



The EU-Mercosur free trade agreement: a critical analysis and an alternative

Colophon

The EU-Mercosur free trade agreement: a critical analysis and an alternative is a publication of the Trade Differently coalition.

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Trade Differently is a coalition of trade unions, social and farmers organizations, and involved citizens who actively support sustainable and fair trade.

Various members of Trade Differently participated in the writing of this publication, including Both ENDS (Nick Middeldorp), FNV trade union (Tjalling Postma), and Platform Aarde Boer Consument / Platform Earth Farmer Consumer (Guus Geurts), together with the Trade Differently coordinator (Sara Murawski).

Greenpeace Netherlands has contributed to the chapter on nature and climate.

Various people in the four Mercosur countries were interviewed for this publication, including Indigenous leaders, academics and people linked with social organizations and trade unions. For security reasons, we have chosen to anonymise some sources. This translation was partially made possible by the 'All Eyes on the Amazon' program.

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INTRODUCTION

The summer of 2021 showed more than ever before the deep impact which climate change is already having on the planet. The shocking number of forest fires, floods and droughts confirmed the growing difficulty of preventing and combatting so-called natural disasters. The latest report from the United Nations Intergovernmental Panel on Climate Change (IPCC) warned of even more extreme weather events if drastic measures are not taken.

The world economy is slowly recovering from the COVID-19 blow. However, we cannot afford a return to the old normal. The Corona crisis has demonstrated the necessity for greater regional self-sufficiency in essential basic needs such as food, medicines and medical equipment. The climate crisis only highlights this imperative. The international community is faced with a huge challenge: a radical and rapid change of course towards a sustainable energy transition.

The European Union (EU), one of the world's largest and wealthiest economies, has a major role to play, not least because of its historical responsibility. The European Green Deal includes a number of steps that are required for the development of a green economy, the reduction of CO₂ emissions, and the preservation and restoration of biodiversity. However, this is not enough. Much more needs to occur if we want to keep global warming below 1.5 degrees and prevent the collapse of our ecosystems. In particular, big steps must be taken in the area of international trade: the Green Deal is worthless if the EU continues to favour polluting multinationals, to facilitate the destruction of nature in the Global South, and to expose family farms to unfair competition.

Negotiations on the free trade agreement between the EU and the four Mercosur countries of Brazil, Argentina, Uruguay and Paraguay – which is analysed in this brochure – took more than 20 years. It is literally and figuratively an old-school trade agreement. If it goes forward, it will seriously undermine the EU's climate ambitions.

This publication shows why the EU-Mercosur free trade agreement is a threat to democracy, circular agriculture and food sovereignty, workers, nature and the climate, Indigenous people in South America, and the economic development of the Mercosur countries of Argentina, Brazil, Paraguay and Uruguay.

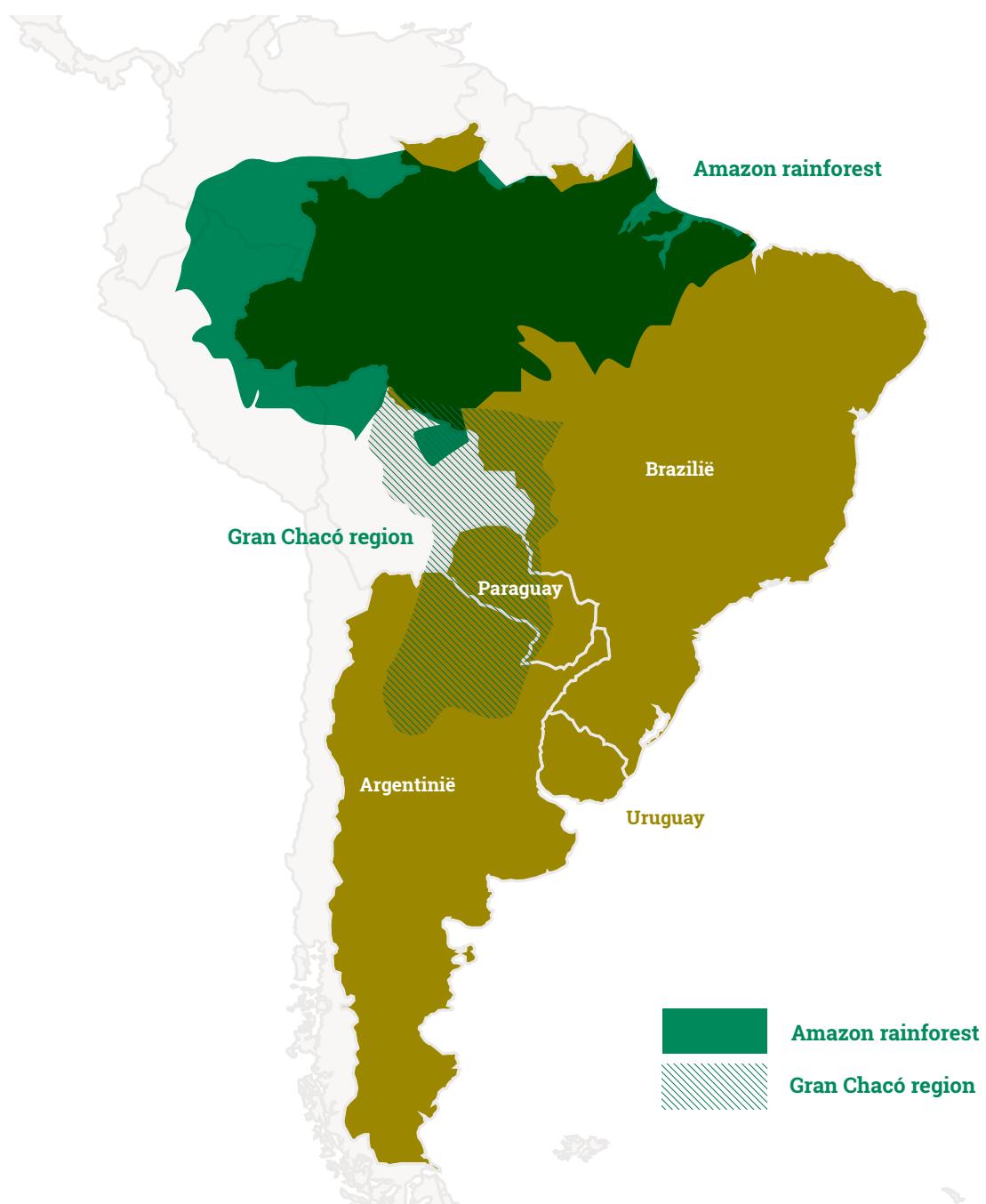
This free trade agreement is a neo-colonial instrument under which cheap raw materials and agricultural products such as cattle feed, meat and biofuels from Mercosur countries will be exchanged for high-value industrial products from the EU – with all the consequences thereof. The agreement will lead to further deforestation and loss of biodiversity. The survival of unique natural areas such as the Amazon rainforest, which are indispensable to counteract climate change, will be jeopardized.

Fortunately, an increasing number of countries, such as France and Austria, are critical of this polluting free trade agreement. In 2020, the Second Chamber of the Netherlands Parliament adopted a motion calling for the agreement to be abandoned. Unfortunately, the Dutch Minister for Foreign Trade and Development Cooperation has since taken a wait-and-see attitude, with the excuse that a final judgement on the agreement can only be reached once the definitive text is ready.

Meanwhile, the European Commission has been taping sticky plasters onto the agreement. Additional documents purport to offer guarantees on the climate, biodiversity, and human and

labour rights. This will not stop the bleeding. The EU-Mercosur agreement is fundamentally irreconcilable with international climate objectives and will remain a threat to nature, family farmers, Indigenous people and workers, as well as the entire industry of Mercosur countries. Alternative approaches are possible. In Chapter 6, the Trade Differently coalition lays building blocks for an alternative global trade policy based on multilateral cooperation under the auspices of the United Nations. Here the rights of Indigenous peoples, workers, nature and the climate always carry more weight than those of multinationals and investors. In addition, these rights will be enforceable, unlike those in current free trade agreements.

The alternative model prioritizes a sustainable production by small and middle-sized companies and family farms, for local, national and regional markets. Countries in the Global South, including Mercosur countries, are given the opportunity to protect their market and organize their economy as they see fit. In this way, we work towards a world that is socially and economically just, and environmentally friendly.





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Chapter 1.

PROCESS AND DEMOCRACY

Main author: Sara Murawski – Trade Differently coalition

In 2019, the European Union (EU) and Mercosur concluded a provisional free trade agreement, following 20 years of negotiations behind closed doors. Indigenous populations, civil society organizations and parliaments were sidelined throughout this time, unlike international business. Despite past promises, democracy, transparency, human rights and the environment are once again losing out to trade interests. “Public participation in trade agreements? There is none.”

Main points:

- The public, trade unions and civil society organizations have very little to say about international free trade agreements. This also applies to the EU-Mercosur Association Agreement.
- The European Commission is considering splitting the agreement, which would bypass critical countries like France and Austria.
- The agreement’s provisions on matters such as human rights and the environment are non-binding. Adding an interpretative declaration will not change the fact that the violation of these arrangements remains unpunished.

