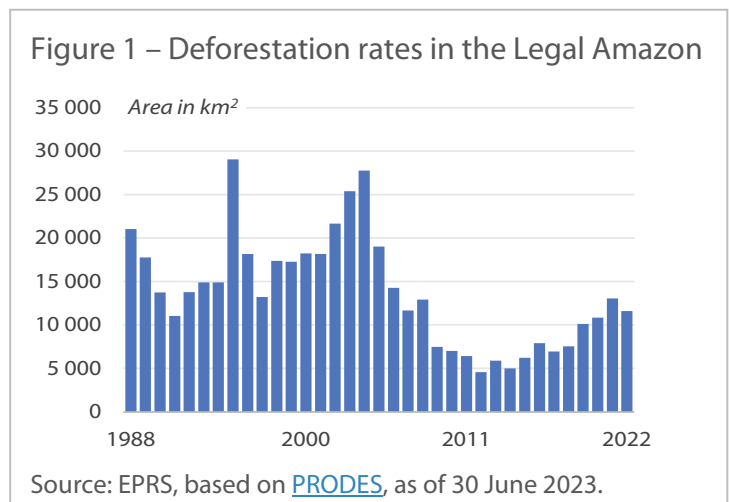


Amazon deforestation and the EU-Mercosur deal

The victory in the 2022 Brazilian presidential election of Luiz Inácio Lula da Silva of the left-wing Workers' Party, who ran on a platform of – among other things – protecting the Amazon and indigenous peoples' rights, has raised hopes in the EU of completing the long-standing negotiations on an EU-Mercosur association agreement. Since January 2023, Lula has deployed a number of recycled but updated policy tools from the early 2000s, which, it is assumed, will deliver similarly positive results in curbing deforestation as in the past. However, times have changed. Amid an underwhelming economic outlook and a weak political power base, Lula and the environmentalist members of his government face an uphill battle to put Brazil on a path to zero deforestation by 2030 and to reconcile this aim with the need to boost economic growth to reduce poverty and inequality. Tangible progress will take time to emerge given the damage caused during the past four years.

Recent deforestation trends in the Legal Amazon

From August 2021 to July 2022, deforestation in the Legal Amazon – a region of nine federal states in the Amazon basin – amounted to [11 594 km²](#) according to the [satellite-based](#) deforestation rates generated by the PRODES forest monitoring system of the Brazilian National Institute for Space Research (INPE). This corresponds to an area similar to the [territory](#) of Montenegro and to a decline of [11 %](#) from 2021 levels. Global Forest Watch, whose data capture much smaller clearings than PRODES and cover the whole of 2022, finds a [21 %](#) increase in non-fire primary forest loss. For the first months of 2023, INPE's second monitoring tool, DETER, which delivers daily deforestation alerts that tend to report [smaller](#) deforested areas than PRODES, [shows](#) a low rate in January that rebounded in February and March, but fell in April and May, with the dry period marked by spikes of [forest fires](#) still ahead.



Lula's first steps to reverse his predecessor's policies and recycle his own

At the 2022 United Nations Climate Change Conference (COP27) in Egypt, president-elect Lula re-[committed](#) to Brazil's 2015 [climate commitments](#), including the pledge to achieve zero deforestation in the Brazilian Amazon by 2030. He submitted Brazil's bid to [host](#) COP30 in the Amazon city of [Belém](#), to [position](#) Brazil as a leader in the fight against climate change and to [restore](#) Brazil's [foreign policy](#). At the domestic level, in January 2023 he [signed](#) six decrees, including one revoking measures of his far-right predecessor, Jair Bolsonaro, that had [encouraged](#) illegal ([gold](#)) mining in indigenous lands and protected areas, recently causing a [health emergency](#) among the [Yanomami people](#). The decrees have created Brazil's first-ever ministry for indigenous peoples' rights and expanded the scope of the ministry of the environment – headed by [Marina Silva](#), an Amazon-born activist and Lula's former minister of the environment (2003-2008) – to include climate change; [reinstated](#) the [Amazon Fund](#) that was [suspended](#) under Bolsonaro; re-launched the discontinued Action Plan for the Prevention and Control of Deforestation for the Amazon (PPCDAm); and revived related bodies for inter-ministerial and multi-stakeholder engagement.

