

Joint Master in EU Trade and Climate Diplomacy

From Autonomy to Alignment: An Explorative Approach on Cooperation on Unilateral Environmental Policy between the EU and FTA Partners

Supervised by Marcus Gustafsson

Lea Valentina Limbach

2024/2025

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Acknowledgements

I would like to thank my supervisor, Marcus Gustafsson, for his valuable guidance and support. I'm also grateful to Paolo Garzotti, Marc Vanheukelen, and John Clarke for sharing their insights during interviews. Finally, heartfelt thanks to my family, partner and friends for their encouragement throughout this journey.

Abstract

This thesis examines the relationship between unilateral EU environmental regulation and cooperative trade frameworks, using the EU Deforestation Regulation and the EU–Mercosur Association Agreement as a case study. The EUDR, adopted in 2023, introduces stringent due diligence obligations for operators placing certain commodities on the EU market, reflecting the Union’s ambition to lead global environmental governance through market-based instruments. At the same time, the EU–Mercosur Association Agreement Trade and Sustainable Development chapter promotes sustainability goals through soft commitments and dialogue-based mechanisms. This institutional and legal asymmetry creates implementation gaps and risks undermining policy coherence, particularly for smallholder producers in Mercosur countries who face challenges in navigating overlapping governance structures.

The research draws on a qualitative methodology combining legal analysis with semi-structured expert interviews, including policymakers and trade specialists. It explores to what extent the EU Deforestation Regulation’s unilateral design can be reconciled with the cooperative logic of the EU–Mercosur Association Agreement, identifying both tensions and opportunities for alignment.

The findings suggest that while the EU Deforestation Regulation and EU–Mercosur Association Agreement pursue complementary sustainability objectives, they operate under divergent logics of enforcement and legitimacy. Enhanced coordination, through shared reporting, transitional flexibility, and institutional cooperation, could bridge governance gaps and foster more inclusive compliance pathways. The thesis contributes to ongoing debates on EU regulatory externalization, environmental justice, and trade-sustainability coherence in a multipolar world.

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Introduction

The climate crisis, conceptualized as a *tragedy of the commons*, is one of the defining global challenges of our time. Addressing it requires coordinated international action and the establishment of mutually reinforcing governance frameworks to achieve shared sustainability objectives. In principle, multilateral cooperation under institutions such as the Paris Agreement under the United Nations Framework Convention on Climate Change (UNFCCC)¹ offers a platform for joint progress. However, in practice, global climate governance remains fragmented, often hampered by asymmetrical capacities, divergent interests, and the absence of enforceable legal mechanisms. As a result, individual actors, most notably the European Union (EU), have increasingly resorted to autonomous regulatory instruments to uphold environmental integrity within their jurisdictions and beyond.

A prominent example is the EU Deforestation Regulation (EUDR), which prohibits the placing of commodities linked to deforestation and forest degradation – key drivers of greenhouse gas emissions and biodiversity loss – on the EU market. By introducing mandatory environmental due diligence obligations for operators and traders, the EUDR aims to establish new global standards for sustainable supply chains and corporate accountability. It reflects the EU's ambition to lead by example in shaping transnational environmental norms through market power. Yet this shift toward unilateralism has generated political and legal tensions, particularly among trading partners in the Global South. Countries such as Brazil and Argentina have criticized the EUDR for imposing disproportionate compliance burdens and for failing to account for domestic institutional capacities and development needs. These actors increasingly frame the Regulation as a form of 'green protectionism' or 'regulatory imperialism', raising broader questions about legitimacy, equity, and the coherence of global trade relations when environmental standards are imposed extraterritorially and without structured cooperation.

¹ The Paris Agreement, adopted in 2015 under the United Nations Framework Convention on Climate Change (UNFCCC), is a legally binding international treaty that aims to limit global warming to well below 2°C above pre-industrial levels, while pursuing efforts to restrict the temperature increase to 1.5°C. It establishes obligations for all parties to submit and update nationally determined contributions (NDCs) and promotes global climate resilience, low-emission development, and international cooperation on climate action. Reference available in the bibliography under: United Nations, 2015.

The central problem addressed in this thesis is the reconciliation of the EU's unilateral regulatory instruments, as exemplified by the EUDR, with the institutional and sustainability frameworks embedded in Free Trade Agreements (FTAs), using the EU–Mercosur Association Agreement (EUMAA) as a case study. This issue is particularly significant given the increasing reliance of the EU on autonomous regulatory tools to pursue global sustainability objectives, often without corresponding mechanisms to ensure alignment with the cooperative structures of its trade partners. The resulting asymmetry raises critical questions about coherence, fairness, and the effectiveness of EU external climate governance. This study aims to assess the scope for institutional coordination and propose governance pathways through which unilateral regulatory ambition can be aligned with the collaborative ambitions of the EU's FTA-based sustainability architecture.

To address this problem, the thesis argues that enhanced policy coordination between unilateral instruments like the EUDR and the cooperative sustainability provisions of FTAs is both necessary and feasible. Specifically, it proposes that institutional mechanisms embedded in agreements like as the EUMAA, most notably the Trade and Sustainable Development (TSD) chapter, the rebalancing clause, and joint bodies like the Sub-Committee on TSD can be leveraged to foster procedural coherence, transparency, and mutual accountability. By embedding regulatory dialogue, technical cooperation, and differentiated implementation pathways into existing FTA structures, the EU can mitigate the risk of fragmentation and support more inclusive compliance. This approach not only advances environmental objectives but also strengthens the legitimacy and effectiveness of the EU's external action. In doing so, the thesis contributes to a more integrated model of climate-trade governance, one that moves from regulatory autonomy to strategic alignment.

