



ASSESSMENT OF THE SOCIAL AND ENVIRONMENTAL RISKS POSED BY THE EU-MERCOSUR TRADE AGREEMENT

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List of Abbreviations

AA	Association Agreement
AMR	Antimicrobial Resistance
CCSCS	<i>Cono Sur Trade Union Organisations Coordinator</i>
EC	European Commission
EC	European Commission
EFSA	European Food Safety Agency
ETUC	European Trade Union Confederation
EU	European Union
FCA	Framework Cooperation Agreement
FTA	Free Trade Agreement
Funai	<i>Fundação Nacional do Índio</i> (The National Indigenous Foundation)
INPE	<i>Instituto Nacional de Pesquisas Espaciais</i> (National Institute of Spatial Research)
OECD	The Organisation for Economic Co-operation and Development
PT	<i>Partido dos Trabalhadores</i> (Workers' Party)
PTPA	United States–Peru Trade Promotion Agreement
SITC	Standard International Trade Classification
TRIPS	Trade Related Aspects Intellectual Property Rights
TRQ	Tariff-rate quota
TSD	Trade and Sustainable Development
UDHR	Universal Declaration of Human rights
UNDRIP	United Nations Declaration on the Rights of Indigenous Peoples

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Executive Summary

The EU-Mercosur Free Trade Agreement has come under increased scrutiny regarding its potentially harmful impacts on the environment and human rights as EU member states try to reconcile global trade with commitments to combat climate change and enable sustainable development.

This challenge was brought into sharp relief in August 2019, as tens of thousands of fires burned throughout the Amazon rainforest which cast doubt on the questionable climate policies of Brazilian President Jair Bolsonaro and the intensification of beef production in Brazil to meet the anticipated demand generated by the trade agreement.

During the fires, Ireland and France, countries with strong agricultural sectors, expressed their concern about potential market distortions and the hardship that the agreement could usher in for farmers in Europe. Other stakeholders and observers have raised concerns that the deal could have profound negative consequences for human rights, and in particular the rights of indigenous communities, health and workers' rights.

This research sought to understand the social, economic and environmental landscape onto which the EU-Mercosur Free Trade Agreement would be introduced in order to understand how the deal may exacerbate or address issues in these interrelated spheres. Key findings for these areas of concern are presented below.

Agriculture & Environment

The key concerns in both agriculture and environment stemming from the proposed FTA are deeply interrelated. Farmers are concerned about the contrast between small-scale EU farms and the large ranches in Mercosur countries and the impact this will have on livelihoods and animal welfare. The increase in Mercosur countries exporting meat to the EU market could drive the prices of EU meat down and negatively impact the financial situation of farmers within the EU.

Simultaneously, the planned further opening of the EU market for Mercosur beef producers will undoubtedly incentivise an expansion in the Mercosur beef sector which carries the risk of further deforestation and destruction of the Amazon. The intentional deforestation of the Amazon to facilitate new and expanding cattle ranches and crop plantations for animal feed which will exacerbate climate breakdown. The EU values put forward in the Green Deal, and the Farm to Fork strategy, are inconsistent with the values exhibited by the Mercosur countries in relation to climate and agricultural policy.

Other concerns exist regarding the quality of produce which the deal could see imported from the Mercosur countries. In 2003 Brazil legalized the commercialization of genetically modified soybeans, prior to the enactment of the Biosafety Law, and without carrying out a previous study of environmental impact. In Brazil over 500 pesticides are permitted for agricultural use, 150 of which are prohibited in the EU . 70%

of these pesticides are used in the growing of genetically modified sugar, sweetcorn and soy , all products which will see an increase in imports into the EU under the Agreement.

Workers' Rights

While Mercosur countries are signatories of the main international environmental agreements, the same is not true for labour agreements. Uruguay is the only country that has ratified all governance and fundamental conventions under the International Labour Organisation. In countries with high incidence of informal labour, as is the case of Mercosur, the collective bargaining coverage rates as a proportion of total employment are considerably lower. This coupled with low adherence to international conventions indicate the potential for exploitative practices, particularly the exploitation of women and children. The fragility of labour market institutions in Mercosur countries and serious legislative deficiencies in the four Mercosur jurisdictions, make recent attacks on established labour rights highly concerning.

Human Rights

The greatest risks posed by the advancement of the EU-Mercosur deal to the realisation of human rights stems from the relationship between agriculture and extractive processes with indigenous people's rights and indentured servitude or slavery. There is growing concern about the consequences of increased agricultural production and extractive activity in Mercosur.

In Paraguay, Argentina and Brazil among the cases of countries where indigenous rights are under threat. In Brazil in 2018, 111 cases of invasions, illegal exploitation of natural resources and various types of damage to indigenous territories were registered. These attacks have a variety of motivations, including real estate speculation, logging, expansion of farming and illegal mining.

Poverty and land concentration in rural areas create conditions for slavery and forced labour. Argentina as has not yet formally enacted regulations aimed at stopping the government and businesses from sourcing goods and services produced by forced labour. Moreover, in terms of absolute numbers, it is estimated that four Mercosur countries account for 439,000 victims of slavery and forced labour. There is little indication that measures to counteract forced labour would be in place to prevent the EU-Mercosur FTA increasing these numbers.

Public Health

The EU and Mercosur, in pursuing a notably light burden regarding the state of health in the proposed deal, are seemingly led by the belief that increases in trade leads to increases in prosperity, which in turn are directly linked to improved health standards. Despite this, multiple advocacy bodies have raised concerns regarding the deal's hypothetical impacts on public health.

The agreement is projected to have a significant increase on the trade of a variety of consumable goods including the trade of goods historically linked to chronic disease, such as tobacco and alcohol. The deal

has been eagerly anticipated by alcohol and tobacco companies. Furthermore, there is evidence that trade agreements, trade dispute mechanisms and the growth of new sales media have effectively reduced the ability of national and subnational governments to control local alcohol and tobacco markets.

One of the most common points of concern raised by critics of the deal is whether agricultural imports into the EU will meet appropriate health standards in both production and import. This has been a significant point within Irish media, as well as one which has been discussed by politicians: “when it comes to beef, [Brazil] is a country with no database or traceability and in which growth promoters are widely available”. Without significant EU-side measures for comprehensive audits of incoming goods, the likes of which are not present in current texts, the precautionary principle and trust are all that stand between scandal-ridden foodstuffs and European markets.

A final area of concern raised by the deal is potential risks to the continued access of vital medicines. Intellectual Property provisions seek to extend patent rights, including over medicines. The extension of baseline medicine patents beyond the standard Trade Related Aspects Intellectual Property Rights (TRIPS) agreement, which the EU affirms its commitment to, could raise the cost of life-saving medicines in Mercosur member states.

Between 2003 and 2011, the implementation of data exclusivity rules in Columbia – a mechanism by which regulatory authorities withhold action on generic pharmaceuticals for a set period of time – burdened the Columbian public healthcare system with an additional cost of \$396 million. This is especially pernicious in the context of the countries in Mercosur, especially given the muddled and austerity-frozen nature of Brazil’s public healthcare system

Limited measures to protections against negative outcomes

There are clearly grounds for concern about the impact of the EU-Mercosur Free Trade Agreement on communities in the Mercosur bloc and in the EU. There exists a landscape of precarity which appears likely to be exacerbated by the FTA. This is because the broad pattern within the deal is one of voluntary compliance: parties commit to supporting international standards through provisions within the agreement but are not compelled to comply beyond commitments to what they have already ratified.

Further liberal ‘opt-out’ clauses in instances of ill-defined environmental, health, or security concerns mean parties are only held to their own domestic regulatory standards, though empowered to ensure those standards are being met in imported products. The dependence on domestic regulatory capacity is concerning due to the poor track record of fragile institutions and corruption among Mercosur members. Reviewing the performance of checks and balances in other EU FTAs paints an uncomfortable picture of toothless redress mechanisms and insufficient resourcing and oversight to appropriately address concerns and abuses as they arise. This does not bode well for the implementation of the proposed EU-Mercosur Free Trade Agreement.

1. Introduction

In the midst of the global climate crisis, the proposed EU-Mercosur Trade Agreement has come under increased scrutiny regarding its potentially harmful impacts on the environment, as EU member states try to reconcile global trade with commitments to combat climate change and sustainable development. Modern trade agreements will have long term consequences, both in terms of efforts to reduce emissions reductions and the realisation of the targets laid out in the Sustainable Development Goals under the 2030 Agenda for Sustainable Development.

This challenge was brought into sharp relief in August 2019, as tens of thousands of fires burned throughout the Amazon rainforest which cast doubt on the questionable climate policies of Brazilian President Jair Bolsonaro. Wildfires often occur in the dry season in Brazil, but they are also deliberately started in efforts to illegally deforest land for cattle ranching. During his presidential campaign, President Bolsonaro pledged to limit fines for damaging the rainforest and to weaken the influence of the environmental agency. The fires in 2019 represented an 85% increase in the number of fires compared with 2018.

The largest rainforest in the world, the Amazon is a vital carbon store that slows down the pace of global warming. Termed the "lungs of the world", the rainforest is home to about three million species of plants and animals, and one million indigenous people. Many observers view the increase in environmental destruction as Brazil ramping up beef production in anticipation of the EU-Mercosur Trade Agreement.

During the peak of the 2019 fires, Irish Taoiseach Leo Varadkar said, "There is no way that Ireland will vote for the EU-Mercosur free trade agreement if Brazil does not honour its environmental commitments". Ireland was not alone in taking this stance. French President Emmanuel Macron said President Jair Bolsonaro had lied to him about his stance on climate change and Finland's finance minister called on the EU to consider banning Brazilian beef imports.

Even before the fires, the EU was divided on the deal. In June 2019, a group of EU member states including Germany, Spain, Portugal, the Netherlands, Sweden, the Czech Republic and Latvia sent a letter to then President of the European Commission Jean-Claude Juncker requesting the deal be concluded as soon as possible. Other countries have objected – in June 2019 a separate three member states, including Ireland, wrote to President Juncker outlining their "deep concern" about the agreement due to agricultural issues.

Separately Slovakia expressed concern about environmental, health and animal welfare standards. Indeed, the deal is facing criticism, not only from those countries with strong agricultural sectors concerned about potential market distortions, but by many stakeholders and observers concerned that the deal could have profound negative consequences for human rights, and in particular the rights of indigenous communities, health and workers' rights.

This report seeks to understand the social, economic, and environmental landscape onto which the EU-Mercosur Free Trade Agreement would be introduced in order to understand how the deal may exacerbate or address issues in these interrelated spheres. The report is structured around five interlinked areas of concern as follows: the second section addresses concerns regarding environmental protection and agriculture; the third section explores ramifications for workers' rights; the fourth section looks at potential conflict with human rights more generally; and the fifth section looks at risks posed to public health.

Before continuing with the areas of concern, we will briefly discuss just what the EU-Mercosur Trade Agreement is, the anticipated timelines for ratification and the limitations of this research.

What is the EU-Mercosur Free Trade Agreement?

The EU-Mercosur Free Trade Agreement is a trade deal agreed between the European Union and four South American countries - Brazil, Argentina, Paraguay, and Uruguay. The agreement will eliminate high customs duties in key EU export sectors: cars and parts; machinery; chemicals; agricultural products like dairy, spirits and wine; and pharmaceuticals and for products kept so far out of the Mercosur market, such as clothing and footwear. For the Mercosur countries the deal will reduce tariffs on some of the region's biggest exports to Europe including agriculture products such as foodstuffs, beverages and tobacco, vegetable products including soya and coffee, and meat and other animal products.

