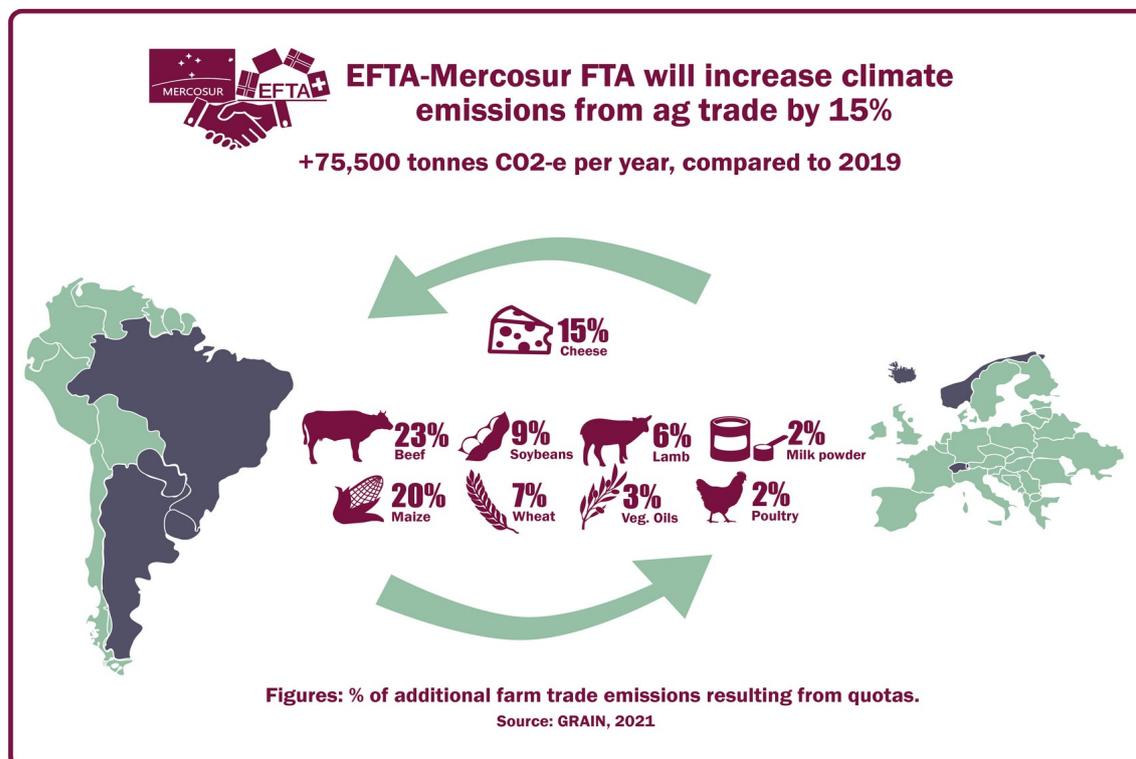


EFTA-Mercosur: another low blow to climate, peoples' rights and food sovereignty



* Emissions from increased bilateral trade in 10 farm products are expected to go up by 15%, compared to 2019, if the EFTA-Mercosur free trade agreement is implemented

* Beef, maize and soy exports from Mercosur will be the biggest source of these new emissions (47%), followed by cheese exports from EFTA (15%).

* Mercosur's own climate footprint from these new exports may rise by 13% and EFTA's by nearly 1400%.

A first ever bilateral trade deal between the European Free Trade Association (Switzerland, Liechtenstein, Norway and Iceland) and Mercosur (Argentina, Brazil, Paraguay and Uruguay) was signed in August 2019. While the agreement has not yet been published nor ratified, enough information has already been released by various governments to assess some of its potential impacts.¹

The EFTA pact with Mercosur was negotiated to keep pace with the European Union-Mercosur trade deal. One of the major controversies surrounding the EU agreement was, and still is, its impacts on climate change. Studies say it will lead to more greenhouse gas emissions, particularly through increased exports of meat, soybeans, maize and ethanol from Brazil and Argentina as a result of new quotas, much of this from large industrial farms often associated with deforestation and land grabbing.²

1 The agreement has to be ratified by all parliaments. In the meantime, it will go into force bilaterally once it is ratified by an EFTA and a Mercosur nation.