The thesis is guided by the following primary research question: *„How can cooperation on the EU Deforestation Regulation be aligned with the institutional and sustainability frameworks of the EU-Mercosur Free Trade Agreement to advance shared sustainable development goals? “*

To address this, the research explores the following sub-questions:

1. How does the EUDR function as an autonomous environmental instrument, and what are its implications for third-country exporters?
2. What are the key institutional and legal features of the EUMAA relevant to environmental and sustainability cooperation?
3. What challenges and asymmetries arise in aligning EUDR implementation with the framework of the EUMAA?
4. Which institutional mechanisms or policy tools could facilitate coordination between the EUDR and the EUMAA to enhance environmental and regulatory legitimacy?

This thesis is organized into six chapters. Chapter 1 introduces the theoretical framework, examining the EU's role as a regulatory power and its deployment of unilateral instruments within the context of global environmental governance and the EU–Mercosur relation. Chapter 2 sets out the conceptual framework and analyses the legal and institutional architecture of the EUDR, highlighting its key provisions, objectives, and implications for third-country producers. Chapter 3 turns to the EUMAA, with a particular focus on the TSD chapter and its governance mechanisms. Chapter 4 investigates the scope and constraints of policy coordination between the EUDR and EUMAA, drawing on expert interviews to identify institutional gaps and avenues for cooperation. Chapter 5 synthesizes the key findings and formulates policy-oriented conclusions to enhance coherence between the EU's unilateral environmental measures and its trade-based sustainability commitments. Chapter 6 concludes with final reflections.

Literature Review

In examining the complex relationship between the EUDR and the EUMAA, I drew on a wide range of literature sources dealing with the changing role of the EU as a normative and regulatory actor, the rise of unilateralism in climate policy, and the limits of cooperation in FTAs. Motivated by the European Commission's (Commission) call to identify "*means to achieve synergies*" between autonomous environmental instruments and trade agreements (Commission, 2024a), my research was guided by the question of how such coordination might be operationalized in practice, particularly in the case of the EUDR and the EUMAA.

The notion of the EU as a "*normative power*" (Hervé, 2022) has been a starting point for this research through which its external policies, particularly on trade and the environment, are examined. This approach has evolved into the idea of the EU as a "*regulatory power*" (Balfour, 2024), wherein the extraterritorial effects of EU law extend its influence beyond its borders. This conceptual shift was particularly evident in the EU's 2022 Review of TSD Chapters in EU FTAs, which highlighted the need to strengthen the enforceability and coherence of the EU's sustainability commitments. These ideas resonated with my observation of a broader shift in the EU's external policy orientation, articulated in the 2022 Trade Review (Commission, 2022) and further analyzed by Schmitz and Seidl (2023). It was within this policy context that I began to frame the EUDR not as an isolated environmental regulation, but as part of a broader regulatory strategy to externalize sustainability norms through market access conditions. Within this context, Scholars like Schunz (2021) and Morillas (2021) have shown how EU regulatory instruments such as the GDPR or REACH serve to project European norms globally. The EUDR, by imposing due diligence obligations on foreign producers, fits within this logic of unilateral environmental governance.

As I began to examine the EUDR more closely, I became aware of the normative tensions associated with unilateralism. While such measures are often portrayed as pragmatic responses to global cooperation failures (de Ville et al., 2023 and Buser, 2025) they have also drawn criticism for reinforcing inequalities in global governance (Messenger, 2024a and Steinbach, 2023). Studies highlight a growing tension between regulatory

effectiveness and legitimacy, especially when enforcement is delinked from cooperative mechanisms (Henn, 2021 and Messenger, 2024b). In this context, recent literature emphasizes the importance, that autonomous measures are complemented by inclusive governance frameworks, ensuring that environmental ambitions are pursued collaboratively with third-country partners (Rudloff, 2025).

In exploring the trade dimension of this topic, I turned to literature on TSD chapters in EU FTAs (Commission, 2024b-d). Legal scholars such as Wessel et al. (2024) and Chen and Sheehy (2023) provided insights into the normative design of TSD provisions, while policy-focused studies (e.g., Bronckers and Gruni, 2021) highlighted persistent enforcement gaps. While reforms under the 15-Point Action Plan (Commission, 2018) and the 2021 Commissions review of the action plan represent a shift toward stronger enforcement, the gap between voluntary cooperation and mandatory environmental law remains widely underexplored in the literature. This is particularly true in the case of the EUMAA, where the TSD chapter coexists with stringent autonomous EU legislation like the EUDR (Harrison and Paulini, 2024). This realization further justified my decision to analyze how the EUDR and the EUMAA interact.

While the literature addresses both the EU's regulatory externalization and the shortcomings of its TSD chapters, these issues are rarely analyzed together. Scholars like Delimatsis et al. (2021) examine legal tensions around extraterritoriality, while Morin et al. (2021) highlight the need for coherence in global governance. Yet little attention has been paid to how the EU operationalizes such coherence, particularly through joint institutions like TSD Sub-Committees or Panels of Experts. This gap shaped my research focus on institutional mechanisms that could support alignment between the EUDR and the EUMAA.

In conducting the legal and comparative analysis of the EUDR and the EUMAA, I deliberately centered my research on primary legal texts and official EU documentation, which provided a direct lens into the EU's dual role as a unilateral regulator and cooperative trade partner. Engaging closely with sources such as Commission communications, staff working documents, and TSD reviews allowed me to trace the institutional rationale behind the EU's regulatory choices and broader sustainability

agenda. Rather than relying solely on secondary academic interpretations, I chose to anchor my analysis in primary law and policy materials to better understand how regulatory ambition and cooperative trade governance interact within the EU's external action framework.

