

Austria rejects EU-Mercosur trade deal over Amazon fires

Concerns about threats to farming sector also featured in Austrian parliament debate

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To some surprise, the leader of the far-right Freedom Party, Norbert Hofer, also voted to reject the deal. Photograph: Leonhard Föger/Reuters

The future of the trade deal between the EU and South America's Mercosur bloc has been further thrown into doubt as **Austria** is expected to veto the pact over concerns about Amazon fires and threats to the national farming sector.

Lawmakers on the Austrian parliament's EU subcommittee on Wednesday almost unanimously voted to reject the draft free trade agreement, thus obliging their government to veto the pact at EU level, where all 28 member states and their parliaments must agree to trade deals.

The draft for a trade agreement between the EU and Mercosur, a free-trade zone that includes **Brazil**, Uruguay, Paraguay and Argentina, was announced last June after almost a decade of negotiations.

But last month France and Ireland threatened not to ratify the deal unless Brazil's president, Jair Bolsonaro, agreed to do more to fight fires in the Amazon.

Concerns about adverse effects on the European product standards and farming sector also played a part in the debate in the Austrian parliament. "The agreement would have been bad for our agriculture, but especially bad for climate protection and workers' rights in South America," said Jörg Leichtfried, deputy leader of the centre-left SPÖ.

Importers of EU goods in the Mercosur zone currently have to pay tariffs of 35% on cars, 14-20% on machinery and 27% on wine, which would be gradually phased out if a trade deal came to pass.

To some surprise, lawmakers from the centre-right ÖVP and the far-right Freedom Party also voted to reject the deal, with the FPÖ leader, Norbert Hofer, arguing politics should not "bend to the interests of industry".

Austria is currently governed by a caretaker government made of technocrats following the collapse of chancellor Sebastian Kurz's cabinet over the so-called "Ibiza scandal", in which a sting video showed his deputy, Hans-Christian Strache, suggesting he could offer lucrative public contracts in exchange for campaign support.

The government heads to the polls on 29 September.

Austria blocks EU-Mercosur trade deal with South America

19 September 2019



Agriculture groups were among the first to object to the EU deal, before fires in the Amazon rainforest drew global attention

MPs in Austria have dealt a blow to the EU's landmark trade deal with South America's economic bloc, by demanding a government veto on the deal.

The draft free trade agreement took 20 years to complete and the EU has described it as its biggest so far. France and Ireland have already warned they will reject the deal if Brazil does not do more to curb fires in the Amazon rainforest. Austrian groups say the deal must do more to tackle environment issues. All but one of Austria's main parties rejected the deal in a parliamentary sub-committee, from the far right to the centre left. Mercosur includes four South American economies - Brazil, Argentina, Uruguay and Paraguay. A fifth member, Venezuela, is currently suspended. Without backing from every government in the EU, the Mercosur deal cannot go through.

Why do Austrian MPs dislike the deal?

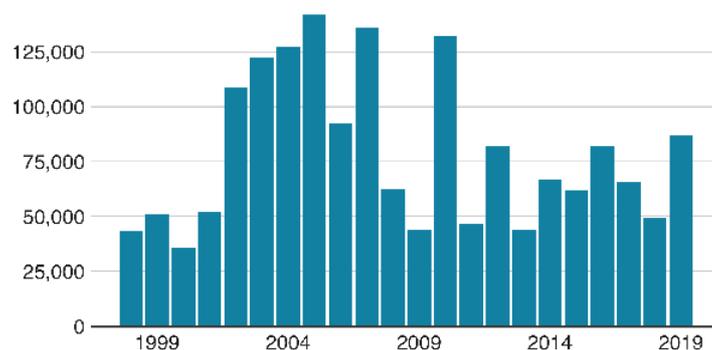
Jörg Leichtfried of the centre-left SPÖ hailed the decision as a "great success for consumers, the environment and animal welfare as well as human rights", warning that it would have been bad for climate protection and labour rights in South America.

Austria's trade union federation ÖGB had campaigned against the deal, arguing it had not sought binding rules on workers and the environment but focused on the interests of industry rather than people.

Green MEP Monika Vana praised the decision as "laying down a marker in Europe". Austria's federation of industry, however, has backed the Mercosur deal, warning against "populist scaremongering and free-trade myths" and insisting that the deal includes a commitment to the Paris Climate Agreement and the fight against deforestation in the Amazon.

This year has seen the highest number of fires in Brazil since 2010

Total number of fires, 1 January - 29 August (1998-2019)



Source: National Institute for Space Research



The liberal Neos party was alone in rejecting a veto, calling instead for the deal to be renegotiated. Austrians are currently in the grip of an election campaign ahead of a 29 September vote. The centre-right alliance with the far-right Freedom Party fell apart in May amidst a corruption scandal.

What is France's objection?

The deal was announced amid great fanfare in June, but weeks later Europe's leaders were shocked by the spread of fires raging in the Amazon rainforest.

Brazil's President, Jair Bolsonaro, was accused by France's Emmanuel Macron of lying over his stance on climate change. When Mr Macron pledged millions of dollars in aid to help reforest the Amazon, Mr Bolsonaro hit back by accusing him of treating it as a "colony or a no-man's land".

Skip Twitter post by @EmmanuelMacron



Emmanuel Macron



@EmmanuelMacron

Our house is burning. Literally. The Amazon rain forest - the lungs which produces 20% of our planet's oxygen - is on fire. It is an international crisis. Members of the G7 Summit, let's discuss this emergency first order in two days! [#ActForTheAmazon](#)



162K

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End of Twitter post by @EmmanuelMacron

Report

Ireland and Luxembourg also threatened to block the deal because of the far-right Brazilian leader's environmental policy.