2 See GRAIN, "EU-Mercosur trade deal will intensify the climate crisis from agriculture", 25 November 2019, <https://grain.org/e/6355>

The EFTA deal with Mercosur, along with a similar deal with Indonesia that barely passed a recent referendum in Switzerland, is being showcased by the Europeans as a “new era” trade pact shaped by concerns about climate change, human rights and environmental issues. But it is not much different from the EU deal when it comes to emissions from food and agriculture.

For sure, the EFTA-Mercosur pact is a much smaller trade agreement. But if it is implemented and the quotas are filled, we calculate that it will increase greenhouse gas emissions from farm trade by at least 75,500 tonnes per year, looking at the ten most climate-impacting products. More than 70% of those new emissions will come from Mercosur exports to EFTA. But 15% will come from EFTA’s cheese exports alone.

This report presents those climate impacts, followed by several broader concerns.

The climate impact of EFTA-Mercosur from food and ag

The EFTA-Mercosur trade deal was drawn up in parallel to the EU deal, but it is hardly talked about. For the EFTA bloc, with just 13.6 million people, it is one of their biggest free trade agreements ever. They expect to benefit primarily from its liberalisation of services, including shipping. For the Mercosur bloc, with its 284 million people, it’s a small deal. They expect it to lead to an increase in investment from EFTA-based companies as well as the opening of the bloc’s well-protected agricultural markets. Agriculture currently accounts for 12% of Mercosur’s exports to the EFTA states.³

In terms of farm trade, the deal is expected to sustain or boost Mercosur exports of beef, poultry and animal feeds (soybeans, maize, wheat and rice). But the quantities traded are very small, so it’s possible that the main impact will be in poultry (exported to Switzerland), beef, pork and lamb (exported to Norway) for which new quotas have been offered. For EFTA, the deal is expected to boost their own exports of cheese (from Norway and Switzerland) and fish (from Norway and Iceland), with only cheese subject to a binding quota commitment.

The EFTA-Mercosur deal contains quotas for a range of agricultural products, of which 10 generate important greenhouse gas emissions. There are no quotas for fish and fertiliser trade, which also have an important climate footprint, so any trade increases caused by the deal for these items fall outside our calculations. A summary of the results are in Table 1. The methodology is explained in Annex 1, while the [full calculations are available in Annex 2](#). The emissions figures are annual, as are the underlying quotas.

Product	Origin	Additional emissions (1,000 t Co2-eq)	Percent of total
Beef	Mercosur	17.0	23%
Maize	Mercosur	15.2	20%
Cheese	EFTA	11.0	15%
Soybeans	Mercosur	6.4	9%
Durum wheat	Mercosur	5.4	7%
Lamb	Mercosur	4.3	6%
Vegetable oils (olive + groundnut)	Mercosur	1.9	3%

³ If you exclude gold, their top export, agriculture accounts for 22%. Interamerican Development Bank, “Mercosur-European Free Trade Association Agreement”, September 2019, <https://publications.iadb.org/en/mercotur-european-free-trade-association-agreement>

Milk powder	Mercosur	1.6	2%
Poultry	Mercosur	1.4	2%
Total top 10 products		64.1	85%
Total all food & ag products		75.5	100%

Our calculations show that after beef and maize exports from Latin America, cheese exports from Switzerland and Norway represent the next biggest jump in climate emissions from the farm sector. If you take all the farm quotas and assume they get filled, Mercosur's emissions would go up by 13% and the EFTA states' by 1400%.⁴ While the tonnage is not massive, these are predictable outcomes despite all eight governments' commitments to the Paris climate agreement. It's clear that one cannot increase trade and drive down emissions at the same time. Offsetting doesn't count, as is increasingly being recognised.⁵