A democratic deficit in the EU...

Trade agreements like EU-Mercosur suffer from an important democratic deficit. Elected representatives and society have little to say about their contents. It is the European Commission that leads the negotiations. Multinationals and their powerful lobby machines know better than anyone how to get a foot in the Brussels door that mostly remains closed to the public, NGOs, trade unions, farming organizations and small and medium-sized enterprises (SMEs).

The European Parliament is also barely capable of exercising influence on trade agreements. It may only pronounce itself, after the conclusion of negotiations, on the single question of whether it approves or rejects the agreement in its entirety. It cannot implement changes or adjustments.

...and in Mercosur countries

The situation is no better in Mercosur countries. Here too there is an important democratic deficit. In Brazil, all public debate has been silenced by political polarization, the militarization of the government apparatus, increasing poverty and the ongoing COVID-19 pandemic. Graciela Rodriguez of the Brazilian EQUIT Institute explains: *"In the 1990s and at the beginning of this century, trade unions and civil society organizations could somewhat participate in the process. But the 2016 coup¹ changed this. Since then, it has been completely impossible to enter into a dialogue."*

Eddy Ramirez, president of the Hugo Foundation in Paraguay that works for the rights of Indigenous peoples, was also stonewalled in his country. *"We approached the government with our concerns about the consequences of the agreement for the climate, biodiversity and fisheries, but the doors all remained closed."* Ramirez is alarmed about the lack of inclusion of Indigenous peoples during the negotiations. Their living environment is under great pressure from encroaching agricultural companies. *"They were not even consulted by the government, despite the legal obligation to do so."*

The Uruguayan economist Alma Espino calls the lack of information and participation the greatest problem of the EU-Mercosur agreement. *"No information, no transparency and no possibility to participate as a citizen or organization. Much more public input is needed before the decision is taken to approve the agreement."*

The same chorus is to be heard in Argentina. *"Transparency? None. Public participation? Zero,"* says Mercedes Gould, who campaigns against large landowners for Friends of the Earth Argentina.² It does not surprise Gould that public debate barely got off the ground in Argentina, although it does worry her. *"This agreement will have a big impact on the daily life of the Argentinian people, but hardly anyone knows about it!"*

WHAT YOU SHOULD KNOW BEFOREHAND, WITH HINDSIGHT: THE SUSTAINABILITY IMPACT ASSESSMENT OF THE EU-MERCOSUR ASSOCIATION AGREEMENT

The European Commission always carries out a Sustainability Impact Assessment (SIA) to map the effect of a specific trade or investment agreement. This involves studying not only the consequences for the environment, but also the social and economic effects, as well as the impact on human rights and animal welfare.³ The objective of the SIA is to steer negotiations in such a manner as to limit negative effects and enhance positive effects as much as possible.

It is therefore striking that in the case of the EU-Mercosur agreement, the SIA⁴ was only produced after the conclusion of negotiations. The definitive report was only published a full two years after an agreement in principle had been reached. A group of NGOs filed a complaint with the European ombudsman, Emily O'Reilly,⁵ who conducted an inquiry. Upon completion, O'Reilly concluded that the approach of the European Commission undermines the EU values that its trade policy should project. O'Reilly warned that concluding a trade agreement before potential consequences had been fully assessed "*risks weakening European and national parliaments' ability to comprehensively debate the trade agreement.*"⁶

The SIA itself has also been criticized. A group of close to 200 economists from the EU and Mercosur countries signed a statement in which they point to its many shortcomings.⁷ According to them, too little attention was paid to the different impact per sector, for instance. The agreement threatens to harm the local industry of Mercosur countries, resulting in the disappearance of relatively well paid and skilled work. In return there is only potential growth in agriculture and the mining industry, where work is by and large unskilled and poorly paid.

The economists also point to outdated data used to measure the impact on deforestation and the destruction of nature, as well as to the naïve stance of the SIA, which assumes that arrangements will be fully respected. In addition, the analysis does not take into account the impact of the trade agreement on Indigenous peoples, the consequences of the COVID-19 pandemic, or the reality of growing unemployment in the wake of this crisis (the calculation method is based on full employment).

Split and push ahead

Many 'modern' trade agreements have a political part and an economic part. This is also the case with the EU-Mercosur agreement. The political part details arrangements to improve cooperation between EU and Mercosur countries, and the economic part, arrangements on trade liberalisation. The economic part also includes a sustainability chapter which should, in theory, ensure the protection of the environment and of working people.

However, leaked negotiation documents, in possession of Greenpeace Germany, show that little should be expected from the latter.⁸ Nature preservation and the fight against climate change are not key elements of the EU-Mercosur agreement, but only non-binding, unenforceable provisions. No sanctions can be applied if a government does not respect the provisions, so those who disregard them run no risk whatsoever.⁹

The political part of the agreement only pays lip service to the Paris Climate Accords, whose application leaves a great deal to be desired. There is only talk of an 'intention' to broaden the cooperation against climate change in a number of areas, such as research partnerships, the exchange of technology and knowledge transfer.¹⁰

In principle, the political and economic parts of the EU-Mercosur agreement are considered a whole. However, there are signs that the European Commission is considering the possibility of splitting the agreement.¹¹ This would increase the chance of ratification of the economic part. Indeed, the EU has exclusive competence here: only the European Commission, the Council of Ministers and the European Parliament can force a decision on trade.

If the agreement is split, national parliaments can only pronounce themselves on the political part of the agreement. In addition, the split free trade agreement can then be approved within the EU with two-thirds of the vote, while a mixed (or full) agreement (including the political part) requires a unanimous vote. Dissenting votes from critical countries such as France or Austria would no longer be decisive. As the Austrian parliament has already obligated the Austrian government to vote against the agreement in the Council of Ministers, a decision to split the agreement appears as a technocratic attempt on the part of the European Commission to bypass democratic decision-making.

A European Commission decision to split the agreement would further undermine the democratic legitimacy of said agreement. In answer to written questions by the Netherlands Party for the Animals (PvdD), the Dutch government said that it assumed for the moment that the agreement would be mixed, whereby national parliaments retain their right of consent. However, there is at present no question of the Dutch government rejecting the agreement.¹²

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Sticky plasters

However, the Dutch government – like many other EU member states and the European Parliament – is indeed concerned about the lack of enforceable arrangements in the areas of nature preservation, the climate, labour rights and animal welfare. This is why France and Austria do not support the agreement as it stands.

The European Commission has agreed to take another look at reinforcing climate arrangements in the EU-Mercosur agreement. The problem is that neither the EU nor Mercosur countries are prepared to break open the agreement. One is at best considering legal sticky plasters, like an additional protocol with commitments on deforestation or the Paris agreement, for instance.¹³ But how effective would such a protocol be? While a protocol could lead to enforceable arrangements, it would indeed have to stand in accordance with the other parts of the agreement¹⁴ - no easy task.

Another option is adding an ‘interpretative declaration’, as happened with the EU-Canada Comprehensive Economic and Trade Agreement (CETA). A declaration is weaker than a protocol, as it only presents leads for understanding an agreement, without actually changing it.

However this may be, neither option can alleviate the fundamental objections against the EU-Mercosur agreement. This free trade agreement between the EU and Mercosur is, at the core, a threat to nature, the climate, European farmers big and small, Indigenous peoples, workers and the entire industry of Mercosur countries. No protocol or interpretative declaration will change that.

Endnotes

1. That year there was an impeachment procedure against President Dilma Rousseff of the Brazilian Workers’ Party (PT). She was succeeded by Vice President Michel Temer of the centre-right Brazilian Democratic Movement Party (PMDB).
2. This was confirmed in our interviews with representatives of the Argentinian (CGT and CTA) and Brazilian (CUT) trade unions.
3. <https://ec.europa.eu/trade/policy/policy-making/analysis/policy-evaluation/sustainability-impact-assessments/>
4. <http://www.eumercosuria.com/>
5. <https://www.veblen-institute.org/EU-Mercosur-trade-agreement-5-organisations-file-a-complaint-with-the-EU.html>
6. <https://www.ombudsman.europa.eu/nl/press-release/en/139425>
7. <http://s2bnetwork.org/open-letter-sia/>
8. Greenpeace: EU-Mercosur Association Agreement Leaks (8 October 2020), <https://trade-leaks.org/mercous-eu-association-agreement-leaks-8-october-2020/>
9. CIDSE, MISEREOR and Greenpeace Germany, Rechts-gutachten zum EU-Mercosur Vertrag, 3 May 2021
10. ibid.
11. See the speech of EU High Representative Josep Borrell in the European Parliament on 19 January 2021: https://eeas.europa.eu/headquarters/headquarters-homepage/91753/latin-america-and-caribbean-speech-high-representative-vice-president-josep-borrell-european_en
12. Netherlands Central Government: Beantwoording vragen over het EU-Mercosur akkoord, March 2021
13. <https://epc.eu/en/Publications/Mixed-feelings-about-the-EUMercosur-deal-How-to-leverage-it-for-su~3dad10>
14. Hoffman & Krajewski (2021): legal opinion and proposals regarding a possible improvement or renegotiation of the draft EU-Mercosur Association Agreement https://www.cidse.org/wp-content/uploads/2021/05/Legal-Opinion-EU-Mercosur_EN_final.pdf