The European Union is Mercosur's largest trade and investment partner and its second biggest trade in goods partner. A total of 20.1% of the bloc's exports in 2018 went to the European Union. In that year the European Union exported €45bn worth of goods to the four South American countries. €42.6bn worth of goods from the Mercosur countries was imported into the European Union.

Deal Timeline

The European Union–Mercosur free trade agreement is a free trade agreement on which the EU and Mercosur reached agreement in principle in 2019. Talks began on the deal in 1999, and the agreement in principle was announced at the 2019 G20 Osaka summit. The text was finalised in July 2020. Translation of this text will be carried out and completed by October 2020 with an EU Council vote occurring at this point. A unanimous vote in the EU Council needed¹, then agreement will be voted on in the European Parliament, followed by ratification in all Member States.

¹ Draft Council Conclusions On The Negotiation And Conclusion Of Eu Trade Agreements, adopted on 28 May 2018, states: " The Council notes that in the future the Commission intends to recommend draft negotiating directives for FTAs covering exclusive EU competence on the one hand and separate mixed investment agreements on the other, with a view to strengthening the EU's position as a negotiating partner. It is for the Council to decide whether to open negotiations on this basis. It is equally for the Council to decide, on a case-by-case basis, on the splitting of trade agreements. Depending on their content, association agreements should be mixed. The ones that are currently being negotiated, such as with Mexico, Mercosur and Chile, will remain mixed agreements." Available at: <http://data.consilium.europa.eu/doc/document/ST-8622-2018-INIT/en/pdf>

Limitations of this research

This research was conducted as a desk-based analysis of the EU-Mercosur Trade Agreement its potential ramifications on social, economic, and environmental conditions in the EU and the Mercosur Region. It is, by its nature, not an exhaustive piece that seeks to identify key concerns in the areas of environment, agriculture, human rights, indigenous rights and health. As the deal is not a fait accompli, it is possible that provisions may change that exacerbate or remedy issues identified here before the agreement is finalised.

The trade agreement is part of a wider political association agreement, which has not been published at the time of writing and is therefore not accounted for as part of this research. German government has noted the political association agreement contains an essential elements clause for the protection of human rights, but trade agreement could be provisionally applied before the rest of the agreement (the association part) is ratified. In such a situation, only the much weaker provisions from the Trade and Sustainable Development chapter of the Free Trade Agreement would be applied. It is understood, though not confirmed, that the Paris Agreement, the Sustainable Development Goals and the International Labour Organisation conventions will not be contained within the political association agreement and so checks and balances are limited to the Trade and Sustainable Development Chapter of the agreement.

2. AGRICULTURE & ENVIRONMENT

Given the significant focus of the EU-Mercosur Trade Agreement on agriculture, and the explicit links between agriculture and environmental outcomes, this section will look at two areas of concern in unison – the potential impact of the trade deal on the agricultural sectors of the EU and the Mercosur bloc, and the ramifications for the environment, in particular on climate change.

2.1 Context

Mercosur is a major power in exporting primary goods. Mercosur's total exports exceeded US\$ 276 billion in 2018. Brazil is by far the largest player - in 2018 the country accounted for 77,3% of total exports of the block (Mercosur, 2018)

About 20% of this total landed in the EU – which makes the European bloc the second largest market for Mercosur products (EC, 2019a). The table below shows that the bulk of exports to the EU is composed of primary products (71.3%). Agricultural products correspond to 52.8%, with the largest items being soybeans, oil cakes (traditionally used in animal feed), coffee and beef. Exports of fuels and mining products are also substantial, accounting for 18.5% of total exports in that year.

Table 1.1. Mercosur exports to the EU by selected products (according to SITC product groups), 2018.

Product	Value Mio €	% Total
Total	42.580	100,0
Primary products	30.354	71,3
- Agricultural products (Food (incl. Fish) & Raw Materials)	22.463	52,8
-- Food	18200	42,7
---soyabeans	2027	11,1
--- oilcakes	5504	30,2
--- unroasted coffee, tea in bulk & mate	1958	10,8
--- Bovine meat, fresh, chilled and frozen	1189	6,5
--- Sugar, other than beet & cane	2	0,0
-- Raw materials	4.263	10
- Fuels and mining	7.892	18,5
-- Ores and other minerals	5.379	12,6
-- Fuels	2271	5,3
---of which Petroleum and Petroleum products	2.244	5,3
-- Nonferrous metals	242	0,6
Manufactures	10.985	25,8
Other products	948	2.2
Other	293	0,7

SOURCE: EC, DIRECTORATE-GENERAL FOR TRADE (2018) AND EC, DIRECTORATE-GENERAL FOR AGRICULTURE AND RURAL DEVELOPMENT (2018)

Relations between the two blocs, however, go far beyond trade in goods. In 2017 the EU exported €23 billion of services to Mercosur. In addition, in the same year the EU investment stock in the South American bloc totalled € 381 billion. Currently the EU is the largest foreign investor in Mercosur (EC, 2019a).

Regarding the trade of goods, the EU will eliminate tariffs on 92% of its imports from Mercosur over a transition period of up to 10 years. Regarding agricultural products, 82% will be liberalized, with the remaining imports subject to partial liberalisation including tariff-rate quotas². As a general rule, the agreement also provides for the elimination of a number of non-tariff barriers, such as import and export price requirements, import and export monopolies, licensing procedures and export subsidies (EC, 2019b).

The European Commission (EC) has analysed the potential effects of 12 trade agreements on EU agriculture, including Mercosur's trade deal. The study compares three scenarios: a baseline, with trends without trade agreements until 2025; an ambitious and a conservative scenario³, which depended on the level of liberalization obtained. The results pointed to a significant increase in EU agricultural imports from Mercosur – especially meat and sugar imports, which would double in the most optimistic scenario. Trade impacts on arable crops, which includes wheat, cereals and oilseeds (the latter including soybeans) were expected to be modest – which is logical, given that soy already faces low tariffs (Boulanger et al, 2016).

A previous EC study modelled five scenarios, each one corresponding to a different stage in the negotiations. The researchers projected a strong increase in EU meat imports from Mercosur in all the scenarios, and a decrease on EU's imports of oilseeds (Burrell et al, 2011). A recently published impact assessment forecasted an expansion of EU imports of beef from Mercosur between 26% and 37% in the conservative scenario, while output in Mercosur would expand between 0.2% and 2.1%. The report also predicted an increase in both production and exports in the sugar and ethanol sector of Brazil and Argentina. The increase in EU imports of dairy products was computed to be negligible, as Mercosur is a small supplier to the EU market (LSE, 2019).

Regarding soy, the ambiguity of quantitative projections is to be expected. On the one hand, a reduction in European demand can be driven by a reduction in the production of European beef, as 90% of soy imports are destined to animal feed (Siegle, 2009). On the other, cheaper soybeans can become more attractive for biodiesel producers in Europe (Bannon, 2019). The above studies did not analyse trade impacts on EU imports of mineral products and fossil fuels.

Regarding trade in services and investment, the deal establishes the removal of *“unnecessary discriminatory obstacles and provide new opportunities to invest through establishment in both services and manufacturing sectors”* (EC, 2019b, p.9). The text of the agreement that deals with the subject lists a series of market access and national treatment restrictions that will be removed. Some examples are limitations on the participation of foreign capital, limitations on the total value of transactions or total value

² Tariff-rate quotas restrict the amount of a product that can be imported at a lower tariff rate or duty free, while quantities exceeding the quota are subject to a higher duty rate. Agricultural products that will be subject to partial liberalization include beef, poultry, pigmeat, sugar, ethanol, rice, honey and sweetcorn.

³ In an ambitious scenario was defined as one with full tariff liberalization for 98.5% of HS 6-digit lines, and a partial tariff cut of 50% for sensitive products; a conservative scenario was characterized by a full tariff liberalization of 97% of HS 6-digit lines and a partial tariff cut of 25% for sensitive products.

of operations, and preferential treatment given to national enterprises, investors, services and service suppliers. The text refers to a series of exceptions that are on “Lists of Commitments”, where each party establishes which economic activities and under what conditions the other party may act. These lists have not been disclosed to the public, which puts a heavy constraint on our analysis of the real depth of the economic opening to be promoted by the agreement.

Another avenue for deepening investment relations is the clause that provides for companies from one block to participate in government procurement processes from the other block on an equal basis. One of the texts of the agreement deals exclusively with this subject. Up to now, governments have been able to set rules that prevent or hinder the entry of foreign competitors (Coletta, 2019).

2.2 Impact of the removal of tariffs to EU imports/exports

The two main concerns for EU farmers under the Agreement are the contrast between small-scale EU farms and the large ranches in Mercosur countries and the impact this will have on the environment and animal welfare, and secondly, the intentional deforestation of the Amazon to facilitate new and expanding cattle ranches and crop plantations for animal feed which will exacerbate climate breakdown.

The EU will liberalise 82% of agricultural imports, with the remaining imports subject to partial liberalisation commitments including tariff-rate quotas for more sensitive products with a very small number of products excluded altogether, such as, beef, pig meat, poultry, ethanol, sugar, rice, honey, and sweetcorn. Additionally, reciprocal tariff-rate quotas will be opened by both sides and phased in over 10 years for cheese, milk powders and infant formula⁴.

The FTA contains strong provisions prohibiting export subsidies and measures with equivalent effect to ensure fair competition in trade between the EU and Mercosur⁵. With certain EU and Mercosur products at a level playing field, EU farmers who will be held to higher sustainability standards are likely to have reduced production levels and higher costs than producers in the Mercosur countries. At an Agrifish Council on June 8 2020, some Member States raised concerns about the new high standards expected of EU producers under the Green Deal and the potential low standards of imports and the impact this will have on the competitiveness of EU products. Questions were raised about how the EU would ensure sustainable agricultural practices at an international level “to avoid a dangerous externalisation of unsustainable practices”⁶.

⁴ EU-Mercosur trade agreement, the agreement in principle, pp.2-3

⁵ EU-Mercosur trade agreement, the agreement in principle, p.4

⁶ Gerardo Fortuna, *New sustainable food policy bears risk of unsustainable imports, ministers warn*, Euractiv, 9 June 2020

2.3 Dialogues, Regulatory Standards, Compliance and Accountability in the EU and in the Mercosur countries

The EU-Mercosur deal emphasises the promotion of information-sharing between EU Member States and the Mercosur countries through bilateral and international cooperation on four areas: animal welfare, biotechnology, food safety and the fight against antimicrobial resistance (AMR).

The EU From Farm to Fork strategy (F2F), one of the main pillars of the EU Green Deal, states the Commission's aim to make European food production sustainable by reducing dependency on pesticides and antimicrobials, reducing excess fertilisation, increasing organic farming, improving animal welfare, and reversing biodiversity loss. In EU trade agreements, "provisions on market access are binding, concrete and detailed, while those dealing with values are often vague, not binding, and are, in practice, almost never enforced"⁷. The EU values put forward in the Green Deal, and the F2F strategy, are inconsistent with the values exhibited by the Mercosur countries in relation to climate and agricultural policy. Situating EU values-sharing within the non-binding Dialogues section of the FTA ensures that the EU values regarding sustainability presented in the Green Deal and the F2F strategy will not be utilised or adhered to by the Mercosur countries. Francesca Colli notes that this lack of consistency between internal and external policies of the EU threatens the effectiveness of EU policies and the credibility of the goals themselves⁸.