For fisheries, there are no quotas that we can measure, but tariff reductions will have an important impact. Currently, EFTA seafood producers have little market share in Mercosur: 1% in both Argentina and Uruguay, and 10% in Brazil.⁶ Norway, the world's fourth largest seafood producer, will be able to export salmon duty-free as a result of the deal and possibly disrupt the Brazilian market. A full 60% of the fish that Brazilians consume is imported. Salmon represents 24% of those imports, with Chile being the primary supplier.⁷ Norwegian salmon is subject to 10% duties which will disappear if the agreement goes into force, potentially displacing Chilean competitors. This would be a key win for the Norwegian industry, especially Mowi, the world's top salmon producer which commands 20% of the world market.⁸

Mowi is also the top generator of fish loss and other associated costs of salmon farming.⁹ Greenhouse gas emissions are part of those costs. According to one analysis, the climate footprint of Norwegian fisheries and aquaculture is estimated at 9.3 million tonnes of CO₂-equivalent per year.¹⁰ Three-quarters of that comes from the production of feed (fishmeal and oil), which itself is often linked to overfishing by groups like Mowi in waters of the global South.¹¹ Mowi has committed to reduce its emissions, mainly through feed substitutes, by 10%. This is clearly insufficient, especially given the current market growth of the salmon industry and the kind of acceleration expected from EFTA's new trade deals.

4 See Annex 2, Table 1.3. The steep rise in Europe is due to brand new cheese quotas.

5 See GRAIN, "Corporate greenwashing: "net zero" and "nature-based solutions" are a deadly fraud", March 2021, <https://grain.org/e/6634>.

6 UN Comtrade, <https://wits.worldbank.org>. Data is for 2019. The bloc's fish imports come mostly from Chile, China and Mercosur member Argentina.

7 Matt Craze, "Chile salmon exporters' next headache: Brazil market is unravelling", Undercurrent News, 19 May 2020, <https://www.undercurrentnews.com/2020/05/19/chile-salmon-exporters-next-headache-brazil-market-is-unraveling/>; "Fish import", Brazil for business, <https://www.brazil.tm/en/fish-import>.

8 Just Economics, "Dead loss: the high cost of poor salmon farming practices", February 2021. <https://www.justeconomics.co.uk/health-and-well-being/dead-loss>

9 Ibid.

10 SINTEF, "Carbon footprint and energy use of Norwegian seafood products", 2009, https://www.sintef.no/globalassets/upload/fiskeri_og_havbruk/fiskeriteknologi/filer-fra-erik-skontorp-hognes/carbon-footprint-and-energy-use-of-norwegian-seafood-products-final-report-04_12_09.pdf. Judging by Mowi's climate policy of 2019, the SINTEF assessment has not been updated. <https://mowi.com/wp-content/uploads/2019/04/Mowi-Climate-Change-Policy.pdf> <https://salmonfacts.com/salmon-and-environment/how-does-farmed-salmon-affect-co2-emissions/>

11 This is an industry-wide estimation. See Fiona Harvey, "Global salmon farming harming marine life and costing billions in damage", Guardian, February 2021, <https://www.theguardian.com/environment/2021/feb/11/global-salmon-farming-harming-marine-life-and-costing-billions-in-damage>

The Mercosur deal is touted as the first EFTA trade agreement that has a specific provision on “trade and sustainable agriculture and food systems” in which “the Parties agree to promote sustainable agriculture and associated trade and conduct a dialogue to address related issues.” It also reportedly has a provision on trade and climate change committing the parties to “effectively implement the UNFCCC and the Paris Agreement”.¹² But there is no evidence that the agreement has tools for either provision to be enforced.

Broader concerns

The EFTA-Mercosur trade deal carries a host of other risks connected to critical issues in our food systems.

Food sovereignty?