To complement the legal analysis, I examined how the EUDR–EUMAA relationship is discursively framed by EU institutions, Mercosur actors, and civil society. Analyzing official communications and position papers, I identified recurring narratives, such as regulatory asymmetry, sovereignty concerns, and demands for cooperation, that shape perceptions of the EU's external environmental policy. This discursive dimension was essential for understanding both the external reception of the EUDR and how the EU seeks to legitimize its unilateral approach. It allowed me to situate my findings within the broader debate on the EU's role as a global environmental norm-setter.

Methodology

This thesis employs a qualitative research design to investigate the relation between the EUDR and the EUMAA, with a particular focus on regulatory alignment, governance coherence, and institutional interaction. Given the legal-institutional nature of the topic and its normative and political dimensions, a qualitative-exploratory approach is well-suited to unpack both the formal legal architecture and the informal practices shaping EU external environmental governance. To address the research question, the study adopts a multi-method strategy that combines legal analysis, process tracing, expert interviews, comparative institutional analysis, and discourse analysis, each offering a complementary perspective on the evolving interplay between unilateral regulation and cooperative trade instruments.

This thesis employs process tracing, a qualitative research method used to examine causal mechanisms by systematically analyzing the sequence of events or processes linking an independent variable to an outcome (Beach and Pedersen, 2016). It is used to analyze the EU's strategic shift toward autonomous environmental instruments, using the EUDR as a central case. The method is suited to identifying the institutional and political developments that shaped the adoption of the EUDR and its integration into the EU's external trade strategy. By reconstructing key turning points, like the revision of TSD chapters and the limits of multilateral initiatives, the analysis situates the EUDR within the broader framework of the EU's Open Strategic Autonomy (OSA). This approach helps to explain how unilateral environmental regulation has become embedded in the EU's external action, balancing regulatory independence with cooperative engagement.

To ground the legal and policy analysis in institutional practice, a set of semi-structured expert interviews was conducted with current and former EU officials. Interviewees include Paolo Garzotti (Head of the Latin America Unit, Directorate-General for Trade at the European Commission (DG TRADE)), Marc Vanheukelen (Former EU Ambassador to the WTO, former Ambassador for Climate Diplomacy at European External Action Service (EEAS), former Head of Cabinet to DG Trade Commissioner Karel De Gucht and Director of DG Trade division for Sustainable Development), and John Clarke (Former Director for International Affairs at the European Commission (DG

AGRI), Senior EU Trade Negotiator, and former Head of the EU Delegation to the WTO and the United Nations). The interviews were analyzed through an exploratory approach, identifying key arguments and institutional perspectives. This added practical insights into the regulatory, political, and implementation challenges at the EUDR–EUMAA interface.

The thesis undertakes a legal analysis of the EUDR and targeted comparison between the legal design of the EUDR and the cooperative sustainability instruments of the EUMAA, focusing on the TSD chapter. Dimensions such as enforceability, actor constellations, and compliance pathways were analyzed to highlight institutional asymmetries and potential areas for regulatory friction or synergy.

Further, a discourse analysis was conducted using speeches, stakeholder statements, and policy communications to examine how the EU frames its external climate governance. By comparing these narratives with the legal texts of both instruments, the chapter identifies contrasting interpretations of regulatory compatibility, enforcement authority, and sustainability objectives. This approach helps reveal how divergence contributes to governance incoherence and complicates the practical alignment of trade and environmental policies.

The methodology adopted ensures a multi-dimensional understanding of the research problem by combining legal, institutional, and discursive tools. This design allowed the thesis to go beyond normative assessment and explore how alignment between unilateral EU regulations and cooperative trade agreements might be institutionalized and operationalized in practice, especially in the context of differing economic capacities, political priorities, and institutional frameworks between trading partners. This methodological combination is particularly suited to a topic situated at the intersection of EU law, environmental politics, and trade diplomacy. A purely legal or economic approach would have overlooked the discursive and institutional dynamics crucial to understanding how coherence between autonomous regulation and trade partnerships is constructed and contested.

Chapter 1 - The EU's Shift in External Environmental Action and EU's Mercosur Relations

This chapter provides essential information by introducing the two fundamental pillars, EU's External Environmental Governance and EU-Mercosur Relation, upon which the thesis is built.

1.1 EU's External Environmental Governance: Shift towards Unilateral Regulation

The European Union's External Governance² regarding EU's Environmental Policy has undergone a significant transformation over the past two decades. Rather than relying primarily on traditional diplomacy or multilateral agreements, the EU increasingly employs internal market regulations with extraterritorial effects to pursue environmental objectives (Buser 2025). A key reason for this development lies in the growing limitations of multilateral environmental governance. The failure of global consensus at key international forums, such as the collapse of the World Trade Organization (WTO) Doha Development Round and the 2009 Copenhagen Climate Summit, exposed the EU's limited ability to shape outcomes through conventional diplomacy (de Ville et al., 2023). The EU was largely sidelined in final negotiations, while the BASIC countries (Brazil, South Africa, India, China) and the United States finalized the Copenhagen Accord outside formal United Nations (UN) processes (Schunz, 2021). This marginalization revealed the limitations of the EU's normative soft power approach and the need to modify its external strategy (Schmitz and Seidl, 2023). Against this backdrop, the launch of the European Green Deal has repositioned sustainability as a central geopolitical objective, committing the EU to climate neutrality by 2050 and prompting the adoption