In Brazil, pesticides and fertilizers benefit from some tax exemptions which has contributed to their growing use⁹. The use of unauthorised pesticides is high across Mercosur countries (OECD, 2015). In Brazil almost a third of pesticides consumed are considered dangerous (OECD, 2015). The widespread use of pesticides is associated with the practice of minimum-tillage and no-tillage farming that is common across Mercosur countries (Peiretti and Dumanski, 2014). However, the use of nitrogen fertilizers is currently below EU levels in all four Mercosur countries¹⁰.

It should be noted that in Brazil over 500 pesticides are permitted, 150 of which are prohibited in the EU¹¹. 70% of these pesticides are used in the growing of genetically modified sugar, sweetcorn and soy¹², all products which will see an increase in imports into the EU under the Agreement¹³. The liberalisation of EU tariffs on these products compromises the EU stance on sustainable agriculture. Interestingly, some of the

⁷ L Drieghe and D Potjomkina (2019) 'EU's value-based approach in trade policy: (free) trade for all?', *Global Affairs*, Vol.5 (1), pp.63-72

⁸ Francesca Colli (2019) The EU-Mercosur agreement: towards integrated climate policy? EGMONT, Royal Institute of International Relations, pp.1-2

⁹ SIA in support of association agreement negotiations between the European Union and Mercosur, LSE, October 2019, pp.83-84

¹⁰ SIA in support of association agreement negotiations between the European Union and Mercosur, LSE, October 2019 pp.83-84

¹¹ Luciana Ghiotto and Javier Enchaide, Summary of the Analysis of the agreement between the EU and the Mercosur, Anna Cavazzini MEP, The Greens/EFA, December 2019, p.3

¹² Luciana Ghiotto and Javier Enchaide, Summary of the Analysis of the agreement between the EU and the Mercosur, Anna Cavazzini MEP, The Greens/EFA, December 2019, p.3

¹³ EU-Mercosur trade agreement, the agreement in principle, p.3

pesticides and fertilizers used in the Mercosur countries are manufactured by European biotech corporations¹⁴. There is a possibility that dialogues concerning pesticides and fertilizers could be compromised by industry interests within the EU.

Lastly, antimicrobial resistance, according to the World Health Organisation “is one of the biggest threats to global health, food security, and development today”. Antimicrobial products are used routinely in intensive farming systems, such as those found in the Mercosur countries. Brazil does not fully ban the use of antibiotics as growth promoters. In 2010, it was the third largest consumer of antibiotics in livestock after China and the USA. It is expected that Brazil will double its use of antibiotics in livestock by 2030¹⁵. In light of the ongoing pandemic, pressure on biodiversity and intensive farming are a ‘hotbed’ for the spread of zoonoses. It should be noted that the majority of Mercosur countries do not have a tagging, traceability or movement control system in place for livestock and therefore cannot guarantee origin¹⁶.

2.4 Environmental concerns

The deal has been heavily criticized for the environmental impacts that it can cause. Here we will focus on three points: (i) the expansion of monocultures, livestock and proliferating unsustainable agriculture, and (ii) the expansion of production within the mining and fossil fuel sectors.

2.4.1 Expansion of monoculture, livestock and harmful agricultural practice

First, the expansion of large commercial crops, such as sugar and soy, would be driven by the increased export demands. These products are associated with high levels of water consumption, along with high use of fertilizers and pesticides, leading to soil and water contamination (Naidoo, 2014). Moreover, their major expansion fronts are Amazonian regions. According to the Climate Observatory¹⁷, in 2018 soybean plantations illegally occupied 47.3 thousand hectares of deforested areas in the Brazilian Amazon - the largest area registered in the last five years (Climate Observatory, 2018). Amazon sugar production had been restricted to special areas since 2009, as a form of controlling its expansion. But in 2019 the restrictions were revoked (Girardi, 2019).

However, commercial crops have a small effect in the deforestation of the region if compared to beef cattle ranching (Margulis, 2004; Cederberg et al, 2011). Estimates indicate that 80% of deforestation in the Amazon region is due to pasture formation for livestock activity (Sy et al, 2015). Deforestation releases carbon dioxide (CO₂). CO₂ accounts for around three quarters of total greenhouse gas emissions. Even

¹⁴ Luciana Ghiotto and Javier Enchaide, Summary of the Analysis of the agreement between the EU and the Mercosur, Anna Cavazzini MEP, The Greens/EFA, December 2019, p.3

¹⁵ Eurogroup for Animals. Animal Protection in EU-Mercosur Agreement. p.29-30.

¹⁶ Copa Codega. The Agricultural Impact of an EU-Mercosur Agreement.

¹⁷ The Climate Observatory (Observatório do Clima) is a network of Brazilian civil society entities formed to discuss climate change.

though deforestation in the Amazon is not one of the main drivers of climate change¹⁸, forests are crucial to absorb the CO₂ primarily created by fossil fuel-based development in the Global North - and more recently China (Rainforest Alliance, 2018). Unsurprisingly the Amazon region is called the “lungs of the world”. It is also important to highlight that farming activities are intrinsically associated with the production of other greenhouse gas emissions - namely methane (CH₄, cattle belching) and nitrous oxide (N₂O, from fertilizers and the like). In 2012, Mercosur member countries together were responsible for almost 8% of global emissions of CH₄ and N₂O combined (Ritchie and Roser, 2017).

The EU Green Deal and the From Farm to Fork strategy lay out a vision for a cleaner, pesticide/herbicide-free EU agricultural sector with reduced reliance on fertiliser and decreased GHG emissions, yet the Mercosur deal threatens these ambitions by transferring the site of damage to the Earth by unsustainable agricultural practices from the EU to the Mercosur countries. Can the EU claim to be the global leader on climate action and agree to the Mercosur deal?

Target 15.2 of the Sustainable Development Goals states that “By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally”. Agricultural expansion to produce soy, beef and palm oil is responsible for some two thirds of tropical deforestation globally. Between 2006 and 2017, 220,000 km² of Amazon and Cerrado vegetation was cleared in Brazil, with 10% of this cleared for soy in the same period¹⁹. The Stockholm Environment Institute estimates that in 2017, exports from Cerrado to EU countries (17% of all exports from the Cerrado region) can be linked to 150 km² of soy-related deforestation in the Cerrado and 1.7 MtCO₂e²⁰.

2.4.2 Increased demand for fossil fuels and mining

Second, in relation to the fossil fuel and mining sectors, Fritz (2017) points to the EU key interests in the minerals and energy sectors, which are to secure the European supply, and to expand investments by European corporations in extracting these raw materials and in supplying energy in Mercosur. The author highlights the centrality of mineral supply from Mercosur - Brazil, for example, supplies 55% of iron ore, 45% of kaolin and 44% of manganese imported by the EU. Argentina accounts for about 9% of copper imports.

¹⁸ Developed countries (namely European countries and the US) have historically been the biggest contributors to CO₂ emissions (58% between 1751 and 2017 according to Ritchie and Roser, (2017)). South America's share corresponded to 3% - and only 3.2% if we only count 2017.

¹⁹ Toby Gardner, “Soy trade from Brazil’s Cerrado driving climate emissions, Stockholm Environment Institute, December 2018

²⁰ Toby Gardner, “Soy trade from Brazil’s Cerrado driving climate emissions, Stockholm Environment Institute, December 2018

In 2011, the EC released a list of “critical raw materials”, deemed central to its modern industrial base, and which carry strong risks of supply shortage (EC, 2017). Brazil is listed as one of the main global producers of natural graphite, niobium, silicon metal and tantalum, while Argentina was listed as one of the main producers of borate. Latin America has historically imposed trade barriers on mineral exports, although the recent political trend is one of liberalization. For the EU, the agreement is a guarantee that these barriers will remain in the past.

The environmental threats posed by the mining sector are significant (MIT, 2016). In the past 5 years Brazil experienced two major disasters. The 2015 tailings dam failure²¹ in the city of *Mariana* is considered to be the biggest environmental disaster of its kind in global history. According to the UN:

"the destruction of riparian, freshwater and marine ecosystems eliminated irreplaceable natural resources and ecological processes that support traditional livelihoods, disrupting fisheries, agriculture, tourism and freshwater resources" - Roche et al, 2017, p. 19.

Four years later the dam rupture in *Brumadinho* caused hundreds of deaths and an immeasurable environmental damage (Phillips, 2019).

The EU-Mercosur agreement opens the door for an increase in mineral exploration. This comes not only from increased demand for exports, but also from increased investment by European companies in Mercosur. It also opens the door for an increase in oil extraction – in a world that urgently needs to move away from a fossil-based economy. A summary of the trade deal issued by the Brazilian government states that the country excluded the mining and oil sectors from the agreement (Federal Government of Brazil, 2019). But the non-disclosure of the Lists of Commitments makes it impossible to analyse the agreement in detail - we do not know for example if there has been a total or partial exclusion.

The current trend is definitely one of liberalization to foreign capital. In 2016, the rule requiring Brazilian state-owned company Petrobras to participate in all consortia formed to explore pre-salt reserves²² was changed. This participation is now optional for the company (Martin, 2016). However, barriers still exist – for example, Petrobras still has the preference to be the operator of the fields. Pre-salt exploration is expected to cause a large increase in Brazilian oil production. Conservative estimates suggest that the country has a chance of overtaking US and Libya by 2030 (Barbosa, 2016).

2.5 Livelihood concerns

Both the From Farm to Fork (F2F) and the EU-Mercosur deal emphasise the importance of geographical indications for European food. The F2F makes it clear that geographical indications keep EU food competitive on the global market and going forward, the EU intends to create specialised sustainable food

²¹ A tailings dam is commonly used to store byproducts of mining operations.

²² Pre-salt reserves are massive deep-sea oil and natural gas reserves discovered in the Brazilian coast.

labelling for EU products as agricultural practices within Member States become more sustainable. The Mercosur deal contains the largest number of geographical indications ever made in an agreement with 370 EU geographical indications protected from imitation in the Mercosur²³. These indications mostly concern specialist products, such as wine, cheese, and chocolate.

Despite the geographical indications on specialist EU products, it should be noted that the agri-business sector in Mercosur is set to gain the most with the FTA²⁴. While the EU will benefit from the reduction or elimination of duties on Mercosur imported raw materials, such as soybeans for animal feed²⁵, certain agricultural sectors will be negatively affected, notably beef, sheep, poultry, sugar, and rice²⁶. A 2011 impact assessment report concluded that on a per capita basis the losses to EU agricultural producers far outweigh the gains to those accruing in EU manufacturing (GLOBE) or to EU food consumers (CAPRI)²⁷.

The increase in Mercosur countries exporting meat to the EU market could drive the prices of EU meat down and negatively impact the financial situation of farmers within the EU. At present, beef represents around 3% of the total EU imports from Mercosur, yet the EU represents almost 17% of the value of the beef exported by Mercosur²⁸. Mercosur beef exports can be classified in: Fresh, frozen and processed beef. Mercosur represents nearly 64% of the total EU imports of fresh beef, and around 80% of the EU's total frozen beef imports originate from Mercosur countries²⁹. After the increase in quotas, the prices for beef imports are likely to shrink, making beef from Mercosur more competitive in the EU market³⁰. This will benefit larger producers who have the capital and capacity to expand production. Expansion of the beef sector in Mercosur will be incentivized by the decreased price on the EU market and the potential rise in the consumption of cheaper meat. The planned further opening of the EU market for Mercosur beef producers will undoubtedly incentivise an expansion in the Mercosur beef sector which carries the risk of further deforestation and destruction of the Amazon³¹.

According to the Association of Poultry Processors and Poultry Trade in the EU (AVEC), an extra 180,000 tonnes of poultry meat imported to the EU means a significant loss of EU jobs for the sector, with poultry workers located in rural areas more at risk³².