The government of Norway argues that it has gone to important lengths to protect its farmers and its model of agriculture under the Mercosur agreement. It claims to have done this mainly by carving out exclusions for specific products it produces domestically, like grass-fed beef, to prevent any competitive imports of similar products from Mercosur. The same applies to fruits, for which it will allow imports only during certain parts of the year when domestic production is not available. Nonetheless, the Norwegian Agriculture Cooperatives union expects competition from agricultural imports from Mercosur should the trade deal come into effect.¹³

In the case of Switzerland, the constitution requires that the country’s trade relations contribute to “the sustainable development of agriculture in Switzerland and abroad”.¹⁴ However, sustainable development and sustainable agriculture are not synonymous. The Swiss federation of milk producers notes that this trade deal opens up Switzerland to imports of butter from Mercosur, with a quota of 100 tonnes per year. This is a first for Switzerland, and the farmers say it will translate into domestic market losses.¹⁵ It’s hard to understand why Switzerland committed to import not only butter but milk powder, potatoes, onions and honey from across the Atlantic when it produces all of these in abundance, and how that contributes to food sovereignty.

Geographical indications

Even though the European Union champions the use of trade agreements to expand the use of geographical indications (a legal monopoly on a name) for foods, the EU dairy lobby is trying to prevent both EFTA and Mercosur from allowing a geographical indication on Emmentaler in their trade agreement. They argue that this term is generic. In reality, they are scared to lose their market for it as plenty of EU companies manufacture what the Swiss call “cheap, mass-produced Emmentaler”.¹⁶ The same arguments arise in EU trade

12 EFTA Secretariat, “Conclusion in substance of the EFTA-Mercosur free trade negotiations”, 24 August 2019, <https://www.efta.int/sites/default/files/documents/legal-texts/free-trade-relations/mercosur/2019-08-24-EFTA-Mercosur-Chapter-Description-of-FTA.pdf>

13 Landbruk, “Hvorfor ønsker regjeringen en frihandelsavtale med MERCOSUR?”, 27 August 2019, <https://www.landbruk.no/internasjonalt/hvorfor-onsker-regjeringen-en-frihandelsavtale-med-mercosur-2/>

14 Caroline Dommen, “Blueprint for a human rights impact assessment of the planned comprehensive free trade agreement between EFTA and Mercosur”, Alliance Sud, 22 January 2020, <https://www.alliancesud.ch/de/file/58105/download?token=Jasyd4B->

15 USP, “Rapport annuel 2019”, <https://api.swissmilk.ch/wp-content/uploads/2020/04/rapport-annuel-psl-2019-fr.pdf>

16 European Association of Dairy Trade, “Objection to the protection of ‘Emmentaler’ as a designation of origin in Mercosur”, 21 October 2019, <https://www.eucolait.eu/userfiles/files/Position%20papers/Eucolait%20reservations%20to%20registration%20of%20Emmentaler%20as%20a%20designation%20of>

talks with other countries where European names on food products have long been in use, including as a result of colonialism, occupation, immigration and globalisation.¹⁷ Swiss farmers, led by the Union Suisse des Paysans, are well aware that descendants of Swiss emigrants to Mercosur have settled there and are producing cheeses with names like Gruyere and Moleson. They are now in favour of Swiss companies getting the exclusive right to sell these cheeses there should the trade agreement go into force.¹⁸

Corruption in the fish and fertiliser sectors

Both Norway's and Iceland's seafood companies are part of a rather concentrated global industry that has suffered from the coronavirus pandemic and is on the prowl for new market opportunities. Some of their leading companies, such as Iceland's Samherji, have already been the subject of criminal investigations for bribery and price-fixing in Africa, Europe and North America.¹⁹ Environmental problems associated with their practices include overfishing, pollution and climate change.²⁰ While we have not seen the text of the trade agreement, it is highly unlikely that it guarantees that any of these risks will be addressed.