² External governance and Europeanization have established themselves as major institutionalist approaches to studying EU external action. They take into account that the EU is not a state and generally lacks the centralization and the coercive tools that characterize traditional foreign and security policy. They start from the understanding of the EU as a multi-level governance system and network of issue-specific policy regimes and assume that these features will also translate into its external action. (Schimmelfennig, 2021).

of a more assertive external regulatory agenda (Commission, 2019).³ Unlike earlier forms of internalizing EU rules, such as the ‘Brussels Effect’, where foreign firms voluntarily adopt internal EU rules to retain access to the European market, the current ‘neo-unilateral approach’ involves binding legislation with direct legal obligations for compliance (Bradford, 2020). This shift marks a transition towards forced internal regulation and reflects a more assertive and deliberate use of regulatory power. The EU no longer relies on soft power or voluntary convergence but uses legal compulsion to influence behavior globally (Balfour, 2024).

The EU’s external environmental governance is grounded in Article 21(f) of the Treaty on European Union (TEU), which commits the Union to “*help develop international measures to preserve and improve the quality of the environment and the sustainable management of global natural resources, to ensure sustainable development*” in its external actions. This objective is further reinforced by Article 207(1) of the Treaty on the Functioning of the European Union (TFEU), which states that the EU’s common commercial policy must reflect its broader values and objectives, including sustainability. This legal provision has especially enabled the development of a normative trade policy that goes beyond traditional market liberalization.⁴ A major legal basis for the EU’s unilateral regulatory approach is primarily found in Article 114 TFEU, which grants the EU the competence to “*adopt measures*” necessary for the functioning of the internal market. Under Article 114 TFEU, the EU has enacted regulations that, although formally domestic, are designed to influence practices beyond its borders (e.g. General Data Protection Regulation, Digital Service Act, EUDR). The European Court of Justice has upheld a broad interpretation of Article 114, affirming that internal market legislation can legitimately pursue wider environmental and public policy objectives (Vos, 2016). The use of ‘unilateral instruments’ allows the EU to avoid slow international negotiations by setting internal legislation that conditions market access, effectively globalizing its standards (Buser, 2025). Companies operating internationally must adapt their production

³ The European Commission, hereafter referred to as the Commission, is cited in abbreviated form throughout this text.

⁴ Further elaborated later in chapters 2.1 and 3.1.

and supply chains to EU norms, becoming de facto agents of the EU's external environmental governance (Hervé, 2022).

1.2 EU-Mercosur Relations: Interplay between Negotiation and Regulation

The EU–Mercosur relationship serves as an essential case study for exploring how trade policy and external environmental governance interact in practice. The relationship between the EU and Mercosur (Argentina, Brazil, Paraguay, Uruguay and Venezuela) has developed over several decades. In 1999, both sides started official negotiations for a broad Association Agreement (Mata Diz, 2022). The EUMAA, established through the EU–Mercosur Interregional Framework Cooperation Agreement signed in 1995, aims to strengthen political cooperation, economic development, and trade between the two regions. After many delays, the EU and Mercosur reached a political agreement on the trade pillar of the deal in June 2019 (Pose-Ferraro, 2025). It was a milestone agreement, as it was the first time that two customs unions negotiated such a comprehensive partnership under WTO rules (Harrison and Paulini, 2024). The EU viewed this as a means to promote rule-based cooperation, particularly in a global context where multilateralism was coming under increasing pressure (Dobhal and Moreira Jimenez 2024). The EU is Mercosur's largest trading partner and investor (Commission, n.d.). In 2018, total trade between the two blocs was worth around €88 billion (Dobhal and Moreira Jimenez, 2024). European companies anticipated improved access to Mercosur markets, particularly for industrial goods and services, while Mercosur countries aimed to increase their agricultural exports, especially products like beef and soy (Mata Diz, 2022). Geopolitically, China's growing role in Latin America has increased competition in the region, which has encouraged the EU to strengthen its position as an important political and economic partner (Pose-Ferraro, 2025). The deal was therefore seen to combine economic benefits with stronger political ties. However, although a political agreement on the trade pillar was reached in June 2019, it triggered significant resistance within the EU. Environmental organizations, farming associations and several national parliaments criticize the deal.⁵ Their main concern is that it could accelerate deforestation in the Amazon and harm the EU's own environmental and farming standards (Pose-

⁵ Further elaborated later in chapter 4.

Ferraro, 2025). President Bolsonaro's weakening of Brazil's environmental policies further increased these fears, given the critical importance of securing the Amazon rainforest as a vital carbon sink and biodiversity hotspot (Dobhal and Moreira Jimenez, 2024). As a result, the agreement became highly controversial and politically sensitive. In this context, the EUMAA must be understood not only as a trade instrument, but as a test of the broader potential for interregional cooperation in the age of transboundary environmental challenges.

While the agreement reflects potential to align economic exchange with sustainability objectives, its effectiveness as a cooperative mechanism must be proven. True cooperation in this setting requires more than parallel commitments. It demands joint recognition of EU environmental policy, shared frameworks for implementation, and joint forums of dispute and cooperation. If the EU–Mercosur partnership is to function as a credible model of cooperative environmental governance, it must evolve from a system of parallel promises into a structure of integrated action, one in which both sides see value not only in outcomes, but in the cooperative process itself.

Chapter 2 - Tracing the EU's Turn to Autonomous Environmental Instruments

This chapter employs the process-tracing method⁶ to examine EU's turn to autonomous environmental instruments. The aim is to understand how unilateral instruments, part of EU's strategic reorientation, are included in a framework that shapes EU's external relations. The chapter will refer to the EUDR as a key unilateral instrument.

