EU-MERCOSUR and sustainability in agriculture.

The destruction of tropical forests in Brazil doesn´t serve anymore as an argument against agriculture and agricultural trade

The EU's trade agreement with MERCOSUR was signed by Commission President Ursula von der Leyen in Montevideo on 6 December 2024 after 25 years of negotiations. It is still causing a stir. The President of the German Farmers' Association, Joachim Rukwied, is against it. Günter Felßner, the Bavarian farmers' president nominated by the Bavarian party CSU for the Federal Ministry of Agriculture, is against it. The political parties "The Left" and the extremist right wing "AfD" are against it, as are many civil society and church organisations and certainly Greenpeace. For Anna Cavazzini, Member of the European Parliament for the Greens, it is a question of humanity: "The Amazon rainforest is one of the relevant tipping points for the global climate and its preservation is extremely important for humanity. The current high deforestation rates must not be increased by the EU-Mercosur agreement."

Brazilian President Luiz Inácio Lula da Silva and, on the European side, Olaf Scholz have put all their political weight in favour of the agreement. While also the leading Greens in Berlin, Cem Özdemir, Robert Habeck and Annalena Baerbock, are defending the agreement, German Greens in Brussels are discussing further sustainability clauses.

The following article intends to examine the validity of some of the arguments that have been used for years in Europe. In addition, the connection between agricultural production and sustainability in the tropics will be discussed.

But first a look back: the previous text of the agreement was finalised in 2019. But since 1 January 2019, the far-right Jair Messias Bolsonaro has been president of Brazil. Many understood that the agreement should not be signed with this enemy of democracy. In fact, deforestation rates continued to increase under Bolsonaro. However, when Luiz Inácio Lula da Silva took over his third presidency in January 2023, opponents of the agreement once again used the tropical forest argument, sometimes lacking objectivity[1].

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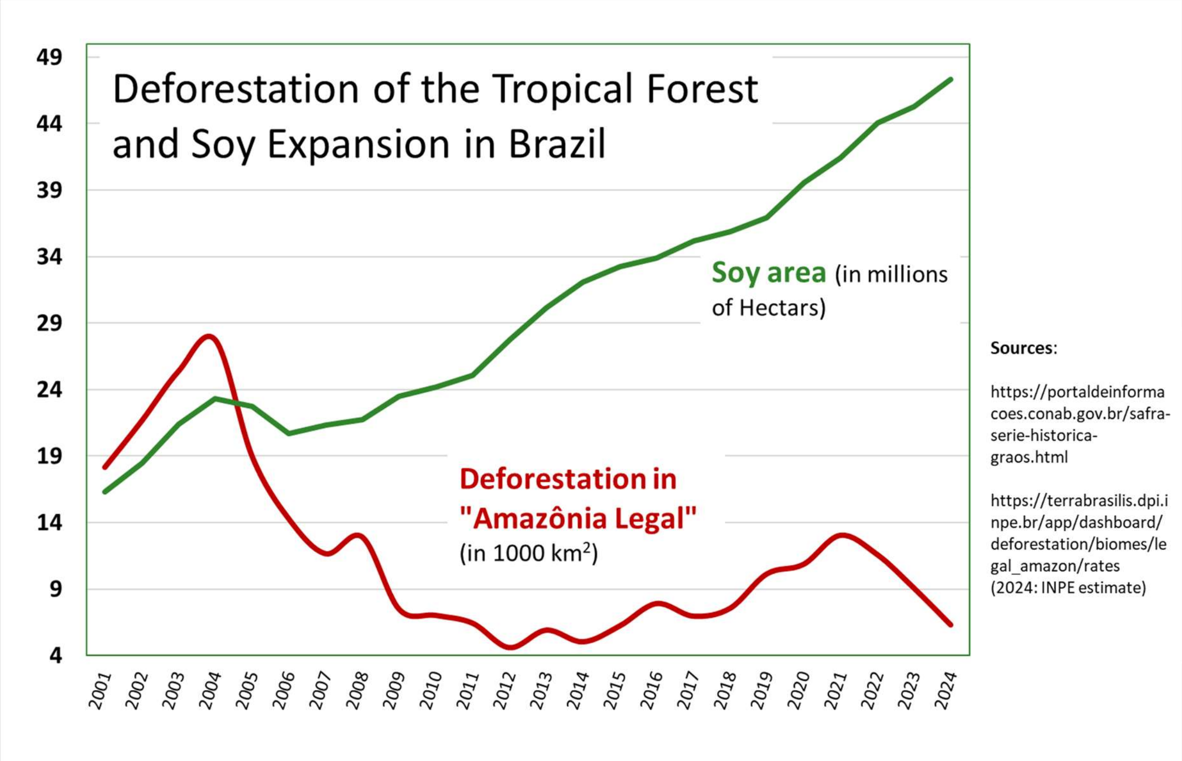
[1] Greenpeace, for example, uses a figure from a study by IPEA, a Brazilian research institute: the trade agreement would result in annual growth of 2% in the Brazilian agricultural sector. 2% more, i.e. more deforestation every year, is that the consequence? Wrong: the study itself explicitly points out that the presumed increase is due to poultry and pork. However, both are independent of land area - and have no relation to deforestation.

