



Deforestation could torpedo the EU-Mercosur trade deal

by Andrew Thompson

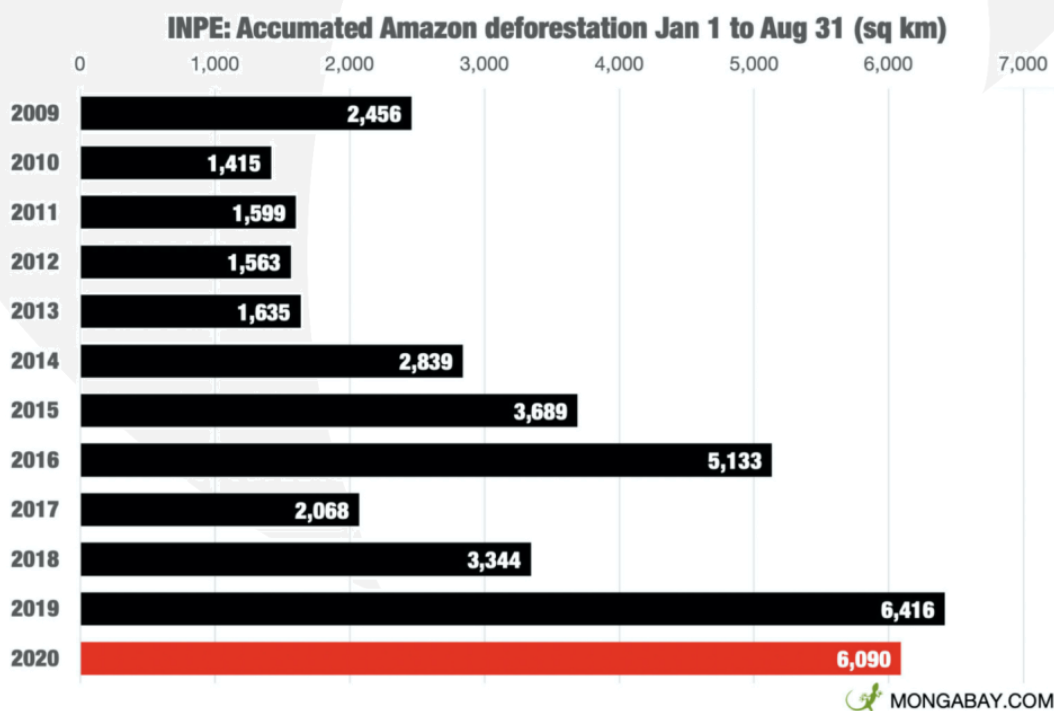
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What happened?

Brazil reacted angrily on 22 September to news that the European Union may not ratify its free trade agreement (FTA) with the Mercosur countries because of concern over Amazon deforestation.

The details

Over the last year the right-wing Brazilian government has wavered between attempting to reassure Europe that it is taking measures to protect the Amazon, and getting angry with what it sees as unwarranted European meddling in its domestic affairs. In a joint statement Brazil's agriculture and foreign ministers said France's decision to delay ratification of the FTA with Mercosur (the customs union formed by Argentina, Brazil, Paraguay and Uruguay)



Deforestation in the Brazilian Amazon. Source: [Mongabay](https://www.mongabay.com)

was really motivated by protectionist concerns. General Augusto Heleno, the president's national security adviser, went further, telling a local radio station that Brazil might retaliate with its own trade sanctions against countries that boycott Brazilian goods on environmental grounds.

For supporters of the EU-Mercosur FTA, the latest turn of events is exasperating. Their vision has been that better access to EU markets will allow Mercosur member countries to improve exports and productivity and overcome their fairly stagnant growth rates. Hampered by disagreements between Brazil and Argentina, it took two decades until June last year for the deal to be finally negotiated. Now, however, it is the European side that is holding things up, basically insisting on renegotiation before the treaty can be ratified. The fact that protectionist and populist sentiment has increased in recent years, amid rising worries over climate change, also means that trade deals have become more difficult to deliver.

A report by independent experts commissioned by the French government said that the FTA would increase Mercosur beef sales to Europe by 2-4% a year, but this would require clearing land for livestock grazing that would increase the rate of deforestation to 5% per annum. As it stands, the experts claim the FTA would increase greenhouse gas (GHG) emissions by up to 6.8mn tonnes of CO2 equivalents. These numbers are contested by Brazilian officials, who claim the country has already demonstrated that it can increase beef, soya, and maize cultivation while simultaneously "reducing deforestation".

French president Emmanuel Macron has said he cannot sign the FTA in its present form, citing the lack of enforcement mechanisms to ensure deforestation goals are met. German Chancellor Angela Merkel has expressed "significant doubts". Leo Varadkar, deputy head of the Irish government has highlighted "growing concern and scepticism" over the Mercosur deal among EU trade ministers and called for "cast iron and enforceable guarantees" that Mercosur governments will honour their climate change obligations.

What does it mean?

There is a real possibility that the EU-Mercosur deal, negotiated so painstakingly, will collapse, particularly if the Brazilian and Argentine governments, distracted by COVID-19 and other domestic problems are politically unwilling to make concessions.

About the Author

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As well as being a Canning House Associate Fellow, Andrew is a former foreign correspondent (Buenos Aires, Mexico City, Rio de Janeiro) and a broadcaster for the BBC's Latin American Service. Working through La Rambla Research Ltd., he writes about economics, political risk, and business in Latin America.

These stories are also available on Andrew's blog site, [La Rambla Research](#).