



TRADE

Forests all over the world are under an increasing amount of pressure due to unsustainable anthropogenic activities and the ever-growing number of environmental disasters. The 2019 fires in Indonesia¹ and the 2020 fires in the Amazon Basin² - two areas which together contain some of the world's most critical carbon sinks and biodiversity hotspots - are just the tip of the iceberg³. Expanding cropland, pasture and plantations for industrial meat and dairy production, palm oil, soy for cattle feed, and other commodities that subsequently enter the global supply chains have caused the highest deforestation rates in the Amazon Rainforest in 13 years⁴.

At the same time, land clearance for industrial agriculture in many cases results in the displacement of Indigenous Peoples and Local Communities (IPLCs) that depend on the forests for their livelihoods⁵. Furthermore, tropical deforestation is the second largest contributor of anthropogenic GHG emissions⁶. In 2020, the COVID-19 pandemic has highlighted how deforestation is pushing humans and wildlife into closer contact, increasing the chances for outbreaks of new zoonotic diseases with serious effects for our health, ecosystems and economies⁷. The combination of all these threats is hindering forests' invaluable contribution in the fight against the climate crisis and is preventing forests from fulfilling their irreplaceable role as biodiversity refuges.

The following brief focuses on a key driver of deforestation: the international trade of agricultural and forestry commodities. In particular, this document analyses the role that the EU can and should play at the global stage to minimise its external environmental footprint. An overview of the existing policies and legislation will further clarify the issue and contextualise better GYBN Europe's policy recommendations on this topic.

The EU and deforestation

The European Union is the world's largest economic bloc, and it is the second biggest importer of deforestation globally, responsible for 16% of deforestation associated with

international trade. Some EU policies have been drivers of the import of embedded deforestation, including a previous iteration of the Renewable Energy Directive that incentivised the use of biofuels with high land use change risk⁸ and the Common Agricultural Policy that incentivises EU farmers to produce meat over grain, which increases the need for the import of high-risk agricultural commodities, while failing to encourage the local production of protein crops⁹.

Other EU policies, on the contrary, have aimed to limit deforestation in third countries, most notably the Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan and subsequent EU Timber Regulation (EUTR). Rather than focusing on sustainable forestry, the regulations target illegal logging from both a supply and demand perspective. The EUTR prohibits the placement of illegal timber on the European market, while bilateral trade agreements known as Voluntary Partnership Agreements (VPAs) between the EU and timber-producing countries promote legal forestry activities. In this market-based approach, trade is used as leverage to improve law implementation, enforcement and compliance¹⁰. A similar framework does not exist to target deforestation driven by crop and livestock production, while these are larger drivers of deforestation¹¹. Yet, the new European Commission's proposal for a regulation on deforestation-free products could provide that.

The European institutions only recently re-raised the issue of imported deforestation, through the European Parliament's legislative-initiative report and the EU Biodiversity Strategy to 2030. Nonetheless, these processes will face great political and economic obstacles in the upcoming months. This policy brief therefore aims to contribute to civil society's call for a display of the EU's green leadership worldwide and not only within its borders. As the #TogetherforForest campaign and the historic response to the open consultation on deforestation have proven, citizens across the European Union are calling for bolder, swifter and stronger actions. To achieve the mission of putting nature on the path to recovery, there is

an urgent need to halt harmful trade policies and to implement socio-environmental safeguards able to ensure a greener future.

Case study: EU-Mercosur trade agreement

The EU - Mercosur free trade agreement aims to extend trade between the European Union and four countries in Latin America (Brazil, Argentina, Paraguay and Uruguay). Discussions about the deal started more than 20 years ago, but between 1999 and 2016, talks foundered due to European farmers, who feared that beef coming from Brazil would undercut their prices¹². In June 2019, the partners finally reached an agreement in principle, but the texts have not been finalised, signed or ratified, which means that the agreement has not entered into force yet¹³. On October 7th, 2020, the European Parliament voted against the EU-Mercosur agreement in its current form¹⁴. Moreover, several countries, such as Germany, Austria, Ireland, Slovakia, the Netherlands, and Belgium showed increasing concern about the negative environmental impacts of this trade agreement¹⁵.

