

Opinion **Deforestation**

Trade deals could combat Brazil's Amazon deforestation

Export industries can be an ally rather than foe of rainforest protection

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Will the new [EU-Mercosur trade deal](#) raise or reduce tropical deforestation? The answer is up to the EU.

The recent acceleration of [deforestation](#) in the Amazon, is the world's most urgent problem for two reasons: not only must we conserve its forest to have any hope of limiting global warming to 2 degrees Celsius, but the rainforest is also the most biodiverse place on the planet and the home of indigenous people. If it shrinks below a critical threshold it may become too small to generate its own clouds and maintain its aerial rivers. When that [tipping point](#) is reached, the ecosystem can collapse and the forest degrades into a savannah, scientists warn.

Trade deals aim to enlarge and deepen market access. In this case, the effects may be negative. With a larger market for beef and other agricultural products, a country such as Brazil benefits from producing more and expanding its capacity to supply such products. Accordingly, Brazilian president Jair Bolsonaro has facilitated the [deforestation](#) boom: the director responsible for reporting on satellite data was [sacked](#); an agribusiness insider has been appointed to deal with [indigenous affairs](#); oversight of indigenous lands has been [transferred](#) to the agricultural department; and the [enforcement](#) budget cut. As a consequence, deforestation in July was [triple that of a year ago](#). Farmers organize "fire days" to clear land, while Bolsonaro [blames NGOs](#).

Trade liberalisation also makes it beneficial to capture market share by discouraging competitors. So Brazilian agribusiness profits from signalling the intention to develop the Amazon. This is the logic behind Brazil's reluctance to continue the [payment-for-conservation](#) agreements with Germany and Norway. If these agreements fail, other potential donors will be discouraged from investing in conservation.

[Research I conducted with Torben Mideksa](#) not only explains these movements, but also seeks to uncover some possible solutions.

First, when national authorities reject conservation efforts, state authorities can be better as well as necessary allies in the fight against deforestation. Monitoring and law enforcement partly take place at the state level. State policies on enforcement can be better tailored since most deforestation is driven by the local needs of miners, farmers, and loggers. Brazilian states, in particular Acre, have a long record of co-operating internationally on conservation.

In fact, our research demonstrates that environmental funding should be targeted to subnational authorities when deforestation is mostly illegal, as is the case in Brazil today. National authorities take into account that conservation in one region generates "leakage" with more illegal deforestation in other regions. This diminishes national authorities' willingness to spend resources on conservation. A subnational entity can be willing to conserve more, per dollar of encouragement.

Second, new western allies must commit to much larger funds and credits for forest conservation. This can make conservation a viable alternative to developing the Amazon. Today's decisions depend on whether owners expect conserved forests to be valuable in the future. A credible agreement to compensate for conservation can have immediate effect even if the funds themselves are released only later.

Finally, the EU-Mercosur trade agreement can become both a carrot and stick. It can be a disciplining device if it is conditional on guaranteed sustainable practices. Although the treaty already includes a chapter on sustainability, requiring the parties to implement the Paris Agreement on climate change, recent developments show that these conditions are insufficient.

It is insufficient that the EU requires a "clean" supply chain and certified products, because the non-certified goods will simply be consumed domestically or shipped to buyers who care less.

Instead, trading partners must establish a guarantee, as soon as possible, that the trade deal with Mercosur countries, including Brazil, will not be ratified or continued unless conservation policies are reintroduced, laws enforced and indigenous rights respected, with transparent and reliable monitoring.

A credible and tight connection between conservation and market access not only appears likely to be effective, given the current pro-business regime in Brazil; it also implies that major

exporters will find it in their interest to lobby the Bolsonaro government to re-establish effective conservation policies.

This way, Brazilian export industries can become an ally rather than a foe in the fight against deforestation.

The writer is a professor in economics at the University of Oslo and twice winner of the Erik Kempe award

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