

EU-MERCOSUR AGREEMENT: A TICKING TIME BOMB FOR FORESTS

POLICY BRIEF



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INTRODUCTION

In 1999, the European Union and the Mercosur countries (Argentina, Brazil, Paraguay and Uruguay) began negotiating an association agreement combining a political and trade components, with the aim of eliminating most tariffs remaining between the two blocs.¹

After 20 years of opaque negotiations, criticized for their lack of transparency, a political agreement on the trade chapter was announced for 2019. However, the draft treaty has raised significant debates, particularly regarding the risk for European farmers and the environment. In October 2020, the European Parliament - whose approval is a prerequisite for ratification - set the tone: it opposed the agreement as it stood². Several European countries, including France, the Netherlands, Austria, Ireland and more recently Poland, have also expressed their reservations.

In the face of this opposition, new negotiations were reopened in March 2023, to include an annex on environmental issues. Finalized on December 6, 2024, these revisions failed to end the critics and even raised new concerns.

This note takes stock of the impacts that the implementation of the agreement could have on deforestation, as well as on the European regulation against deforestation and analyzes the relevance of the proposed safeguards.

¹ The political part of the agreement, for which negotiations ended in July 2020, has not yet been made public. See https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/mercosur/eu-mercosur-agreement/text-agreement_en or https://www.europarl.europa.eu/doceo/document/TA-9-2020-10-07_FR.html

² European Parliament (2020). Available at: *Adopted texts - Wednesday, October 7, 2020*

1 A RAMPANT DEFORESTATION

Mercosur countries are already facing massive deforestation. In 2023, the loss of vegetation cover in this region was estimated at 3.5 million hectares³. This deforestation affects both the loss of purely forested areas (Amazonia, Gran Chaco) and savannahs (Cerrado). It is mainly linked to cattle ranching⁴ and soybean plantations⁵. A significant share of this production is exported: in 2023, Brazil set a record by exporting 2.29 million tons of beef⁶ and 127.3 million tons of soy (mainly as beans).

Certain products such as beef, pork, poultry, sugar, bioethanol and soya are currently limited for export to the European Union, notably by tariffs, quotas and export taxes. But the agreement between the EU and Mercosur, with its 90% reduction in tariffs, the creation of new tariff quotas⁷ and the abolition of export taxes, is likely to escalate these exports and consequently lead to further deforestation.



Forest fires in the Amazon to clear the land for cattle use. Photo credit © Greenpeace / Daniel Beltrá

³ Global Forest Watch (2023). Available at: [Global Deforestation Rates & Statistics by Country | GFW](#)

⁴ Trase (2025). *Brazil beef supply chain*. Available at: [Brazil beef - Supply chain - Explore the data - Trase](#)

⁵ Trase (2025). *Brazil soy supply chain*. Available at: [Brazil soy - Supply chain - Explore the data - Trase](#)

⁶ ABIEC (2024). *Beef report*. Available at: [beefreport_v2024-ENG.pdf](#)

⁷ See p.6 for quota details

BOOM IN BEEF IMPORTS

Mercosur countries are already the primary beef suppliers to the European Union: in 2024, they accounted for almost half of the 320 million tons of beef imported into Europe⁸.

The agreement provides for:

