



LATIN AMERICA'S ENVIRONMENTAL POLICIES IN GLOBAL PERSPECTIVE

This series explores the international dimensions of Latin America's environmental challenges and the role of environmental issues in shaping the region's most important diplomatic and economic relationships.

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The EU's Beef with Mercosur: Geo-economics versus Climate Diplomacy

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INTRODUCTION

The Southern Common Market (Mercosur) was founded in 1991 by Argentina, Brazil, Paraguay, and Uruguay (the membership of Venezuela, which became a full member of Mercosur only in 2012, has been suspended indefinitely since December 2016). Mercosur and the European Union (EU) began preliminary consultations about a comprehensive association and free trade agreement in the mid-1990s. Negotiations formally began in 1999 (with a first tariff offer from the EU in 2001), and then dragged on intermittently, with many ups and downs, for almost 20 years. The negotiations were fraught with unreal-

istic expectations and misconceptions on both sides, and were often overshadowed by other multilateral trade negotiations.¹ Central points of contention have been EU demands for an extensive opening of the Mercosur market to industrial goods, which are in part protected by high import duties, and the opening of public procurement for European companies, together with Mercosur demands for better access for their competitive agricultural exports to the highly protected European agricultural market.

Finally, on June 28, 2019, to the surprise of many observers, the two parties reached an understanding on the content of a free trade agreement (FTA) as

Photo credit: Cattle pasture next to a burned section of the Amazon rainforest in Castelo dos Sonhos, Pará, Brazil: Paralaxis, Shutterstock



Photo credit: Container ships moored at the MSC Home Terminal in the Port of Antwerp, Belgium: VanderWolf Images, Shutterstock, July 2013

part of a bi-regional Association Agreement. The successful conclusion of the negotiations was the result of a favorable political constellation on both sides of the Atlantic. All Mercosur states were governed by presidents who advocated trade liberalization. On the European side, the agreement was one of a series of free trade agreements negotiated by the outgoing EU Commission under President Jean-Claude Juncker, whose mandate ended in November 2019. The agreement was part of the EU's broader trade strategy as set out in October 2015,² which, on one hand, underscored the competitiveness of European companies at the global level, but on the other hand pointed to China's rising share in worldwide exports since the beginning of the century.

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The Mercosur agreement was seen as the missing link in the chain of EU FTAs with Latin America, complementary to the agreements signed with the Andean Community, Central America, Chile, and Mexico. With the agreement, the EU and Mercosur also took a stand against the protectionist policies of then US President Donald Trump. In an interview, Juncker em-

phasized: “This deal is a real message in support of open, fair, sustainable, and rule-based trade.”³

The agreement, thus, was part of a “soft strategy”⁴ to reposition the EU as a rule maker and central actor in the preservation of a rules-based global order in the face of the crisis of globalization and against the backdrop of protectionist tendencies in the United States. In its “Reflection Paper on Harnessing Globalization,” the European Commission argued that “Europe can shape the global rulebook.”⁵ In a later document, explaining the content of the EU-Mercosur agreement, the EU Commission clarified that the agreement was also about setting international standards and disseminating EU norms.⁶

With the Mercosur agreement the EU was clearly trying to increase its geopolitical and geo-economic reach. The new EU Commission under President Ursula von der Leyen did not abandon these goals, although it has shifted priorities. The EU's Green Deal, environmental issues, and sustainable development goals now play a much larger role in trade agreements. This is reflected in the so-called “Trade and Sustainable Development” (TSD) chapters. In doing so, the EU reacted to shifts in the attitudes of European citizens and voters.

EUROPE HAS BECOME GREENER AND MORE PROTECTIONIST

Since the EU and Mercosur concluded negotiations in June 2019, Europe has become much “greener.” This is reflected in the composition of the European Parliament (after the elections in May 2019) and the participation of green parties in governments in European countries. Other political parties have also responded to shifting voter alignments by becoming more receptive to environmental issues.

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Surveys show that the protection of environmental and health standards in trade agreements has become a more important issue for European citizens. In May 2019, shortly before the signing of the agreement in principle between the EU and Mercosur, Eurobarometer conducted a special survey on the attitudes of European citizens on trade and EU trade policy.⁷ Asked what the priorities for EU trade policy should be in the coming years (multiple answers possible), job creation remained the top priority for 54 percent of the respondents (compared to 61 percent in 2010). The second priority was to ensure that EU health and environmental standards are respected. This position was supported by 50 percent of the respondents and has seen a substantial increase of 20 percentage points since 2010. The results of the survey reveal the tension between EU efforts to defend its economic interests and protect jobs and its intention to give more importance to environmental and health issues in trade agreements. In another special survey by Eurobarometer from September/August 2020 on the Common Agricultural Policy

(CAP),⁸ a great majority (88 percent) of European citizens agreed that agricultural imports from any third country should only enter the Single Market if their production complies with European environmental and animal welfare standards. Nearly 6 (57 percent) out of 10 respondents (with a small increase of protectionist attitudes since 2017: 52 percent) were in favor of restricting the import of agricultural products through trade barriers, with the only exception of imports from developing countries.

The more ecological orientation of public opinion and politics in Europe underscores why Brazil’s image in Europe has deteriorated so much. The reorientation (or rather the dismantling) of the Brazilian government’s environmental policy and the 2019 and 2020 wildfires in the Amazon rainforest have fueled European mobilization against the EU-Mercosur agreement. Brazilian President Jair Bolsonaro has become the “planetary environmental villain,” according to the Spanish newspaper *El País*.⁹ As a result, the agreement with Mercosur faces reservations in Europe as long as doubts persist about the Brazilian government’s willingness to protect the Amazon rainforest. A January 2021 Rainforest Foundation Norway survey of citizens in 12 European countries asked: “To what extent do you agree or disagree that [your country] should demand a halt to deforestation in the Amazon before the agreement can be ratified (approved), even if this would reduce European exports to the South American countries?” A huge majority of three-quarters (with a variation between 69 percent and 85 percent in the 12 countries) of those surveyed agreed to condition the approval of the agreement on a deforestation stop.¹⁰

In Europe, a unique coalition has formed against the EU-Mercosur agreement. It includes the agricultural lobby (especially the livestock sector) and allied center-right parties, but also fundamental opponents of globalization as well as environmental activists and green parties. Moreover, a broad “Stop EU-Mercosur” coalition of 450 civil society organizations and social movements both from Europe and South America has been organized against the agreement.