Despite sometimes tendentious lobbying, the influence of NGO campaigns is great, especially on the food retail sector. This does not always end well. In November 2024, when it came to the final negotiations of the agreement, Carrefour France announced that it would suspend its meat imports from MERCOSUR, allegedly out of concern for the tropical forest. This embarrassing nationalistic opportunism came back as a boomerang: Brazilian producers announced that they did not want to impose on Carrefour consumers in Brazil what Carrefour had banned from its shelves in France ... After a few days, Carrefour apologised and praised the quality of Brazilian meat products.



Sources: INPE and CONAB. Own representation

As a first approach to the topic of agriculture and deforestation, let's take a look at the trends of the last 20 years: The figure above shows the enormous expansion of soya areas over the past 22 years: from 16 million hectares in 2001 to 47 million today. Parallel to the expansion of land, we see the curve of tropical rainforest deforestation[2]. Since 2004, it has been pointing steadily downwards. It is no coincidence that this was in the beginning of Luiz Inácio Lula da Silva's first term as President (Lula 1). The decline of deforestation rates continued under Lula 2 until an economic crisis set in around 2012/13 under Lula's successor Dilma Roussef[3]. Under her successor Michel Temer and with the inauguration of Bolsonaro, deforestation rates continued to rise. The reason for this was the politically desired and radically enforced dismantling of environmental protection mechanisms, including the disempowerment of the federal police. Deforestation rates will fall again as early as the 2022 election year, but especially after Lula 3 takes office in January 2023.

There is no discernible correlation between deforestation of tropical forests and expansion of agriculture. The decisive causes of deforestation have always been and still are to be found in Brazilian actors and Brazilian politics, not in foreign trade of agricultural products.

Brazil uses a relevant proportion of the soya for its own consumption, the soya meal for animal feed, the oil for human consumption and as blended with diesel fuel. However, exports are still very high. 70% of Brazilian soya exports go to China. The proportion going to the EU has fallen to around 15%.

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[2] The "Amazônia Legal" refers to a regional planning unit (5.2 million kilometres^2) in the catchment area of the Amazon in northern Brazil. The vast majority of it is tropical rainforest. Note: Two different units are shown on the Y-axis of the graph: 1,000 km^2 and million hectares (1 km^2 = 100 ha).

[3] Less than two years after her narrow re-election, Dilma Rousseff was removed from office in a politically and constitutionally highly questionable vote in Congress. Backbench MP Bolsonaro stepped into the political limelight praising a notorious torturer of the dictatorship.

Foundations for the Brazilian agricultural miracle

Brazil expanded its agricultural production to gigantic proportions that are difficult for us Europeans to imagine. To put it simply, there are historically two decisive factors for this expansion since the 1970s: Firstly: "Land without people for people without land" was the grand plan to populate remote regions and promote agricultural development. At that time, the allocation of land was conditional on deforestation of 50% of the native vegetation. The military dictatorship formulated a highly ambitious agricultural development and settlement policy as well as credit promotion and consistently implemented the strategy. Agricultural research, which was excellent by global standards, succeeded in completely redefining the scientific and technical standards for tropical agriculture in just a few decades. Expansion took place from south to north, towards the Amazon, the humid tropical forest in the very north (green on the map) and the savannah forest "Cerrado" in the Midwest (yellow)[4]. In order to maintain ownership of the land, the cleared land had to be used for agricultural purposes, usually as pasture. It was technically easy to keep cattle and they were easy to sell locally. The majority of meat production has always been aimed at the domestic market. The Midwest of Brazil, the vast hinterland with its unique and beautiful vegetation, was also a sparsely populated region until the 1970s, hot and humid for many months of the year. The acidic soils did not permit agriculture. Everything changed with the exploitation of new lime mines, as lime fertilisation regulates the acidity of the soil. Over time, millions of hectares of savannah forest were cut down - and acidic soils were transformed into pastures and fertile farmland.