Regarding fertilisers, a significant source of greenhouse gas emissions, Mercosur is an important market for Norway, which is home to Yara, one of the world's top fertiliser companies.²¹ Brazil is currently the third largest importer of Norwegian fertilisers, while Argentina comes in 10th place.²² Together with Paraguay, the three Mercosur countries account for 10% of Norway's fertiliser exports in value in 2019. These exports mainly fuel large-scale agribusiness operations in the Mercosur countries, a sector gravely implicated in land grabs, human rights abuses and deforestation, not to mention the climate costs. What is worrisome is that Norway currently represents just 2% of Mercosur's fertiliser imports.²³ So the possibility that this trade deal will boost the bloc's imports from Norway as a result of lower tariffs is real.²⁴ And Yara has a significant presence in Brazil to take advantage of this.²⁵ It is important to note that Yara, too, despite being one-third owned by

[%20origin%20in%20Mercosur%20countries%202019_10_21.pdf](#) "Emmentaler Switzerland" is a protected denomination of origin in Switzerland. See Swissinfo, "Turning around the Emmental cheese industry", 7 September 2012, https://www.swissinfo.ch/eng/sacred-cow_turning-around-the-emmental-cheese-industry/33437572

- 17 During the EU-Mercosur FTA talks there was major battle over the right of Mercosur producers to continue using European food product names like Fontina or Quezo azul or Charolais, which had been implanted in Latin America through conquest and economic expansion. In the end, the EU agreed to offer a grace period during which certain names could continue to be used by local producers for a few years but then reserved for Europeans, such as Gruyère, Gorgonzola, Parmigiano Reggiano or Champagne.
- 18 Ram Etwareea, "La fronde s'étend contre l'accord avec le Mercosur", Le Temps, 30 August 2019, <https://www.letemps.ch/suisse/fronde-setend-contre-laccord-mercotur>
- 19 Undercurrent News, "World's 100 largest seafood companies", 2020, <https://www.undercurrentnews.com/report/worlds-100-largest-seafood-companies-2020/>
- 20 Fiona Harvey, op cit.
- 21 Yara says it is the # 1 producer of nitrates and NPK globally, and the # 2 producer of ammonia globally. "Annual report 2019", <https://www.yara.com/siteassets/investors/057-reports-and-presentations/annual-reports/2019/yara-annual-report-2019-web.pdf/>
- 22 Data is from UN Comtrade for 2018.
- 23 Data is from UN Comtrade for 2019. The bulk come from countries like Russia, US, China, Canada and Morocco.
- 24 As the text of the agreement is not public, we do not know what it says about fertiliser. But the Norwegian government lists fertiliser as its top export to Mercosur and boasts that the deal will make 99.3% of its exports to the region duty-free within 15 years. See "Fakta om frihandelsavtalen med Mercosur", 23 October 2020, <https://www.regjeringen.no/no/aktuelt/dep/nfd/nyheter/nyheter-2019/fakta-om-frihandelsavtalen-med-mercotur/id2666463/>.
- 25 Yara, op cit.

the government of Norway, has a history of using corruption to gain market share. In the 2010s, its former CEO and three other senior executives were investigated for bribing the governments of India and Libya, with one of them being sentenced for the crime. The company has also admitted to paying bribes in Russia.²⁶

Indigenous peoples' rights

The Swiss civil society coalition Alliance Sud have laid out a methodology for conducting a human rights impact assessment of the EFTA-Mercosur agreement, especially as regards Indigenous peoples.²⁷ They argue that such assessments should be done both before and after the deal's implementation, and that they should be grounded in direct consultations with affected communities. In the case of Mercosur, the concern is that with agriculture being a key export sector, trade liberalisation may lead to further deforestation and dispossession of Indigenous communities to expand industrial mega-farms. But the Swiss government has so far not been listening.²⁸

Investor protections

The agreement is said to contain no investor-state dispute settlement mechanism, but it does set rules on "investment facilitation" including institutional dialogue between states and the private sector of both parties. This is the first time Mercosur members agree to such rules in a trade agreement with partners outside the region. Their expectation is that it supposedly will incentivise foreign direct investment from EFTA-based companies, but historically there is no causal relation.²⁹

Conclusion

The EFTA states are moving to enact a range of new trade deals with high stakes involved. For corporations, these deals may be seen as important levers of growth in a time of an unprecedented global public health crisis. For the rest of us, the likely impacts in terms of climate, human rights and food sovereignty are clear and visible like never before. Many social movements hold that it is not enough to incorporate a few paragraphs pledging allegiance to the Paris climate accord or unenforceable concepts of sustainability to secure acceptance of this agreement. The real needs of ensuring food sovereignty, respect for human and Indigenous peoples' rights and drastically reducing our emissions require a different approach. More global trade – no matter how green – is simply not compatible with these imperatives.