Photo credit: Leaders of Mercosur and South American countries at the 45th Summit of Heads of State of Mercosur and Associated States in Montevideo, Uruguay; Xavier Granja Cedeño/Ministry of Foreign Affairs and Human Mobility, Flickr, July 2013

According to the coalition’s website, 2.2 million people have signed petitions from the participating organizations against the agreement.¹¹

At the government level, the main resistance comes from France, Ireland, and Austria. France and Ireland are major producers of beef in the EU. France is number one in Europe, and its beef is mostly produced for domestic consumption. In Ireland, beef is produced mainly for export. There is a strong agricultural lobby in all three countries. In addition, in Austria and Ireland green parties are part of the government. And France has traditionally preferred a more protectionist EU trade policy. Even before the final text of the agreement was worked out, the Austrian, Dutch, Irish, and Wallonian parliaments, as well as the European Parliament, voted against it. On October 7, 2020, as part of a broader resolution on the implementation of the EU’s common commercial policy, the European Parliament declared “that the EU-Mercosur agreement cannot be ratified as it stands.”¹² The vote was symbolic and is not mandatory, but in the end the European Parliament must ratify the agreement.

The EU-Mercosur agreement in its current form has been called into question. At the same time, a conflict between Europe’s geo-economics interests

and the EU’s climate diplomacy is evolving, which is fueled by the growing influence of China as a direct competitor to the EU in the Mercosur countries.¹³

MERCOSUR’S SHIFTING TRADE AND INVESTMENT WITH THE EU AND CHINA

The EU was Mercosur’s main trading partner of goods until China surpassed it in 2017. Since then, the distance between the two competitors has only increased. In 2020 China accounted for 29.7 percent of Mercosur’s exports of goods and a quarter of its imports of goods. The EU27 were Mercosur’s second most important trading partner of goods, but with a trade share of only 14.4 percent of Mercosur’s goods exports and 18.2 percent of its goods imports. The United States is Mercosur’s third most important trade partner, accounting for 10.2 percent of Mercosur’s goods exports and 15.8 percent of its goods imports.¹⁴ In 2020, EU goods imports from Mercosur added up to €33.15 billion, compared with goods exports worth €35.51 billion, which resulted in a merchandise trade surplus of €2.36 billion. The Mercosur countries account for only 1.9 percent of the EU’s total trade in goods. As a bloc they are the 10th most important trading partner behind Norway and

South Korea. The trade structure is quite asymmetric: 74 percent of EU goods imports from the Mercosur are primary sector products, whereas 84 percent of EU goods exports to Mercosur are manufactured products.

Of course, goods trade does not tell the whole picture. The EU is a major services trading partner with Mercosur, with €21 billion in services exports to Mercosur and €10 billion in imports from Mercosur in 2018, resulting in a services trade surplus of 11 billion—far greater than the merchandise trade surplus.¹⁵ China-Mercosur services trade, in contrast, is so low as to be barely measurable.

The EU also outpaces China as the principal investor in Latin America.¹⁶ Europe accounted for 52 percent of foreign direct investment (FDI) inflows in Latin America from 2015 to 2019 (2019: 55 percent), and the United States accounted for 25 percent (2019: 27 percent). In the case of Brazil, during the same period the EU accounted for 66 percent of FDI (2019: 68 percent), while the United States accounted for 17 percent (2019: 19 percent).¹⁷ China is not listed separately in the statistics from the Economic Commission for Latin America and the Caribbean (ECLAC). And in the United Nations Conference on Trade and Development (UNCTAD) World Investment Report 2021 (data from 2019) China is not included among the 10 top investor economies in Latin America, whereas six European countries are.

“Although China is still well behind Europe when it comes to investments in Latin America, it cannot be ruled out that in the future Chinese investors will increasingly compete with European companies in key economic sectors.”

China’s weight is likely to be underestimated, however, because most Chinese investment is channeled

through third countries and offshore centers and is not captured by official statistics.¹⁸ Data should be more reliable in the case of completed cross-border mergers and acquisitions, where Chinese companies participated with an average of 18 percent in the volume of transactions between 2015 and 2019, but with a declining share (2019: 9 percent). In the same period, European companies accounted for 27 percent of acquisition and mergers. Although China is still well behind Europe when it comes to investments in Latin America, it cannot be ruled out that in the future Chinese investors will increasingly compete with European companies in key economic sectors.

For many years, China’s growing presence in Latin America (and in Mercosur) did not provoke major concerns in Europe. The first China–CELAC (Community of Latin American and Caribbean States) Forum in January 2015 became a turning point. There, the Chinese government announced its objective of investing more in Latin America, increasing trade, and opening new lines of credit. Since then, the EU has identified China as a competitor in Latin America and has sought to address this geo-economic challenge. In a joint communication in 2019 the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy asserted that “China is rivalling the EU as the second trading partner of Latin America and, more broadly, has become a partner of growing relevance for the region.”¹⁹

Mercosur represents a region of more than 260 million consumers. It is the fifth largest economy outside the EU and is a market for 60,500 EU companies. It is also a major destination for EU investments, with an investment stock of €381 billion (2017).²⁰ Brazil is both the most valued prize in the competition between China and the EU and the main stumbling block in the negotiations between the EU and Mercosur. The Brazilian economy is the eighth largest in the world and the largest in Latin America, and Brazil has a population of 210 million people, making it an enormous market. Most European multinationals have subsidiaries in Brazil. The Federation of



Photo credit: Demonstrators hold up a sign protesting the EU-Mercosur agreement during the global climate strike organized by Youth for Climate in Brussels, Belgium: PP Photos, Shutterstock, March 2021

German Industries (BDI) points out that in Sao Paulo alone there are more than 800 German companies that have created more than 250,000 jobs.²¹ Moreover, Brazil is an agricultural superpower that supplies the world with food, quite often at the expense of its own environment and biodiversity, with consequences for the global climate as well. According to data from the Brazilian Agricultural Research Corporation Embrapa,²² Brazil is the world's largest exporter of beef by volume (third in value), the largest exporter of poultry by value (second in volume), the largest exporter of sugar and coffee (in volume and value), the second largest exporter of soy and of grain (in volume and value), and the third largest exporter of corn (in volume and value). Because of Brazil's weight, the discussion in this article about the possible environmental and climate consequences of the EU-Mercosur agreement will often focus on Brazil, but it will also refer to other Mercosur member countries.