The second factor is probably at least as important: The descendants of European and Japanese immigrants, many with an agricultural background, lived in southern Brazil. The farming culture of the original German, Polish, Italian and Japanese immigrants characterised the south of Brazil until well into the 20th century and somehow still characterises it today. It was also no coincidence that it was in the south that the landless movement MST originated years later[5]. The south was already too small from the 1930s onwards for the descendants of family farmers who were desperately looking for land. As the Midwest began to become agriculturally interesting alongside the Amazon, farmers and landless people from the south were able to realise their dream and cultivate their own land.

The farming "pioneers" from the south are proud to this day of having made the land in the Midwest arable and established an internationally competitive tropical agriculture: "When we arrived here, there was only woodlands," they say proudly; a phrase you hear again and again. You can take it from them that they tackled with many risks and had years of great hardship. According to a migration study by the University of São

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[4] Map showing the six ecosystems of Brazil. Source: Nova Escola

[5] In Brazil today, the law defines what peasant agriculture or family farming is ("*agricultura familiar*"). However, it was the Brazilian South where the specific entrepreneurial peasant culture and tradition was originated. The other regions do not have the same “peasant tradition and family economy that we know from Western European history.

Paulo[6], they had a specific work ethic, entrepreneurial spirit and the unconditional "peasant will" of their ancestors to get something out of their land, even under difficult conditions. Over the decades, the descendants of small farmers of European descent from the south of Brazil became big farmers. In terms of business management, but also rural sociology and their political identity, they are now most similar to conservative farmers in the USA. It was therefore not the traditional landed oligarchy that had transformed itself into ingenious entrepreneurs. No, the success was based on a massive internal migration of a peasant-entrepreneurial class that colonised and economically transformed the Midwest. The traditional local population still call the successful migrants from the south "Gaúchos" (from Rio Grande do Sul). The agricultural research institute EMBRAPA - for decades a machine of new agricultural technologies for the tropics and sub-tropics - developed varieties that were adapted to the new locations. Soya and many other crops were "tropicalised" by EMBRAPA. In the end, however, it was the technology-savvy "gaúchos" who quickly put the new knowledge into practice.

In addition to the massive deforestation of the Cerrado and the Amazon, there is another aspect that gives this unprecedented agricultural success story a negative connotation: it started in the heyday of the Brazilian dictatorship and followed the model of "conservative modernisation". Social equalisation hardly played a role. The Brazilian agricultural structure was and remained spectacularly unequal - even though the land ownership structure changed radically in the Midwest. Today, many farms cover several thousand hectares, while indigenous communities and local smallholder families have often been left behind. They did not keep up, often did not have the same entrepreneurial spirit, sold their land cheaply to the "gaúchos" and moved away, finding alternative employment in the now rapidly growing cities. Overall: an impressive technical and economic transformation, but not a social transformation.

But beware: deforestation has never been an issue only of large-scale farmers: smallholders and agrarian reform settlements have also contributed significantly to deforestation in the past, because the timber industry has always guaranteed easy, fast and flexible money, especially in bad times. The economic activities and priorities of the Brazilian smallholders are still very similar to those of large-scale farming today. Loans for family farmers finance cattle farming and soya by a wide margin, exactly as in large-scale farming[7]. And, according to the *Climate Policy Institute*, a quarter of all deforestation in the Amazon is due to settlements of the agrarian reform[8]. The current Brazilian government is now planning to convert 40 million hectares of degraded pastureland back into sustainable use. The recovery of degraded land is not only a task for the large-scale farmers, but also for the smallholders - it is a national task.