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Chapter 2

CONSEQUENCES FOR AGRICULTURE, LIVESTOCK FARMING AND FOOD SUPPLY

Main author: Guus Geurts - Platform Aarde Boer Consument /Platform Earth Farmer Consumer

Main points:

- The EU-Mercosur free trade agreement exposes European farmers and livestock farmers to the unfair competition of products made under (much) weaker environmental, labour, food-security and animal-welfare standards. This way, family farmers are threatened even further by the race to the bottom on the global market that principally benefits multinationals.
- In Mercosur countries, increased soy, meat and sugar production for the European Union will go hand in hand with the destruction of nature and the violation of the land rights of small farmers and Indigenous peoples.
- The agreement infringes food sovereignty on both continents,¹ and makes it even more difficult to take the necessary steps towards a more just, environmental and animal-friendly food supply. Therefore, a broad coalition of (family) farmers and civil society organizations is opposing the deal.²

The EU-Mercosur agreement is part of a series of free trade agreements in which the aggressive interests of the European industry and service providers lead to concessions in agriculture and livestock breeding. This was already the case with the CETA agreement with Canada and the EU-Ukraine Association Agreement. The result is that European farmers are exposed to competition from countries with lower environmental and animal-welfare requirements. The Mercosur agreement fully liberalises the import to the EU of 82 % of agricultural and livestock-breeding products from Mercosur countries. This involves the abolition of all import duties. The remaining 18 % of products are covered by duty-free import quotas, whereby a certain quantity of a product is exempted from import duties.³

WTO agreements⁴ already force the EU to import from Brazil and other countries more meat than advisable for a healthy and sustainable food system.⁵ The EU-Mercosur free trade agreement would add huge amounts to this (see table 1), while the EU itself is already a net meat exporter.

Product	Current imports from Mercosur (import duties)	Additional quotas in agreement (import duties)
Beef	200,000 tonnes	99,000 tonnes (7.5 %)
Poultry	400,000 tonnes	200,000 tonnes (0 %)
Pork	unknown	25,000 tonnes (€ 83 /tonne)
Egg-equivalent	unknown	6,000 tonnes
Sugar	180,000 tonnes (€ 98/tonne) from Brazil	remains: 180,000 tonnes (0 %) from Brazil 10,000 tonnes from Paraguay
Bioethanol	unknown	650,000 tonnes (partly without duties)
Rice	unknown	60,000 tonnes (0%)

Current exports to Mercosur	Additional quotas
Cheese	30,000 tonnes
Milk powder	10,000 tonnes
Baby milk powder	5,000 tonnes
Pork	fully liberalized

Table 1 Arrangements on agriculture and livestock farming ^{6,7}

The main increases apply to beef and poultry, and to a lesser extent, pork and eggs. The meat will be principally produced in Brazil and Argentina. The quotas – the quantity that may be traded under the new arrangements – will be increased up to the figures reported in the table over a period of six years.

Research by Wageningen University & Research (WUR) and Ecorys commissioned by the Netherlands Ministry of Foreign Trade and Development Cooperation shows that the EU-Mercosur agreement would be detrimental to the Dutch beef cattle and veal calf sectors. Livestock farming would indeed benefit from cheaper cattle feed (soy). Dutch poultry farmers would also benefit from the agreement, but only because their European colleagues are even less equipped to deal with the increased competition that would arise.⁸ It is harsh that EU poultry farmers should be forced to compete against each other in this manner and that Dutch poultry farmers would ‘beat’ their colleagues due to their generally larger scale.

The research underestimates the consequences of the agreement for the development of a sustainable livestock sector in the Netherlands. For instance, the influence which the objective to introduce relatively expensive circular agriculture may have on the competitive position has not been studied. And neither has the impact of the Paris Climate Accords. Furthermore, the research did not consider increased import resulting from other concluded free trade agreements, in which the EU also made concessions with respect to duty-free quotas for meat. This increases difficulties for Dutch livestock farmers.

This increase in meat imports to the EU is mirrored by an increase in the - subsidised - export of European dairy products to Mercosur, which will lead to unfair competition for family farmers there. Duty-free export quotas have been included for cheese, milk powder and baby milk powder. European dairy farmers could benefit from this, although the price of cows and calves would also drop as a result of the agreement. Finally, the export of EU pork to Mercosur countries would be liberalized, which also works against Mercosur producers.

The free trade arrangements in agriculture will lead to increased European imports of sugar, bioethanol, biodiesel and rice. Soy imports would also rise, as Argentina would be expected to drop related export duties. The increased import of sugar and bioethanol could have important consequences for European farmers, who are already faced with a sharp decrease in sugar prices due to the abolition of sugar quotas in 2017. This at a time when farmers are expected to do more to transform their operations from the point of view of the climate and environment.

Unfair competition

European farmers must meet higher standards than non-EU farmers in the area of food safety, the environment and animal welfare. Not to mention that there is public pressure to further raise these standards in view of climate and biodiversity considerations, as well as the sustainable management of scarce minerals and raw materials.⁹ With this in mind, the EU developed its Farm to Fork strategy. In the coming years, the strategy will lead to additional environmental requirements and therefore higher costs for European farmers. However, Mercosur and other free trade agreements force these farmers to compete with cheap imports produced under weaker standards.

In addition, the agreement leads to the import of products such as meat, for which the EU is already more than self-sufficient. The selling prices of farmers will drop, while costs will rise. This unfair competition undermines further European and Dutch sustainability objectives and makes it impossible to develop a true circular agriculture. The high import of soy in particular (and the minerals it contains) also translates into a manure surplus, which will only increase further with additional imports. The Dutch Arable Farming Union (NAV) proposes that import duties on soy should be raised, rather than slashed, in order to arrive at closed cycles. Only then, will European vegetable protein and oilseed crops stand a fair chance.¹⁰

Like the NAV, the Trade Differently coalition calls for as much food self-sufficiency as possible to enable a true circular agriculture within the EU. Protection of the European market is a prerequisite for this. Only then can public requirements be raised, while also ensuring that the costs of farmers in this are covered.

(See also Box p. 17: **Free trade policy versus Farm to Fork strategy**)

A danger to food safety, public health and animal welfare

Despite promises on border controls and hormone-free beef, the extensive use of hormones and antibiotics in Mercosur countries raises serious doubts about the food safety of the imported meat.¹¹ Fraud underlies recurring food scandals, such as the recent case of two Brazilian meat companies that attempted to sell their salmonella-infected chicken meat to the EU, with the knowledge of local authorities.¹² Animal-welfare requirements in livestock breeding are significantly weaker than in the EU,¹³ and there is no conclusive or verifiable identification and registration system to speak of. A rare bright spot are the recent careful steps made towards setting animal welfare requirements for Mercosur's egg production.¹⁴

In South America, the cultivation of soy, wheat, sugar cane, apples and pears involves the use of many chemical inputs that are banned in the EU. Consequently, residues of these chemical inputs end up in the European food chain after all.¹⁵ Luciana Ghiotto from Argentina's National Scientific and Technical Research Council (CONICET) explains: *"In the past ten years, Argentina and Brazil have played a very aggressive role in inducing the EU to lower its standards, regulations and precautionary principle relating to the protection of the health of its citizens, in order to be able to export their products made with pesticides."* On the other hand, it is European companies such as Bayer-Monsanto that export these pesticides to Mercosur and benefit from this agreement.¹⁶

Although genetic manipulation is only authorized in a limited manner within European agriculture, the import of genetically manipulated soy will increase under the agreement. Its cultivation involves the extensive use of chemical inputs (especially with crop dusting airplanes) that result in health problems for the local population. In Paraguay for instance, the area around soy fields sees more cases of cancer, premature birth, miscarriage and babies born handicapped, than the rest of the country. Residents also report suffering from headaches, stomach aches, diarrhoea and skin problems.¹⁷

Consequences for the food supply in Mercosur countries

CONICET's Ghiotto fears that the agreement will lead to ever more land in Mercosur countries being used for large-scale export production. *"Free trade agreements encourage the 'sacrifice' of areas to export crops that need huge quantities of water. The diversion of waterways creates uncertainty for adjacent communities. There is no output diversification, but rather, a concentration of the same that always requires more land and powers the encroaching soy and cattle border."* In so doing, the agreement intensifies already existing inequalities between large landowners on the one hand, and local, small-scale farmers and Indigenous peoples on the other. The sustainable food production of the latter is suppressed even further. In addition, beef production and soy and cane sugar cultivation directly affect natural areas such as the Amazon, the Cerrado and Chaco.

Those who benefit from the free trade agreement are big landowners. Small farmers are powerless against this often-armed group that forces them to give up their land – with or without the support of local government. Currently, land distribution in Mercosur is by far the most unequal in the world. Top of the list is Paraguay, where more than 70 % of productive land is in the hands of 1 % of the population.¹⁸ Eddy Ramirez of the Hugo Foundation in Paraguay fears the agreement will mean even greater problems for smallholders. *"The deal will drive people from their land and create more displaced persons. The use of pesticides – part of which are banned*

in the EU – is horrific for the environment, the water reserves and fish, and therefore, for traditional fisheries. The majority of these people are already struggling, so the consequences will be huge."