EUROPEAN TRADE POLITICS BETWEEN GEO-ECONOMICS AND CLIMATE DIPLOMACY

China's geopolitical and geo-economic advances in Latin America coincide with Europe's stronger ecological orientation. The European Green Deal has

a direct impact on the EU's foreign policy and trade policy. The Trade Policy Review of the European Commission from February 2021 states that "combating climate change and environmental degradation is the EU's top priority. ... Trade policy will have an important supporting role."²³ The European Commission has made a deliberate switch from traditional trade policy, which was mainly focused on trade liberalization and the opening of markets for European products, to a more holistic approach to trade that assigns greater weight to "climate diplomacy," as expressed in several conclusions of the EU Council.²⁴

Trade agreements are one of the EU's most powerful tools for asserting itself abroad. The EU can use its economic weight to promote environmental standards and norms for sustainable development.²⁵ The ability to influence the development of regulations and standards of global significance—the so-called Brussels effect²⁶—constitutes an important competitive advantage for the EU. The EU claims that it has a long-standing capacity and legacy in shaping international standards and norms, and that it can apply its geopolitical capacities and international clout to advance and set global standards for the green and digital transitions.²⁷ Creating a network of trade agreements helps the EU pursue its geopolitical ambitions as a global norm- and standard-setter.

While the EU seeks to promote what it calls “open strategic autonomy,”²⁸ it also admits that it needs to leverage its openness (and market access) and engage with big polluters and emitters to mitigate climate change and protect the environment. Given the EU’s intent to conduct “forest trade diplomacy,”²⁹ using market access as an environmental tool to protect tropical forests, it must engage with the countries of major deforestation, such as Brazil.

The EU claims that its FTAs are platforms for enhanced cooperation pursuing European values and interests. This allegation can create a foreign policy dilemma. Without an agreement, there may be no platform to raise EU concerns, engage in a dialogue, and enhance cooperation. At the same time, failure to sign the agreement could result in geopolitical and geo-economic drawbacks in Latin America, especially in competition with China. Thomas Andrew O’Keefe, the president of the Mercosur Consulting Group, argues that if the EU-Mercosur agreement is not ratified, “the more likely scenario is increased trade and investment with China, further displacing Europe’s traditional leading role in both areas in South America’s Southern Cone.”³⁰

As expressed in its trade strategy, the EU defends geo-economic interests in Latin America. According to Blackwill and Harris,³¹ geo-economics is about the “use of economic instruments to promote and defend national interests, and to produce beneficial geopolitical results; and the effects of other nations’ economic actions on a country’s geopolitical goals.”

In their response to the Sustainability Impact Assessments (SIA) of the Mercosur-EU agreement, the EU Commission Services asserts that it is “a strategic and high-value agreement in both economic and geo-political terms.”³² But signing the trade agreement could water down European standards. In addition, environmental and sustainability obligations that are included in the agreement must also be implemented. This raises the question of enforcement, control, and sanction mechanisms.

The EU-Mercosur agreement is a test case for the EU’s climate diplomacy, the implementation of the trade policy dimension of the Green Deal, and for the EU’s commitment to sustainable development. Regarding the stalemate in the negotiations with Mercosur, the Trade Policy Review of the EU Commission clarifies that “a dialogue is ongoing on enhancing cooperation on the sustainable development dimension of the Agreement, addressing the implementation of the Paris Agreement and deforestation in particular.”

TRADE AND DEFORESTATION

Critics of the EU-Mercosur agreement popularized the slogan “cows for cars,” which projected a false image from the beginning. On one hand, European automobile companies are not dependent on exports to Mercosur, as they have been producing cars there locally for many years (protected by high tariffs). On the other hand, beef represents only about 3 percent of total EU imports from Mercosur. Moreover, a study commissioned by the Austrian Ministry of Economy underscored that the approved import quota for beef from Mercosur (99,000 tons) is quite low compared to the beef production in the EU (7.32 million tons) and in Mercosur (13.47 million tons).³³ Except for one year, between 2010 and 2018 the EU always exported more beef (including live animals) to the world than it imported (2018: exports of 492,000 tons; imports of 303,000 tons).³⁴ But Mercosur is by far the largest supplier of beef to the EU, accounting for more than 80 percent of EU beef imports (volume) in 2020. While the EU is not the main customer for beef from Mercosur, it is a preferred destination for exports of chilled beef due to high prices in the EU.

Critics of the trade agreement point out that deforestation is the second largest source of anthropogenic greenhouse gas emissions worldwide and highlight that cattle meat and oilseed products (including both palm oil and soybeans) are the main commodities associated with these emissions. Deforestation



Photo credit: Meat processing plant in São Paulo, Brazil: Alf Ribeiro, Shutterstock, March 2006

is driven by international trade. Overall, in the period from 2010 to 2014, between 29 percent and 39 percent of deforestation-related emissions have been attributed to international trade (especially directed to Europe and China), which is significantly higher than the share of fossil carbon emissions generated by trade; and deforestation emissions constituted around 15 percent of the total carbon footprint of food consumption in EU countries.³⁵

In Latin America, cattle meat has been the dominant contributor to deforestation, mainly because of Brazil, where two-thirds of cleared land in the Amazon and the Cerrado have been converted to cattle pastures. But a large share of Brazilian (75 percent) and Argentine (71.1 percent)³⁶ beef is consumed domestically and not exported (contributing to Brazil's high per capita footprint of deforestation emissions for food consumption). Beyond domestic consumption, Latin America exports 23 to 34 percent of its emissions caused by cattle meat (11 to 21 percent) and oilseeds (71 to 89 percent).

NO SIGNIFICANT INCREASE IN BEEF EXPORTS TO THE EU IN THE CASE OF AN AGREEMENT

In the criticism of the EU-Mercosur Agreement, the postulated connection between beef imports from the Mercosur (especially from Brazil) and the destruction of the Amazon rainforest (and the Cerrado) is of central importance. To what extent is this line of argument justified? Will the Amazon rainforest be better protected if the agreement is not signed?

The answer to these questions depends on the share of Brazilian beef exports to the EU (a) in total Brazilian beef production and exports, (b) in European beef consumption, (c) on the expected changes (increases) in Brazilian beef exports to the EU after the signing of the EU-Mercosur agreement, (d) on whether the increase in production can be achieved with an increase in productivity or whether more agricultural land is necessary, (e) on evidence of a direct connection between beef exports to the EU and deforestation in Brazil, and (f) on the degree of compliance by the Brazilian government with the requirements that can be derived from the agreement.