The end of agricultural extractivism in Brazil

Over the past 50 years, around half of the Cerrado has been deforested and utilised for agricultural purposes, mainly for extensive livestock grazing and then for annual crops such as cotton, soya and maize. The traditional model could be described as agricultural extractivism, or "*soil mining*"; the soil is extracted almost like a raw material:

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[6] Vicente Eudes Lemos Alves: A Mobilidade Sulista e a Expansão da Fronteira Agrícola Brasileira, 2005. https://www.revistas.usp.br/agraria/article/download/80/79.

[7] Gilson Bittencourt: O Crédito Rural e o Pronaf: Elementos para a Construção de uma "Nova Geração de Políticas", Publication series of the German-Brazilian Agricultural Policy Dialogue, 2023 https://apdbrasil.de/wp-content/uploads/2022/12/O-Credito-Rural-e-o-Pronaf-PTBR.pdf

[8] João Mourão, Priscila Souza, Marcelo Sessim, Climate Policy Institute: Settlements in Focus: Combating Deforestation and Conservation in the Amazon, October 2024

https://www.climatepolicyinitiative.org/wp-content/uploads/2024/10/INS-Settlements-in-Focus.pdf deforestation, extensive cattle grazing with very low livestock numbers and practically no maintenance of the pastures. After a few years, the pastures become woody, the soil is depleted and with it the quantity and quality of the fodder. The degraded pasture was left to its own devices and new areas were cut down. There was enough land. As in the Amazon, more land was simply cleared in the Cerrado, which was cheaper than investing in long-term soil fertility. The scarce factor was labour, not land.

However, such an extractivist model of agricultural land utilisation has long since reached its limits. Rising demand increasingly requires an increase in productivity, not just an expansion of land. Above all, however, domestic environmental legislation has become stricter and its implementation has been subject to greater control since Lula 3: "*command and control*". When granting agricultural loans, the central bank now monitors whether the banks are effectively checking the legal environmental requirements. The large agricultural corporations and international traders are also exerting increasing pressure on farmers because they, in turn, are under pressure from politicians and customers. In December 2024, the Lula government decided to introduce mandatory and nationwide ear tags for cattle, a significant and perhaps decisive step against illegal deforestation[9].

To put it in business terms: the risks and therefore the costs of illegal logging are gradually becoming unacceptable. Regionally the situation varies. In the remote and poorly connected locations in the Amazon and the Cerrado, the law often only applies to a limited extent, which means that the forestry law - which is actually very restrictive - also only applies to a limited extent. However, where there is infrastructure for transport, processing and storage close to the market, where the state and police function, and where international sales and procurement markets are consolidated, different rules apply today than in previous decades.

Even the vast majority of sons and daughters of those pioneers from the South today have a completely different socialisation than the old "*slash and burn*". The laws, but also public opinion, require them to leave 20-80% of the land on each farm untouched[10]. The positive trend in Brazil is unmistakable, and it is probably irreversible.

Figures from MAPBIOMAS, a renowned science centre for forest conservation and land use, may serve as an example of the transformation of Brazilian agriculture over the last 15 years: from 1985 to 2008, an additional 18 million hectares were used for soya, 30% of which was on land that was previously native forest. In the subsequent period from 2009 to 2023, a further 17 million hectares were used for soya, "only" 15% of which was on formerly native forests[11]. If the time intervals were shorter, the decreasing trend could be confirmed year after year. The vast majority of new arable land now comes from degraded pastures or other previous uses, not from recently cleared forests. MAPBIOMAS shows that even the quality of the remaining pastures has improved and soil degradation is decreasing. Unlike in the past, ranchers are investing in fertilisation, reseeding pasture grasses and pasture maintenance. Where this happens, there are no longer just 0.5 or fewer cattle per hectare, but two or three. This eliminates the

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[9] The main reason for these mandatory ear tags throughout Brazil is the sanitary control of animal transport. However, they also enable the geographical traceability of all cattle in the country from the birth of the calf up to the sloughterhouse or the export port. The sale of animals from illegal deforestation is thus prevented or at least made considerably more difficult.

[10] Of course, comparisons are always difficult. In Germany the mandatory set-aside of only 4% was suspended due to resistance from farmers. The Brazilian Forest Code (código florestal) stipulates that 80% of each farm in the Amazon and 20-35% in other regions must remain untouched. There are certainly only a few farmers around the world who love mandatory set-asides. But most are within the law, even in Brazil.

