



EUROPEAN COMMISSION

Cabinet of Executive Vice-President Valdis Dombrovskis
Head of Cabinet

Brussels, 23. 06. 2021

Mr. Martin Konecny
Coordinator
Seattle to Brussels (S2B) Network

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Dear Mr. Konecny,

Thank you for your letter of 17 May in which you share the concerns of the Seattle to Brussels Network and Friends of the Earth Europe about certain actions undertaken by the Brazilian government, express views against the EU-Mercosur Agreement and ask for its ratification to be halted. Executive Vice-President Mr. Valdis Dombrovskis asked me to reply on his behalf.

I would like to start by acknowledging your concerns about the environmental situation in Brazil and some of the measures taken or planned by the Brazilian government. Please rest assured that the Commission takes these concerns very seriously and is determined to address them. While I would not want to downplay the responsibilities attributable to questionable public and regulatory policy choices, nor the challenges that Brazil is facing in terms of controlling deforestation and forest fires, I do not share the premise that the Agreement is part of the problem and should be abandoned. I fully agree that it is necessary for Mercosur countries, and in particular Brazil, to demonstrate their commitment to addressing environmental and climate change concerns and to take serious actions to improve the situation on the ground. Therefore, already last year I expressed the opinion that the EU will need concrete results and meaningful engagement from Mercosur countries before we can proceed with the ratification of the Agreement.

Provided we see a change of direction, I believe that it is ultimately more useful to have an agreement in place. This would allow the EU to engage with our Mercosur partners on concerns related to sustainability through a proper framework; an opportunity we would miss if we failed to ratify the Agreement. The Agreement will empower the EU to work with Mercosur countries on a broad range of issues covering not only trade but also climate change, the environment, human and labour rights as per the provisions on trade and sustainable development (TSD) included in the Agreement.

The EU-Mercosur Agreement is based on the premise that trade should not be pursued at the expense

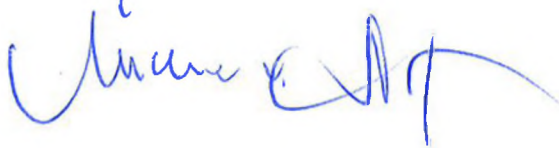
of the environment, social or labour conditions. By delivering significant economic benefits, the Agreement also promotes our green values and standards. The Agreement's TSD chapter contains binding provisions obliging the Parties to effectively implement multilateral environmental agreements, including on climate change, the environment, biodiversity, chemicals and waste. A particularly important element of this chapter is the legally binding commitment for all Parties to effectively implement the Paris Agreement. The chapter also contains commitments on the sustainable management and conservation of forests, promotion of responsible business conduct and regarding informed and prior consultation with indigenous peoples on policy decisions that concern them and their livelihoods. Also important to note is that the political part of the Agreement contains legally binding provisions on the respect for and protection of human rights, which include the rights of indigenous peoples. The Agreement establishes civil society consultation mechanisms on both sides, through the Domestic Advisory Groups, as well as the Civil Society Forum. These structures have an important role in monitoring and advising the governments on the implementation of the Agreement.

In your letter, you also express concerns on the impact of the trade opening in Mercosur countries. Market opening under the Agreement is balanced, gradual, limited for sensitive products and allows sufficient time for Mercosur economies, and in particular sensitive domestic industries, to adapt to the new competition. For sensitive products, market opening in Mercosur will take place gradually over a period of up to 15 years. Some products will be entirely excluded from any liberalisation. The Commission is of the view that by making good use of the long transition periods, the possible negative impact on both employment and on sensitive domestic industries can be minimised, as the growth potential for competitive sectors in Mercosur is significant. At the same time, gradual and controlled opening under the Agreement provides Mercosur countries with an opportunity to modernise their economies, attract investment and insert their businesses and industries into global value chains.

As regards fears that Brazil's main agricultural exports to the EU under the Agreement will further drive deforestation in the Amazon, let me point out a few facts. Soy already enters the EU market duty free; therefore, the Agreement will have no impact on EU imports. Regarding beef, Brazil produces 11 million tonnes of beef per year therefore the Mercosur Agreement quota of 99,000 tonnes represents less than 1% of Brazilian production. To put it in context, this volume amounts to about 18 days of Brazil's beef exports to China. Moreover, the quota in the Agreement is for beef from all four Mercosur countries. The relevant quantity is therefore the Brazilian share of the quota, which will be an even smaller percentage of production in Brazil. The main effect of the sub-quota for fresh beef will be to relieve the existing trade flow from duties rather than creating new trade flows, given that demand for imported beef has been relatively stable in the past decade. Most EU retailers apply sustainability criteria in their supply chains. This encourages suppliers to develop systems to provide assurances of, for instance, zero deforestation. In this way, exposure to the high expectations of the EU market has a positive impact not only on EU trade, but also on production in partner countries even for other markets. In this context, I would also like to mention that later this year the Commission plans to adopt legislative proposals on minimizing the risk of placing on the EU market of products derived from deforestation and on mandatory due diligence covering human rights and environmental damage.

Finally, let me provide a broader context in which we believe this Agreement needs to be seen. Walking away from the deal will not help us reach our environmental objectives. The agreement builds on 20 years of negotiations and will consolidate a strategic political and economic partnership between the EU and Mercosur that will transcend any particular Mercosur Government or European Commission. It will provide a framework for relations for many years to come and I am convinced that it will allow the EU to forge strong links with a traditional partner and to project our values, including in the field of climate change, environment, labour and human rights.

Yours sincerely,



Michael Hager

cc.: Mr Paul de Clerck, Coordinator Economic Justice Program | Friends of the Earth Europe