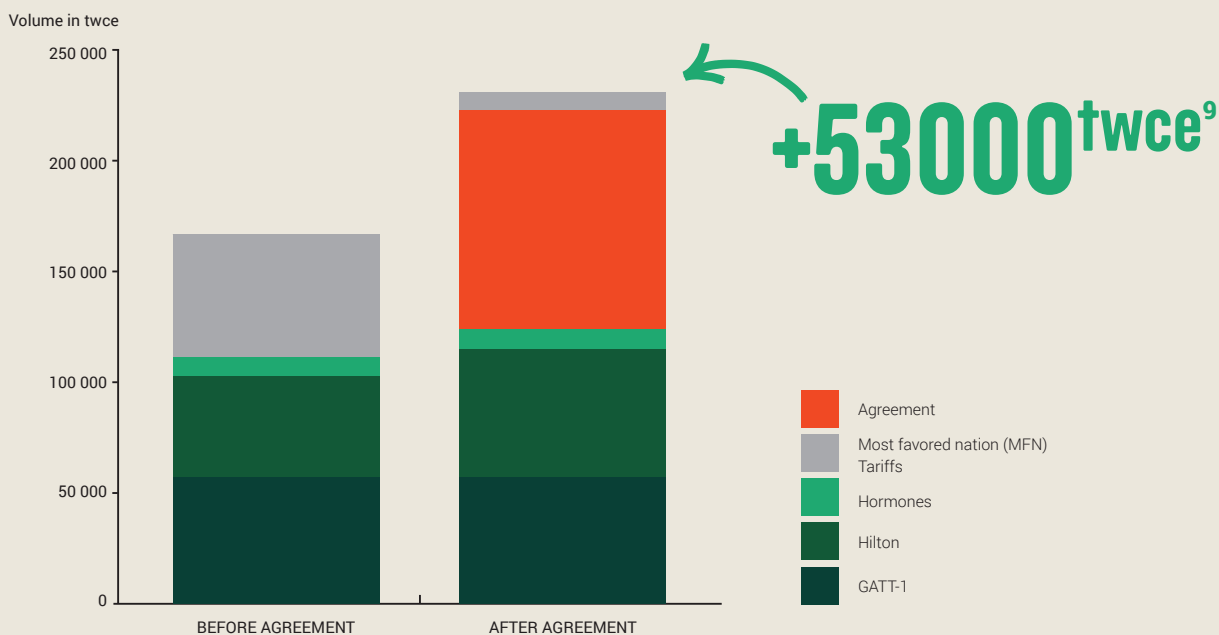
- A new quota of 99,000 **twce**⁹ of chilled and frozen meats at 7.5% tariffs,
- The elimination of tariffs within the Hilton quota (currently 20%),
- The abolition of tariffs for cooked preparations (currently 16.6%).

To fully grasp the agreement's impact on these imports, it is essential to examine current tariff conditions. Even today, before the agreement, beef imports are governed by tariff quotas: the Hilton Beef quota, the GATT quotas and the so-called Hormones Panel quota.

Beyond these quotas, tariffs are generally high enough to deter imports, and they remain limited.

The French government-commissioned study¹⁰ assumes that the new quota will primarily replace over-quota imports. Based on this assumption, the study estimates an excess of **53,000 **twce**** (estimation done before Brexit, this number would now be closer to 55 000 **twce**) in imports, increasing pressure on South American ecosystems.

FIGURE 1. IMPORTS OF CHILLED AND FROZEN BEEF FROM MERCOSUR COUNTRIES TO THE EU BEFORE AND AFTER AGREEMENT



⁸ United Nations (2024). Available at: [UN Comtrade](https://www.un.org/development/desa/pd/data/stories/un-comtrade)

⁹ Tons of weight carcass equivalent

¹⁰ Ambec et al. (2020). *Dispositions et effets potentiels de la partie commerciale de l'Accord d'Association entre l'Union européenne et de Mercosur en matière de développement durable*.

Available at: https://www.tse-fr.eu/sites/default/files/TSE/documents/rapport_complet.pdf

THE CASE OF SOY

Some studies¹¹ argue that the EU-Mercosur agreement will have no impact on the soybean market, as the EU already applies zero tariffs to its imports. However, Argentina currently imposes an export tax of 33% on soybeans and 31% on soybean meal (temporarily lowered for the first half of 2025)¹². By eliminating this tax over a 10-year period, the agreement will increase the competitiveness of Argentine soybeans. However, it is difficult to assess whether this will lead to an overall rise in European imports, or a shift in sourcing at the expense of imports from other Mercosur countries.

UNDERESTIMATED DEFORESTATION

The impact study commissioned by the European Commission and carried out by LSE Consulting does not directly quantify the area of deforestation that could result from the agreement. Instead, it suggests that the production increase could be achieved through intensification (particularly in cattle farming) rather than deforestation. While this hypothesis is theoretically possible, empirical evidence largely contradicts it. Between 1985 and 2018, 129 million hectares of new pastureland were created in Latin America, 77% of which replaced natural vegetation or transitional land (mainly land that had been deforested more than three years prior)¹³. The remaining 23% corresponds to land that has undergone more than one change, so it likely also

originated from deforested land (e.g. conversion from forest to pasture via an intermediary phase).