[11] MAPBIOMAS, 6/12/2024: https://brasil.mapbiomas.org/2024/12/06/pastagem-soja-e-cana-ocupam-77-da-area-de-agropecuaria-no-brasil/

traditional agricultural or livestock motive of deforestation: More grazing land is no longer necessary; in the new mode, three to six times more livestock units can be kept on the same area. In arable farming, too, there has not only been an expansion of soya in terms of area over the past 20 years, but also a relevant technological growth component: according to the responsible authority CONAB, the yield per hectare rose from around 2,567 kg in 2001/02 to over 3,586 kg in the 2023/24 harvest year, an increase of 1,000 kg, almost 40%, and that is the national average.
There is no doubt that we are witnessing a transformation from traditional extractivist agriculture to a modern and climate-friendly tropical agriculture in Brazil[12].

The concept and practice of sustainability in Brazil
Unlike in Germany, sustainability in Brazil translates not so much into lower, but rather higher intensity of land use, both in arable farming and in animal production: Climate-smart agricultural practices, permanent soil cover, no-till farming, reduction of methane emissions in cattle farming, two full harvests per year, climate-friendly sequestration of atmospheric nitrogen (saves energy), integration of animal and plant production and even with forestry, as well as bioeconomic approaches and bioinputs, are key words and characteristics in this regard. Brazil (EMBRAPA again) has also shown that agriculture in the tropics has more potential to store carbon in the soil than in temperate climate zones - theoretically a potential of over 60 million hectares of arable land and 160 million hectares of pastureland. Brazil is thus successfully expanding what the FAO has conceptualised as "sustainable intensification" for tropical and subtropical locations. Producing sustainably, but getting more from the same area, that is the requirement, which in fact makes sense also in order to be able to protect the other areas more effectively and stop deforestation. Produce more and protect better - both are goals and policies of the current Lula government[13].
Some journalists, NGO representatives and scientists who - rightly - criticise the deforestation of the tropical rainforest in Brazil and place it in the context of climate change, cite agriculture and changes in land use as the main drivers of deforestation. Just 10 or 15 years ago, this was perfectly justifiable. It was not least the information and lobbying work of NGOs in Europe that helped to raise awareness of the problem in order to reduce deforestation[14]. The soya moratorium for the Amazon in particular was a successful instrument. It seems to be very difficult for activists to recognise that things are improving.

Organised crime is the main driver of deforestation in the Amazon
"Between the 2005/06 and 2018/19 crop seasons, the cultivated area of soybean in the Amazon biome has increased from 1.14 to 5 million hectares. However, only slightly more than 1% has come from newly deforested areas in the period ..."[15]

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[12] An agriculture - it should be added - that contributes very little to social justice. Despite all the public attention, the pure agricultural sector in Brazil contributes only 5% to the gross domestic product. Perhaps it also too much to expect this small sector to make a relevant contribution to social justice in the 21st century. This is probably the permanent task of a largely urbanised society.

[13] The high use of pesticides is often cited against Brazilian agriculture. Of course, there is greater pest pressure and different plant protection measures in the tropics than in northern Europe, where winter eliminates many pests. Nevertheless, there is probably relevant potential for reduction not only in vegetable growing. However, arguments about pesticides and deforestation should not be confused.

[14] Yannic Damm, Elías Cisneros, Jan Börner: Beyond deforestation reductions: Public disclosure, land-use change and commodity sourcing, December 2023, p. 8

[15] Camila Dias de Sá, Claudia Cheron König, Niels Søndergaard: Soy expansion and emergent challenges for the sustainability governance between Europe and Brazil, 2022, Publication series of the German-Brazilian Agricultural Policy Dialogue, p. 14 https://de.apdbrasil.de/wp-content/uploads/2022/12/Due_Diligence_Soja.pdf

Only just over 1% of the land used for soya in the Amazon came from recent deforestation... According to MAPBIOMAS, the picture is less favourable with regard to the creation of new pastureland in the Amazon. But analogous to what Fig. 1 shows, there was initially a decline after 2004, and from 2015, there was again a multi-year increase in deforestation to create new pastureland[16].