Brazil is the second largest producer of beef in the world (with 87 to 90 percent of cattle in pasture) and

“When it comes to exported beef, it is China, not the EU, that is eating up the rainforest.”

the biggest exporter of beef. But it is important to reiterate that in 2020 Brazil consumed three-quarters of its beef and veal production domestically and exported 25 percent (compared to around 20 percent from 2015 to 2017). Beef exports increased by 13 percent in value compared to 2019, reaching a new record in 2020 at \$8.05 billion, with 60.2 percent of beef exports going to China and Hong Kong (up from 30.1 percent from 2015 to 2017 and 44 percent in 2019), 5.1 percent going to the United States, and 6.5 percent going to EU countries.³⁷ In 2020, 75 percent of Argentina’s beef exports by volume and 63 percent by value went to China.³⁸ China also accounted for 56 percent of Uruguay’s beef exports between November 2019 and October 2020, compared to 64 percent in the same period from 2018 to 2019.³⁹ The EU is still a preferred destination of chilled beef (mainly sirloin) from Mercosur, due to high prices in the European market. Since the high-quality parts of cattle make up less than 20 percent of the beef carcass (the rest is consumed locally or exported to other countries) the total weight of the cattle that must be slaughtered in order to achieve the quota provided for in the EU-Mercosur agreement of 99,000 tons is significantly higher.

Summing up, the EU is only a small recipient of Brazilian beef (and of beef from the other Mercosur countries), most of which is consumed in Brazil itself. Not signing the EU-Mercosur agreement would only have a limited impact on Brazilian (and Mercosur) beef production and exports. When it comes to exported beef, it is China, not the EU, that is eating up the rainforest. Since 2019, China has licensed 22 additional cattle slaughterhouses in Brazil for export, 14 of them in the Amazon region.⁴⁰

In order to determine the effects of trade liberalization on future EU beef imports, information on the development of beef consumption in Europe is

necessary. According to estimates by the European Commission,⁴¹ meat consumption in the EU will decline from 68.7 kilograms (kg) retail weight per capita (the 2018 to 2020 average) to 67.6 kg by 2030, with beef consumption dropping from its current 10.4 kg to 9.7 kg. While gross beef production is expected to fall by 0.6 million tons (-8.3 percent) between 2020 and 2030, the EU will export more beef than it imports. Against this background, no dramatic increase in European import demand for beef is to be expected. Chinese imports of beef, in contrast, are expected to increase 6 percent per year until 2029. In 2019 China imported 20 percent of the beef it consumed, with Brazil providing nearly half of those imports.⁴² How does the agreement with Mercosur fit into this picture? Under the agreement, the EU would allow a tariff rate quota (TRQ) of 99,000 tons of beef (55 percent of which is for “fresh” or “chilled” beef, and 45 percent of which is for “frozen” beef) per year to enter its market with a 7.5 percent duty and a gradual phasing over a period of six years. Former EU Commissioner for Agriculture Phil Hogan pointed out that the approved quota accounts for just 1.25 percent of the beef consumption in the EU, out of 8 million total tons.⁴³

When discussing the effects of beef exports from Mercosur to the EU, Brazil is often perceived as the only supplier. But the EU expects a distribution from the new quota of 50 percent for Brazil, 30 percent for Argentina, 15 percent for Uruguay, and 5 percent for Paraguay. In 2020, Brazil (37.6 percent), Argentina (25.2 percent), and Uruguay (15.5 percent) were the top three exporters of beef to the EU (Paraguay ranks eighth at 1.9 percent), and the combined export volume of 179,422 tons from Mercosur (compared to 194,186 tons in 2017, 218,821 tons in 2018, and 210,579 tons in 2019) accounted for 80 percent of EU imports of beef.⁴⁴ Most chilled beef comes from Argentina and Uruguay, while in the case of frozen beef and corned beef Brazil is the main supplier.



Photo credit: Soy plantation near a deforested area of the Amazon rainforest in Porto Velho, Rondônia, Brazil: Paralaxis, Shutterstock

From 2015 to 2018 Mercosur beef exports to China grew much stronger (by 35 percent in 2017 and 38 percent in 2018) than exports to the EU. Since 2018 exports to the EU are declining, while exports to China continue to increase.

Currently Mercosur's beef exports enter the EU through different tariff rate quotas,⁴⁵ including the Hilton quota of high-quality beef (HQB) (of around 34,743 tons from Mercosur in 2019 and 2020, with a duty of 20 percent and the lion's share of 26,658 tons from Argentina;⁴⁶ Mercosur accounted for 84 percent of the Hilton quota in those years). In recent years, the Hilton quota was not always fully exploited by the Mercosur countries (for example only 41.5 percent in 2018–2019 and 28.9 percent in 2019–2020 by Brazil). With the EU-Mercosur agreement the Hilton in-quota tariff would be eliminated for the Mercosur countries, whereas imports from other countries that have access to the Hilton quota (Australia, the United States, and New Zealand) would continue to be subject to the 20 percent tariff. Argentina (8,284 tons in 2019–2020) and Uruguay (12,642 tons) also participate in the EU 481 grain-fed beef quota of 45,000 tons (with zero tariff). But the EU now grants the United States exclusive access to 18,500 tons, which will be raised to 35,000 tons over the next seven years and reduce other suppliers' share of the quota. Beef from Mercosur is also exported to the

EU via the GATT quota (*erga omnes*) with a duty of 20 percent (20,926 tons from Argentina and Uruguay in 2019–2020).⁴⁷ Finally, beef exports from Mercosur enter the European market also out-of-quota by paying the EU most-favored-nation (MFN) tariffs for fresh beef (ad valorem equivalent of 43 percent) and frozen beef (ad valorem equivalent of 64 percent). Even with these high tariffs, Mercosur managed to export a significant amount of additional beef to the EU, which corroborates the competitiveness of this agricultural sector.

An important question is whether the 99,000 tons of the new quota will be imported in addition to the current volume of beef imports, or whether the new quota will partially replace beef imports from Mercosur, which have previously been subject to higher import duties. According to 2016–2018 data, existing and new quotas (in the EU-Mercosur agreement) together amount to only 86 percent of imports of fresh beef and 58 percent of frozen beef imports. A 2019 Bruegel study argues that it is unlikely that the new beef quota would lead to more EU beef imports.⁴⁸ An updated study by the European Commission's Joint Research Centre on the economic impacts on EU agriculture of a series of concluded and negotiated FTAs between the EU and 12 trading partners (including the Mercosur countries)⁴⁹ forecasts until 2030 an increase of beef imports (in value) between

21.3 percent and 25.5 percent (€512 million and €614 million), according to different scenarios. Most of the increase in beef imports (€422 million in both scenarios) would be attributable to Mercosur. But the study also predicts that in 2030 the out-of-quota imports from Mercosur will be replaced by in-quota trade and assumes no further out-of-quota imports from Mercosur. The Sustainability Impact Assessment (SIA) of the Mercosur-EU agreement from the London School of Economics (LSE) comes to a similar conclusion, as it expects that the effects of the agreement will primarily be on the premium segment of beef exports, and that most of the out-of-quota trade will likely be channeled through the new quota.⁵⁰

The calculations of the so-called Ambec Commission set up by the French government contains a conservative and a more pessimistic projection of the impact of the EU-Mercosur agreement on beef exports to the EU.⁵¹ The starting point for both estimates is the average of Mercosur's beef exports to the EU from 2015 to 2017. According to the conservative estimate, the new quota would largely be filled by beef imports that previously not had been favored by import quotas or special tariff rates. The alternative forecast assumes that Mercosur will make full use of the new quota but will keep at least a part of the non-favored exports. The conservative forecast estimates that Mercosur's export of chilled beef to the EU will increase by 19,000 tons (of which 6,000 tons would come from Brazil and 11,800 tons from Argentina). According to the higher projection, these exports will increase by 56,000 tons. There is no variation in the forecasts for frozen beef. The Ambec Commission expects an increase of 31,500 tons (Argentina 13,300 tons; Brazil 14,900 tons). It also predicts an increase in the exports of cooked beef (including corned beef) from Mercosur, mainly from Brazil (between 3,300 and 9,900 tons).