The reduction of tariffs would increase trade of different goods between the two regions, thus allowing the EU to export more goods (e.g., cheese, skim milk powder, machinery, transport equipment, chemical and pharmaceutical products), whereas the Mercosur region would export more agricultural products, such as tobacco, meat, vegetables (including soy) and coffee. While the agreement includes several environmental clauses to ensure the implementation of the Paris Agreement and avoid deforestation in the Mercosur countries, these conditions remain very vague and lack enforcement mechanisms.

The environmental impact of such an agreement could be disastrous: experts state it could lead to the destruction of 700 000 extra hectares of forest within 5 years¹⁶. This would mean an increase of 25% compared to the current situation. In addition, a recent analysis from the University of Oxford on the Mercosur deal also discovered how it fails to meet three core principles of sustainable trade agreements:

(1) the inclusion of local communities, (2) the inclusion of transparency mechanisms to trace commodities and provide open-access information, and (3) enforcement to legally uphold sustainability commitments¹⁷.

The implementation of the EU-Mercosur trade agreement would therefore clearly become an added driver of biodiversity loss in the Amazon region. If leading by example is the mantra of the European Commission in the international environmental arena, one would assume that efforts of the European Union will not perpetuate the externalization of land demands to non-EU countries through international trade.

The EU Biodiversity Strategy to 2030: a possible turning point

The EU Biodiversity Strategy addresses deforestation in two different sections¹⁸. Firstly, the Commission promotes the strict protection of all EU's remaining old-growth forests, pledged to advocate for the same at the global level and to ensure that EU actions do not result in deforestation in other regions of the world. Secondly, the strategy states how the European Commission will work to better assess the impact of trade agreements on biodiversity and strengthen the biodiversity provisions of existing and new agreements. In line with this, the Commission presented a legislative proposal and other measures to avoid or minimise placing products associated with deforestation or forest degradation on the EU market, and to promote forest-friendly imports and value chains.

While these actions are much needed and commendable, they should not be left on paper but rather be supported by a set of effective legal mechanisms. The European Parliament's recent initiative and the Commission's upcoming legislative proposal cannot be side-tracked by trade agreements ratified by Member States^{19, 20}.

GYBN Europe priorities

In the absence of proper regulations and mechanisms that can ensure implementation, international trade can contribute to the destruction of valuable ecosystems as well as being detrimental for Indigenous Peoples and Local Communities (IPLCs). GYBN Europe is strongly against any trade deal that could have detrimental effects on biodiversity, such as the Mercosur agreement in its current state, and has developed a set of recommendations to encourage coherence between the EU trade policy and its environmental ambitions.

Introducing biodiversity legal clauses in trade agreements

The EU's renewed focus on deforestation, reiterated at the One Planet Summit 2021, and confirmed by the European Commission's intent to propose a new deforestation law, highlights the need for a legal approach to this issue. The trade agreement should include clauses that allow for its suspension in serious cases on noncompliance with the sustainability chapter. This chapter could, for example, introduce bans on the trade of commodities until they comply with international standards. Alternatively, tariff reductions for partner countries that live up to sustainability commitments could encourage compliance, as proposed by the Dutch and French Trade ministers²¹. To facilitate enforcement, the current exemption of the sustainability chapter from the dispute settlement mechanism should be omitted. As international environmental agreements, including the Paris Agreement and the Convention on Biological Diversity lack enforcement mechanisms, trade could potentially become a powerful policy tool.

GYBN Europe thus strongly supports the inclusion of legally binding biodiversity conservation principles in any existing and future trade agreement ratified by the EU. Incorporating the goals outlined by regional (EU Biodiversity Strategy to 2030) and international (Post-2020 Global Biodiversity Framework) initiatives can strengthen forest conservation globally and reduce forest degradation significantly. The Paris Agreement

and the UN Sustainable Development Goals are already, to an extent, considered as prerequisites of major trade deals, therefore we do not see why biodiversity criteria should not be granted the same level of importance.

Fostering transnational forest governance

Responsible and equitable forest governance should foster the engagement of all relevant forest stakeholders across governance levels and aim to build collaborative bridges with other sectors that might affect and be affected by forest policies and practices²². The EU should further invest in strengthening transnational forest governance measures that promote the legality and sustainability of timber and other forest commodities, as well as halt land grabbing and deforestation. At the same time, the EU should avoid inflicting EU socio-ecological standards and instead stand in solidarity with a sustainable development discourse owned by the forest communities. In that line, GYBN Europe welcomes the efforts behind the FLEGT initiative, yet remains critical of the state discourse that it perpetuates^{23,24}.