2.1 Understanding “EU's Open Strategic Autonomy” as a Conceptual Framework

The concept of Open Strategic Autonomy (OSA) provides a framework for the thesis through which to understand and legitimize the European Union's evolving external action, particularly in the field of environmental governance. The Commission first presented the concept of OSA in its trade strategy of 2021, titled “*An Open, Sustainable and Assertive Trade Policy*” (Commission, 2021a). OSA can be viewed as an extension-model to the EU's previous strategic bi- and multilateral approach in response to the growing limitations of multilateral environmental governance.⁷ OSA expresses the EU's ambition to stay committed to multilateralism and open trade, while simultaneously aiming to strengthen its ability to act independently in key policy areas when its interests or values require it (Boschiero and Silingardi, 2023). The term emerged against the backdrop of the COVID-19 pandemic, U.S.-China decoupling and growing calls for technological and supply chain sovereignty (Commission, 2021b). According to the Council's 2021 issues paper, strategic autonomy is no longer confined to defense and security but extends to broader EU interests, including environmental governance (Council, 2021)⁸. The policy was thus framed not as economic protectionism, but as an affirmation of the EU's right to regulate, invest in resilience and defend its economic and normative order (Commission, 2021a). The adjective “*open*” was added deliberately to counter accusations of isolationism (de Ville et al., 2023). The Commission emphasized that autonomy would be pursued in a manner that is “*open to international cooperation, underpinned by rules-based trade, and rooted in values*” (Commission, 2021a).

⁶ As previously outlined in Methodology.

⁷ As previously outlined in chapter 1.1.

⁸ Council of the European Union.

Therefore, OSA should be understood not merely as a strategy but as a functional policy framework that enables the EU to respond flexibly to global challenges while reaffirming its commitment to international norms and rules-based cooperation. The Commission uses this framework to legitimize its right to legislate in areas of critical concern, even when this has extraterritorial effects, as in the case of autonomous instruments (Schmitz and Seidl, 2022). The 2022 review of TSD chapters in FTAs⁹ marks an institutional shift reinforcing the EU's turn toward OSA by acknowledging the limits of only voluntary sustainability cooperation in FTAs (Commission, 2022). Originally conceived as dialogue-based instruments with civil society participation, TSD chapters have shown limited enforcement effectiveness. In response, the TSD review adopted a more assertive stance, supporting a graduated enforcement framework that includes the possibility of sanctions, clear timelines and stronger oversight (Commission, 2022). This recalibration aligns closely with the principles of OSA, which promotes “*regulatory resilience*” and “*conditional openness*” in response to global uncertainty (Commission, 2021a). The TSD review serves as a key link between cooperative trade diplomacy and unilateral regulatory action, establishing both the legal and political foundation for the EU's use of domestic instruments with extraterritorial impact (Messenger, 2024b). In this way, the TSD review can be interpreted as both a corrective measure addressing prior enforcement deficits and as an enabling framework that legitimizes and facilitates the EU's broader turn to unilateral environmental governance under the strategic autonomy agenda. In conclusion, OSA should be understood as a reaction to geopolitical uncertainty and a proactive regulatory vision that redefines EU's external actions.

By tracing the institutionalization of OSA through regulatory developments it becomes evident that unilateral environmental instruments, such as the EUDR, are not isolated cases, but part of a broader transformation in EU trade governance. This conceptual framework thus provides the lens through which subsequent chapters will explore the interaction between unilateralism and cooperation in the EU–Mercosur context.

⁹ Further elaborated in chapter 3.1.1.

2.2 The EU-Deforestation Regulation as an Instrument of “EUs Open Strategic Autonomy”

Building upon the conceptual framework of the EU’s OSA, the EUDR emerges as a key instrument exemplifying how the EU operationalizes strategic autonomy through regulatory measures. The concept of OSA is illustrated by the EUDR’s legal design and cooperation mechanisms.

2.2.1 Defining the EU-Deforestation Regulation

The EUDR, formally Regulation (EU) 2023/1115, published on 29 June 2023, is a directly applicable EU regulation and represents a central instrument in the EU's autonomous environmental policy framework (EU, 2023). The autonomy of the EUDR as an environmental instrument derives from its unilateral design (Art. 114 TFEU).¹⁰ In case of autonomous instruments, the EU independently defines comprehensive standards without requiring reciprocal agreements from its trade partners (Morin et al., 2021). The EUDR aims to mitigate the EU’s impact on global deforestation and forest degradation (European Parliament and Council, 2023). Article 3 of the EUDR Regulation prohibits placing or exporting commodities (cattle, soy, palm oil, rubber, cocoa, coffee, wood) and derived products (Annex I of EUDR) on the EU market unless they can be shown to be “*deforestation-free*” and legal. Therefore, the EUDR regulates the market access and exportation of specific forest-risk commodities (European Parliament and Council, 2023). In consequence, operators (those who first place the specified commodities or products on the Union market) and all other traders in the Union who deal with those products are required to take certain measures designed to ensure that the supply chains for the specific products listed, which are derived or made from the mentioned commodities, have fully respected the objectives of the Regulation (EU) 2023/1115 (Forwood, 2025). The regulation is legally based on Article 114 TFEU and replaces and expands upon the previous EU Timber Regulation (EUTR) from 2010. The EUTR (Regulation (EU) No 995/2010) focused solely on the trade of illegally harvested timber (European Parliament and Council, 2010). In contrast, the EUDR significantly broadens the approach to address both legality and broader criteria of deforestation-free commodities,

¹⁰ As previously outlined in chapter 1.1.

thus enhancing its environmental regulatory scope and ambition (European Parliament and Council, 2023).

