via the EU-Mercosur deal runs counter to the EU’s efforts against deforestation, as they encourage the expansion of land use for agricultural exports and put both direct and indirect pressure on forests and other ecosystems.

Additionally, whereas the EUDR will apply to beef and beef products (including leather), operators and traders placing those commodities and products on the EU market will not be required to assess the sustainability of feed used in their production process. This means that the soy used to feed cattle (as well as other livestock) in the Mercosur countries will still be at risk of coming from deforested land or converted ecosystems.

Soy as animal feed in Brazil

Brazil produces around 16.3 million tonnes of soymeal annually for its domestic market. In 2017, [more than 90 percent](#) of that reportedly became animal feed: 50 percent was used as chicken feed, 25 percent for pig feed, and 12 percent for beef and dairy cattle feed.

As the EU-Mercosur deal will introduce additional preferential quotas for poultry and beef imports to the EU, it’s likely that soy production for feed will increase in order to raise more livestock in Mercosur countries. This will heighten the risk that beef and poultry fed with soy linked to deforestation ends up on the EU market. [The Brazilian soy industry](#) sees the EU-Mercosur deal positively, assessing that increased EU demand for meat “will reflect positively on the domestic demand for soybean meal for animal protein production”.

For products and commodities not covered by the EUDR, the EU-Mercosur agreement actually lowers the import controls. Under the deal, exporters will be allowed to self-certify that they comply with EU rules, for instance on pesticide residues and growth hormones, as explained in this

⁴ Biofuels and biofuel feedstocks are subject to the requirements of the Renewable Energy Directive, but the Directive only sets out requirements for their qualification as renewables, taking into consideration renewable targets and possible support schemes. It does not have due diligence obligations on operators placing these biofuels on the market (certification and mass balance apply). Hence the overall framework for biofuels is not comparable with that of the EU Deforestation Regulation.

[Greenpeace Legal Q&A](#) on the FTA. The deal weakens food checks as it provides for export authorisations for animal products to be expedited. To this end, the importing country is to refrain from carrying out import checks if the exporting country provides “sufficient guarantees” via its exporting parties. In addition, the trading partners are expected to agree to reduce the frequency of import checks.

Putting human rights at risk

The EU-Mercosur agreement is expected to negatively impact Indigenous communities in the Mercosur countries. For example, the expansion of sugar cane cultivation for bioethanol is already now leading to [Indigenous rights violations in Brazil](#). In the face of expanding sugar cane plantations to feed the EU market with bioethanol, the EU-Mercosur FTA offers inadequate human rights protection: clauses relating to human rights or Indigenous Peoples are not effectively enforceable. As analysed in this [Greenpeace Legal Q&A on the FTA](#), instead of enhancing protection for Indigenous People and local communities, the provisions of the EU-Mercosur agreement actually change the wording “free, prior and informed consent” (recognised by the UN as an essential guarantee of Indigenous People’s rights over the land they live on) to “prior informed consent”. That the negotiators did not use the established human rights norm in this provision shows the disregard for human rights, especially the rights of Indigenous People, in the trade deal.

By requiring that products included in its scope “*have been produced in accordance with relevant legislation of the country of production*”, the EUDR provides a tool to mitigate the impact of EU consumption on human rights violations. It is relevant, in this regard, that the “*legislation of the country of production*” includes human rights protected under international law, and “*the principle of free, prior and informed consent, including as set out in the United Nation Declaration on the Rights of Indigenous Peoples.*”

However, **the contribution that the EUDR can offer to human rights protection is limited**, to the extent that: (i) it only covers violations happening in the context of deforestation and forest degradation (the conversion of other ecosystems being out of the scope of the law) and, that, (ii) it only includes a partial set of commodities and products.

Furthermore, products under the EUDR must be “*human rights-compliant*” only when there are relevant legal provisions “*applicable in the country of production*”. This means that if, as it is in the case of Uruguay, a country has not ratified the international instruments related to the protection of Indigenous Peoples (see box below), compliance with these instruments will not be a condition for the legality of products.

Indigenous Peoples rights in Mercosur countries

Among the Mercosur countries, only Uruguay has [not yet ratified](#) ILO Convention 169 (The Indigenous and Tribal Peoples Convention). However, even in the countries that have ratified it and transposed it in their national legal frameworks, the rights of Indigenous Peoples are not fully guaranteed in practice, on the contrary, these rights are still under attack.

In Brazil, for instance, the legal framework recognizes in articles 231 and 232 of the Federal Constitution of 1988 the rights of Indigenous Peoples, recognizing their customs, languages, beliefs and traditions, and social organisation, as well as their original rights and the original rights over the lands they traditionally occupy, being the responsibility of the Brazilian State, to protect and ensure respect for all its assets.⁵

Brazil is signatory to ILO Convention 169, ratified by Legislative Decree No. 143, of 2002, which recognizes the rights of Indigenous Peoples to Free, Prior and Informed Consultation (FPIC). Convention 169 is equivalent to ordinary law with an intermediate hierarchy between the Federal Constitution and ordinary ordinary laws in the Brazilian legal system.⁶

Based on this information, it can be said that the international rights of Indigenous Peoples are reflected in the Brazilian legal framework. However, these rights are currently [under attack](#), and the full application of these normative instruments still falls short of the reality of Indigenous Peoples in Brazil, where many territories and rights are violated by state action or omission, such as the advance of illegal mining in Indigenous territories, or the absence and slowness of the State in demarcating its traditionally occupied territories. The reality of Indigenous Peoples in Brazil is still one of vulnerability and inequality.

The terms of the EU-Mercosur agreement do not adequately and expressly mention the terms referring to the right to Free, Prior and Informed Consultation (FPIC) of Convention 169. By boosting the expansion of commodities for export, the trade deal will put Indigenous Peoples and their rights at risk.

⁵ [CIMI – Conselho Indigenista Missionário](#)

⁶ [Instituto Socioambiental](#)

D) Demands

The time to act to protect nature and climate is now. Policy-makers on both sides of the Atlantic must:

- reject this EU-Mercosur deal, which spurs forest and ecosystem destruction, disrespects human rights, and creates obstacles to the socioecological transition we urgently need.
- support the EU Deforestation Regulation and its objectives, as well as its swift implementation and strict application, in addition to ambitious reviews to close the gaps identified during the legislative process.

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