Environmental Regulation and International Trade: The EUDR and the EU-Mercosur Agreement in the Governance of Global Deforestation

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The increasing globalization of the production and consumption of agricultural and forest-based commodities has turned sustainability regulation into a pressing challenge for States[1]. In light of the fragmented and often ineffective international responses to deforestation and environmental degradation, particularly within global commodity chains, developed countries, especially those within the European Union (EU), have begun to exercise their unilateral regulatory power to impose environmental standards that extend beyond their own jurisdictions. These mechanisms seek to influence global market behavior, often requiring compliance with strict environmental conditions from producers in third countries who wish to access the EU's highly attractive internal market.

A prominent example of this approach is the European Union Deforestation Regulation (Regulation EU 2023/1115 – EUDR)[2], developed under the framework of the European Green Deal (EGD)[3]. The main objective of the EGD is to position Europe as the pioneering continent in achieving carbon neutrality by 2050. The commitment to sustainability has also been strengthened in the EU's trade agreements and is one of the expressions of the so-called "EU environmental diplomacy," aiming to build alliances and coalitions to tackle the triple planetary crisis of climate change, biodiversity loss, and pollution[4].

In this context, the EUDR prohibits the placing on the EU market, or the export from it, of seven key commodities and their derivatives if linked to deforestation or forest degradation. These include cattle, cocoa, coffee, oil palm, rubber, soya, and wood. The regulation aligns with the EU's broader environmental policies, which view trade as a vehicle for ecological transition, biodiversity conservation, and climate change mitigation.

The EUDR officially entered into force on June 29, 2023, with initial applicability scheduled for December 30, 2024. However, on October 2, 2024, the European Commission proposed a twelve-month postponement to allow Member States, partner countries, and economic operators more time to prepare and establish complete due diligence systems for relevant commodities and products[5]. This amendment was approved by the European Parliament in November 2024. Under the revised timeline, large operators and traders must comply with the regulation by December 30, 2025, while micro and small enterprises have until June 30, 2026. Additionally, a new "no-risk" category was introduced for countries with stable or growing forest areas[6], creating the possibility of preferential treatment for EU Member States. This amendment has sparked criticism from several producer countries, which argue that it constitutes a form of green protectionism[7].

Even before the regulation becomes fully applicable, its effects are already being felt in the global market. Danone, the French multinational food company, announced it had suspended the purchase of Brazilian soya as part of its alignment with upcoming EU environmental rules[8]. In response, the Brazilian government issued a statement defending the country's strict traceability and sustainability protocols[9]. Danone later clarified that it continued to purchase Brazilian soya in accordance with both local and international standards[10].

At the same time, some sectors in Brazil, particularly coffee producers, see the EUDR as an opportunity. Brazil's relatively advanced regulatory framework and traceability systems place it in a competitive position compared to other exporting nations[11]. The Brazilian Coffee Exporters Council (Cecafé), which accounts for over 96% of the country's green coffee bean exports, reaffirmed its commitment to sustainable trade and launched an official website[12] to guide producers through the adaptation process to the EUDR's requirements.

This debate gains further complexity when analyzed in the context of the EU-Mercosur Association Agreement, announced in December 2024 after 25 years of negotiation. The agreement aims to create the world's largest free trade zone by eliminating 93% of tariffs on Mercosur exports to the EU and by introducing quotas for sensitive products such as cattle, soya, and coffee, all directly impacted by the EUDR. According to EU High Representative for Foreign Affairs Kaja Kallas, the agreement is "historic,"[13] not only for trade liberalization but also for its alignment with the EU's environmental agenda. Brazil stands to gain significantly, with an expected GDP growth of 0.46% by 2040, representing an increase of $9.3 billion, more than the relative gains projected for the other Mercosur countries and, in absolute terms, nearly equivalent to that of the EU[14].

Nevertheless, the environmental implications of increased trade flows are evident. A 2020 study estimated that the agreement could lead to an additional 122,000 to 260,000 hectares of deforestation in Mercosur countries, with 55% of it occurring in Brazil[15]. Indeed, Brazil's soy and beef producers frequently expand into deforested areas, motivated by rising global prices and increasing export demand[16]. While this estimate was made before the EUDR was adopted, the regulation is now positioned to play a counterbalancing role by imposing mandatory due diligence obligations that could curb deforestation associated with increased exports.

The interconnection between the EUDR and the EU-Mercosur Agreement is explicitly recognized in Recitals 18 and 26 of the regulation, which emphasize the importance of embedding deforestation clauses into trade agreements[17]. Accordingly, the final text of the EU-Mercosur Agreement[18] includes an annex to its Trade and Sustainable Development chapter, providing for technical cooperation and EU support for Mercosur countries in implementing the EUDR[19], this kind of chapter is a characteristic of "next-generation" free trade agreements, addressing environmental, labor, and human rights issues[20]. This demonstrates a strategic alignment of regulatory standards with trade liberalization, promoting sustainable supply chains without compromising economic growth.

Taken together, the EUDR and the EU-Mercosur Agreement represent two sides of a broader European strategy to influence global environmental norms through trade. On one hand, the EU sets high sustainability standards with extraterritorial effects; on the other, it opens its market through agreements that integrate environmental conditions as part of broader economic cooperation. For the third countries, this dynamic implies the need for regulatory alignment, institutional innovation, and stronger diplomatic engagement. In an increasingly sustainability-driven global economy, harmonizing economic development with environmental protection is no longer optional, it is a competitive necessity. The evolving relationship between the EU and Mercosur is therefore entering a new phase, marked by shared responsibilities and mutual opportunities in the pursuit of global ecological governance.

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