While EUDR's unilateral approach enhances regulatory influence, it requires careful management to mitigate trade tensions and balancing assertiveness with the EU's broader sustainability goals within the OSA framework.

2.2.2 Conditions of the EU-Deforestation Regulation

Central to the application of the EUDR is the requirement that operators and traders fully comply with Article 3 of the Regulation. The conditions of Article 3 are cumulative and therefore all must be fulfilled to ensure legal access to the EU market (Forwood, 2025).

Article 3 sets out three cumulative conditions for placing relevant commodities and products on the EU market or exporting them.

1. Commodities must be produced “*deforestation-free*” on land not subject to deforestation after 31 December 2020. For wood, the harvesting must avoid forest degradation after that date. This temporal condition aligns with international sustainability commitments and seeks to prevent an acceleration of deforestation activities following regulatory announcements (Article 2(13)).
2. Compliance with “*relevant legislation of the country of production*” must be ensured (defined in Article 2(40)). This condition reflects the EUDR's approach of respecting local legal frameworks while demanding compliance with a broad set of sustainability standards.
3. Operators must submit a “*due diligence statement*” confirming compliance with the above requirements, submitted via an EU IT system. Non-SME operators must publicly report their due diligence processes annually, enhancing supply chain transparency (Commission, 2025).

Operators and traders are, according to Chapter 2, Article 4 – 13 of EUDR, obliged to exercise due diligence in ensuring (when first placing relevant products on the Union market) that the relevant commodities incorporated in those products have not been

produced on “*plots of land*” (Article 2(27)) where deforestation or forest degradation has taken place, thereby complying with Article 3.

Due diligence means that operators are required to take all necessary and appropriate measures to ensure and demonstrate, that the relevant products are deforestation-free and have been produced in compliance with the relevant legislation of the country of production (Commission, 2012; Recital (39) of the Regulation).

Article 8 sets out three conditions for exercising due diligence with reference to Articles 9 to 11.

1. Collecting and verifying information about the supply chain. According to Article 9, operators must gather “*adequately conclusive and verifiable information*” on the entire supply chain (Article 9(1)(g)). This includes providing geolocation of all plots of land used in production (Article 9(1)(d)), maintaining traceability systems that track supply chains back to origin (Article 10(2)(i)), and ensuring documentation or certification schemes (Article 10(2)(n)) reliably verify compliance. This ensures products do not originate from deforested or degraded areas.
2. Conducting a risk assessment to determine the risk of non-compliance. According to Article 10, operators must assess the risk of non-compliance. Only products assessed as negligible risk may be placed on the market. Risk is determined through analysis of supply chain data (Article 10(i)) and an assessment of countries by a country benchmarking system (Article 10(a) in conjunction with Chapter 5, Article 29).
3. Implementing risk mitigation measures. According to Article 11, measures shall be implemented, to ensure that only products with negligible risk are placed on the Union market or exported from the Union.

Therefore, the EUDR regulation introduces a risk-based approach by using benchmarking mechanism. According to Article 29, countries of origin are classified into low-, standard- or high-risk categories based on deforestation rates and governance (so that

low-risk exporters face lighter scrutiny). This requirement seeks to encourage better governance and stronger environmental responsibility in high-risk countries by linking market access to clear evidence of progress in reducing deforestation (Commission, 2025).

2.2.3 Enforcement of the EU-Deforestation Regulation

Enforcement lies primarily with EU Member States (EU-MS). Each EU-MS must designate “*competent authorities*” to ensure full compliance with the Regulation (Recital (61) of the Regulation). Checks and enforcement activities must be prioritized based on the risk classification of the country of production. Products from high-risk countries must be subject to more intensive checks (Recital (67-71)). According to recital (70 -74), competent authorities must perform regular, risk-based checks on operators and traders to verify their due diligence systems and the compliance of relevant products. Customs authorities are required to collaborate closely with competent authorities. They must check references to due diligence statements on imports and exports, and they have the power to suspend or refuse the release of goods for free circulation or export if requested to do so based on a risk analysis (Recital 71-72). The Commission is tasked with setting up an electronic information system to manage due diligence statements (Recital (62)). This system must be accessible to both competent authorities and customs authorities for the purpose of conducting checks. It also supports cross-border enforcement coordination within the EU (Recital (62)). EU-MS must ensure that the penalties imposed for infringements of the Regulation are effective and proportionate. Lastly, Article 31 (Complaints) and Article 32 (Review) mention that “*any person or NGO can file substantiated concerns*”, which may include issues arising in producer countries as a tool of enforcement transparency (European Parliament and Council, 2023).

2.2.4 International Cooperation on the EU-Deforestation Regulation

According to recital (10) of the Regulation, the EU should influence global markets, not just EU supply chains to minimize EU-driven deforestation. EU’s consumption is a disproportionately large driver of deforestation (10% of global deforestation caused by the production of the commodities regulated by the EUDR). Therefore, the EU should take action to minimize global deforestation and forest degradation (Recital (18)). Partnerships

and effective international cooperation, including through FTAs, are described as fundamental for this purpose (Recital 18; Commission, 2022). The Commission is intensifying its engagement with trade partners, e. g., Article 7 of the TSD chapter in the EUMAA commits both parties to promote sustainable forest management and address the root causes of deforestation. Ensuring enforcement of TSD chapters in trade agreements complements the objectives of the Regulation (Article 15 of EUMAA TSD chapter). The Regulation explicitly calls for working in partnership with producer countries to address root causes of deforestation, such as weak governance, ineffective law enforcement, and corruption (Recital (27 - 29)). It also calls for strengthening international cooperation with major consumer countries, encouraging them to adopt similar measures (European Parliament and Council, 2023).