In Brazil, large landowners rake in much more subsidy money and cheap loans than smallholders. Much public money goes towards large meat companies such as JBS, that operate internationally.¹⁹ In 2020, the Global Forest coalition showed in a report that multinational agribusiness, large landowners and authorities work closely together²⁰

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A neo-colonial treaty

The EU-Mercosur free trade agreement will also deepen the gap between continents. It is a neo-colonial deal that specifically targets the export of raw (mining) materials and (luxurious) agricultural products such as cattle feed, meat and biofuels from South American countries, in exchange for industrial products from the EU with a large added value. South American industrial companies and workers will be hit by competition with European cars, textiles, machines and shoes.

Tato Figueredo, of Argentina's Institute of Popular Culture, says: "*Countries from the Global North overran their territorial borders years ago already, with their economic, production and development models. Having exhausted their own natural resources, they import natural goods such as food from other countries. And they dump their waste in other countries. This agreement favours sectors [industrial agriculture] that further shift the agricultural border,²¹ to capture resources needed by northern countries, such as animal and vegetable proteins.*"

According to Figueredo, the northern economic model does not give priority to the climatic system or the protection of natural resources but instead makes these subservient to

international trade: “*Free trade agreements deepen historical injustice and present a legal framework that enshrines this unfair economic system. It endangers vital water systems and the food system, and causes rural poverty.*”

In addition, the EU exports its climate pollution to Mercosur. Although the Paris Climate Accords hold Mercosur countries responsible for greenhouse gases emitted by their large-scale production, this production is in fact earmarked for European consumption.

A part of the political spectrum has shown itself to be inconsistent

An article on the Pig Business website²² reveals misconceptions among politicians regarding the possibility of reaching arrangements on environmental, labour and animal-welfare standards by way of free trade agreements. Some politicians do not seem to understand that such arrangements are recorded in a non-binding manner in the agreements. According to WTO rules, only the quality of the import product itself can be subjected to (limited) requirements, so these do not include the circumstances in which the production took place, such as the environment, animal welfare, or labour conditions (Processes and Production Methods).

This misconception is also evident in a 2019 letter, signed by Netherlands Prime Minister Mark Rutte and six other government leaders.²³ Here they praise the agreement with Mercosur as an example of an open, fair and rules-based multilateral trade system. In fact, standards relating to the environment, labour rights and animal welfare are only mentioned in non-binding chapters on sustainability. When push comes to shove, these considerations lose out to firm, legally binding liberalization arrangements that are especially beneficial to large multinationals.

It is noteworthy that in 2011 the Dutch Christian Democrats (CDA) and right-wing Liberals (VVD) had presented a motion calling on the Netherlands parliament not to approve the EU-Mercosur Association Agreement, as the unequal standards would lead to unfair competition for Dutch farmers.²⁴ However, in a 2020 vote, VVD and CDA, together with the D66 Liberals, did not support a similar motion *against* the agreement.²⁵

Instead of combatting populism, politicians only provide a new breeding ground for it with this type of free trade agreement. EU-Mercosur exposes farmers, workers and small and medium-sized companies to unfair competition and threatens their means of existence. This will make it increasingly difficult to muster support for the further raising of public standards. The farmers' protests in the Netherlands against national nitrogen policies are a good example of this.

Farmers' resistance

In the Netherlands, a broad coalition of farmers and civil society organizations is opposing the EU-Mercosur Association Agreement and other free trade agreements such as CETA and TTIP. This occurs within the Netherlands Agricultural Coalition for Just Trade that includes the Association for Biological-Dynamic Agriculture (BD-Vereniging), the Dutch Dairymen Board (DDB), Agractie Netherlands, the Dutch Arable Farming Union (NAV), the Dutch Dairy Farmers Union (NMV) and Platform ABC: Earth Farmer Consumer.²⁶ The European farmers' organization COPA-Cogeca, of which LTO Netherlands is a member,²⁷ and the European and Netherlands poultry sector (NEPLUVI) are also very critical of this agreement.^{28 29 30} European farmers' organizations have signed a joint declaration rejecting it.³¹ They plead instead for a fresh start on trade policy, with fair prices and a true protection of human rights and the environment.



FREE TRADE POLICY VERSUS THE FARM TO FORK STRATEGY

Main author: Guus Geurts - Platform Earth Farmer Consumer

On 20 May 2020, EU Commissioner Frans Timmermans presented the From Farm to Fork strategy (F2F) as part of the European Green Deal.¹ The objectives include reducing CO2 emissions by 55 % by 2030, decreasing the share of greenhouse gases emitted by the food supply, and stimulating the storage of CO2. But how do these objectives relate to free trade policy and the EU-Mercosur Association Agreement?

Positive components of the From Farm to Fork strategy

- The European Commission is attempting to develop coherent policies in various policy domains dealing with the food supply, the climate, fair prices for farmers, public health, food security and the protection of the environment and biodiversity.
- The strategy recognizes that existing free trade agreements lead to unfair competition for farmers, due to higher standards for pesticide use, animal welfare and food security.
- The budget of the EU's Common Agricultural Policy (CAP) becomes available for achieving F2F objectives. For instance, it can support farmers who increase the organic matter content of their soil, which has a positive effect on soil fertility, the climate and farmers' income.
- A proposal for a CO2 tax at the EU border (Carbon Border Adjustment Mechanism) to prevent unfair competition in the climate area.
- Working towards more European production of cattle feed instead of imported soy.
- The objectives of reducing chemical inputs and antibiotics by 50 %, and chemical fertilizer by 20 %, by 2030.
- The objective of organic production on one quarter of Europe's agricultural surface area.

Downsides of the F2F strategy

- The European Commission is not yet doing away with existing free trade agreements such as the EU-Mercosur. This means that European farmers are still faced with the unfair competition caused by the import of products that do not meet their own requirements. Therefore, the critical reaction of farming organizations such as COPA Cogeca and LTO NL to the high environmental objectives of F2F were to be expected.
- The frequent reference to the objective of being 'competitive' on the global market. The goal of having European farmers compete with their colleagues outside the EU is not compatible with reaching the other praiseworthy objectives of F2F. This is payback for having included competition as a constitutional objective in the Treaty of Lisbon. Indeed, competition on the global market encourages the lowest possible costs for producers. Farmers will oppose stricter environmental regulation if it is not mirrored in their selling prices. This principle undermines the effectiveness of the entire strategy.

1. Nota Bene: Greenpeace argues that the Green Deal itself is not sufficient to achieve the climate objectives of the Paris agreement. See: <https://www.greenpeace.org/nl/natuur/29824/green-deal-fundamentele-omslag-nodig/>

- Not working towards the greatest possible self-sufficiency for cattle feed and food. This puts a great strain on scarce land and water in the Global South for products such as soy, palm oil, biofuels and wood. As mentioned, the EU wants to carry on competing on the global market. The lack of supply management in combination with the current deployment of CAP subsidies leads to dumping. Small-scale farmers and Indigenous peoples are faced on the one hand with land dispossession and the resultant precariousness, and on the other with unfair competition on the food market.
- Poor coordination with the CAP and slow decision-making. Policy proposals for F2F will only be made in 2023, while the new CAP takes effect in 2022. Moreover, the CAP is still fully aligned with WTO agreements, whereby prices to European farmers have been reduced and only partly compensated through income subsidies. This does not provide farmers with stable prices that cover costs, while the EU agricultural budget is also used inefficiently and ineffectively.²
- Instead of imposing higher CO₂ taxes throughout the EU, the European Commission remains committed to the Emissions Trading Scheme (ETS) for greenhouse gases. Now it even wants to include agriculture in the ETS, which is a dead-end street.
- Too little attention for the great dependency on fossil fuels and the related emission of greenhouse gases within the current industrialized and globalized EU food supply. This is the case in several areas: the destruction of nature outside of Europe for cattle feed (and other imported products); the use of machines, chemical fertiliser and other chemical inputs; unnecessary transport and food processing (when compared with food produced locally and regionally).

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Chapter 3.

CONSEQUENCES FOR THE CLIMATE AND NATURE

Main author: Sigrid Deters - Greenpeace Netherlands

Main points:

- The EU-Mercosur Association Agreement stimulates the trade in products which we should produce and consume less, rather than more, to end the climate and nature crises.
- The agreement reinforces the agricultural industry and puts pressure on scarce land in Mercosur, which further increases the chance of deforestation, natural destruction and human rights violations.
- The agreement hampers the transition towards a more environmentally friendly agriculture in the European Union and the Netherlands, with fewer animals and closed cycles, as required to combat the nature and climate crises.
- Including 'sustainability clauses' in the agreement will not succeed in addressing these fundamental problems.

In the coming nine years, the world must take all possible measures to tackle the climate and nature crises. The EU-Mercosur deal does exactly the opposite. It stimulates the trade in raw materials and products that lead to deforestation, nature destruction and global warming.