The impact study commissioned by the French government quoted above estimates that an additional 700,000 hectares will be required to meet the increased production demand - 66 times the surface area of Paris.

Depending on the ecosystems affected, this deforestation could generate between 121 and 471 million tons of CO₂ equivalent¹⁴ – at least the equivalent of Chile's annual emissions¹⁵.

However, even this 700,000-hectare estimate is likely an underestimation.

First, this figure does not take into account for the additional land required to produce feed for livestock. In Mercosur countries, beef production relies on a system that includes both pasture-based grazing and feedlots, where cattle are fattened on corn and soybeans.

Additionally, the estimate is based on a static model, which does not take into account for land degradation over time. Due to soil compaction from cattle, pastures often begin degrading within

700,000 ha

It is the minimum forest area threatened by deforestation under the EU-Mercosur agreement

¹¹ Cesar de Oliveira et al. (2024). *The European Union-Mercosur Free Trade Agreement as a tool for environmentally sustainable land use governance* - ScienceDirect

Mendez-Parra et al. (2020). *Final Report: Sustainability Impact Assessment in Support of the Association Agreement Negotiations between the EU and Mercosur*

¹² Buenos Aires Herald (2025). *Argentina to lower agricultural export duties* - Buenos Aires Herald

¹³ Zalles et al. (2021). *Rapid expansion of human impact on natural land in South America since 1985* | Science Advances

¹⁴ Ambec et al. (2020). *Provisions and potential effects of the trade part of the Association Agreement between the European Union and Mercosur on sustainable development*.

¹⁵ European Commission (2024). *GHG emissions of all world countries*.

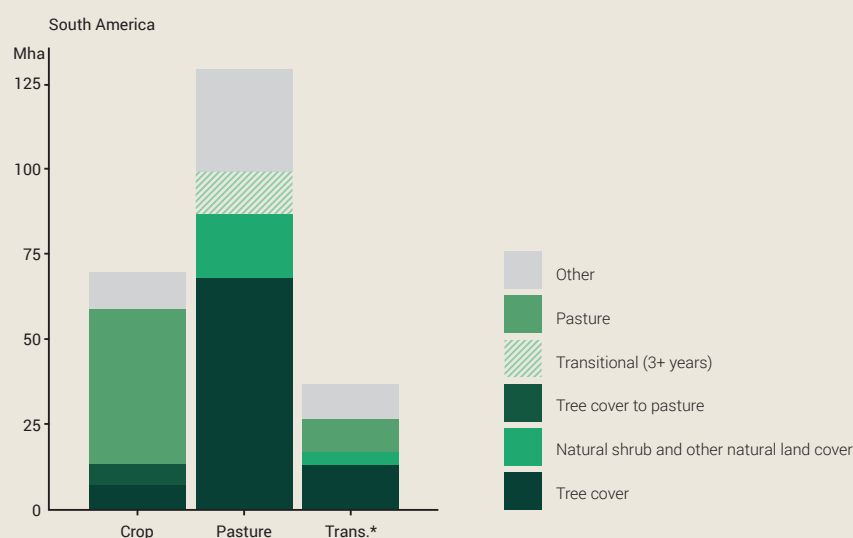


Cattle farm in the Amazon. Photo credit © Daniel Beltrá / Greenpeace

the very first year¹⁶, leading to declining productivity. As a result, farmers clear new forest areas for livestock, while the degraded land is converted for crop cultivation (e.g., soya, sugarcane and

pulpwood¹⁷). The EU-Mercosur agreement could therefore trigger an initial deforestation phase of 700,000 hectares, but this figure is likely to increase over time as land productivity declines.

FIGURE 2. LAND USE AND VEGETATIVE COVER CHANGES IN SOUTH AMERICA



Source : Zalles (2021). Rapid expansion of human impact on natural land in South America since 1985

¹⁶ Ehler et al. (2025). *The Lasting Effects of Overgrazing on Rangeland Ecosystems*

¹⁷ Zalles et al. (2021). *Rapid expansion of human impact on natural land in South America since 1985* | *Science Advances*

2 A TREATY THREATENING THE EU REGULATION AGAINST DEFORESTATION

The revised EU-Mercosur agreement, finalized in December 2024 by the EU Commission and Mercosur countries' governments, introduces several provisions that, instead of addressing deforestation concerns, could exacerbate this issue.