Article 30 of EUDR creates a legal duty for the Commission and EU-MS to cooperate with producer countries to support EUDR's objectives. The EU shall engage producer countries via structured dialogues, joint roadmaps and partnerships targeting the root causes of deforestation and transitions to sustainable commodity production. Thus, the EUDR combines unilateral EU due-diligence rules with a multilateral partnership mandate to support developing-country producers. According to recital 29, EU and EU-MS are "*expected to support producer countries, including through technical and financial assistance where possible and relevant, to address the root causes of deforestation and forest degradation*". The Regulation specifically mentions capacity-building as a tool to help producer countries meet EUDR requirements (Recital (29)).

Consistent with this approach, Principle 12 of the Rio Declaration¹¹ underscores that "*environmental measures aimed at transboundary or global environmental challenges should, wherever possible, be grounded in international consensus*".

2.2.5 Implementation Status of the EU-Deforestation Regulation

The implementation of the EUDR was postponed providing stakeholders, including businesses and partner countries, with additional time to adapt to its due diligence and

¹¹ Principle 12 of the Rio Declaration on Environment and Development (1992), adopted at the United Nations Conference on Environment and Development (UNCED).

traceability requirements. Originally set to apply from 30 December 2024 (for large and medium operators) and 30 June 2025 (for micro and small enterprises), the timeline was extended by twelve months. The EUDR will be binding from 30 December 2025 for large operators and traders, while micro- and small companies will have to apply it as of 30 June 2026 (European Parliament, 2024). On 4 December 2024, the Commission launched the EUDR Information System pursuant to Article 33 of the Regulation, providing an electronic platform for the submission and management of due diligence statements. These statements are required to be submitted to the Commission's deforestation registry, where they will be subject to verification both within the system and by the competent authorities of the EU-MS (Commission, 2024c). On 22 May 2025, the Commission released its first official country benchmarking list under the EUDR (countries listed in Annex), implementing the risk-based classification system through a Guidance on Implementation made available on the Commission's Green Forum platform (Commission, 2025).

Chapter 3 – Analyzing the Interfaces between EU’s Environmental and Trade Policy

This chapter analysis how the EU integrates environmental objectives into its trade policy, focusing on treaty-based mechanisms and the specific case of the EUMAA.

3.1 The General Environmental Design of Free Trade Agreements

3.1.1 Free Trade Agreement-based Environmental Provisions: Trade and Sustainable Development Chapter

Central to EU’s objective to align environmental and trade policy is the integration of TSD chapter into its FTAs. These chapters form the legal and institutional base through which the EU promotes environmental governance and labor standards in its external economic relations. The following section will focus exclusively on environmental governance.

A TSD chapter typically includes three essential legal obligations:

1. The chapter requires the effective implementation of multilateral environmental agreements, such as the Paris Agreement, the Convention on Biological Diversity¹², and the Convention on International Trade in Endangered Species of Wild Fauna and Flora¹³. These commitments are not merely declaratory, they are designed to support the integration of global environmental norms into national policy frameworks. EU FTAs also often include specific references to thematic areas such as forest conservation, fisheries management, and the sustainable use of natural resources. These sector-specific provisions promote cooperation in

¹² The Convention on Biological Diversity, adopted at the Rio Earth Summit in 1992, is an international treaty that aims to conserve biological diversity, promote the sustainable use of its components, and ensure fair and equitable sharing of benefits arising from the use of genetic resources (United Nations, 1992).

¹³ The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), which entered into force in 1975, regulates international trade in endangered species of wild fauna and flora to ensure that such trade does not threaten their survival. It operates through a system of permits and trade restrictions based on species listings under Appendices I, II, and III (United Nations Treaty Collection, 1973).

areas particularly vulnerable to overexploitation and environmental degradation (Wessel et al., 2024).

2. The chapter contains non-regression clauses, under which parties agree not to weaken or fail to enforce their environmental laws in a manner that would impact trade or investment. This provision helps to prevent a race to the bottom in environmental standards (Chen and Sheehy, 2023).
3. The chapter reaffirm the sovereign right of each party to determine its own level of environmental protection and to regulate accordingly. This principle preserves policy space for domestic environmental ambition while upholding the legitimacy of international cooperation (Durán, 2020).

TSD chapters also establish institutional framework for implementation and dialogue:

- A key feature is the creation of a joint institutional body, usually a Committee on TSD, that brings together representatives of both parties to oversee the application of the TSD provisions. This committee reviews progress facilitates information exchange and can be used as a forum for resolving disagreements informally (Chen and Sheehy, 2023).
4. Another defining feature is the institutionalization of stakeholder participation through Domestic Advisory Groups (DAGs). Each party establishes its own DAG, composed of independent representatives from civil society, including environmental organizations, trade unions, and employer associations. The DAGs are mandated to monitor the implementation of the TSD chapter and provide recommendations. These groups may also meet in a joint Civil Society Forum (CSF) to exchange views and promote dialogue between the parties. This participatory structure aims to enhance transparency, ensure democratic accountability, and create pressure for compliance from outside the formal intergovernmental process (Durán, G., 2020).
- Alongside formal procedures, the EU complements TSD implementation with technical assistance and cooperation initiatives, such as support for forest monitoring and sustainable supply chains (Wessel et al., 2024).