The conservative estimate of the Ambec Commission comes to 24,200 tons of additional beef exports from Brazil (including cooked beef) to the EU due to the agreement with Mercosur. This would reflect around 0.2 percent of Brazilian beef production in

2020 (10,100,000 tons). Even in the case of the alternative scenario of a larger increase in Brazilian beef exports to the EU by 56,900 tons, this would represent only 0.6 percent of Brazil's current annual beef production.

It can be argued, as the Ambec Commission does, that high-quality beef (especially sirloin) exported to Europe only makes up a small part of the beef carcass and that therefore the necessary total weight of cattle to be slaughtered is significantly higher. But as the Ambec Commission itself admits, there is a complementarity regarding the parts of the beef exported to Europe and China. Due to the strong increase in beef exports to China, the part of higher-quality meat that is exported to Europe could be produced without the need to slaughter additional cattle.

In short, even if Mercosur takes full advantage of the new import quota for beef, which is a realistic assumption, the increase will be limited and only make up a small proportion of both Mercosur beef exports and European beef consumption. But even the conservative estimate of the Ambec Commission of an increase of around 50,000 tons of exports of chilled and frozen beef might be too high. The decline in beef exports to the EU in 2019 and 2020, the ever-increasing orientation of beef exports from Mercosur to China, and the expected decline in beef consumption in the EU were not included in the Ambec Commission's forecast.

FUTURE DEFORESTATION RISKS BY BEEF EXPORTS TO THE EU MIGHT BE EXAGGERATED

Estimates of deforestation risks are much more challenging than the retrospective assessments of deforestation (which dominate in the studies available so far). Therefore, data on past deforestation might be of limited value when it comes to assessing the potential effects of the EU-Mercosur agreement. An early study on the impact of EU imports of Brazilian agricultural commodities on deforestation was published by Germanwatch in 2017.⁵² The study

calculated that in the years between 2002 and 2006 up to 18 percent of Brazilian deforestation emissions were caused by exports to the EU. Soya plantations accounted for about three-quarters of deforestation emissions, compared to up to one-quarter caused by cattle pastures. After 2006, the impact of the EU on Brazilian deforestation emissions decreased, reaching 2 percent in 2008. A more recent study on “the rotten apples of Brazil’s agribusiness” published in *Science*⁵³ finds that in the 2009 to 2017 time period, roughly 20 percent of soy exports and at least 17 percent of beef exports from the Amazon and Cerrado regions to the EU were contaminated by illegal deforestation.

“The defense of the Amazon rainforest is not about interfering with the national sovereignty of Brazil, but about protecting the common property of all Brazilians against the private appropriation and profit interests of a few who violate the law.”

The most comprehensive study to date on the deforestation risks of Brazilian beef exports (based on data from 2015 to 2017) calculated 73,000 to 74,700 hectares per year of deforestation risk linked to cattle exports.⁵⁴ Around one-fifth (17.2 to 21.5 percent) of the Amazon’s cattle production was exported in these years. The deforestation risk of 2,900 to 3,600 hectares per year (4 to 4.8 percent of all export-associated deforestation risk) related to exports to the EU was concentrated (73 to 75 percent) in the Cerrado. Therefore, the carbon dioxide emission risk (CO₂) in tons associated with exports to the European Union was much lower than for other destinations of Brazilian beef.⁵⁵ China was responsible for 21.7 to 31.1 percent of the deforestation risk associated with the export of beef. This share is likely to have increased further after 2017, due to the licensing of more Brazilian slaughterhouses for exports to China and to increasing exports to China.

As has been shown in the previous section, estimates differ about the volume of future EU beef imports from Mercosur. This also has an impact on the forecast of environmental costs and deforestation risks through the EU-Mercosur agreement based on the amount of additional pasture area that will be needed to meet the increase in beef production. The Ambec Commission installed by the French government gives extensive room to the deforestation topic but does not come to a clear-cut conclusion due to the different assessments within the commission of the development of beef exports to the EU. The Ambec Commission admits that an increase in beef exports to Europe could be absorbed by productivity gains in cattle breeding without further expanding the area for pasture. The baseline (or most consensual or conservative) forecast by the Ambec Commission of the deforestation risk is 33 percent of the observed average annual deforestation in Argentina, Brazil, and Paraguay (in the previous five years), which given an implementation period of six years means an annual acceleration of deforestation trends by 5 percent. Quite interestingly, in this forecast the deforestation increase is higher in Argentina and Paraguay than in Brazil (17 percent over six years, or around 3 percent per year).

The Sustainability Impact Assessment (SIA) of the Mercosur-EU agreement from December 2020,⁵⁶ elaborated by LSE, makes no forecast on deforestation but expects expansion of agricultural sectors such as beef and soy to be small. In the case of Brazil, the study anticipates an expansion of agricultural production through intensification and increased productivity without necessarily inducing deforestation. The European Commission Services shares the moderate concerns of the SIA in terms of the impact of the EU-Mercosur agreement on deforestation. When it comes to determining Europe’s influence on deforestation in Brazil, the results so far have been contradictory. A major problem is that many studies are retrospective and therefore fail to capture the significant recent changes in trade flows of Brazilian agricultural exports. Moreover, the contribution of domestic consumption to deforestation in Brazil is

often ignored. As most Brazilian beef is consumed in the country (80.9 to 82.4 percent between 2015 and 2017), the domestic market accounted for 85.8 to 86.8 percent of the annual deforestation risk, compared to 13.2 to 14.2 percent of the export markets, which tend to obtain the beef more from post-frontier and consolidated regions.⁵⁷

This argument is not intended to downplay Europe's contribution to deforestation, but rather to point out that deforestation is to a large extent a home-made problem. A solution requires the cooperation of domestic and external actors and the creation of awareness that deforestation is damaging Brazil. The defense of the Amazon rainforest is not about interfering with the national sovereignty of Brazil, but about protecting the common property of all Brazilians against the private appropriation and profit interests of a few who violate the law.