²³ Luciana Ghiotto and Javier Enchaide, Summary of the Analysis of the agreement between the EU and the Mercosur, Anna Cavazzini MEP, The Greens/EFA, December 2019, pp.27-28

²⁴ Luciana Ghiotto and Javier Enchaide, Summary of the Analysis of the agreement between the EU and the Mercosur, Anna Cavazzini MEP, The Greens/EFA, December 2019, p.28

²⁵ EU-Mercosur trade agreement, the agreement in principle, p.3

²⁶ EC. Cumulative economic impact of future trade agreements on EU agriculture, pp.39&70

²⁷ EC. Potential EU-Mercosur Free Trade Agreement: Impact Assessment. 2011 pp.127-131

²⁸ SIA in support of association agreement negotiations between the European Union and Mercosur, LSE, October 2019 p.107

²⁹ SIA in support of association agreement negotiations between the European Union and Mercosur, LSE, October 2019, p.107

³⁰ Luciana Ghiotto and Javier Enchaide, Summary of the Analysis of the agreement between the EU and the Mercosur, Anna Cavazzini MEP, The Greens/EFA, December 2019, p.28

³¹ Baltensperger and Dadush. The European Union-Mercosur Free Trade Agreement: prospects and risks. 2019. p.14

³² Greens and Powershift. Study on EU-Mercosur Agreement, pp. 28-31.

As the largest producer of pork meat in the EU, Spain produces four million tonnes of pork per year, with 2.5 million tonnes required to meet domestic demand. 1.5 million tonnes are allocated for export to third countries, which represents 50% of EU pork sales. The Spanish pork sector states that Spain could export excess pork meat to other EU Member States, instead of opening up the market to Brazilian producers³³.

As EU farmers are concerned with the output of large ranches in the Mercosur, the Mercosur trade union confederation CCSCS is opposed to the FTA on the grounds of insufficient transparency and the absence of an assessment of the deal's employment effects on Mercosur. It believes the deal will have a 'fatal impact' on regional production.³⁴

Expansion onto recently deforested land will cause an increase of landless labour and a loss of livelihoods for smaller scale farmers. Land prices and land conflicts due to competition for arable land are expected to rise³⁵. In Paraguay, the majority of farmers have no formal land titles, increasing their likelihood of being displaced as a result of commercial farming³⁶. Additionally, the long-term impact of increased sugarcane production could result in greater rural poverty and depopulation³⁷.

Overall, intra-Mercosur trade will be negatively affected, with a 16% decrease predicted in intra-Mercosur exports in case of a full liberalization of tariffs³⁸.

2.6 What are the risk mitigation mechanisms of the deal?

The agreement has a text which is entirely devoted to the theme of Trade and Sustainable Development (TSD). The text is based on the premise that the development of trade relations must always be respectful of multilateral commitments in the fields of labour and the environment, contributing to the achievement of the Sustainable Development Goals. The text deals with topics such as climate change, biodiversity protection, sustainable forest management and fishing.

It is important to note that the TSD text is not associated with sanctions of the agreement's dispute settlement mechanism - sanctions that can nullify or impair the benefits of the deal³⁹. The Brazilian government highlighted this disconnection in its summary (Federal Government of Brazil, 2019). Instead, the TSD chapter is:

³³ Luciana Ghiotto and Javier Enchaide, Summary of the Analysis of the agreement between the EU and the Mercosur, Anna Cavazzini MEP, The Greens/EFA, December 2019, p.30

³⁴ El Pais. Strong Warning from the Trade Union Centrals about the Agreement between Mercosur and the European Union. June 2019.

³⁵ Final Overview Trade SIA EU-Mercosur. 2009. p.26

³⁶ Final Overview Trade SIA EU-Mercosur. 2009. p.26

³⁷ Final Overview Trade SIA EU-Mercosur. 2009. p.26

³⁸ CEPAL. Quantitative Assessment of a Free Trade Agreement between Mercosur and the European Union. 2010. p.56

³⁹ "No Party shall have recourse to dispute settlement under Title VIII (Dispute Settlement) for any matter arising under this Chapter." (article 15, TSD text, page 12)

“subject to a specific dispute settlement procedure under which a complaint concerning non-compliance is first considered in formal government consultations. If the situation is not resolved then an independent panel of experts can be requested to examine the matter and make recommendations” (EC, 2019b, page 15).

This way, even though experts can express their opinions and make recommendations, their diagnosis is not bound to pre-established sanctions in the case of breach of commitments. The text merely states that *“the Parties shall discuss appropriate measures to be implemented taking into account the report and recommendations of the Panel of Experts”* (EC, 2019c, page 15). This problem was also highlighted by ETUC⁴⁰'s advisor Daniele Basso. For Basso, the same issue can be found in past EU agreements, such as the EU-South Korea free trade agreement. According to him, the ETUC spent a long time trying to get the EU Commission to establish a panel of experts to investigate labour abuses in South Korea. Although this has now been established, there is no hope in it leading to a reform of labour practices.

In addition, the TSD text incorporates the “precautionary principle”, following most international bilateral and multilateral acts concerning environmental and labour protection (Sadeleer, 2004). This means that if a measure that affects international trade carries serious risks of environmental degradation or to occupational safety, and there is no scientific consensus on how to assess those risks, this does not imply a prohibition on this measure. In such a case, it is up to the implementing country to demonstrate that the activity will not cause harm based on available pertinent information. The text limits the possibility for precautionary advocacy. This is because the most a trading partner could do would be to solicit information and *“request discussion of the matter in the TSD Sub-Committee”* (EC, 2019c, page 8). The text also restricts the application of sanctions by stating that the principle cannot be applied improperly to impose unjustified barriers to trade.

According to Reichard and Santos (2019), in 2003 Brazil legalized the commercialization of genetically modified soybeans, prior to the enactment of the Biosafety Law, and without carrying out a previous study of environmental impact. The country is a signatory to international treaties in the area, which also establish the precautionary principle.

There is little empirical evidence of the effectiveness of attaching those provisions to trade agreements. Peinhardt et al (2019) for example analysed the 2009 United States–Peru Trade Promotion Agreement (PTPA), in which Peru agreed to reduce illegal logging and improve forest sector governance in exchange for increased market access in the US. Using satellite images to estimate the PTPA’s impact, the authors concluded that deforestation had increased since the implementation of the PTPA. According to them, when mechanisms of enforcement are weak and there is little political will, those legal provisions are likely

⁴⁰ ETUC is the European Trade Union Confederation.

to fail. The authors follow Downs et al. (1996) in highlighting the importance of domestic interest groups on outcomes.

On the one hand, the current environmental/labour provisions of the Mercosur-EU trade are vague and general, basically requiring that members abide by international agreements. Situations not covered by an international consensus and an established scientific understanding are very much left to the assessment of individual countries. There are no detailed monitoring schemes and well-defined sanctions. On the other hand, the political action of specific interest groups in Mercosur points to a historical disregard for sustainable development. The later point is developed next, focusing on the case study of Brazilian agribusiness.

2.7 What are the consequences for Ireland?

In 2018, TASC found that agriculture was the most unequal sector in the country in terms of income. Many family farms in Ireland already find themselves in a precarious situation. The Irish Farmers Association estimate that the economic impact of the increased competition from the EU-Mercosur Free Trade Deal could be as much as €500 million to €750 million.

In addition, and aside from the global effects resulting from the potential environmental damage described in the previous section, a specific consequence for Ireland would be an increase in the consumption-based emissions (CBEs) of the country – which are production-based emissions adjusted for trade (Ritchie and Roser, 2017). CBEs of a territory are defined as emissions arising within that area, minus emissions related to the production of goods and services to be exported, plus emissions related to imports (C40 Cities, 2018).

Irish CBEs are likely to increase due to two main reasons: (i) Currently, only 0,38% of Irish imports from Mercosur correspond to meat products⁴¹ (Mercosur, 2019). With the agreement, a substitution-effect is likely to take place, as domestic markets will partially substitute nationally produced meat by imports, which are more carbon intensive; and (ii) increased meat supply will tend to reduce prices, which might lead to an increase in meat consumption in the country. According to Pope (2019), Ireland already consumes twice the global average of meat and 25% of the emissions of an average Irish person comes from diet.

⁴¹ 2019.

Case Study

Brazilian agribusiness, interest groups and institutional fragility

Generally, the makeup of Mercosur member countries, in terms of their legislation and institutional bodies, is recent, has undergone a significant process of modernization. That said, institutions remain fragile, as they are under constant attack from a variety of political forces and as enforcement mechanisms remain weak.

A greater degree of institutional fragility is one of the main features of developing economies (North, 1990). This fragility emerges historically in parallel to the rise and consolidation of domestic interest groups, which are active in imposing barriers to institutional improvement.

In Brazil, it was not until 1973 that a national public body was created with the sole purpose of dealing with environmental issues (Ferreira and Salles, 2016). Economic policy during the military dictatorship (1964-1985) was fully centred on an industrialization effort. In this context, increasing agricultural productivity was considered essential to support growing urbanization. Agricultural investment grew sharply in the period – while at the same time Brazilian agribusiness consolidated (Mueller, 2005)

During that period, environmental policy was essentially in conflict with the industrialization project. The initiatives put forward were largely a consequence of international pressures and were mainly about managing the pollution produced by industrial plants. This way, the agricultural sector was not covered by the incipient regulation, and it was largely based on highly profitable short-term forms of appropriation (Moura, 2016; Ferreira and Salles, 2017).

The Brazilian agricultural production model has a dual structure (Sauer, 2008), based on agribusiness on the one hand and family farming on the other. Agribusiness is a term used to designate agro-industrial complexes, where production is done on large pieces of land concentrated in the hands of few producers, and with high levels of mechanization and productivity. Family farming in turn will be discussed later on, on Section 4.

As we move towards the 1980s and 1990s, the process of economic liberalization brought a strong process of deindustrialization associated with severe macroeconomic imbalances. As commodity exports were becoming increasingly important to Brazil's trade balance, the political power of agrarian elites rose. Meanwhile, political democratization reinvigorated the horizons of environmental policy with the promulgation of new legislation that brought about a long-term vision to the environmental agenda (Ferreira and Salles, 2016). However, a succession of economic crises during the period hindered the allocation of the resources necessary for an adequate strengthening of environmental institutions.

In the 2000s, the clash between agrarian elites and the environmental agenda intensified. On the one hand, there was the resumption of economic growth, and also the intensification of international environmental advocacy. Brazil, along with the other Mercosur members, signed a series of multilateral environmental agreements⁴². On the other hand, economic prosperity largely stemmed from commodity exports, notably soy and meat. Unsurprisingly, the PT era⁴³ is characterized by a mixture of advancements and setbacks. There were sharp declines in deforestation rates between 2004 and 2012⁴⁴, which can be attributed to improved satellite monitoring and demarcation of indigenous lands. However, after 2012 the preservation rules in the Forest Code became more flexible (Sauer and França, 2012). Furthermore, there was a reduction in conservation areas (Kroner et al, 2019) and a reduction in supervisory power⁴⁵. All these changes were led by the agricultural lobby. Consequently, the pace of deforestation started to rise again from 2012 (Terra Brasilis, 2019).

⁴² For details, see LSE (2019).

⁴³ Here we refer to the 2003-2016 period, when Brazil was ruled by the Worker's Party (PT).

⁴⁴ Of around 83% (Terra Brasilis, 2019).