An annex to the 'Trade and sustainable development' chapter includes three articles clearly aimed at limiting the checks that will be carried out under the European regulation against deforestation (EUDR). Articles 54, 55 and 56(b) come to compromise the independence of the relevant authorities. They oblige Member States to *"take full account of scientific or technical information submitted"* by Mercosur countries, to *"recognize that the authorities of a Party are best placed to assess the conformity [of an imported product]"* with the regulation, and to rely on *"certification systems (...) recognized by Mercosur countries"* to assess product conformity. Of course, there is a risk that this information may not be reliable.

The European Commission's official guidance on the EUDR explicitly states that *"in cases where the level of corruption is deemed to be high, it is possible that the documents may not be considered reliable and that further verification may be necessary."*¹⁸

The EU, as part of the European regulation against deforestation, must carry out a risk assessment for each country. Article 56(a) obliges the EU to take favorable account of the agreement when assessing a country's deforestation risk. Given the weak safeguards offered by the agreement, this clause is in no way an indicator of low deforestation risk.

Even more alarming, the agreement provides for a "rebalancing mechanism" – a genuine legal weapon that could neutralize the EUDR. If one party believes that a measure put in place by the other party *"undermines the benefits of the agreement"*, it can initiate a trade dispute. This applies to any measure that has not been *"fully implemented"* by the time negotiations are concluded, even if it is compatible with WTO law.

Under this mechanism, the European regulation against deforestation (EUDR), which will ban, from December 2025, the import of products such as soy or beef if their production has caused deforestation, forest degradation or human rights violations, could be subject to this rebalancing mechanism. As a result, Member States would have a sword of Damocles hanging over their heads: if they fully implement this law, there is a risk that they will face litigation.

¹⁸ This is the case for Paraguay (28/100 on Transparency International's corruption perception index), Brazil (36/100) and Argentina (37/100). See : Transparency International (2024). *Corruption perception index*

As a result, the impact of the agreement in terms of deforestation would not be limited to the surface area required to cope with an increase in exports, as estimated above. **This “rebalancing mechanism” could effectively dismantle the entire European regulation against deforestation.**

68,962^{ha/year}

This is the area at risk of deforestation if the EUDR does not apply to Mercosur

To assess the impact of this new clause, we based our research on the risk of deforestation linked to the commodities covered by the EUDR and imported from Mercosur, even before the implementation of the trade agreement.

Depending in the database used, this risks amounts between 67 329 and 68 962 hectares each year. This figure is likely underestimated, as in one case it poorly accounts for indirect deforestation and on the other does not include the risk linked to leather imports. This deforestation would result in the emission of at least 11.8 million tons of CO₂ per year¹⁹.



Flight over Amazonia 2019 in the State of Pará. Photo credit © Fábio Nascimento / Greenpeace

¹⁹ Singh et al. (2024). *Commodity-driven deforestation, associated carbon emissions and trade 2001-2022*

FIGURE 3. DEFORESTATION RISK LINKED TO EU IMPORTS FROM MERCOSUR COUNTRIES

COUNTRY OF IMPORT	RAW MATERIAL	RISK OF DEFORESTATION IN HECTARES (ANNUAL AVERAGE BETWEEN 2015 AND 2018) ²⁰ BASED ON DATA FROM PENDRILL ET AL. ²¹	RISK OF DEFORESTATION IN HECTARES (ANNUAL AVERAGE BETWEEN 2020 AND 2022) BASED ON DATA FROM SINGH ET AL. AND LAROCHE ET AL.
ARGENTINA	Beef	551	380
	Leather		531
	Soybeans	2 400	1 247
	TOTAL	2 951	2 158
BRASIL	Beef	7 398	8 180
	Leather		37 245
	Soybeans	27 615	15 610
	Wood products	10 498	
	Cocoa beans	47	112
	Palm oil	259	129
	Coffee	365	3 457
	Rubber		20
	TOTAL	46 182	64 753
PARAGUAY	Beef	514	911
	Leather		7 444
	Soybeans	12 613	1 088
	TOTAL	13 127	1 999
URUGUAY	Beef	231	27
	Leather		13
	Soybeans	431	25
	Wood products	4 407	
	TOTAL	5 069	52
TOTAL		67 329	68 962

Source : Pendrill et al. (2020). Deforestation risk embodied in production and consumption of agricultural and forestry commodities 2005-2017 | Pendrill et al. (2022). Deforestation risk embodied in production and consumption of agricultural and forestry commodities 2005-2018 | Singh et al. (2024). Commodity-driven deforestation, associated carbon emissions and trade 2001-2022 | Laroche et al. (2024). Accounting for trade in derived products when estimating European Union's role in driving deforestation

These new clauses dangerously weaken the European regulation against deforestation, but it could be much worse in the future.