In sum, a large part of the discussion about signing or not signing the EU-Mercosur agreement has focused on its provision of a beef quota of 99,000 tons, even though that issue is only a minimal part of the free trade agreement between the EU and Mercosur. When weighing the empirical evidence, the risk that the EU-Mercosur agreement will lead to more deforestation in the Amazon and other regions due to the new beef quota is in the lower range of the estimates in the studies considered. Beef consumption will decline in Europe in the coming years, and Europe is producing more beef than it consumes. The EU only imports high-quality beef from Mercosur, which is more expensive and only covers a small segment of the European market. Possibly in the future high-quality beef from the Mercosur will have to compete with beef from other countries such as the United States, Australia, and New Zealand. The assumption that the new quota of 99,000 tons will be filled to a large extent by beef from Mercosur, which has so far been exported without tariff concessions, is quite realistic. Moreover, rising beef production can be decoupled from deforestation, as there is scope for an increase of intensity and productivity in cattle breeding. Hence, the impact of beef exports

to the EU on future deforestation in Mercosur is likely to be quite limited (in contrast to deforestation processes of the past, in which the cultivation of soy was more important). In addition, Europe's share of beef exports from Brazil, the world's largest exporter, has decreased significantly, while China's share has increased. Finally, since three-quarters to four-fifths of Brazilian beef is consumed in the country, curbing deforestation is not possible without the active participation of Brazilian society.

BRAZILIAN PUBLIC OPINION AND DEFORESTATION IN THE AMAZON

How does the Brazilian public feel about deforestation in the Amazon region and the international reaction to it? In August 2019, shortly after the EU-Mercosur agreement was signed, Datafolha carried out a survey on the Amazon, which showed that a large majority of Brazilians are in favor of protecting the Amazon rainforest against economic exploitation and deforestation, but that a minority of 30 to 40 percent still sees Brazil's economic development being impaired by restricting access to the Amazon region.⁵⁸ A majority of 61 percent disagrees that Brazilian agribusiness needs more space to produce and should occupy areas of forest that today are preserved. But more than a third (35 percent) supports this position. A third (32 percent) of the interviewed Brazilians also agree with the statement that the government should reduce the areas destined to indigenous reserves (disagree 65 percent), and 40 percent agree that environmental policy hinders Brazil's development (disagree 55 percent). While three-quarters (75 percent) of those surveyed agree (disagree 22 percent) that the interest of other countries in the Amazon region is legitimate because of its importance for entire planet, at the same time 61 percent (disagree 35 percent) of those interviewed believe that the interest of other countries in the protection of the Amazon rainforest is just an excuse to be able to exploit it.



Photo credit: Trees cut and burned to open up land for agriculture and livestock in the Jamanxim National Forest, Pará, Brazil: Paralaxis, Shutterstock

In another public opinion survey conducted one year later on behalf of Greenpeace Brazil,⁵⁹ more than 90 percent of those interviewed said that the preservation of the Amazon was very important. A high percentage (around 80 to 90 percent) attributed this importance to the protection of biodiversity of the Amazon rainforest and to mitigating climate change. However, a considerable number of those surveyed (more than 60 percent) said the Amazon region was important to the Brazilian economy and to the production of food for the country. More than 90 percent believed that Brazil could make money from the Amazon by preserving the forest and encouraging economic activities that do not cause deforestation. And 68 percent said that Brazilian society bore a high responsibility for combating Amazon deforestation (64 percent said Brazilian environmental NGOs). Loggers and miners were seen as the main culprits of deforestation, followed by big farmers and breeders of cattle. When asked whether threats by other countries of no longer buying Brazilian products could help to combat deforestation, 38 percent responded that it might work a lot, while 33 percent said a little. In another opinion poll from September/October 2020,⁶⁰ 84 percent agreed that the fires in the Amazon hurt Brazil's image abroad, and nearly three-quarters (74 percent) disagreed with the statement that burning in the Amazon is necessary for economic growth. The results of the different surveys allow the follow-

ing conclusions to be drawn. There is widespread awareness among the Brazilian population of the risks posed by the deforestation of the Amazon rainforest. In this respect, there is a common ground for transnational alliances and cooperation between Europe and Brazil, especially since Brazilian society sees a responsibility for itself and environmental NGOs in the fight against deforestation. However, a minority of Brazilians would like to see more economic exploitation of the Amazon rainforest. The global interest in the Amazon rainforest is recognized as legitimate, but dishonest motives are also assumed in the case of international pressure. External boycotts of Brazilian products are considered to have some influence in the fight against deforestation.

THE RISK OF LOSING LEVERAGE

As a study by the Institute for Sustainable Development and International Relations (IDDRI)⁶¹ rightly points out, the inclusion of environmental concerns in EU trade policy might lead to a deadlock. Ultimately, only trade agreements that do not include a noteworthy agricultural component or are negotiated with countries that can prove exemplary policies regarding environmental and sustainable development standards are likely to be accepted by the public, important pressure groups, and political parties in the

EU. The EU's trade-based climate diplomacy is confronted with a dilemma. The attractiveness of the EU market is the carrot, and access to it is conditioned on compliance with standards around climate and biodiversity protection. However, EU wealth depends to a considerable extent on EU exports and open foreign markets. Moreover, the EU is not the only important trading partner for Mercosur. China has overtaken the EU in most markets in Latin America. This limits the potential effectiveness of using denial of access to the EU market as a stick. In the end, there is a risk that EU environmental conditionality decreases the willingness of third countries to give in and sign an agreement, which in turn would undermine the EU's trade diplomacy at the service of sustainable development and could lead EU climate diplomacy to a dead end. By not signing the EU-Mercosur agreement, the EU would ultimately lose leverage in its attempts to pressure for better environmental standards, and it would leave the field open for other trading partners with Mercosur who are less demanding about environmental standards. The EU must offer its partners trade agreements that are sufficiently attractive to be signed, and these agreements essentially relate to the trade of goods and services with both partners having to weigh costs and benefits.

“By not signing the EU-Mercosur agreement, the EU would ultimately lose leverage in its attempts to pressure for better environmental standards, and it would leave the field open for other trading partners with Mercosur who are less demanding about environmental standards.”