In the Amazon today, organised crime is largely responsible for deforestation (including violence against indigenous communities): mainly land theft (often the illegal seizure of public land) and the illegal timber industry; this includes widespread violence and all the other typical characteristics of the mafia economy. Under President Bolsonaro in particular, these criminal structures were able to develop splendidly in the Amazon. Since 2023, the positive trends of forest protection have been resumed.

Then some argue: But at some point, the illegally and speculatively appropriated land will be used for cattle grazing, and then it would be true again that agriculture and changes in land use are responsible for more than 90% of deforestation. The problem with this view is obvious: In contrast to the widespread modernisation trend also in livestock production described above, the illegally appropriated land is used very differently: much less than one head of cattle is kept per hectare. The main motive of such cattle farming is not meat production as such. Instead, it is intended to give the impression that the (illegally appropriated) land is being used in order to underline the claim to ownership. The aim is to legalise land theft.

If we nevertheless continue to declare agriculture as the responsible driver of deforestation, we have not only an analytical but also a political problem. This is because we are trivialising the cause of the rampant violence and the environmental problems, and we are getting the wrong idea about the huge investigative, police or even military effort that the Brazilian state has to make to combat the mafia-like structures of violence and power in the Amazon regions concerned.

Furthermore, we are neglecting the recognition that millions of reasonably paid alternative jobs need to be created in the Amazon region, both in rural areas and increasingly in the cities, in order to put an end to the illegal deforestation economy from the side of manpower as well. Massive private and public investment is needed to stimulate a more dynamic and broader economic development that uses more technology and mobilises more added value than is possible only with açaí or Brazil nuts.

Instead, however, in Germany many activists like to accuse the agricultural industry, which has always been guilty anyway in their view. The political and civil society coalitions and alliances[17] outlined at the beginning of this article repeat the hollow apportionment of blame - for the supposedly good cause. For the good cause? It is obvious that this argument cannot go on for much longer.

What is the situation in the Cerrado?

In the Cerrado, too, the risk of deforestation for soya exports to Europe is falling to an almost negligible level. As in the Amazon, the continuous soya expansion in the Cerrado over the last 15 years has been less and less at the expense of native vegetation, but has been based in part on significant increases in productivity in the area. Above all, however, soya has expanded on land that was previously used for extensive cattle farming. Once again, the traditional extractivist model is coming to an

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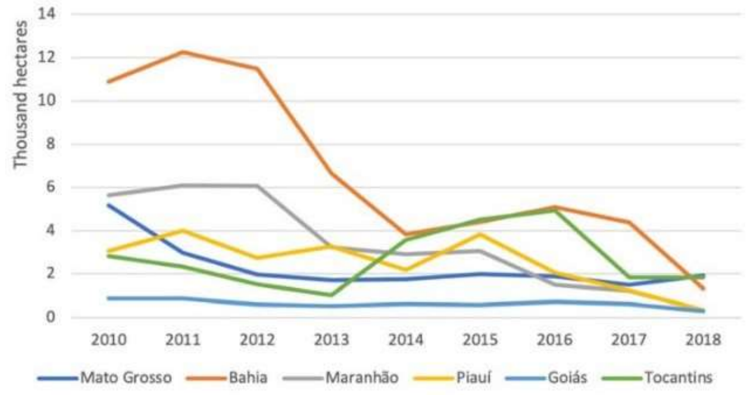
[16] MAPBIOMAS https://brasil.mapbiomas.org/wp-content/uploads/sites/4/2024/12/Factsheet-Pastagem_C9_05.12_v3.pdf

[17] See an interesting political science study: Laila Berning, Metodi Sotirov: The coalitional politics of the European Union Regulation on deforestation-free products, 2024

end. The international reputational risk, but above all the national risk, is increasing. The costs of illegality are growing. They are becoming less and less worthwhile.

The deforestation risk of soya exported to Europe has been falling continuously for over 10 years. Even if you look at the most critical regions on the agricultural front in the Cerrado[18], where soya often expands without legal controls: even here, the trend is the same, the risk of deforestation is decreasing. The risk of importing deforestation has been falling for years to levels that are very low by Brazilian standards[19].

Figure 12: Embodied deforestation risk from soy imported by the EU distributed in different producer states (in thousand hectares).