This ambivalence of the PT government demonstrates the political power of agrarian elites. Sauer and Santana (2019) explain that PT had historically opposed the interests of the agricultural lobby. But the party had to make alliances in its rise to power and to ensure governance. The price paid for this support, in addition to environmental concessions, came in the form of significant increases in public resources for the agribusiness.

JBS was the centre of one of the biggest political scandals in Brazilian history. The company bribed public officials to guarantee access to large lines of financing via the National Development Bank. In 10 years⁴⁶, its revenue increased by 4000%, and JBS became the world's largest meat processing company. Meanwhile, the Greenpeace reported the existence of significant supplies of cattle of JBS coming from ranches engaged in illegal deforestation (Greenpeace, 2009).

The current Brazilian president often makes international headlines for his contempt of environmental and human rights, and for his denial of global warming. The opposition to the EU-Mercosur deal is understandably centered on Bolsonaro's persona. However, the historical co-optation of the state by domestic interest groups - and the effect of this on the development of the environmental institutions - shows that the problem predates Bolsonaro and is much bigger than him. What Bolsonaro represents is a period of pronounced radicalization.

With Bolsonaro, in less than one year of government:

- Brazilian fires increased by 82% (Dantas, 2019). The president questioned the official data, released by INPE. The federal institute has existed since the 1960s, enjoying full international recognition for its methodological rigor. After its disclosure, the president of INPE was dismissed from office.
- Despite the staggering growth of fires, the fines for environmental offenses in 2019 are only a third of the level compared to the same period of the previous year (Shalders, 2019).
- The liberalization of pesticides has substantially accelerated. Among those released until September, 30% are banned in the EU (Zaremba and Watanabe, 2019).
- No new areas of environmental protection or indigenous lands have been demarcated.
- The bodies responsible for implementing the National Contingency Plan for Oil Pollution Incidents were extinguished in April 2019. In August, a mysterious oil leakage has contaminated more than 280 beaches in the Northeast of the country. The real extent of the damage is still unknown. Delayed government response will likely aggravate the environmental consequences of the tragedy (Jucá, 2019).
- Due to the disastrous environmental policy, Norway has suspended the transfer of resources to the Amazon Fund (Senra and Shalders, 2019).

⁴⁵ Complementary Law 140 (8/12/2011).

⁴⁶ Between 2006 and 2016 (Moraes, 2017).

3. WORKERS RIGHTS

This chapter addresses the consequences that the trade deal might have on Mercosur's workers' rights, via two main mechanisms: (i) deterioration of urban working conditions as a result of greater openness to foreign investment in the industry and service sectors; (ii) deterioration of rural working conditions due to the expansion of commercial crops, which fosters land-use conflicts and constitutes a major obstacle to land reform.

3.1 Context

The ILO Constitution and the ILO Declaration on Fundamental Principles and Rights at Work establish the following four core labour standards:

- (a) Freedom of association and the effective recognition of the right to collective bargaining;
- (b) The elimination of all forms of forced or compulsory labour;
- (c) The effective abolition of child labour; and
- (d) The elimination of discrimination in respect of employment and occupation.

These four benchmarks are protected by eight “fundamental” conventions. In addition, the ILO has increasingly emphasized the “governance conventions”, which are related to the functioning of the international labour standards system (LSE, 2019; ILO, 2019).

The following table shows some indicators that give a general idea of the state of affairs in each area for each Mercosur member state. In area (d) in particular we focus on gender. The indicators selected assess gender equality more broadly, while there is a myriad of structural factors, in addition to discrimination, that determine the social condition of women. Area (b) is addressed later in Section 3.1. Ireland and Sweden are included for comparison:

Table 2.1. Labour market indicators for selected countries, based on most recently available annual data.

Area	Indicators	Argentina	Brazil	Paraguay	Uruguay	Ireland	Sweden
General overview	Unemployment rate (2018)	9,4	12,6	6,4	8,6	5,9	6,5
	Share of agriculture in total employment (2018)	0,1	9,2	20,1	8,4	4,8	1,7
	Share of industry in total employment (2018)	21,9	20,1	18,6	19,2	18,8	18,1
	Share of services in total employment (2018)	77,8	70,6	61,3	72,4	76,2	79,8

a	Collective bargaining coverage rate	51,8 (2016)	70,5 (2014)	0,7 (2015)	94,6 (2016)	33,5 (2014)	90,0 (2015)
	Informal employment (of total non-agricultural employment)	48,0 (2018)	38,0 (2015)	64,0 (2018)	23,0 (2018)	n/a	n/a
c	Children aged 5-17 years engaged in child labour (2018)	4	7	28	8	n/a	n/a
d	Labour force participation rate, men	72,8	74,4	84,1	73,8	68,1	67,6
	Labour force participation rate, women	49	54	56,9	55,8	55,1	61,1
	Low pay rate, men	23 (2018)	n/a	14,9 (2015)	21,4 (2018)	19,8 (2015)	4 (2014)
	Low pay rate, women	24 (2018)	n/a	17,3 (2015)	23,2 (2018)	29,6 (2015)	2 (2014)
	Female share of employment in managerial positions (senior and middle management, 2018)	33,2	38,7	37,5	37,3*	33,5	39,4

SOURCES: SOURCES: ILOSTAT, THE WORLD BANK DATA, UNICEF DATA

* REFERS TO TOTAL MANAGERIAL POSITIONS (NOT JUST SENIOR AND MIDDLE)

The numbers reveal a great degree of heterogeneity within Mercosur. Paraguay, for example, registered the lowest unemployment rate, and proportionally employed much more in agriculture. On the other hand, the country had a much higher incidence of child labour and the worst collective bargaining coverage rates of the region - only 0.7%, compared to 94.6% in Uruguay. It is important to note this latter indicator carefully, as it expresses the proportion of formal workers whose pay and working conditions are regulated by collective agreements (ILOSTAT). In countries with high incidence of informal labour, as is the case of Mercosur, the collective bargaining coverage rates as a proportion of total employment are considerably lower⁴⁷.

Other indicators are more homogeneous. In all cases the employment structure is predominantly urban and concentrated in the service sector. Regarding gender, the levels of female employment in managerial positions are comparable to European levels. However, there is a significant gender gap in labour force participation in the region, with Uruguay registering the smallest gap (18 percentage points) and Paraguay the largest (27.2). Those gap levels are much larger than the ones of Ireland and Sweden. As to the

⁴⁷ In Brazil for example, in 2013, the coverage rate calculated as a proportion of total employment was 42%, compared to 65% of the rate as a proportion of employees (Visser et al, 2015).

incidence of low pay rate⁴⁸, the gender gap in Mercosur is significantly smaller. It is important to remember that low pay rates are calculated relative to the country’s median wages, and wages are much lower in Mercosur compared to the EU. For example, in 2018 real minimum wages in Ireland were US\$ 9,60 per hour, while in Brazil they were US\$ 2,20 (OECD.Stat). In that same year, more than half of Brazilian workers were living on less than the minimum wage (O Globo, 2019). Simply put, both men and women in Mercosur are living on very little. Unsurprisingly, Mercosur registers high labour force participation rates⁴⁹, which is a measure of the economy’s active workforce.

3.2 Risks to workers from fragility of institutions and legislative deficiencies

As discussed in the previous section, the risks due to the implementation of the agreement, regarding the protection of the environment and of labour rights, are high because the deficiencies in the text are not offset by strong domestic institutions. Here we show evidence that the fragility of labour market institutions is even higher, as there are serious legislative deficiencies, and that recent attacks on established labour rights have been stronger.

While Mercosur countries are signatories of the main international environmental agreements, the same is not true for labour agreements. In the TSD text, the parties commit to “make continued and sustained efforts towards ratifying the fundamental ILO Conventions, Protocols and other relevant ILO Conventions (...)” (EC, 2019c). The following table shows the fundamental and governance conventions that have not been ratified by member countries:

Table 2.2. Conventions not ratified by Mercosur countries (as of Nov/2019).

Country	Fundamental	Governance (Priority)
Argentina	✓	C122 - Employment Policy Convention, 1964 (No. 122)
Brazil	C087 - Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87)	C129 - Labour Inspection (Agriculture) Convention, 1969 (No. 129)
Paraguay	✓	C129 - Labour Inspection (Agriculture) Convention, 1969 (No. 129) C144 - Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144)
Uruguay	✓	✓

SOURCE: ILO (2019)

⁴⁸ The ILO defines this indicator as “the proportion of employees whose hourly earnings at all jobs were less than two-thirds of median hourly earnings”

⁴⁹ This is a measure of the economy’s active workforce.

As can be seen, Uruguay is the only country that has ratified all governance and fundamental conventions. Argentina has not ratified the Employment Policy convention, whose goal is to “put the aim of full and productive employment and decent work at the heart of the crisis responses” (ILO, 2019). It is not surprising, as the country is heading towards the end of a liberal government that, as such, has chosen to treat a severe economic crisis using monetary and fiscal consolidation rather than full employment policies. Similarly, Paraguay, the country with the highest proportion of rural workers, has not ratified the convention that requires the maintenance of a system of labour inspection in agriculture. And neither has Brazil, the main agricultural power in the region. Even more worrying is the fact that Brazil has not ratified the fundamental convention that guarantees freedom of association.

Regarding domestic legislation, Mauricio Macri in Argentina has tried to put forward a project of labour reform, but he was unsuccessful due to a strong popular and political opposition (Colombo, 2018). Brazil has recently approved reforms that eliminated a series of worker rights that had been in place for decades. Next, we analyse the Brazilian reform in more detail.

Case Study

Brazilian labour reform, land reform and institutional fragility

According to Alex Praça (ETUC), the Brazilian reform approved in 2017 by former President Temer was one of the most radical in the world. So much so, that Uruguay questioned its legality within the framework of the Mercosur Social-Labour Declaration, which defines the general guidelines of labour policy in the bloc (Presse, 2017).

Among other measures, the labour reform:

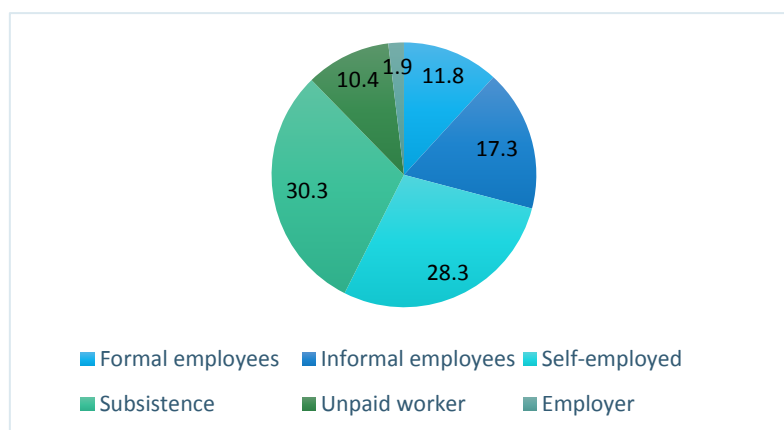
- expanded the possibility of outsourcing. The practice is considered to be a central factor driving down working conditions around the world (Ruckelshaus, 2014; Antunes, 2001);
- introduced legislation facilitating greater use of zero-hour contracts;
- expanded the scope for employer-employee negotiation of rights. Previously, collective agreements could only override the law if they benefited the worker. With the reform, agreements can prevail over legislation - whether they are beneficial to the worker or not.
- At the same time that the reform increased the scope of these negotiations, it weakened the trade union movement. Now the “union tax” is not mandatory anymore and for some cases, negotiations can be made directly between employers and employees, without the mediation of a Union. Unions have been targeted by the Bolsonaro government, which is currently working to extend Temer's changes. One of the measures advocated is to allow the establishment of more than one trade union per category, paving the way for the dispersion of union activity in the country.