EU Trade Commissioner Valdis Dombrovskis is right that the EU is “better off with the agreement than without it,” and that “disengagement will not solve any of the issues. ... In fact, it would make things

worse.”⁶² Not signing the agreement will weaken Europe's negotiating position and does not guarantee better protection of the Amazon rainforest. The longer EU governments postpone signing, the weaker the EU's negotiating position could become. The EU's bargaining power depends on the attractiveness of its market, which, however, competes with the attraction of other markets. Trade flows can create leverage. But changing trade patterns can also reduce leverage. A realistic climate and trade diplomacy must take into account the geo-economic and geopolitical realities and restrictions of action. In a phase in which China's trade share is increasing and the EU's share is decreasing, the question arises whether it is really the best strategy for the EU not to sign the trade agreement with Mercosur on the premise that this could put pressure on the Brazilian government to change its environmental policy.

STOPPING DEFORESTATION ON THE MARKET ACCESS SIDE

What is the way forward? How can environmental standards be protected through trade, and how can the negative consequences of trade be limited? The EU has two basic options. It can exercise pressure indirectly through conditioned market access and the behavior of European consumers and companies doing business in and with Europe, or it can exercise direct pressure on its partners, for example through the commitment of the partners to international standards or agreements (such as the Paris Agreement), or even by demanding changes in national environmental policies or defining environmental target lines (for example regarding deforestation). But the EU can also combine both approaches to maximize its leverage.

Above all, the EU should use the sanctioning and enforcement instruments on the market access side to influence the Mercosur countries. Denying or facilitating market access for beef from Mercosur is simply exercising one's sovereignty. The EU can require that goods entering its market meet EU regulations



Photo credit: Demonstrators take to the streets in Ipanema, Rio de Janeiro, Brazil, to denounce the indiscriminate burning in the Amazon: Rodrigo Jorda, Shutterstock, August 2019

and standards (for example deforestation-free beef), which can stimulate external producers to raise their standards to EU levels. As a recent study on Brazilian beef exports remarks, “export market requirements have historically been critical in driving improvements across the meat industry.”⁶³

The EU should rely on the “de facto Brussels effect”⁶⁴ to protect the rainforest against deforestation due to beef exports to Europe. What does this mean? The EU sets strict standards for entering the European market and ensures that no beef is imported from newly deforested areas. On one hand, this forces transnational companies that are engaged in the beef trade with the EU to develop systems for comprehensive monitoring of the production chain to meet EU standards. On the other hand, Brazilian companies that submit to these requirements are generally interested in enforcing such standards nationally, in order to avoid suffering disadvantages compared to other producers in the country that are not complying with these standards. As deforestation caused by consumption (of meat) has a strong domestic component, export-oriented meat producers can become allies in curbing deforestation for the domestic market. The effectiveness of the Brussels effect is limited, however, if there are opportunities to switch to other lucrative markets. Since the EU

cannot compete with China in terms of volume when it comes to beef imports (also because of its own beef production), this can only be done based on the quality and price of imported Mercosur beef. While the EU can also introduce carbon taxes to address the deforestation carbon footprints of agricultural products, the EU should dispel any suspicion that environmental standards are being used as protectionist nontariff trade barriers. It is therefore an advantage if such environmental standards are incorporated into the free trade agreement through environmental clauses and backed by international accords. The draft EU-Mercosur agreement contains a Trade and Sustainable Development (TSD) chapter, which states that both parties to the agreement “shall effectively implement the UNFCCC (United Nations Framework Convention on Climate Change) and the Paris Agreement established thereunder.” It states that the parties of the agreement may work together on, inter alia, “trade-related aspects of the promotion of the conservation and sustainable management of forests with a view to reducing deforestation” and “private and public initiatives contributing to the objective of halting deforestation.” For the European Commission Services, the agreement offers guarantees, incentives, and leverage for the Mercosur countries to comply with their international commitments on climate.⁶⁵ The newly created chief

“Companies importing products from Brazil should be held accountable for negative externalities.”

trade enforcement officer (CTEO) position in the EU might help to enforce the sustainable development commitments in the EU-Mercosur trade agreement. The approach chosen and used for the first time in the agreement with Mercosur, which obliges both contracting parties to comply with the obligations of the Paris Agreement, is the right strategy. Both the EU member states and the Mercosur countries have signed the Paris Agreement. For the EU, compliance with the Paris Agreement is an essential element of the EU-Mercosur agreement. The EU can also pressure the Mercosur partners to comply with the Nationally Determined Contribution (NDC) submitted under the Paris Agreement. In the view of the EU Commission Services, “a withdrawal from the Paris Agreement or a breach of its commitments would be also a breach of the EU-Mercosur agreement.” To reinforce this position, and to accommodate critics of the agreement in the EU, one option could be to add an “environmental clause” to the EU-Mercosur agreement along the lines of the existing human rights clauses, which would link the validity of the agreement to the observance of international standards related to the Paris Agreement.⁶⁶ Such a clause raises questions about its applicability, however, because the TSD chapter of the EU-Mercosur agreement also recognizes “the right of each Party to determine its sustainable development policies and priorities, to establish the levels of domestic environmental and labour protection it deems appropriate.” The EU should refrain from a strategy of exercising pressure that could be viewed as directly encroaching on Brazilian sovereignty (or the sovereignty of other Mercosur countries). Such a strategy could provoke a backlash and become counterproductive, as it could lead to strange coalitions between actors whose positions differ with regard to environmental issues and the protection of the Amazon rainforest—but who attach great importance to the protection of

national sovereignty. It is a better and more efficient strategy to promote dialogue forums with the Brazilian political elite, business representatives, and civil society organizations in order to establish a common interest in protecting the Amazon rainforest. The soft strategy in convincing the Mercosur partners to stop deforestation should be combined with a hard strategy when it comes to conditioning access of beef from Mercosur to the EU market.

TRACEABILITY, CERTIFICATION, AND CORPORATE ACCOUNTABILITY

EU imports from Mercosur must comply with relevant EU environmental regulations and standards. As part of a broader trend to regulate global supply chains from the demand side and to harden foreign corporate accountability, the EU should restrict market access to beef that comes from farms and sectors not involved in deforestation in the Amazon region and other protected areas.⁶⁷ This requires the EU to develop a clear certification and labeling scheme to reduce the risks of placing products associated with deforestation and forest degradation on the EU market. It also needs to build up enhanced monitoring capacities. Companies importing products from Brazil should be held accountable for negative externalities (for example deforestation). In a speech in April 2021 at a Business Europe working meeting, EU Trade Commissioner Dombrovskis encouraged EU and Mercosur companies to work toward “responsible value chains in the beef or soy sectors” and “traceability systems to ensure that no products come from deforested areas.”⁶⁸

There is always a risk that cattle coming from deforested areas may be sold and fattened in deforestation-free farms before being sent to the slaughterhouse. Therefore, it is necessary to ensure the full geographical traceability of cattle intended for the EU market. Complete traceability is possible, as the case of Uruguay demonstrates.⁶⁹ In the past, traceability had been mostly associated with ensuring food safety (control of foot-and-mouth disease) and delivering

quality assurance, but it can also be used to ensure that imported beef is not coming from deforested areas. In 2006 Uruguay started to implement a cattle traceability system that is mandatory and traces the steps of all bovines from birth until slaughter with an electronic gadget linked to a system of databases managed by the government. Hence, traceability is possible as a condition for certified, deforestation-free beef imports from Mercosur based on “sustainable cattle farming.” Even if such a system is initially only introduced for beef that is exported to Europe, this would be an important step and an incentive to introduce it later nationwide within Brazil.