In June 2023, the Lula government [presented](#) the 5th phase of the Action Plan as a horizontal whole-of-government effort and cross-country coordination tool. An April 2022 Federal Supreme Court decision ([ADPF 760](#)) had found an 'unconstitutional state of affairs' in the Amazon and [requested](#), among other things, the reinstatement of the Action Plan. The 2023 [Action Plan](#), which puts strong emphasis on the use of intelligence for remote tracking and repression of environmental crimes and on incentives, is [structured](#)



around four pillars with about [176](#) lines of action and a timeline for implementation from 2023 to 2027: (1) **sustainable economic alternatives**, e.g. developing certification of the origins of sustainable wood and agricultural products and the recovery of degraded areas and green tourism; (2) **environmental control and monitoring**, e.g. developing a traceability system for farm products and rebuilding enforcement capacities, including IBAMA, the environmental agency for monitoring and enforcing environmental laws, which, in May 2023, [denied](#) state-controlled oil company Petrobras a [drilling licence](#) at the mouth of the Amazon river, considered an early win for Lula and the credibility of his policies; (3) **territorial and land-use planning**, e.g. land tenure regularisation, designating and demarcating undesignated public land and expanding conservation units to spur restoration and reduce land available for grabbing; and (4) **legislative and economic measures** to contain deforestation (fiscal and financial incentives), e.g. [regulating](#) Brazil's carbon market.

Challenges for Lula's agenda

Lula's [slim](#) political mandate creates a formidable challenge. He was elected with the narrowest result (50.9 %) in presidential elections since Brazil's 1988 return to democracy, reflecting the country's deep [polarisation](#). The 2022 elections [strengthened](#), at federal, state and municipal levels, [right-leaning parties](#) and the agri-lobby caucus (*bancada ruralista*) associated with an anti-environment agenda and climate change denialism, as well as an [interest in markets](#) such as China, where, despite an April 2023 Brazil-China [joint declaration](#) on fighting climate change, imports are [not screened](#) for their potential link to deforestation. While it confirmed the composition of Lula's cabinet (PM1154), Congress [scaled back](#) the powers of the ministries of the environment and climate change and of indigenous peoples. More [bills](#) (e.g. [PL490](#) on indigenous land claims and [PL1459](#) on [pesticides](#)) are in the pipeline that are contrary to Lula's policies. Contradictions in Lula's policies may arise from the [difficulty](#) of [reconciling](#) the protection of the Amazon/indigenous peoples' rights with reviving the [sluggish](#) economy and [reducing poverty](#) by boosting economic development in the Amazon that involves large [infrastructure projects](#) which [fuel](#) deforestation.

What impact on the EU-Mercosur deal?

It is too early to assess whether Lula's recycled anti-deforestation policies will be able to achieve a similarly positive outcome as they had in the past. Even if the [stakeholders](#) on the EU side were convinced, major hurdles would still need to be overcome to conclude the EU-Mercosur deal. The [leaked](#) EU draft additional instrument to address EU environmental concerns has [not](#) been well [received](#) in parts of the [EU](#) and [Mercosur](#). Brazil and Argentina are [seeking](#) to reopen the deal to [alter concessions](#), e.g. on public procurement, and have [concerns](#) about the impact of the new [EU deforestation regulation](#) on their market access to the EU. A Mercosur [counter-proposal](#) was still outstanding after the [Mercosur Summit](#) in July 2023.

Selected anti-deforestation tools used in Brazil

The first phase of the [Action Plan](#) was introduced in 2004 at the beginning of Lula's first term and is thus a recycled policy tool from a time when Brazil, based on a [range](#) of policies, was able [to curb](#) deforestation significantly, with the [collapse](#) of commodity markets and declining demand helping. By 2012, the Legal Amazon saw a historically low yearly deforestation level of roughly 4 600 km², down [80 %](#) from 2004. However, a 2012 [revision](#) of Brazil's Forest Code (*Código Florestal*) under left-wing president [Dilma Rousseff](#) reversed the trend. It [lowered](#) restoration requirements, legalised forest areas illegally cleared prior to 2008 and cancelled fines, creating substantial disincentives for compliance. At the same time, the legal revision introduced a mandatory national land registry (*Cadastro Ambiental Rural (CAR)*) intended to hold registered landowners accountable for illegal deforestation. However, as a result of a severely [dismantled](#) and defunded IBAMA under Bolsonaro, only [8 %](#) of offenders were punished in recent years, although [84 %](#) of deforestation was illegal in 2021. The revision also proposed a [market](#) for trading forest certificates that has not yet materialised, albeit a first [attempt](#) was made in 2022 in the context of landmark Federal Supreme Court rulings in a [series](#) of climate change cases. They reversed Bolsonaro's environmental policies and [declared](#) the Paris Agreement a human rights treaty. Voluntary industry commitments, e.g. the 2006 [investor-supported Soy Moratorium](#) and the 2009 [Cattle Agreement](#), [failed](#) to change the traditional paradigm of increasing agricultural production through expanding the agricultural frontier at the expense of forest cover and to [decouple](#) production from deforestation.

In its October 2020 [resolution](#) on the implementation of the common commercial policy, the European Parliament emphasised 'that the EU-Mercosur agreement cannot be ratified as it stands'. In its February 2023 [resolution](#), it stressed that an EU strategy to boost industrial competitiveness, trade and quality jobs also includes ratifying the outstanding Mercosur deal, if 'pre-ratification commitments on climate change, deforestation and other concerns are satisfactory'. In July 2022, it adopted a [resolution](#) on the situation of indigenous and environmental defenders in Brazil.

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