What's in the EU deal?

The EU is already Mercosur's biggest trade partner, accounting last year for 20.1% of the bloc's trade in goods such as food, drink, farm products and tobacco. EU exports account for only 2.3% of the European bloc's total and tariffs on EU products are as high as 35% for cars and clothing.

The agreement, which would cover 780 million people, aims to remove trade barriers and promote high standards, with a commitment to sustainable management and conservation of forests and respect for labour rights.

European Council President Donald Tusk said last month it was difficult to see the accord getting through while fires were continuing in the Amazon rainforest.

Skip Twitter post by @eucopresident



Donald Tusk



@eucopresident

The EU stands by the EU-Mercosur agreement but a harmonious ratification is hard to imagine as long as the Brazilian government allows for the destruction of the green lungs of Planet Earth.

8,094

11:39 PM - Aug 24, 2019

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3,760 people are talking about this

End of Twitter post by @eucopresident

Report

Investment funds managing \$16 trillion urge companies in Brazil to fight Amazon deforestation



Smoke billows during a fire in the Amazon rainforest near Porto Velho, Brazil, on Sept. 17. (Bruno Kelly/Reuters)

By

Marina Lopes

September 20, 2019 at 9:00 a.m. GMT+12

SAO PAULO, Brazil — A group of more than 200 investment funds urged businesses Wednesday to take an active role in halting the destruction of the Amazon, and warned that companies whose supply chains benefit from deforestation could face financial risks.

The funds, which manage a combined \$16 trillion in assets, called on companies to reduce their supply chains'

reliance on deforestation, citing operational, regulatory and reputational risks [in an open letter](#) published Wednesday.

“Considering increasing deforestation rates and recent fires in the Amazon, we are concerned that companies exposed to potential deforestation in their Brazilian operations and supply chains will face increasing difficulty accessing international markets,” the investors wrote.

They called on companies to establish a no-deforestation policy and to report on their suppliers’ compliance.

They did not advise funds against considering investments in Brazil. Still, the letter is the harshest rebuke from the international financial community since the country came under scrutiny this summer for spikes in deforestation and fires in the world’s largest rainforest.

Deforestation rates in the Amazon have nearly doubled since Brazilian president Jair Bolsonaro took office in January. The former fringe lawmaker campaigned last year on promises to cut environmental red tape and spur development in the Amazon — a message that found an audience in a nation mired in years of economic stagnation.

In August alone, Brazil’s National Institute for Space Research detected over 30,000 fires in the Amazon, triple the number for the same month in 2018. Bolsonaro has denounced government data as “lies” and fired the agency’s head this summer after an unfavorable report.

In response to the letter, Otávio Rêgo Barros, a spokesman for the Bolsonaro administration, told reporters Wednesday that the government was “adopting all measures to deal with the fire and deforestation crisis.” Bolsonaro sent hundreds of soldiers to fight the fires and crack down on illegal deforestation, but the president also [pushed back](#) on calls for international collaboration in the effort: As fires spiked across the Amazon last month, he rejected an aid package offered by the Group of Seven and told foreign leaders to mind their own business.

Scientists call the Amazon the lungs of the planet, responsible for absorbing much of its carbon dioxide and emitting much of its oxygen. Bolsonaro has characterized international interest in the rainforest as an assault on Brazil’s sovereignty. His position has jeopardized a long-sought free-trade deal with Europe and has created the most serious diplomatic crisis of his presidency.

In August, Germany and Norway [froze tens of millions of dollars](#) in assistance for the Amazon after Bolsonaro said he would use the funds to aid farmers occupying the region. Soon, Finland called for a boycott of Brazilian beef in Europe. Then North Face, Timberland and H&M announced they would no longer buy Brazilian leather because of the cattle industry’s effect on deforestation.

“There is a legitimate worry amongst international investors about how business is being conducted, and that fear is growing,” said Marcos Lisboa, former president of Itau Unibanco, one of Brazil’s largest banks, and the head of Insper, a business university in Sao Paulo. The letter, he said, could make it harder for businesses in the farming and mining industries to gain access to financial resources.

The letter was signed by investors including Amundi, Europe’s largest asset manager; pension funds in Norway, Sweden and Switzerland; and the California Public Employees’ Retirement System.

“Their worry is that they will invest in a company that doesn’t have adequate control of its suppliers and in the future discover that its raw materials come from illegal deforestation. The company could be affected, and it could impact the fund’s returns,” said Joelson Sampaio, an economist at Brazil’s Getulio Vargas Foundation, a university in Sao Paulo. “It reflects a growing concern about the environment not only as it relates to Brazil but in the rest of the world.”

Bolsonaro is expected to address the international community next week at the U.N. General Assembly. Barros said the president planned to “deconstruct this narrative, particularly abroad, that Brazil is not interested in the Amazon, doesn’t take care of the environment and is not interested in it.”

In a television interview this week, Bolsonaro said he saw the speech as an opportunity to reassert Brazil’s sovereignty over the Amazon.

Bolsonaro’s critics welcomed the letter as a sign that the market can no longer ignore Brazil’s environmental issues.

“We are facing a two-pronged defeat in the government — we are losing both the forest and the country’s image,” said Marcio Astrini, Greenpeace Brazil’s public policy coordinator. “That loss of image will be expensive. It will cost business.

“There is a parallel between environmental preservation and the preservation of the markets. Both take a long time to build but a short time to destroy. And Bolsonaro’s destructive capacity is unprecedented.”