With Bolsonaro, Brazil has also approved a pension reform that will profoundly affect the right to retirement of the poorest citizens (Betim, 2019). This may generate social upheaval in the near future, as rising unemployment and informality increases households' dependency on the income of retirees. Estimates are that without pensions, the proportion of Brazilians living below the poverty line would increase by 20 percentage points (Oliveira, 2019).

Experts consulted point out that the EU-Mercosur agreement will enhance the effects of the reforms, as a greater degree of openness to foreign capital in the industrial and services sector will increase the exposure of the South American worker to international wage competition. In other words, European investment will only take place if the price of labour in Mercosur is low enough compared to its alternatives in other countries where working conditions are noticeably lower.

But the agreement is also highly likely to affect rural workers in the country:

Table 2.2. Rural employment by category. Brazil, 2013.



Source: Dieese (2014)

The sum of the self-employed, subsistence farmers, and unpaid workers is a proxy indicator for rural workers in family farming⁵⁰ (Dieese, 2014).

The importance of family farming for productive inclusion and food security has been increasingly recognized by international organizations (UN, 2013). In Brazil, besides being the biggest source of employment in rural areas (Ministry of Agriculture, 2019), the sector is a major domestic supplier of products such as coffee, milk, beans, fruits and vegetables (Glass, 2011). It is an engine of regional development, widely recognized for its environmental sustainability. According to the 2017 Census, about 76.8% of Brazilian rural establishments were classified as family farming. However, they only account for 23% of the total area devoted to agriculture in the country (Neder, 2019).

Historically, family farming has been on the margins of the focus of the Brazilian state. It was only with democratization that rights were recognized (Grisa and Schneider, 2014). However, the country, which inherited extreme land concentration from colonial times, has never implemented a land reform policy. Clashes between social movements and agribusiness have been constant.

A great heterogeneity also exists within family farming as properties greatly differ in size, capital and technology use (Guilhoto et al, 2014). Estimates suggest that 10% of family farmers account for 80% of the sector's total production. That is, a few highly productive establishments co-exist with many extremely low productive properties (Glass, 2011). The high incidence of subsistence production was shown in table 2.2. This way, the large mass of family farmers would only be able to benefit somehow from the EU-Mercosur deal if provisions included policies that fostered their economic sustainability first, and then made them productive enough to compete internationally. Such policies include credit provision, technical and management assistance (Guilhoto et al, 1995).

The agreement has a specific text to address SMEs. However, it does not provide for any of the above-mentioned policies. The text basically covers information sharing, stating that "Each Party shall establish or maintain its own publicly accessible website containing information regarding this Agreement" (EC, 2019d). Given the inexistence of well-designed provisions, and in addition to the potential worsening of land conflict, it is extremely unlikely that family agriculture would in any way benefit from the agreement.

⁵⁰ Rural establishments categorized as family farming fulfill the following requirements: the area of the property is limited; it predominantly uses the family's own labor; the family's income is predominantly originated from activities linked to the establishment itself; and the establishment is managed by the farmer with his family (Law No. 11326/2006, art. 3).

4. HUMAN RIGHTS

The greatest risks posed by the advancement of the EU-Mercosur deal to the realisation of human rights stems from the relationship between agriculture and extractive processes with indigenous people's rights and indentured servitude or slavery. There is growing concern about the consequences of increased agricultural production and extractive activity in Mercosur. In this section, we focus on two points.

- a. Pressures on land use that will adversely affect the livelihoods of indigenous populations and the safety of environmental activists.
- b. Increased incidence of slave labour in the region.

4.1 Context

*“All human beings are born free and equal in dignity and rights”
(Article 1, Universal Declaration of Human rights – UDHR)*

In September 2007, the UN General Assembly approved the UN Declaration on the Rights of Indigenous Peoples (UNDRIP). This document is an important complement to the UDHR as it specifically addresses indigenous groups and guarantees the right to self-determination (Guerreiro, 2019). Self-determination refers to the right of populations to *“freely determine their political status and freely pursue their economic, social and cultural development”* (UNDRIP, Article 3). This implies the *“right to the lands, territories and resources which they have traditionally owned, occupied or otherwise used or acquired”* (UNDRIP, Article 26).

The most recent report of Amnesty International includes Paraguay, Argentina and Brazil among the cases of countries where indigenous rights have been under threat (Amnesty International, 2018). In Paraguay, the *Ayoreo Totobiegosode* case is highlighted, among others. Measures were undertaken by the Inter-American Commission on Human Rights to protect that community from attacks on their ancestral lands. The lands belonging to the *Ayoreo*'s have been registering a high rate of deforestation, and according to Survival International, the main cause is the sale of these territories to cattle ranchers (Survival International, 2019).

In Argentina, the report denounces an investment plan for oil exploration in the Vaca Muerta region, partly located on the lands of the *Lof Campo Maripe* indigenous community. The authors also highlight that most indigenous populations have not yet obtained legal rights to their lands, although these rights are generally recognized in the Constitution.

The Brazilian case is the most problematic in the region. Similar to the Argentinean case, only 31.9% of Brazilian indigenous lands are duly registered. A downward trend in the number of registrations over time is observable - from 145 during President FHC's term to zero under the current government (Cimi, 2018;

Linder, 2019). The obstacles to the legalization of these lands intensify the conflicts for them. In 2018, 111 cases of invasions, illegal exploitation of natural resources and various types of damage to indigenous territories were registered. These attacks have a variety of motivations, including real estate speculation, hunting and marketing of wild animals, logging, expansion of farming and illegal mining (Cimi, 2018). In 2016, there were 44,911 legal processes related to the expansion of mining in the Brazilian Amazon. Of these, 10,686 were on Federal Conservation Units and 4,181 on indigenous lands. The data indicate the high human cost of these confrontations. From 2003 to 2018, 1254 murders of indigenous people were registered in Brazil. The incidence of suicide is similarly impressive - the suicide rate among indigenous people is three times higher than the country average (Campelo, 2018).

“Everyone has the right to freedom of opinion and expression”

(Article 19, UDHR)

Although official data does not allow an analysis of the determinants of these deaths, the context of increasing land conflicts has been pointed to be one of the big causes. Global Witness produces annual reports that monitor violence against environmental activists around the world. Since it began publishing its annual report in 2012, with the exception of 2019, Brazil has ranked first in the number of murders of activists⁵¹. In the most recent report, Argentina, Paraguay and Uruguay did not make the list (Global Witness, 2019).

The report recalls the recent case of intimidation and threats made by representatives of the soy industry to a delegation from the Inter-American Commission on Human Rights, which had a meeting with indigenous leaders in November 2018. The episode is an example of how murders *“are the most violent manifestation of myriad abuses”*. And while the perpetrators largely go unpunished, the world trend is one of criminalization of activism instead. (Global Witness, 2019)

“No one shall be held in slavery or servitude; slavery and the slave trade shall be prohibited in all their forms”

(Article 4 UDHR)

According to data produced by the Walk Free Foundation, Mercosur countries generally have a low prevalence of modern slavery compared to the top-ranked countries, as we can see from table 3.1 below. The estimated prevalence is the indicator that measures the number of victims for every thousand people in the country. Uruguay and Argentina, for example, have better rates than Ireland and Sweden. On the other hand, the report cites Argentina as an example of a country that has not yet formally enacted regulations aimed at stopping the government and businesses from sourcing goods and services produced by forced labour. Moreover, in terms of absolute numbers, it is estimated that four Mercosur countries

⁵¹ That includes indigenous activists or not.

account for 439,000 victims - the vast majority (369,000) of which being in Brazil. The Brazilian case was the object of a country case study, which pointed out the main cause of the problem:

“Forced labour within Brazil is concentrated in rural areas where extractive or labour-intensive industries such as cattle ranching, coffee production, forestry, and charcoal production create a demand for cheap labour. The importance of these industries to the Brazilian economy has led to the expansion of vast ranches, plantations, and logging operations, while also creating the need for a large workforce to clear land.”

(Walk Free Foundation, 2018)

The diagnosis is in line with that of the UN Special Rapporteur's report on contemporary forms of slavery in Brazil. The author explains that poverty and land concentration are the root of slave labour in the countryside. Poor rural workers, deprived of a piece of land to guarantee their livelihoods, end up being very vulnerable to degrading working conditions (UN, 2010). The case of growing demand for agricultural exports and its impact on labour relations in the countryside is also specifically addressed in the report:

“The Special Rapporteur has received allegations that the increase in livestock, maize exploitation and soybean production has exerted great pressure on Amazonian resources, leading to accelerated deforestation, which has increased demand for slave labour”

(UN, 2010, page 7, our translation).

Table 3.1. Estimated prevalence and number of victims of modern slavery, selected countries. 2018.

Country	Estimated prevalence (victims per 1,000 population)	Estimated absolute number of victims
North Korea	104,6	2.640.000
Afghanistan	22,2	749.000
Pakistan	16,8	3.186.000
Brazil	1,8	369.000
Paraguay	1,6	11.000
Argentina	1,3	55.000
Uruguay	1,0	4.000
Ireland	1,7	8.000
Sweden	1,6	15.000

Source: Walk Free Foundation Annual Report (2018)

4.2 Insufficient mechanisms to tackle human rights abuses

Since 1999, the Framework Cooperation Agreement (FCA) has been guiding EU-Mercosur relations (Querci, 2017). According to the EU, Cooperation Agreements are a prelude to the negotiation of an Interregional Association Agreement (EC, 1995) - in other words, they build the foundation for the negotiations to take place.

Article 1 of the EU-Mercosur FCA states the basis for cooperation:

“Respect for the democratic principles and fundamental human rights established by the Universal Declaration of Human Rights inspires the domestic and external policies of the Parties and constitutes an essential element of this Agreement.”

(EC, 1996, Article 1)

Furthermore, Article 35 states that violations of the article constitute a “case of special urgency”, which removes the need for the assessment of a Joint Committee in case of breach of obligations.

In many cases, however, the cooperation agreements are replaced by association agreements (AA) (EU, 2011), which is the case of Mercosur’s deal. This makes the analysis of the text of the AA released so far necessary (Fritz, 2017).

In the AA's text released in July, the theme of human rights was also included in the TSD text. Comparing the FCA to the AA, we see a strong reduction in emphasis on the issue of human rights. The topic is approached by the text in two main ways: (i) by reaffirming the commitment of the parties to pursue the 2030 Agenda for Sustainable Development; and (ii) in Article 11, which deals with “Trade and Responsible Management of Supply Chains”, where the parties commit to support the dissemination and use of the UN Guiding Principles on Business and Human Rights.

It is important to note that the TSD text is much more focused on environmental and labour issues, with human rights mainly approached indirectly. Thus, in addition to being included in a chapter that contains a number of general weaknesses (explored in section 1.2), the theme of human rights is not central. Similar to our discussion in relation to the environment previously, the flaws in the text are unlikely to be compensated by the existence of domestic institutions in Mercosur committed to the protection of human rights. This point is developed below using Brazilian indigenous policy as a case study.

Case Study

Brazilian indigenous policy, interest groups and institutional fragility

At the regional level, until recently there was no legal framework in Mercosur that specifically addressed human rights. But from the mid 2000's, besides introducing the Protocol of Human Rights (2005), the block has established various bodies to work in the area. At the national level, all four partner members are state parties of the main international human rights conventions, which are complemented by various domestic institutions⁵².