Source: Trase (2018)

The EU Deforestation Regulation

The EU Deforestation Regulation (EUDR) stipulates that certain agricultural goods originating from areas that were deforested after 2020 may no longer be imported into Europe[20]. A complex and, yes, bureaucratic system has been devised for this purpose, which requires importers, but also processors in the EU sales market itself, to submit due diligence obligations (declarations of legality) with small-scale geolocalisation data for all production sites is required[21]. Every tonne of soya, coffee, cocoa, etc. must be fully certified as deforestation-free from the farm to the port of import in the EU. Brazil and other producer countries in Asia, Africa and Latin America have criticised the EUDR, partly because it would formulate unilateral and de facto extra-territorial requirements and sanctions and, in their opinion, would not be WTO-compliant. Producers and traders also criticise that the system would not guarantee legal security, partly because the declaration of legality can theoretically include conformity with an unmanageable number of national laws in the environmental and social areas. The EUDR could not begin as planned on 30 December 2024 because the EU Commission itself did not make fast enough progress with the preparations. Several EU member states, including Germany, pushed for a postponement of one year, which was actually adopted at the end of 2024.

One of the points of criticism is that the EUDR only addresses the import of "deforestation products", but not deforestation as such. This difference is not trivial:

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[18] Graphic from: Camila Dias de Sá, Claudia Cheron König, Niels Søndergaard: Soy expansion and emergent challenges for the sustainability governance between Europe and Brazil, 2022, Publication series of the Deutsch-Brazilian Agricultural Policy Dialogue, p. 18
https://de.apdbrasil.de/wp-content/uploads/2022/12/Due_Diligence_Soja.pdf

[19] he study commissioned by the NGO FERN and conducted by TRASE, which assigns "imported deforestation" to the individual EU member states, confirms this finding. TRASE has recently stopped using the term "deforestation risk" and instead uses the term "deforestation exposure", which refers to the risk of deforestation over a period of several years. https://trase.earth/insights/eu27-countries-in-the-spotlight-for-deforestation-exposure

[20] Strictly speaking, this is not an import ban but a sales ban. In addition, severe penalties may be imposed. Affected are: Soya, beef, wood, coffee, cocoa, palm oil, rubber and related products such as leather, soya meal and paper.

[21] European agricultural producers and forest owners are also affected by the same requirements. In Germany, particularly forest owners protested. An attempt by the Christian Democratic Group in the European Parliament at the end of 2024 to exempt them from these burdens failed.

there is a plausible leakage scenario with shifts in production and transport for the further course of the implementation of the EUDR. Take soya, for example: the product perfectly documented as deforestation-free and provided with proof of legality is exported to Europe. The soya that is not sufficiently documented or that may be mixed during transport and interim storage in silos is shipped to China. A positive effect on aggregate deforestation in Brazil is not guaranteed in this scenario due to such shifts in trade routes. The proportion of soya exported to the EU is too low for this[22].

Discrimination against smallholders

Another criticism relates to the fact that the EUDR would make it more difficult, more expensive or completely impossible for farmers to access the European premium market because they are unable to meet the high and cost-intensive documentation and geolocalisation requirements. It is currently difficult to predict the actual effects. However, a comparison of options can clarify the order of magnitude: A ship freighter with a loading capacity of 50,000 tonnes in the port of Paranaguá in southern Brazil wants to load bulk soya. It has a choice: either it decides to deliver through three large farms, each with 5,000 hectares of soya production to fill its cargo hold or with 3000 family farmers (with 5 hectares each) from the south - near the harbour, and at least 2500 km from the tropical forest.

In the three-large-farm-scenario, eventually only three proofs of legality and three geolocalisation data have to be transmitted and checked. These three farms have their own transport and silo capacities and can therefore prove that their product is legal and deforestation-free without any gaps, i.e. without the risk of mixing with soya from other, undeclared areas of origin.

In the second family-farm-option the responsible trade officials have to check geolocalisation data and proof of legality for every single one of the approx. 3000 rural production sites. This quickly adds up to several thousands of documents for a shipload. Traders have to assess the additional work involved and, above all, the risk that one of these documents is incorrect or has not been filled in sufficiently, or that unauthorised mixing has occurred during transport and interim storage, which can "contaminate" the entire shipload. Given the widespread and great uncertainty in the supply chain, compliance lawyers are calling the shots. Under their influence, importers and traders will minimise risks and most likely favour the large suppliers. Soya produced by smallholders can then still be exported to China (possibly at a discount?). This is certainly not what the protagonists of the EUDR intended, but it is a likely scenario.