CIVIL SOCIETY INVOLVEMENT

It cannot be denied that the control and sanctions mechanisms in the TSD chapter of the EU-Mercosur agreement are weak. Regarding the resolution of disputes, it states that “the Parties shall make all efforts through dialogue, consultation, exchange of information and cooperation to address any disagreement on the interpretation or application of this Chapter.” In the end, the contracting parties must come to a consensual agreement directly, advised by a panel of experts. Civil society actors are only informed at the end of the process, and they do not have an active role in the monitoring of the TSD targets. While it is rather unlikely that the contracting parties will agree on strengthening the direct control and sanctioning options regarding the TSD goals of the agreement, an expansion of the opportunities for civil society participation in monitoring the implementation of the agreement is a more promising option, which can also be implemented unilaterally on the European side if necessary. Research institutions like universities can assist the monitoring programs (funded by the EU). Furthermore, a point that is often overlooked, the possibility of involving civil society actors in the bi-regional dialogue with Mercosur is a comparative advantage of the EU over China, which the EU should exploit to advance its geopolitical and geo-economic goals.

“Strengthening public accountability mechanisms regarding the TSD chapter can help to overcome resistance to the agreement and ensure wider acceptance in Europe.”

While NGOs in Europe have good reasons to object to the EU-Mercosur agreement, the protection of the Amazon rainforest is also perceived as an important task by large parts of the Brazilian population, including civil society organizations and business representatives.⁷⁰ Therefore, the EU should strive to involve as many stakeholders as possible in the monitoring of the agreement and bi-regional dialogue forums on climate change and other environmental topics. Strengthening public accountability mechanisms regarding the TSD chapter can help to overcome resistance to the agreement and ensure wider acceptance in Europe.

The European Commission Services argues that the civil society consultation mechanisms (Domestic Advisory Groups, or DAG) as well as a Civil Society Forum on both sides should have an important role in monitoring and advising the governments on the implementation of the climate- and environment-related provisions of the EU-Mercosur agreement. The authors of the Sustainability Impact Assessment (SIA) of the agreement go a step further and claim that the credibility and success of the dispute resolution mechanisms of the TSD chapter strongly depend on the participation of civil society stakeholders by providing new opportunities for information sharing and skill transfers among civil society organizations on both sides of the Atlantic.

So far, these more far-reaching demands are not covered by the TSD chapter of the EU-Mercosur agreement. In addition, the effectiveness of the involvement of civil society actors has been questioned with regard to TSD requirements in trade agreements that have already come into force.⁷¹ Nevertheless, it is

still a better option to sign the agreement and use the obligations of the TSD chapter as a starting point to initiate measures against climate change and for the protection of the rainforest. Paraphrasing Albert O. Hirschman,⁷² instead of propagating the “exit option” of not signing the EU-Mercosur agreement, civil society organizations in Europe and South America should mobilize to get their voices heard within the agreement with regard to monitoring and implementing the TSD goals.

CONCLUSIONS

The EU-Mercosur agreement is controversial on both sides of the Atlantic, but much more so in Europe. While the criticism in South America, especially in Argentina, focuses on the expected disadvantages for domestic industrial sectors, Europeans are more concerned with the liberalization of agricultural imports from Mercosur. The debate revolves around the question of whether an annual import quota of 99,000 tons of high-quality beef will fuel further deforestation of the Amazon rainforest or have a negative impact on deforestation and land clearing in other regions of high ecological value.

Behind the broad mobilization against the EU-Mercosur agreement are legitimate concerns about climate change, the protection of the Amazon rainforest, and sustainable development. Sometimes, however, the opponents of EU-Mercosur agreement give the impression that stopping the deal will solve all the problems associated with the issues mentioned. The agreement becomes the scapegoat, and killing the deal is likened to saving humanity with a silver bullet. But without an agreement, the Amazon rainforest will not be safer, nor will Brazil export less beef or soybeans. Brazilian President Bolsonaro will not be overthrown because the EU doesn't sign the agreement. Rejecting the agreement may help many Europeans sleep with a clean conscience, but doing so will weaken the EU's influence over Brazilian politics.

After evaluating the results of various studies and weighing the arguments, the effects on deforestation of the approved export quota, of which only half is attributable to Brazil, are likely to be only very marginal. Through the agreement, the EU has leverage to conduct a climate dialogue with the Mercosur countries and to discuss a wide range of environmental issues. And the EU can use the denial of access to the common market (e.g., for Brazilian beef) as a stick to demand changes in environmental policy from the Mercosur partners. The EU should sign the agreement soon, despite possible shortcomings. As Mercosur countries trade more and more with other economies and competitors of the EU, the trade share of the EU as a whole and hence its leverage will decrease.

Since most of Brazilian beef is consumed in Brazil, deforestation also has a strong domestic component. At the same time, however, there is also increased environmental awareness in Brazil, and the destruction of the Amazon rainforest is perceived as a national problem. In this respect, there are opportunities for transnational alliances to protect the rainforest and take action against further deforestation. Such alliances are easier to build and more effective if the agreement is signed. The sustainable development chapter of the EU-Mercosur agreement is far from perfect, but it provides a basis to better protect the rainforest and to counteract climate change. After 20 years of negotiations, the willingness to unravel the negotiation package again is almost zero. The alternatives are to not sign the agreement, or to sign it supplemented by additional declarations (or an environmental clause). In addition, the EU should clarify that turning away from the Paris Agreement will be viewed as a breach of the EU-Mercosur agreement and that in the future beef can only be exported to the EU where there is no doubt that it is deforestation-free. In addition, the bi-regional dialogue on climate change and the protection of the Amazon rainforest must be intensified, with the involvement of business representatives and

environmental organizations. The EU must learn to advance its geopolitical and climate policy goals in a world in which geo-economic parameters are shifting to its disadvantage.

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