In the area of human rights, the same argument presented in section 1.2 applies. Mercosur has young institutions - regarding legislation and public bodies -, but which are reasonably sophisticated. However, there are serious enforcement problems, and the established institutions suffer periodic revisionist attacks by the same domestic interest groups that hinder environmental and labour development. These attacks are increasingly radicalizing amidst the scenario of increasing political instability in the region.

Both indigenous and slavery issues in Brazil are illustrative of this argument. But due to the complexity of both themes, we chose to focus on the case study of indigenous policy.

An important legal advancement in the country was the approval of a new law in 2012, which provides for the expropriation of land where workers in precarious conditions are found. The discussions on this piece of legislation had been postponed for eight years due to considerable interference from the agricultural lobby (Torres, 2012). Brazilian law goes beyond the international definition of forced labour, which includes "slave-like labour" (UN, 2010). In July 2019 President Bolsonaro criticized the measure, advocating the approval of a legal change that differentiates the concepts of slave labour and slave-like labour. This change would open the way to softening the penalties for violators (Vilela, 2019).

In the specific case of Brazilian indigenous policy, the 1988 Constitution represented a radical change in the conception of public policies. It went from one that tried to integrate indigenous peoples into the dominant society to one that recognized and guaranteed their right to self-determination - including their right to the land (Funai, 2019).

Overall, the fiscal crisis and macroeconomic instability of the 1980s and 1990s were a major impediment to turning legal innovation into practical improvements. In the 2000s, with the resumption of economic prosperity, a series of institutional advances occurred including: the restructuring of Funai⁵³ (2009), which aimed to optimize the functioning of the agency; the establishment of the National Policy for the Protection and Promotion of Indigenous Populations (2012), which aimed to improve the management model by increasing the integration of different federal entities and state agencies, as well as by developing information systems and management indicators; and the establishment of the National Policy on Environmental Management in Indigenous Lands (2012), considered to be important to ensure the integrity of indigenous heritage (Brito and Barbosa, 2015).

If on the one hand we have important institutional advancements, the issues described in Section 3.1 reveal the structural deficiencies of enforcement. Since 2013 Funai has been affected by successive budget cuts (Streit, 2018). The dismantling reached its peak under President Bolsonaro, who has cut 90% of Funai's budget⁵⁴. The result has been the abandonment of monitoring posts in indigenous areas (Barros, 2019).

Attacks on established institutions have also been notorious. In 2017, former President Temer signed off a legal measure that could end up blocking new demarcations of indigenous lands in the country. The measure states that only areas occupied by indigenous communities prior to 1988 can be officially demarcated. The text also states that existing regulated areas cannot be expanded (Bedinelli, 2017). With Bolsonaro, Funai was detached from the Ministry of Justice. The central issue continues to be land demarcation, as the Ministry of Justice through the Federal Police currently plays a strategic role in mediating the violent territorial disputes between native communities and the agribusiness (Jucá, 2018). The 2020 budget does not include resources for land demarcation (Leitão, 2019).

One of Bolsonaro's first official acts was to transfer Funai's role of demarcating lands to the Ministry of Agriculture, which has traditionally been strongly influenced by the agribusiness lobby. A few months later the measure was barred by the Supreme Court, which considered it to be unconstitutional (Souza, 2019).

⁵² For details, see LSE (2018).

⁵³ The National Indigenous Foundation (Funai) is the official indigenous body of the Brazilian State.

⁵⁴ Technically it is a contingency cut, meaning that resources, as provided for in the Annual Budget, have not been allocated thus far due to insufficient revenues.

5. HEALTH

The EU and Mercosur, in pursuing a notably light burden regarding the state of health in their proposed trade deal⁵⁵, have seemingly adopted the unspoken wisdom that increases in trade lead to increases in prosperity, which in turn are directly linked to improved health standards. Despite this, multiple advocacy bodies have raised concerns regarding the deal's hypothetical impacts on Public Health. In this section, we focus on three points.

- a) A projected increased consumption of unhealthy goods causing chronic diseases;
- b) Differentials in sanitary and phytosanitary standards for food imports;
- c) Access to medicines.

5.1 Health concerns with the EU-Mercosur Trade Agreement

a) Non-communicable diseases

The EU-Mercosur Trade Agreement is projected to have a significant increase on the trade of a variety of consumable goods including – and oftentimes especially – the trade of goods historically linked to chronic disease, such as tobacco and alcohol. It is the explicit hope of the EU that the implementation of such a deal would increase such trade. Wine is indicated in promotive materials as one of the “many European agri-food products [which] face high tariffs that make them less competitive or prevent them altogether from exporting to Mercosur countries” which stand to be traded more following the deal's implementation.

To this end, the Annex in Trade on Wine and Spirits, published by the EU as a provisional text of the agreement, provides for liberalisation and harmonisation of trade in alcohol to this end. This is through means including, albeit not limited to, barring states from listing information including dates of package and bottling, on related imports.⁵⁶

Not only are beverages and tobacco goods which EU trade schedules explicitly seek to promote the trade of, unhealthy beverages (soft drinks, alcohol, etc.) and tobacco are inextricably linked in the largest bracket of imports from Mercosur to the EU (20.5%)⁵⁷.

The EU-Mercosur deal has been eagerly anticipated by tobacco groups, including Japan Tobacco International, which views “the EU-Mercosur FTA [as] present[ing] interesting trading opportunities between the two blocs for both tobacco leaf (HS 2401) and manufactured tobacco products (HS 2402 and HS 2403)”⁵⁸.

⁵⁵ <https://haiweb.org/eu-mercoshur-trade-agreement-bad-deal-transparency-policy-coherence-access-medicines/>; <https://epha.org/wp-content/uploads/2018/05/Unhealthy-Trade-Mercosur.pdf>

⁵⁶ https://trade.ec.europa.eu/doclib/docs/2019/july/tradoc_158147.%20Wine%20and%20Spirits%20Annex.pdf

⁵⁷ [http://www.europarl.europa.eu/RegData/etudes/BRIE/2019/640138/EPRS_BRI\(2019\)640138_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2019/640138/EPRS_BRI(2019)640138_EN.pdf)

⁵⁸

https://www.asktheeu.org/en/request/5283/response/17454/attach/4/Letter%20Mercosur%20Tobacco%20Redacted.pdf?cookie_passthrough=1

Alcohol and tobacco are, in all Mercosur states, top five contributing factors to disability-adjusted life years (a metric which expresses the total amount of life, measured in years, lost due to negative health).⁵⁹ Alcohol is the third most prominent disease and mortality risk factor in the European Union, superseded only by tobacco, and high blood pressure, the last of which is intimately linked to the consumption of unhealthy, sugary products⁶⁰.

Increased access to cheaper Mercosur exports of raw sugar, as part of the TRQ, can however lead to an increase in consumption of sugar products in the EU, which can negatively impact the health of consumers in EU. According to the European Food Safety Agency (EFSA), there is evidence that high intakes of sugar products contributes to weight gain, dental problems and other serious diseases.⁶¹

FTAs, through the opening of borders to increased economic activity by spirit and tobacco companies, incentivise these groups to proliferate consumption beyond that which would already follow from the cheapening and increasing variability of goods. Take for example the US-Korea FTA, which in one year increased the consumption of tobacco goods among women by over 400% in one year⁶². Furthermore, trade agreements, trade dispute mechanisms and the growth of new sales media have effectively reduced the ability of national and subnational governments to control local alcohol markets⁶³.

Specifically, the implementation of the deal represents a significant threat to best-standard labelling of products most intimately linked to non-communicable chronic diseases: tobacco, alcohol, unhealthy goods, et cetera. The movements of advocacy groups⁶⁴ has led to the implementation of consumption-reduction programmes, such as Uruguay's unprecedented requirement of cigarette packets to be at least 80% covered in warning labels⁶⁵.

In the service of increasing trade, the Technical Barriers to Trade text mandates that only information "relevant for consumers or users of the product... or to indicate the product's conformity with the mandatory technical requirements"⁶⁶ ought to be included on packaging. Tobacco companies have a history of challenging public health metrics, notably in 2016 when Phillip Morris challenged Uruguay's

⁵⁹ <http://ghdx.healthdata.org/record/ihme-data/gbd-2016-incidence-prevalence-and-ylds-1990-2016> in <https://epha.org/wp-content/uploads/2018/05/Unhealthy-Trade-Mercosur.pdf>

⁶⁰ WHO (2009). Global health risks. Geneva, World Health Organization (http://www.who.int/healthinfo/global_burden_disease/global_health_risks/en/index.html, accessed 7 February 2012) .IN http://www.euro.who.int/_data/assets/pdf_file/0003/160680/e96457.pdf

⁶¹ http://www.eumercosursia.com/uploads/4/0/7/2/40728425/final_interim_report_publication_03oct2019.pdf

⁶² <https://www.gao.gov/products/NSIAD-90-190>

⁶³ [https://www.who.int/bulletin/archives/78\(4\)491.pdf](https://www.who.int/bulletin/archives/78(4)491.pdf)

⁶⁴ <https://www.theguardian.com/australia-news/2018/jan/10/sugar-tax-why-health-experts-want-it-but-politicians-and-industry-are-resisting>

⁶⁵ <https://tobaccolabels.ca/countries/uruguay/>

⁶⁶ EU-Mercosur (2017b), Technical barriers to trade draft chapter, November 2017. In <https://epha.org/wp-content/uploads/2018/05/Unhealthy-Trade-Mercosur.pdf>

labelling policy⁶⁷. Liberalisation clauses such as those found in Technical Barriers to Trade could facilitate future challenges, especially if the deal remains light on protective clauses⁶⁸.

b) Food Standards

One of the most common points of concern raised by critics of the deal is whether organic imports into the EU will meet appropriate health standards in both production and import. This has been a significant point within Irish⁶⁹ media, as well as one which has been discussed by politicians: “when it comes to beef, [Brazil] is a country with no database or traceability and in which growth promoters are widely available”.⁷⁰

The attention which such concerns receive in the media are potentially disproportionate. In the words of the French foreign minister:

As I've said, France pays special attention to protecting health standards. However, we must not play on people's fears: we already trade agricultural goods with Mercosur, and the Mercosur products we import into the European Union already have to comply with environmental and health standards. These standards are non-negotiable, and we must ensure that the EU and Mercosur's auditing and monitoring procedures.⁷¹

EU commissioners, and public reports, have also been careful to belabour that “there will be no product that will arrive in the EU from the Mercosur countries without complying with existing EU food safety standard”.⁷²

The extent to which such claims are enforceable relies entirely on the ability of Mercosur to internally audit and manage production conditions: this is a cause for concern. JBS S.A., the largest company in the meat sector in Brazil – and the world – continues to soar despite successive, continual scandals – including “meatpackers bribing inspectors and politicians to overlook unsanitary practices such as processing rotten meat and shipping exports with traces of salmonella”⁷³.

Without significant EU-side measures for comprehensive audits of incoming goods, the likes of which are not present in current texts, the precautionary principle and trust are all that stand between scandal-ridden foodstuffs and European markets.