Malaysia and Indonesia, historically opposed to the EU's anti-deforestation regulation, are also negotiating a free

trade agreement²² with the European Union. Should they succeed in introducing similar provisions, the main contributors to deforestation would be exempt from complying with the regulation. This would cancel out the expected impacts of the EUDR.

²⁰ In the case of wood the available data stops in 2017.

²¹ The analysis is also conducted using data from Pendrill et al. for informational purposes. Although these data are older, they have the advantage of better accounting for indirect deforestation (including, in this case, deforestation linked to soy) and incorporating the risk associated with wood imports.

²² European Commission. *EU-Indonesia Free Trade Agreement*.

3 A MOCKERY OF SAFEGUARDS

In response to concerns over deforestation, an article has been included in an annex to the “trade and sustainable development” chapter of the EU-Mercosur agreement.

This includes a commitment by the States to *“implement measures, in accordance with its national laws and regulations, to prevent further deforestation and strengthen efforts to stabilize or increase forest cover from 2030 onwards”*.

Although this clause might appear as a positive step forward – it is ultimately ineffective and lacks credibility:

- Firstly, the provision merely requires countries to take action “in accordance with its laws and regulations”, which essentially amounts to enforcing their existing laws. However, the impact of deforestation remains unchanged whether it is legal or not. For instance in Brazil, current laws for the protection of natural vegetation allow the conversion of up to 80% of a property within the Cerrado biome²³, thus relying on national laws offers no guarantee of non-deforestation.
- Secondly, this already very narrow commitment does not aim to halt deforestation by 2030, as many other agreements do²⁴, but rather to initiate action *from that year onwards*, effectively delaying any immediate action.

- Moreover, it represents a commitment of means, rather than results – countries are obliged to ‘implement measures’, but there is no requirement to deliver tangible outcomes in terms of reducing deforestation.

- Finally, this provision is narrowly focused on deforestation, and it fails to address the conversion of other critical ecosystems (such as the Cerrado and Pampa, which are under significant threat), or forest degradation, which is equally harmful.

It is worth noting that at COP26, Mercosur countries had already made a more ambitious commitment through the “Glasgow Declaration on Forests”, they pledged to *“halt and reverse deforestation and land degradation by 2030”*²⁵.

This commitment is purely a declaration – there are no enforcement mechanisms, and no sanctions to ensure its implementation.

Furthermore, the sustainable development chapter of the EU-Mercosur agreement is not even aligned with the latest standards promoted by the EU in terms of applicability and enforcement.

Without binding obligations, independent oversight, or consequences for non-compliance, this commitment lacks real substance.

²³ WWF (2015). *Brazil's new Forest Code: a guide for decision-makers in supply chains and governments*.

²⁴ UK Government (2021). *Glasgow Leaders' Declaration on Forests and Land Use*.

²⁵ Ibid.

4 IT IS STILL TIME TO REJECT THIS TREATY

Although the EU-Mercosur agreement was politically announced in December 2024, the process has not yet been finalized. The agreement must now be ratified, i.e. presented for signature and conclusion, by the ministers of the Member States meeting in the Council of the EU, and voted on by at least the European Parliament.

The European Commission has yet to outline the full ratification process. The EC could attempt to split the political and commercial components of the agreement, potentially bypassing vetoes from Member States. However, regardless of the approach, the agreement could be blocked if it does not obtain the approval of the Council or the European Parliament.. The future of this agreement will depend on the votes of Member States and Members of the European Parliament.



Cattle in transport in the Brazilian Amazon. Photo credit © Victor Moriyama/Rainforest Foundation Norway

ABOUT

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Cover photo: Cattle near hotspots in Lábrea, Amazonas State.
Photo credit ©Christian Braga / Greenpeace

Design/Layout: Deidamia Pelé

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