We call for upscaling the participation of local communities across action plans in order to report issues on the ground, contribute to setting domestic targets and indicators for measuring progress towards them, as well as hold government authorities accountable. Cooperative projects for the monitoring and mapping of monocultures, plantations, pasture, intact forest areas and other elements of a landscape, with the Free, Prior and Informed Consent as well as the full and effective participation of indigenous peoples and local communities, could be a practical example of how sustainable and responsible forest governance can be promoted across states²⁵.

Utilizing supply chain governance

The EU should address both ends of the supply chain: the supply of forest and agricultural commodities that can be traced back to deforestation through legally binding sustainability clauses in trade deals, and the exit of such commodities on the demand side. The

European Parliament and the Institute for European Environmental Policy suggest making market access conditional upon due diligence obligations for the importer, similar to the EUTR, the EU Regulation to end illegal, unreported and unregulated fishing and the EU Regulation on Conflict Minerals^{26,27}. On a national level, legislation could require supply chain transparency and reporting on the chain of custody for all activities performed under the terms of the trade agreement. Tracking tools, such as Transparent Supply Chains for Sustainable Economies and Global Forest Watch, should be embraced and further developed.

EU Member States, civil society, and the private sector have put forward multiple voluntary commitments and certification schemes, centering around certain commodities (e.g., the Roundtable of Sustainable Palm Oil, the Round Table on Responsible Soy), end uses of commodities (e.g., The Roundtable of Sustainable Biomaterials and the International Sustainability and Carbon Certification) or geographical areas (e.g., Tropical Forest Alliance)²⁸. Presuming that social negative externalities for small-scale farmers are also addressed in these initiatives²⁹, these efforts should be applauded, but there is an urgent need for legislation and legal clarity to create a level playing field.

The legislation could be targeting commodities such as palm oil, soy and cacao, in which the EU has a large global share of import. However, it would be less attractive for exporting countries for commodities such as beef, in which the EU only has a smaller global share. For such commodities, GYBN Europe calls for the EU to open a dialogue with large importing countries, including the US, China and India to prevent diversion and leakage³⁰. Research by the Forest 500 Initiative found that 43% of the 500 companies and financial institutions in forest-risk supply chains do not have deforestation commitments³¹. Of these, financial institutions performed particularly bad with 63%. GYBN Europe urges banks and export credit agencies to adopt a deforestation policy and a robust due diligence strategy, as these institutions have

large influence on the supply chain through their financial leverage over lenders.

Upholding Human Rights

Beyond incentivizing biodiversity criteria, as well as the legality and sustainability of agricultural and forest commodities in trade deals, the EU should put greater emphasis in criteria that recognise the customary and traditional rights of IPLCs who safeguard forest ecosystems and agrobiodiversity, as well as recognise and protect the rights of traditional forest users and smallholder farmers³². GYBN Europe advocates for upholding human and tenure rights through trade deals, fostering the potential to upscale local stewardship of biodiversity to the landscape level, while at the same time enabling small producers, whose livelihoods depend upon the forests, to own the sustainable development discourse³³.

To facilitate this, we also strongly urge the EU to systematically consult IPLCs in the negotiation phase of future trade agreements, which was done insufficiently with the Mercosur trade agreement despite two decades of negotiation³⁴. Furthermore, trade agreements could be used as levers to foster the implementation of provisions related to benefit sharing, workers' rights and the abolition of child labour, and thereby address issues raised by both the Post-2020 Global Biodiversity Framework and the UN Sustainable Development Goals.

Holding youth and civil society dialogues

GYBN Europe strongly advocates for broader civil society dialogues and consultations for trade agreements, as well as mechanisms to ensure the participation of youth in these processes. When the issue of trade agreements is presented to the public arena, two tendencies emerge. The first one is to shift the responsibility, and in some cases the blame, on consumers and their consumption patterns. The second one is to consider trade agreements too complicated to be explained to the citizens. While we acknowledge the importance of our daily action and advocate for sustainable personal choices, GYBN Europe calls for a

systematic change in the top-down approach to trade agreements. One that dedicates a higher priority to biodiversity and its sustainable use. With this policy brief we display our strong will to partake in these discussions and to shape our future - a fair and sustainable future for all.