"It's the large agricultural industrialists, who are already involved in stealing land from Indigenous groups, who will come out stronger with this agreement. This deal stands for more pressure on Indigenous peoples and natural areas, more forest fires and more CO2 emissions," says Eddy Ramirez, president of the Paraguayan Fundación Hugo, a movement that defends Indigenous rights. Ramirez' fear that the agreement will spell a further acceleration of the downward spiral for nature protection and Indigenous rights is shared by many.

The EU-Mercosur agreement exacerbates the climate and nature crises

South America enjoys unique natural areas, the preservation of which is crucial in order to cope with the climate and nature crises. The Amazon rainforest, the Cerrado, the Pantanal and the Gran Chaco savannah area that spreads over Argentina, Bolivia and Paraguay are all under pressure from the encroaching agricultural industry.¹ These natural areas not only host a wealth of animal and plant species, but also store large amounts of CO2 that would otherwise warm up the planet. In Brazil alone, a forest area the size of Belgium² has disappeared in 2020, where 1.77 gigatons of CO2 were stored.^{3,4} The destruction of natural areas to increase surface areas for livestock farming and agriculture accounts for nearly half of Brazil's total greenhouse gas emissions.⁵

More trade in deforestation products

The EU-Mercosur agreement will lead to a further increase in the production and import of soy, poultry, pork, beef and bioethanol made from sugar cane and corn from Mercosur countries. IAmazon organization calculated that the increased demand for agricultural crops and livestock farming would destroy no less than 122,000 hectares of forest in the most optimistic scenario. An area larger than the forest-rich Veluwe in the Netherlands will be added to existing deforestation.⁶ According to this research, Brazil will be hardest hit.⁷

Meat production is most responsible for the deforestation of the Amazon rainforest.⁸ Although internationally operating companies have promised time and again not to purchase from farmers involved in deforestation, research by Greenpeace has repeatedly shown that this still occurs.⁹

More soy because of the EU-Mercosur deal

Another important driver of deforestation in South America is soy production for cattle feed. Although import duties on soy will remain unchanged at zero as a result of this trade agreement, soy import for cattle feed will indeed increase as Argentina is bound to abolish its export tax on soy. The export to the EU of chicken meat and pork produced with soy feed will also increase, which will in turn further boost cultivation.

In Brazil the largest soy companies are in the Cerrado, adjacent to the Amazon. Here, in opposition to the Amazon area, one is allowed to replace large areas of savannah and forest with soy fields. These ever-expanding soy companies in the Cerrado contribute indirectly to the deforestation of the Amazon rainforest. Little by little, soy farmers push livestock farmers further into the Amazon, with resultant logging and forest fires.¹⁰ In the past years, soy cultivation has also exploded in Argentina, Uruguay and Paraguay, at the expense of nature.

THE MYTHS SURROUNDING SOY

Myth 1: soy waste is only waste (and does not contribute to deforestation)

Soy waste, or soybean meal, is much used as cattle feed. It is considered a waste product in the production of soy oil which costs twice as much. But every pressed soybean yields 20 % oil and 80 % soybean meal. The result is that two-thirds of the economic value of pressed soybeans lay in soybean meal and only one-third in oil.¹¹

Myth 2: the use of soy does not lead to deforestation

In the Netherlands it is said that livestock fed domestically does not lead to deforestation as it is certified soy. Indeed, 60 % of used soy satisfies RTRS criteria (Round Table on Responsible Soy) and 40 %, FEFAC criteria (European Feed Manufacturers' Federation). However, FEFAC does not exclude legal deforestation, as described above in Brazil's Cerrado. RTRS certification criteria may have improved somewhat, but nowhere close enough to speak of 'responsible soy'. It excludes deforestation after 2016, but deforestation from before 2016 is still authorized.

Additionally, the largest part of the sale of RTRS soy is based on credits instead of physical soy streams. This means that the origin of the purchased soy is in fact unknown and may well cause deforestation. RTRS rules themselves specify that companies may not claim that products 'covered' by credits are 'deforestation-free.' Also, farmers who deforest can still earn credits for the part where they do not deforest.

Myth 3: there is no room for genetically manipulated soy on the European market

Finally, the use of genetically manipulated soy – to make it resistant to glyphosate spraying – is authorized, while genetically manipulated cultivation is mostly banned within the EU. GM soy simply enters the EU market as livestock feed. Both RTRS and FEFAC certify this genetically manipulated soy.

In short, claims of sustainable production made in the context of RTRS or FEFAC certification are in both cases misleading. They provide companies with a green image, while certified products may still be contributing to human rights violations and the destruction of nature.

Monocultures full of agricultural poison

Huge monocultures with a handful of crops are highly vulnerable to disease which is why they require large amounts of pesticide. Many chemical inputs banned in the European Union are used in the cultivation of soy, wheat and cane sugar in South America.

In 2019 Brazilian President Jair Bolsonaro approved the use of 169 pesticides, including 24 toxins banned in the EU.¹² These substances spread far around through spray drift and groundwater, and have a detrimental effect on people's health and the environment. Residues on the crops can return to the EU through import and make their way into our food¹³

One party that does indeed benefit from the free trade agreement are European chemical giants such as Bayer. It will become cheaper for them to supply the four Mercosur countries with pesticides. This includes the export of pesticides containing toxins such as fipronil and cyanamide, which are not authorised for use in the European Union, due to the great risks posed to people and nature.¹⁴



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Bad for nature in the Netherlands

Biodiversity is under great pressure in the Netherlands. Climate change and the nitrogen surplus – the highest within the EU¹⁵ – contribute to the impoverishment of Dutch nature. Excess nitrogen has led to a dramatic decline in animal populations, especially in woodland areas and heathlands situated on high sandy grounds, such as the Sallandse Heuvelrug. Some species like the black grouse have nearly disappeared altogether.¹⁶

Our most vulnerable natural elements cannot recover without a drastic reduction in the emission of nitrogen.¹⁷ Experts believe that investing in nature restoration without properly addressing nitrogen pollution would be to fight a losing battle. Therefore, the nitrogen problem in the Netherlands must be tackled at the source.

Statistics Netherlands (CBS) and the Dutch National Institute for Public Health and the Environment (RIVM) argue that intensive livestock farming is the main contributor to the nitrogen and phosphate surpluses in the Netherlands.^{18 19} This is principally due to the use of chemical fertiliser and feed concentrates such as soy.²⁰ Therefore, soy that leads to deforestation in Mercosur countries, leads to a nitrogen and phosphate surplus in the Netherlands. To help nature at home and abroad, Dutch livestock farming should use much less soy feed, rather than more.²¹

If we are to reach our climate objectives and be a good caretaker of nature in the Netherlands, we must switch over to an environmentally and animal-friendly agriculture and livestock farming, with fewer animals.²² This requires a fundamental change in EU trade and agricultural policies. Prices paid to farmers must cover costs. In addition, farmers need financial and other support in the form of a transition fund.²³ A free trade agreement that forces these farmers to compete with cheap South American meat undermines any attempt at increased sustainability.

Reducing the forest footprint

Politicians often argue that the EU-Mercosur Association Agreement is necessary in order to make agriculture in South America more sustainable. Proponents of this free trade deal then point to the sustainability clauses included in the agreement. However, if you look at the products that will be boosted by the agreement, you see it is precisely those that contribute to the current climate and nature crises. In addition, sustainability arrangements included in the agreement are not binding or enforceable, in opposition to the arrangements on free trade which are set in stone. The devil does not lie in the details of the agreement, but at its core. If the EU is serious about reducing its global footprint, then concluding an agreement that stimulates deforestation products²⁴ is the last thing it should do.

A far better route would be for the European Union to work on an EU forest law forcing companies to exclude from the market products that lead to deforestation, ecosystem deterioration, and human rights violations. A legislative proposal by the European Commission to prohibit deforestation products on EU markets came out in November 2021.²⁵ In parallel we must also reduce the consumption and production of meat and dairy products.²⁶ In this way, we can indeed remain within the ecological limits of our planet and ensure that what is here viewed as 'mere' animal feed does not contribute elsewhere to the destruction of lives and nature.

Endnotes

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Chapter 4.

CONSEQUENCES FOR INDIGENOUS PEOPLES

Main author: Nick Middeldorp - Both ENDS

Main points:

- Mass forced displacement of Indigenous peoples is occurring in Argentina, Brazil and Paraguay under pressure from politically powerful agricultural companies. The takeover of Indigenous land often involves brute force.
- These illegal evictions will increase, as large-scale agricultural companies are the only party that will clearly benefit from the EU-Mercosur Association Agreement. Indigenous leaders are calling for the agreement not to be signed.
- The legally mandated consultation processes among Indigenous communities have not taken place and the rulings on Indigenous land rights of the Inter-American Court of Human Rights are disregarded.

To satisfy the politically powerful agribusiness, Argentina, Brazil, Paraguay and Uruguay are reneging on their constitutional obligation to protect Indigenous peoples. The EU-Mercosur free trade agreement will further reinforce the position of agricultural magnates, while Indigenous communities already have much to fear from them.