Furthermore, there are indications that legal insecurity may not only cause traders to turn away from smallholders and towards large farms, but also away from the countries of the South altogether: one large international trader already advertised in July 2024 that it had registered 5,600 soya farmers from the USA with a total of 1.8 million hectares. They are willing and able to fully fulfil the EUDR criteria[23].

To summarise: The EUDR will probably lead to consumers in the EU having largely deforestation-free food on their tables. As shown, it will hardly have a positive influence on deforestation, especially in the endangered territories. Particularly critical from a social and development policy perspective: negative effects on smallholder farms in

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[22] The proportion is even lower for beef, and the influence of foreign trade on production conditions is correspondingly smaller. The majority of beef production of nearly 11 million tonnes is consumed on the Brazilian domestic market. "Only" three million tonnes are exported, mainly to Asian and Arab countries and the USA. The EU share is 5%.

[23] https://www.adm.com/en-us/news/news-releases/2024/7/as-eu-deforestation-regulation-approaches-adm-of- fers-fully-verified-segregated-traceable-soybean-meal-and-oil-to-european-customers/

Brazil and the entire southern hemisphere are to be assumed[24].

So far, there are hardly any estimates of how the volumes and trade routes of agricultural goods from the MERCOSUR countries to Europe develop with the combined effect of trade agreements and the EUDR. But regardless of whether one welcomes or criticises the EUDR, it could theoretically have been the sanctioning instrument that the Greens had always demanded for the trade agreement. Instead, the sustainability chapter has now been significantly expanded, with both sides also making new concessions. After all, a mandatory end to deforestation by 2030 has been included, as well as compensation mechanisms for trade-related restrictions that did not yet exist in 2019. The environmental policy influence goes beyond what Europe could exert through its trade flows alone. Overall, after intensive and very difficult negotiations for both sides, an agreement has been reached in the final metres. The result is a document that testifies to prudence, political common sense and responsibility as well as a sense of reality.

And now?

The warnings of some large and influential NGOs about the destruction of tropical forests are not balanced out, primarily because of the general deforestation trends in Brazil described above, but also because of the new situation created by the EUDR. For many years a unique coalition of environmental and development policy groups with farmers' organisations in Germany and Europe has been creating an opinion-forming discourse that holds agriculture and trade responsible for the destruction of tropical forests. The substance and evidence of this discourse has been crumbling for over ten years. It is no longer tenable. The NGOs concerned are jeopardising their most important asset: Their credibility.

We are also at a time when Europe needs little more than resilient alliances and cooperation, preferably with democratically legitimised nations and regional alliances. However, it is precisely at this time that Europe is making cooperation with Latin America, Africa and Asia more difficult: too often in the recent past, the European path has not been one of jointly negotiated solutions, but of unilaterally imposed sanctions charged with a great deal of normative energy, while the effectiveness of these sanctions cannot be guaranteed. It will be difficult for governments in the global South to justify cooperation with a Europe that imposes conditions on them without dialogue to their respective societies. When Brazilian President Lula accuses the Europeans of "green neo-colonialism", a well-meaning Europe that overestimates its own strengths feels offended. However, Lula also addressed his well-considered criticism to the voters in Brazil.

In future, dialogue at eye level will also mean taking note of and respecting different interpretations of sustainability in agriculture. Forest protection cannot be enforced from the outside; it is essentially a dialogue between the government and society in each country. There are many indications that Brazil is irreversibly on the right track.

The final negotiations on the agreement with MERCOSUR have shown one thing very clearly: a Europe that unilaterally sets the conditions for international trade and agriculture is a thing of the past. The EU can and must continue to support solutions for sustainable economic development and work on them in dialogue. The European

[24] Farmers producing cocoa, coffee or palm oil in other regions, including sub-Saharan Africa, will probably be hit harder. It must be expected that with the EUDR, farms in the global South will not only lose markets in Europe, but also jobs and income. This could also thwart development policy approaches to smallholder farmer market integration.

Parliament and member states should now swiftly adopt the agreement with MERCOSUR. Or will everything still fail due to the influence of right-wing nationalist parties and governments in Europe? What a marvellous victory that would be for a left that believes itself to be progressive and internationalist!

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