Just as importantly, the time of one-sidedly imposing sustainability criteria on the global South, as EFTA tries to do, is past. Economic corruption in the form of tax evasion, fraud, money laundering and bribery is an equally critical problem, especially within the large corporations aiming to benefit from these deals. And yet it goes unaddressed.

26 Richard Cassin, "Norway jails four ex Yara execs for India, Libya bribes", FCPA blog, 8 July 2015, <https://fcpablog.com/2015/07/08/norway-jails-four-ex-yara-execs-for-india-libya-bribes/>.

27 Caroline Dommen, op cit.

28 Isolda Agazzi, "Des études d'impact fragmentées et partielles – Lignes d'horizon", Le Temps, 12 December 2020, <https://blogs.letemps.ch/isolda-agazzi/2020/12/12/mercotur-des-etudes-dimpact-fragmentees-et-partielles/>

29 IADB, op cit.

The climate impacts of the EFTA-Mercosur trade deal, if it goes ahead, will be significant, even judging by just a few industrially produced farm commodities. For this reason alone, the deal must be scrapped.

Annex 1: How we assessed the climate impact of the deal

In 2020, a study was done for the Swiss government on the climate impacts of the EFTA-Mercosur agreement.³⁰ It estimates that for food and agriculture as a whole, the greenhouse gas emissions as a result of the deal will go up by 200,000 tonnes in the Mercosur area in the year 2040, while there will be almost no increase in Switzerland.³¹ Most of the change on Mercosur's side, the study says, will be the result of increased livestock production, which will lead to increased deforestation (at a "muted" level) and increased land prices.³²

This study was based on computable general equilibrium modelling. While CGE is often used to assess the economic impacts of trade agreements, it is highly criticised for relying on unrealistic assumptions like perfect competition, balanced budgets and full employment. For agriculture, the study looks at the sector as a whole, and does not indicate how it calculates emissions for specific products like cheese. In fact, the authors themselves say that if they were able to look at specific farm products, the estimated changes in greenhouse gas emissions would be "more pronounced".³³

We took a different route: we used the same methodology that was applied to assess the climate impacts of the EU-Mercosur trade agreement, which was subsequently picked up and used by numerous European government studies. We looked at the quotas agreed to under the deal. Quotas are commitments entered into by governments to allow a specific amount of something to be imported at a reduced or zero tariff rate. They may or may not be filled. But in and of themselves, they represent an intent and a legal responsibility. We measured the trade impact of the farm quotas in this deal compared to current trade volumes. We then assessed the climate impact of the change in trade using the highly reputed GLEAM model of the UN's Food and Agriculture Organisation.

The figure of 75,500 tonnes of CO₂-eq per year that we arrived at is less than the 200,000 tonnes estimated by the Swiss government study for the year 2040. How to explain the difference, apart from the fact that we measured different things with different time frames? We inquired but didn't get clarity on how the Swiss came to their figure. We do know that the agricultural sector in Brazil is the largest source of greenhouse gas emissions in the Mercosur region, mostly in the form of methane from cows. And the Swiss study did find an increase in methane emissions, which they themselves attribute to an expansion of Brazil's livestock sector, as a result of the deal. Since the beef quotas will not lead to a significant increase in beef trade with EFTA – only Norway will double its imports if its quota is filled – it's possible that the Swiss model "predicts" that the agreement will lead to a few points of global GDP growth which results in increased income, and that this leads to higher demand for Brazilian beef and pork in general. But that's highly speculative.

30 "Assessment of the potential environmental impacts and risks in Switzerland and the Mercosur States resulting from a Free Trade Agreement between the EFTA States and Mercosur", SECO, June 2020, <https://www.news.admin.ch/news/message/attachments/61957.pdf>.

31 Ibid, Table 8. We are referring to emissions "by activity".

32 Ibid, pages 47-60.

33 Ibid, p. 44.