"The Netherlands, the largest importer of Brazilian soy, shares responsibility for the genocide taking place on our territory. President Jair Bolsonaro celebrated when you concluded Mercosur, because this allows him to carry on, also thanks to your agreement. Are you going to celebrate this with him? Or are you going to help us defend our territory?"

Nara Baré, president of COIAB, the Brazilian network of Indigenous peoples from the Amazon, gave the above-mentioned assessment of the free trade agreement in a discussion with the Netherlands Ministry of Foreign Affairs in 2019. Baré demanded guarantees from the Dutch government that no new conflict would emerge in Indigenous territories as a result of the EU-Mercosur agreement. The guarantees were not given, but the agreement was indeed concluded.

Indispensable

All Mercosur countries host Indigenous peoples with their own language, culture, traditional knowledge and history going back thousands of years before the establishment of modern South American settler states. In Argentina, 35 Indigenous groups include a total of nearly one million people. In Paraguay there are 122,000 Indigenous people, divided over 19 cultural groups, some of whom live in voluntary isolation. Brazil has the greatest ethnic diversity in South America. As far as is known, the country counts nearly 900,000 Indigenous inhabitants belonging to 305 Indigenous peoples that speak 274 different languages. According to estimates, 115 groups live in full or relative isolation in the Amazon area. Some have not been identified. Uruguay does not officially recognize the existence of Indigenous peoples, although self-identifying members of the Charrúa group are campaigning for recognition by the state.¹²

Although Indigenous peoples make up about 5 % of the world population, they are caretakers for 25 % of the world's land surface. These peoples have a relationship of mutual dependence with their ancestral living environment. This environment is the material basis that enables the preservation of their language, customs and knowledge. Indigenous peoples play a crucial role in the protection of the environment and biodiversity. In their ancestral living environment, they safeguard biodiversity for a fraction of the cost of official conservation programmes³. Research shows that the protection of Indigenous land rights in the Amazon is indispensable for the protection of the Amazon rainforest which hosts about 10 % of the world's plant and animal species.⁴

Terricidio

With the exception of Uruguay, Mercosur countries have granted constitutional recognition to Indigenous peoples. Like the Netherlands, they have also signed the binding Indigenous and Tribal Peoples Convention (No. 169) of the International Labour Organization (ILO), which enshrines the right to autonomy and a preservation of cultural identity, religion, language and way of life.

In practice, Indigenous peoples and individuals are faced with everyday and institutional racism. Collective rights to land and self-governance are violated on a massive scale. As a result, they lack access to healthcare, education and basic public services such as clean drinking water and electricity. The effects of climate change, such as changing precipitation patterns, are also felt hardest by traditional communities which are largely dependent on their immediate surroundings for their sustenance.⁵

The destruction of forests and ecosystems and the eviction of Indigenous communities from ancestral territories are commonplace. Indigenous women from Argentina speak of *terricidio*, i.e., the deliberate killing of ecosystems, of the peoples who inhabit them, and of the forces that regulate the land, such as spirits and other entities.⁶

The ongoing expansion of the “agricultural border”⁷ and extractive industries is plunging already marginalized communities further into poverty and contributes to cultural and physical eradication. The constantly encroaching agriculture may literally spell the end of peoples who live in voluntary isolation in Brazil and Paraguay. Not only do they lose the basis of their existence – their territory – but forced interaction with the outside world also exposes them to seemingly harmless diseases such as the flu, which can be fatal to them due to their lack of resistance.

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Not consulted

None of the Mercosur countries applies the principle of free, prior and informed consent for the use of land in Indigenous territories.^{8 9} Governments ignore this legal obligation towards Indigenous groups to keep the politically powerful agricultural sector happy. Consultation processes are ticked off administratively without giving people a voice, or else are misused, through the selective invitation or exclusion of persons.¹⁰ A Brazilian government official commented that “it’s not a problem for us if Indigenous peoples say ‘we don’t want this’. Then we say ‘we have your answer’ and the project just goes ahead. It doesn’t matter whether Indigenous people want it or not.”¹¹

The European Commission also failed to consult Indigenous groups on the contents of the deal. It was simply assumed that including Indigenous peoples in a few supply chains would be good for their progress and for sustainable forest management – without actually checking with the people in question.

In addition, the agreement says nothing about free, prior and informed consent, even though the UN has recognized this as an essential guarantee of the right of Indigenous groups to the land on which they live.¹² Indeed, the agreement leaves out the word “free” and dilutes the principle to “prior informed consent” – although this did not occur in practice either.^{13 14} The fact that the partners in the agreement did not even use a recognized international human rights standard shows that the rights of Indigenous groups are not a priority of the free trade agreement.

The economic sector from Mercosur countries that benefits most from this agreement is agribusiness, including livestock farming and sugar cane producers.¹⁵ These drive the destruction of Indigenous territories and will only increase their production further as a result of increased demand from Europe.

This agreement contributes to the mass violation of the human rights of marginalized population groups and must not be signed. Economic growth is not a sign of development if it is unsustainable and contributes to *terricidio – the destruction of territories and of the peoples who call them home*.

ARGENTINA

In 2020 Argentina recognized its Indigenous population as vulnerable. For example, Indigenous citizens, who often live in remote rural areas or urban slums, frequently have no or little access to clean water. Nevertheless, they were not included in plans to combat the current pandemic and are often exposed to racism and police violence (IWGIA 2021).

Communal land ownership – the standard among many Indigenous groups – is not recognized in Argentina. This leads to conflicts with big landowners and mining projects, whereby Indigenous groups usually draw the short straw. In 2020 the Inter-American Court of Human Rights found Argentina guilty of the violation of Indigenous land rights in the Lhaka Honhat case,¹⁶ and called on the state to legally recognize and protect communal land ownership. Argentina has failed to move forward on this in order not to hinder mining and agricultural activities on Indigenous land.

PARAGUAY

The forced displacement of Indigenous communities is commonplace in Paraguay. Indigenous leaders who resist are branded as criminals. Displaced persons end up in city slums, where poor hygiene and insufficient healthcare make them extremely vulnerable to the ongoing COVID-19 pandemic. Women and children are the frequent victims of (sexual) violence and exploitation.

Large-scale agriculture and its ranchers drive this process. Even land for which Indigenous communities hold state-recognized land rights is stolen with violence and impunity. Meanwhile, the state disregards rulings by the Inter-American Court of Human Rights on the territorial rights of Paraguay's Indigenous population.

In 2019 there were more than 4,500 forest fires in the vicinity of Indigenous territories. In keeping with a well-known pattern, the land was later used for agriculture and livestock farming. The Itakyry, Veraró, Guyra Payu, Huguá Po'i and Jacuí Guasú communities reported threats and evictions by unidentified armed persons. In Ysati houses and crops were set on fire.¹⁷

The Chacó region, home of the Ayoreo-Totobiegosode people who live in complete isolation, has one of the highest rates of deforestation in the world. Agricultural companies, including the Brazilian Yaguareté Porá, plan on clearing the forest for a large-scale livestock farm. The Inter-American Commission on Human Rights has called on the Paraguayan state to put an end to uncontrolled forest clearing in the area and to respect the land rights of the Ayoreo-Totobiegosode. These calls have thus far fallen on deaf ears.¹⁸

BRAZIL

In Brazil, the already dire situation of the Indigenous population has only worsened since Jair Bolsonaro took office as president. The president's public statements include: "The Indians do not speak our language, they do not have money, they do not have culture" and "It's a shame that the Brazilian cavalry hasn't been as efficient as the Americans, who exterminated the Indians."¹⁹ Bolsonaro was elected with the support of the agricultural sector whose interests he openly defends. His support of the EU-Mercosur agreement also bears witness to this. Bolsonaro considers the Indigenous population, which has land rights covering 12.5 % of the surface area of Brazil, as an obstacle.

Since the impeachment of Dilma Rousseff in 2016, no progress whatsoever has been made on the demarcation and legal recognition of Indigenous territories. In fact, the pendulum is now swinging the other way. Brazil's National Institute for Space Research (INPE) reported that the deforestation rate in Indigenous areas accelerated by 65 % in 2019.²⁰ The National Indian Foundation (FUNAI), the state institute tasked with protecting the rights of the Indigenous population, has been mostly dismantled under Bolsonaro. In addition, FUNAI was placed under the authority of a proponent of agribusiness and received the mandate to provide property rights to the occupiers of stolen Indigenous land.

Meanwhile, land invasions in Indigenous territories are on the rise – by ranchers, loggers and illegal miners. Brazil is – after Colombia, Mexico and the Philippines – the fourth country

with the highest number of murdered Indigenous activists and leaders in 2020, with a noticeable increase in the level of violence under the presidency of Jair Bolsonaro.^{21 22}

The deforestation and often violent land invasions lead to forced evictions. They also back Indigenous peoples living in isolation into a corner and turn leaders into a target for assassination. Maria Luisa, an Indigenous leader, describes the situation as follows: "Those at the forefront of the struggle are threatened with death. Because we protect our people and the forest, because we speak out against the destruction, and because we show our resistance."²³

The repression even reaches all the way into international institutions. In 2018, representatives of the soy industry in Pará state threatened a delegation of the Inter-American Commission on Human Rights.