⁶⁷ <https://www.tobaccocontrol.org/litigation/decisions/uy-20160708-philip-morris-srl-v-uruguay>

⁶⁸ <https://epha.org/wp-content/uploads/2018/05/Unhealthy-Trade-Mercosur.pdf>

⁶⁹ <https://www.irishexaminer.com/breakingnews/business/scares-around-standard-of-imported-foods-under-mercocur-deal-could-see-products-banned-from-eu-934566.html>; <https://www.thejournal.ie/eu-mercocur-deal-explained-4704790-Jul2019/>

⁷⁰ Irish deputy Robert Troy in <https://www.oireachtas.ie/en/debates/debate/dail/2019-07-09/47/>

⁷¹ <https://uk.ambafrance.org/Minister-replies-to-concerns-over-EU-Mercosur-agreement>

⁷² Phil Hogan (EU Agri Commissioner) <https://www.euractiv.com/section/agriculture-food/news/eu-farm-chief-struggles-to-dispel-concerns-over-mercocur-trade-deal/>

⁷³ <https://www.reuters.com/article/us-brazil-corruption-food/brazil-police-raid-brf-and-jbs-meat-plants-in-bribery-probe-idUSKBN1601LH>

c) Access to medicines

A final area of concern raised by the deal is potential risks to the continued access of vital medicines. Intellectual Property provisions seek to extend patent rights, including over medicines⁷⁴. The extension of baseline medicine patents beyond the standard Trade Related Aspects Intellectual Property Rights (TRIPS) agreement, which the EU affirms its commitment to⁷⁵, could raise the cost of life-saving medicines in Mercosur member states.

Between 2003 and 2011, the implementation of data exclusivity rules in Columbia – a mechanism by which regulatory authorities withhold action on generic pharmaceuticals for a set period of time – burdened the Columbian public healthcare system with an additional cost of \$396 million⁷⁶. This is especially pernicious in the context of cash-strapped countries in Mercosur, especially given the muddled and austerity-frozen nature of Brazil’s public healthcare system⁷⁷. Beyond the 10-year extension to these rules, the EU has also sought a 5-year extension to patent exclusivity: this could undermine the increasingly self-reliant provision of novel and life-saving medicines in Mercosur member states⁷⁸.

A case study in EU-Canada trade found that similar provisions would delay the introduction of generic medications – as per the data exclusivity rules – by, on average, 3.46 years, resulting in a net C\$2.8 billion cost to taxpayers per annum⁷⁹. Similar concerns have been raised regarding monopoly protections in the upcoming EU-Australian FTA⁸⁰.

5.2 Measures to counteract health concerns

The EU-Mercosur FTA relies, in regards to mitigation to health concerns, contains light provisions regarding the harmonization of food production, sanitary, and Phyto-sanitary standards, and in implementing them relies on two primary mechanisms: the precautionary principle, and a mechanism for dispute settlement.

⁷⁴ http://trade.ec.europa.eu/doclib/docs/2016/november/tradoc_155070.pdf

⁷⁵ <https://haiweb.org/eu-mercosur-trade-agreement-bad-deal-transparency-policy-coherence-access-medicines/>

⁷⁶ Cortés Gamba M, Rossi Buenaventura F, Vásquez Serrano M. Impacto de 10 Años de Protección de Datos en Medicamentos en Colombia. [Online] IFARMA and Fundación Misión Salud; Bogotá D.C., Colombia, 2012. Available from: <http://www.mision-salud.org/wpcontent/uploads/2013/02/IMPACTO-DE-10-A%C3%91OS-DE-PROTECCION-DE-DATOS-EN-COLOMBIA.pdf>. In https://www.msfaccess.org/sites/default/files/MSF_assets/IP/Docs/IP_briefing_note_EU-MERCOSUR_ENG_2017_0.pdf

⁷⁷ [https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(18\)30853-5/fulltext](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(18)30853-5/fulltext); <https://www.theguardian.com/world/2016/dec/13/brazil-approves-social-spending-freeze-austerity-package>

⁷⁸ <https://haiweb.org/7855/>

⁷⁹ <http://www.canada-europe.org/en/pdf/The%20Canada-EU%20CETA%20-%20An%20Economic%20Impact%20Assessment%20of%20Proposed%20Pharmaceutical%20Intellectual%20Property%20Provisions%20-%207%20February%202011%20.pdf> in <http://theconversation.com/planned-trade-deal-with-europe-could-keep-medicine-prices-too-high-102836>

⁸⁰ <http://theconversation.com/planned-trade-deal-with-europe-could-keep-medicine-prices-too-high-102836>

Precautionary Principle

Contained within the released annexes of the deal is a Trade and Sustainable Development text. It's here that the precautionary principle, a mechanism on which the alleviations of many concerns are hinged. Its inclusion is standard for bilateral trade deals of this nature.⁸¹ In instances of concern regarding the standards of import goods, it is up to the implementing country to demonstrate that the activity will not cause harm based on available pertinent information. Under this principle, negotiating bodies are empowered to unilaterally temporarily suspend many of the implemented trade metrics in order to protect, among other things, public health.

Besides being a reactive measure, rather than one which effectively and pre-emptively sets standards, it is worth noting that the precautionary principle only appears in the Trade and Sustainable Development text. As such, similar to the remainder of the text, the precautionary principle cannot be ensured through any mechanisms for dispute settlement which appear within the deal⁸². Even when such a principle allows for import delisting, such as in 2018 when the EU delisted 19 Brazilian poultry exporting plants from accessing the common market⁸³

Access to Medicines

Regarding the TRIPS agreement relating to public health and intellectual property, the text on Intellectual Property released by the EU merely provides a nonbinding clause compelling negotiating parties to “recognise the importance of the declaration on the TRIPS Agreement and Public Health, adopted on 14 November 2001 (hereinafter referred to as the “Doha Declaration”) by the Ministerial Conference of the WTO.”⁸⁴

This recognition in the text is immediately followed by articles 8.3 and 8.5, which is where the deal mandates the extension of the aforementioned pernicious data exclusivity and patent protection rules. Further clauses, at their most demanding, merely *recognise* “the importance of promoting the implementation of Global Strategy and Plan of Action on Public Health, Innovation and Intellectual Property, adopted by the World Health Assembly on 24 of May 2008 (Resolution WHA 61.21 as amended by Resolution WHA 62.16)”⁸⁵.

Without mechanisms more explicit than promotion, and means by which to enforce them, it is like that the implementation of the EU-Mercosur FTA would lead to negative externalities regarding the rising cost of goods, as aforementioned.

⁸¹ Sadeleer, 2004). As per climate change section

⁸² <https://epha.org/wp-content/uploads/2018/05/Unhealthy-Trade-Mercosur.pdf>

⁸³ <https://www.farmersjournal.ie/20-brazilian-meat-export-plants-banned-by-eu-365196>

⁸⁴ http://trade.ec.europa.eu/doclib/docs/2016/november/tradoc_155070.pdf

⁸⁵ ^

Standard Harmonization

Aside from a maximum of one “single physical import check”⁸⁶, there are not explicitly provided for means by which the EU can audit the standards of imported foodstuffs. Although it is clearly the intent of the EU to ensure that imported goods meet standards of production equivalent to the domestic, the means by which it hopes to achieve this are almost entirely trusted to Mercosur states.

The Sanitary and Phytosanitary text of the trade deal explains in no dearth of detail exactly what standards ought to be being met. However, just as per the other annexes, it contains merely an affirmation of pre-existing agreements, in this instance, WTO SPS Agreements. Additionally, although there are accountability measures not dissimilar to the settlement dispute provision, parties remain responsible for the implementation of standards internally. Although there appear to be sufficiently stringent standards for accountability, transparency, and emergency control, they are vague – abstract agreements, *pro re nata* subcommittees – and further bely questions of the extent to which participating states could – or would – uphold them.

The deal is likely to neuter the ability of Mercosur member states to effectively implement public health measures, while simultaneously opening the EU up to potential substandard foodstuff imports. Although the deal provides mechanisms by which absolute crises could be halted, the projected cost to the most vulnerable states in this matter, and the impacts to the public health on both sides of the Pacific, could be significant.

Environmental Risk Factors

The demand based expansion of commercial crops and pastures, as discussed in the chapter on climate change, is a leading cause of future deforestation in the Amazon, and is associated with high levels of water consumption, along with high use of fertilizers and pesticides, leading to soil and water contamination (Naidoo, 2014). In short, “an increase in European demand for beef, soy or other deforestation-linked commodities risks driving greater deforestation”⁸⁷.

⁸⁶ EU-Mercosur (2017d), Sanitary and Phytosanitary draft chapter, November 2017. In <https://epha.org/wp-content/uploads/2018/05/Unhealthy-Trade-Mercosur.pdf>

⁸⁷ <https://www.euractiv.com/section/agriculture-food/news/eu-farm-chief-struggles-to-dispel-concerns-over-mercocor-trade-deal/>

6. Conclusion

There are clearly grounds for concern about the impact of the EU-Mercosur Free Trade Agreement on communities in the Mercosur Bloc and in the EU. In all of the areas of concern explored in this report, there exists a landscape of precarity which appears likely to be exacerbated by the FTA. This is because the broad pattern within the deal is one of voluntary compliance: parties commit to supporting international standards through provisions within the agreement but are not compelled to comply beyond what they have already ratified.

Further liberal 'opt-out' clauses in instances of ill-defined environmental, health, or security concerns mean parties are only held to their own domestic regulatory standards, though empowered to ensure those standards are being met in imported products. The dependence on domestic regulatory capacity is concerning due to the poor track record of fragile institutions and corruption among Mercosur members.

To understand the future of the EU-Mercosur FTA, it is perhaps necessary to explore the success and shortcoming of existing EU FTAs. The findings are not positive. Bastiaens & Postnikov (2017) explore how the design of the mechanisms in prior trade agreements have promoted environmental standards. The empirical findings indicate that capacity building must supplement the policy dialogue mechanisms to ensure civil society has the skills and resources and due political will to participate in a meaningful way – in fact weak civil society states find such agreements ineffective. Further, where there are impacts on environmental standards, they occur after the deal is made, not before, as they much depend on the social dialogue mechanisms introduced as part of the agreements. Therefore, success is highly dependent on strong domestic institutions and free and engaged civil society.

On workers' rights, Harrison et al (2018) analyses the EU's approach to protecting and promoting labour standards through its trade agreements through three 'next generation' deals with the Caribbean, South Korea, and Moldova. [include years of implementation?]. The paper finds the TSD chapters in the respective trade agreements have 'delivered little', with "no evidence that the existence of TSD chapters has led to improvements in labour standards governance", nor evidence "that the institutionalization of opportunities for learning and socialization between the parties was creating a significant prospect of longer-term change". This is attributed to the weak provisions set out in previous trade agreements, and which are shared in the EU-Mercosur trade deal.

Assessing the effects of human rights-related clauses in EU trade deals with Mexico and Chile, Ioannides (2017) points towards insufficient monitoring and evaluation of the human rights dimension of the deals, with the evaluation of the EU-Chile Association Agreement in 2012 not including it at all. The extent to which civil society dialogue has impacted policymaking is also unclear. Overall, the evidence of the impact trade deals have on human rights standards is questioned, due to unclear evaluations and constellations of agreements and trends outside of the deals all contributing to national and international trends.

Ioannides' final point raises the concern of the political commitment of governments in the named countries to such clauses, in other words, the dependence on domestic politics and institutions to carry out reforms.

On health, Friel et al (2013) further refers to evidence of trade agreements exacerbating health inequalities through dietary habits and as well as contributing to undernutrition, obesity and non-communicable diseases through impacting supply chains and business investment trends. While these papers do not directly reference EU trade deals, they highlight the significant risks trade deals can pose to health without proper monitoring and mitigation measures.

The EU's track record with FTA's, coupled with the initial conditions into which this agreement would be launched, marked by poor governance, weak institutions and shrinking civil society space in Mercosur countries does not bode well for the fair and sustainable implementation of the proposed agreement. The impotent checks and balances included in the text do little to reassure that issues will be addressed as and when they arrive.

7. References

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