Endnotes

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2. For more up-to-date information on Indigenous peoples in South America and elsewhere, see: <https://www.iwgia.org/en/news/4335-launch-of-the-indigenous-world-2021.html>
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13. Article 8b of the TSD chapter reads: "promote, as appropriate and with their prior informed consent, the inclusion of forest-based local communities and indigenous peoples in sustainable supply chains of timber and non-timber forest products, as a means of enhancing their livelihoods and of promoting the conservation and sustainable use of forests." See: https://trade.ec.europa.eu/doclib/docs/2019/july/tradoc_158166.%20Trade%20and%20Sustainable%20Development.pdf
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Chapter 5.

CONSEQUENCES FOR THE ECONOMY, EMPLOYMENT OPPORTUNITIES AND LABOUR RIGHTS

Main author: Tjalling Postma – FNV trade union

The free trade agreement between Mercosur and the European Union (EU) will have a negative effect on the economy and national sovereignty of Mercosur countries and will come at the expense of their sustainable development and regional integration.

Main points:

- There is no question of equivalence between the economies of the EU and of Mercosur.
- The agreement reinforces the role of Mercosur countries as mere exporters of primary raw materials and importers of industrialized and high-tech products.
- The agreement intensifies herewith the deindustrialization of Mercosur countries.
- The agreement comes at the expense of sustainability and exacerbates the loss of decent jobs and services.
- It will only lead to an increase in low productive jobs in sectors such as agriculture and mining.

The effect on the economy

The economists Capaldo and Ömer¹ reviewed the official studies on the economic impact of the agreement. According to these studies, the free trade agreement will lead to less than 1% economic growth in both the EU and Mercosur countries. However, Capaldo and Ömer are critical of the simulation model used for these studies as it paints a rosy image of the workings of the economy. Indeed, the model is based on three problematic assumptions: *full* employment, *constant* income inequality and *fixed* productivity growth. Therefore, possible adverse effects on employment, inequality and the development of the economy were automatically excluded. Capaldo and Ömer also draw attention to the costs triggered by the agreement's effect on the environment. These could indeed limit economic development. For example, the expected growth of the agricultural industry and mining may lead to changes in land use, deforestation and higher carbon emissions in Brazil and Argentina. These costs must also be taken into account to arrive at a true view of the 'benefits' of the agreement.

*Various studies*² report an insignificant effect on employment within the EU. Capaldo and Ömer further showed that existing labour ratios, for instance between unskilled and highly skilled work, will at best remain the same in Mercosur.

Which is to say that the agreement will likely lead to a growth of low productivity jobs and to fewer opportunities for highly educated persons, with a resultant brain drain.

Deindustrialisation

The EU-Mercosur Association Agreement liberalizes more than 90% of the trade in goods over a period of 15 years. This means that import duties will be lifted on that share of mutual trade and that the agreement will only increase the economic inequality between the EU and Mercosur countries.

Indeed, agreement has been reached on eliminating duties in important strategic sectors such as chemicals, pharmaceuticals and car manufacturing. Yet these industries have already considerably shrunk in Mercosur countries over the past ten years. In Brazil industrial manufacturing still accounted for 27% of the gross national product ten years ago, versus only 20% today.³ Concluding the agreement could deal a fatal blow to many manufacturing companies in Mercosur.

"The agreement promotes the deindustrialisation of our countries. The gap will only grow larger," says Graciela Rodriguez, of Brazil's EQUIT Institute. Imported industrialized products from the EU will replace products from domestic industries. Rodriguez indicates that support for the agreement in Brazil comes principally from agriculture, fisheries and mining. It is only large companies in those sectors that will enjoy increased export of their goods. "*In doing so, the agreement reinforces the already existing neo-colonial relation of inequality between the two continents. The companies that could transform our countries will lose out.*"

Rodriguez also fears the collapse of the Mercosur bloc. She anticipates a race to the bottom in which Mercosur members will compete against one another in a bid to supply raw materials as cheaply as possible. One possible result would be the disintegration of the economic bloc, which would make individual countries more vulnerable to becoming pawns in the geopolitical struggle between the United States and China.

The consequences for both the quantity and quality of employment are great. Studies reveal that the agreement could cost 186,000 skilled jobs in the region.⁴ This includes jobs in the motor vehicle industry in Uruguay, in machinery in Brazil and Paraguay, and in the chemical and pharmaceutical industries in Uruguay, Paraguay and Argentina.⁵ The small increase in unskilled male labour in the agricultural sector does not make up for this and only applies to large agricultural companies anyway.

Services

The EU-Mercosur agreement covers more than goods alone. Services, investments and government purchases such as public tenders are also involved. The agreement provides for the privatisation of public services such as water supply and road construction. Local companies from Mercosur countries will have to compete with European multinationals in these areas.

Studies by Argentina's CGT trade union show that when European companies have access to markets elsewhere, they already win 97 % of issued tenders. End-users pay the bill. Manaus, a large city in the heart of Brazil's Amazon, knows this only too well. Water rates went up more than 30 % after the municipal water services were taken over by the French company Suez Environnement in 2004. Poor communities and women were disproportionately affected by this.⁶ EQUIT Institute notes that ongoing privatisation and the related increase in living expenses "have an impact on Indigenous women, women in rural communities, and women in the urban periphery".

Trade guarantees, clauses in favour of emergent industries

The short time-period of 15 years allotted for the implementation of the arrangements in the EU-Mercosur agreement is a threat to an orderly transition of the productive sectors. It is extremely worrying that the agreement does not provide instruments to soften at least the sharpest edges of this drastic transition. Think for instance of trade guarantees that would maintain quotas on the export of specific products for a particular period of time, or clauses to protect emergent industries, or suspension arrangements, or import licences. All of these means are authorized by the World Trade Organization (WTO) but are not part of this agreement.

One cannot underestimate the importance of these guarantees. For instance, the European Union has instructed that Mercosur countries must respect patents for the manufacture of medicines for a period of five years following the product's registration. This directly endangers Brazil's successful programme for cheaper generic medicines.

The effect on workers' rights and the environment

The Trade and Sustainable Development (TSD) chapters in the agreement include no strong, binding safeguards to guarantee compliance with (international) labour rights. The agreement does not give trade unions a role as overseer of fundamental international labour standards. The Labour Forum, an existing joint initiative of trade unions in the EU and in Mercosur countries, which could monitor the implementation of labour aspects of the agreement, is not recognized. This negates the essential role played by EU and Mercosur trade unions as a catalyst for sustainable development.

LABOUR FORUM

European and Mercosur trade unions (united within ETUC and CCSCS respectively) have set up the EU-Mercosur Labour Forum for a better monitoring of labour aspects of the EU-Mercosur Association Agreement. The most important objective is for trade unions to participate and be heard at all levels of EU-Mercosur relations, including free trade agreements. This is to guarantee that sustainable development is based on human and labour rights, as well as on the protection of the environment and natural resources. Only then can inequality between the two trade blocs be reduced.

One important objection of trade unions in both the EU and Mercosur is the lack of transparency of the agreement. The full text has not yet been formally divulged and is therefore difficult to assess. The trade unions were not consulted on the agreement and the information was not properly shared with them during negotiations, despite repeated requests from union leaders on both continents.



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Brazil's current government provides ample proof that binding agreements are no luxury. It fully disregards the type of arrangements set out in the TSD clauses of the EU-Mercosur agreement: no respect for the environment, sustainable development or the effective implementation of the Paris Climate Accords; no observance of the conventions of the International Labour Organization (ILO) – even the most fundamental labour right, the right to organize (C87), has still not been ratified by Brazil; no protection of human rights; and no will to stimulate participation and public dialogue. The criminal policies of the Brazilian government to destroy the environment – such as its direct responsibility for fires in the Amazon⁷ - only darken the scenario further.

Quintino Severo, deputy secretary for international relations at Brazil's CUT trade union, describes the situation as follows: "Violence against trade unions is on the rise under the current government. Trade union leaders are threatened, beaten and murdered. Even inspectors of the Ministry of Labour can only enter large agricultural companies with police escort." Severo adds that the latest reform of the labour law even forces inspectors to warn companies *beforehand* if they plan to visit.

Severo believes that the TSD chapter will in no way improve this situation. The EU-Mercosur agreement grants too much benefit and power to Brazilian agricultural companies. This occurs at the expense of environmental protection, Indigenous peoples and rural workers. Severo notes: "We are still dealing here with an agricultural model based on slavery."

Endnotes

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Chapter 6.

AN ALTERNATIVE

The interests of wealthy countries, large landowners in the Global South and multinational companies have dominated free trade policy for too long already. This drives the depletion of natural resources, climate change and the violation of human rights. Family farmers, workers and small and middle-sized enterprises (SMEs) are sacrificed in a race to the bottom on the global market. The time has come for trade policies that do not consider international trade as a goal in itself, but rather as a means in the service of people, the climate, animals and nature. We, the Trade Differently coalition,¹ call for international collaboration with different trade rules. We strive for a world that is socially and economically just, and environmentally friendly, with governments that protect these values and care for people and the planet, and their future. A world that gives priority to a sustainable agricultural production by SMEs and family farmers, intended for local, national and regional markets. The Trade Differently coalition wants a fair sharing of income within value chains that are as local as possible (insofar as meaningful from an environmental point of view). This gives producers and workers a better prospect for a stable and living income, while also reducing the footprint on natural resources elsewhere. Trade Differently works towards affordable prices for consumers, in particular for the basic necessities of life.

In our proposed alternative trade rules, the rights of people and workers will always outweigh the interests of multinationals, and there is no room for the current out-of-control investor protection. The new trade policy will contribute to an effective implementation of the objectives enshrined in United Nations agreements, such as the Paris Climate Accords and the Convention on Biological Diversity. Priority will be given to agreements on the environment and human rights, as well as to international labour standards such as the freedom to organize and the right to collective bargaining – with the principles of equality and responsibility for future generations in a central role – rather than to trade rules that mainly protect multinationals. The new trade rules will give countries from the Global South the opportunity to develop and protect their own economy as they see fit, and to regulate their export. Essential services such as healthcare, housing, education and energy supply will be put back into public hands the world over. The financial sector must be transformed into a much more strictly regulated sector with a more serving role, which provides everyone with basic financial services and contributes to the development of a fair and sustainable society.

Fair, international trade agreements instead of the current WTO

Unfortunately, the current rules of the World Trade Organization (WTO) make it impossible to develop this type of alternative. The cast-iron, binding, worldwide WTO agreements principally help multinationals and harm SMEs and family farmers, as well as workers and the environment. For instance, the ‘right of market access’ takes precedence, even when countries are self-sufficient in certain products. This ‘right’ forces countries to open up at least part of their markets to multinationals offering (often inferior) products at low prices. This leads to unfair competition for local producers, as the WTO does not allow import products to be subjected to requirements regarding the environment, labour conditions and animal welfare (the so-called Processes and Production Methods). Requirements can only be set for import products themselves – for instance for food security. In addition, the WTO finds that agricultural subsidies in the EU and the US do not distort trade; this legitimizes them, while they in fact lead to dumping below cost price in the Global South and elsewhere.

A drastic change in WTO rules is required to arrive at a fair trading system. However, it is doubtful whether this is possible within the current WTO power relations. If this is indeed the case, a new multilateral organization for fair trade will have to be set up within the United Nations, to replace the WTO. Multilateral agreements on human rights and the environment, and arrangements made within the International Labour Organization, can be the guiding principles for new, fair trading rules.

The starting point is to ensure that trade blocs like the EU, Mercosur and the African Union can become as self-sufficient as possible in agriculture, industry and services. The protection of national and regional markets is the best guarantee for creating and maintaining employment opportunities, above all in the Global South. Ending the Global South’s current dependence on the import of industrial products and technological innovation from the North is a requirement for development. In addition, focusing on regional and local trade provides the best security for addressing basic needs such as food, while also preventing the Northern ‘export’ of climate and environmental pollution (our ecological footprint) to the Global South. In view of the spiralling climate crisis, the strong dependence on the global market endangers most particularly food security in the Global South.

The Trade Differently coalition is not opposed to international trade per se, but it does believe in a shift in priorities. All regions will not succeed in becoming entirely self-sufficient. International trade in tropical or mining products for instance remains necessary, but products such as coffee or cocoa must indeed fetch fair and stable prices. Previously mentioned multilateral agreements should play a role here.

Proposals for cooperation between the EU and Mercosur

As an alternative to the current agreement, Alma Espino, economics professor at the Universidad de la República Uruguay, suggests reinforcing cooperation with the EU and regional integration within Mercosur, diversifying production, and breaking the technological dependence on the North. Luciana Ghiotto of Argentina's Scientific and Technical Research Council proposes limiting the agreement to 'mutual arrangements on human rights, such as access to water and food.' The European Trade Union Confederation (ETUC) and South America's Coordination of Trade Union Organizations of the Cono Sur (CCSCS) call on parties to renegotiate the agreement in order to adequately reflect the concerns of workers and trade unions on both sides. The objective is a cooperation agreement that leads to reinforced political, social, economic and cultural relations between both regions. These organizations believe that the respect and promotion of human rights, decent work, democratic principles and other international standards are all required for this.

Proposals for a just and environmentally friendly trade policy

We align ourselves with these calls. Given the urgent, global, social and environmental problems, we argue for an agreement to improve political cooperation between the EU and Mercosur countries. In addition, we propose joint action on the multilateral level to arrive at just and sustainable international trading rules.

Our concrete proposals:

1. More participation

The public and civil society organizations enjoy increased and timely participation in the development and content of trade and investment agreements. National parliaments and the European Parliament are more intensively involved in negotiations and always retain the right to pronounce themselves on agreements. Lobbyists are subjected to stricter guidelines, with an emphasis on balanced influence and transparency.

2. Curbing economic differences and protecting employment opportunities

Economic inequalities between the two sides must decrease. Mercosur countries can no longer serve as providers of cheap raw materials and outlets for EU products with much added value. A new collaboration agreement will prioritize the sustainable development of domestic industries, together with science and decent work. Mercosur countries must be able to continue to defend their industry. Financial and technological support for SMEs is particularly needed here. In addition, public services must be excluded from liberalization and privatisation schemes.²

3. Respect for the rights of Indigenous people

At present, Indigenous land rights and the principle of free, prior and informed consent are violated on a mass scale in Mercosur countries, with Brazil and Paraguay as frontrunners. Indigenous peoples see their ancestral territories change into soy plantations or extensive livestock farms. Those who stand up for their rights run the risk of losing their life in the attempt. Putting an end to deforestation, and forest and ecosystem degradation, must be a priority in order to protect the climate and biodiversity worldwide. Europe contributes indirectly to the violation of human rights and the destruction of nature by importing products without subjecting them to strict requirements.

4. Mandatory due diligence and compliance with a European forest law

We propose requiring companies as soon as possible to carry out, throughout the trading chain, due diligence into the risk of violating internationally recognized human rights. An EU forest law must be introduced, forcing companies to only place deforestation-free products on the EU market. This law should protect not only forests but also other ecosystems, and guarantee that products have not involved human rights violations.³

5. Regulation of agricultural markets and fair selling prices for farmers

Market protection and the regulation of the EU market in agricultural products are necessary to internalize environmental, labour and animal welfare costs into consumer prices, in combination with fair selling prices that cover costs and do not involve labour exploitation. Supply management within the EU can put an end to dumping in the Global South, and the common agricultural policy (CAP) budget can be deployed more efficiently and effectively to achieve public objectives. Additional social measures are also required to ensure access to sufficient and healthy food for the most vulnerable groups in society.

6. Greater European self-sufficiency instead of colonization of the Global South

Ultimately the EU must cease importing products from Mercosur or elsewhere, when this leads directly or indirectly to the destruction of nature, the violation of land rights and the emission of greenhouse gases. Therefore, import duties are needed on products such as soy, palm oil, biofuels and meat. Then the cultivation of European protein and oilseed crops will finally get a chance, and cycles can be closed as much as possible. In addition, it is imperative to further reduce the European global footprint by reducing the production and consumption of meat and dairy products. The European Green Deal and Farm to Fork strategy are important first steps to limit the contribution of agriculture to the global climate and nature crises. Though if the EU wants to achieve these objectives, it will also have to abandon the wish of being as competitive as possible on the global market. Market protection is indeed a requirement for effective climate and other environmental policy. This prevents unfair competition from import products made with lower environmental, labour and animal-welfare standards, and makes it possible to impose stricter environmental measures and eco-taxes on European companies.⁴

7. Work on food sovereignty

We support the call of the international peasant and farmer movement, La Via Campesina, to prioritize local production and consumption, as well as the right of countries to protect their markets. The movement considers food sovereignty as: international solidarity instead of competition, and building a more just world from the bottom up.⁵

Endnotes

1. In November 2020, the Trade Differently coalition presented the 'Trade Differently: A Call for Fair and Sustainable Trade'. The alternative in this chapter is a more concise and slightly adapted version of that. For more details on the underlying analysis, see: <https://handelanderen.nl/wp-content/uploads/2020/11/publicatie.pdf>
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4. Which is why economist Mathijs Bouman also calls for import duties: <http://mathijsbouman.nl/pijnlijk-voor-liberale-economie-voor-een-effectief-klimaatbeleid-zijn-misschien-flinke-importheffingen-nodig/> and <https://fd.nl/opinie/1380747/hoogste-tijd-voor-co2-belasting-op-vuile-import-ook-als-we-daarvoor-handsregels-moeten-aanpassen-kqd1ca1VtPza> The Netherlands Party for Animals (PvdD), socialist party (SP), Volt and Farmer-Citizen Movement (BBB) presented a parliamentary motion along these lines in 2021: <https://www.tweedekamer.nl/kamerstukken/moties/detail?id=2021Z16613&did=2021D35761>
5. <https://viacampesina.org/en/food-sovereignty/> and <https://viacampesina.org/en/food-sovereignty-now-depth-guide/>

Trade Differently is a coalition of trade unions, social and farmers organizations, and involved citizens who actively support sustainable and fair trade.