The EU's TSD chapters contain a dispute settlement mechanism that allows either party to request consultations if it believes the other is failing to meet its sustainability commitments. If consultations do not resolve the issue, a Panel of Experts, comprising independent specialists in environmental law, may be convened to assess the matter and issue non-binding recommendations. While these recommendations do not involve trade sanctions, they exert normative pressure and can shape policy responses through public scrutiny and diplomatic dialogue (Velut, 2022).

In response to the limitations of voluntary sustainability cooperation within TSD chapters in FTAs (Commission, 2022), EU supported a framework that addressed prior enforcement deficits and included the possibility of sanctions. In the more recent EU–New Zealand FTA (2023), the TSD chapter is fully enforceable through the main dispute settlement mechanism with possible trade sanctions (Carrillo, 2024)¹⁴. The EU–Chile Advanced Framework Agreement (2023) enhanced dispute settlement but does not go as far as New Zealand's model with direct sanctions, (EU and Chile, 2023).¹⁵ Negotiations on the EU–India FTA are ongoing, with the EU aiming to secure a fully enforceable TSD chapter similar to the New Zealand model, although a final text has not yet been concluded (Commission and India, 2022). Regardless of an FTA's enforceability provisions, EU has increasingly reinforced TSD goals through the adoption of autonomous instruments like EUDR or Carbon Border Adjustment Mechanism (CBAM).

3.1.2 Comparison between Trade and Sustainable Development Chapter and Autonomous Instruments

EU FTAs embed sustainability through TSD chapter (treaty provisions), whereas autonomous instruments are unilateral EU laws (regulations or directives) enacted domestically but affecting trade. TSD chapters are part of bilateral treaties and ground commitments in international standards (Paris Agreement and other relevant international treaties), requiring joint consent and cooperative implementation. By contrast, instruments like the EUDR or CBAM are based on the EU's own legislative powers and apply unilaterally, conditioning access to the EU market on the EU's sustainability

¹⁴ For further details, refer to the bibliographic entry of the agreement.

¹⁵ For further details, refer to the bibliographic entry of the agreement.

criteria. This difference means that treaty-based TSD provisions rely on dialogue, while autonomous measures impose direct obligations (e.g. due diligence, import restrictions) without needing partner countries' approval. Legally, the EU can more easily adopt and enforce these unilateral tools (no lengthy trade negotiations are required, and EU authorities have legal recourse over EU market actors). In conclusion, TSD chapters create shared commitments under international law, whereas autonomous instruments are EU-origin rules with extraterritorial reach, reflecting the EU's decision to act alone when multilateral progress is slow. This institutional separation in legal basis underscores why autonomous instruments can be both more forceful and more contentious in practice.

Despite their separate nature, the EU frames autonomous measures as complementary to TSD chapters rather than as a conflicting approach. The Commission explicitly emphasizes that modern trade agreements “*work hand-in-hand*” with other policy tools, including Green Deal legislation and EU autonomous instruments, to maximize trade's positive impact on sustainable development and contain its negatives (Commission, 2022). Therefore, trade deals are not the EU's only vehicle for promoting sustainability abroad, they form part of a broader toolkit alongside unilateral measures. All these trade-related initiatives are presented as “*a comprehensive response to global sustainability challenges*” that “*go hand-in-hand with trade agreements*” (Commission, 2022). Thus, sustainability should go beyond FTA chapters, calling for its mainstreaming across all EU policies. This supports the EU's OSA strategy of using autonomous instruments to reinforce TSD commitments.

3.2 The Environmental Design of EU-Mercosur Association Agreement

The EUMAA, as comprehensive trade and cooperation agreement, is particularly relevant in the context of the EUDR because it establishes a bilateral framework for addressing the root causes of deforestation in key exporting countries (Commission, 2024). Given that Mercosur states are major exporters of commodities covered by the EUDR (Commission, 2023), the TSD chapter (Commission, 2024d) introduces sustainability provisions, like commitments to halt deforestation and promote sustainable forest management, intended to complement the objectives of the EUDR (Recitals (27 - 29) of EUDR).

The EUMAA, originally politically agreed in 2019, was further developed through additional negotiations concluded in December 2024 and is expected to be ratified by the end of 2025 (Commission, 2024). As part of these 2024 negotiations, an Annex was incorporated into the TSD chapter, introducing more detailed and binding environmental sustainability obligations (Commission, 2024e). In addition, these negotiations introduced new provisions (Article XX on Climate Change and Article XY on Fulfilment of Obligations) that designate compliance with the Paris Agreement as an “*essential element*” of the trade relationship.

The following section will focus exclusively on environmental standards. It must be noted that the published legal texts remain subject to revision and will only become binding under international law upon signature and completion of the necessary internal ratification procedures of the EUMAA by all parties. Therefore, the reference to articles and paragraphs may be subject to further changes.

3.2.1 Sustainability Framework in the EU-Mercosur Association Agreement

3.2.1.1 Legal Framework

The EUMAA contains a TSD chapter (Articles 1–18) which integrates environmental considerations into the trade framework.

Article 1 sets out the chapter’s *Objectives and Scope*, stating that its aim is to enhance the integration of sustainable development in the Parties’ trade relationship by establishing principles and actions on environmental matters relevant to trade. The chapter reaffirms shared international commitments, e. g., referencing Agenda 21¹⁶, the 1992 Rio Declaration¹⁷, the 2012 Rio+20 outcome¹⁸, and the 2015 UN Sustainable Development

¹⁶ Agenda 21 is a non-binding action plan adopted at the 1992 UN Conference on Environment and Development (Earth Summit) in Rio de Janeiro. It outlines global, national, and local strategies for promoting sustainable development across sectors such as deforestation, waste, and public health (United Nations, 1992).

¹⁷ The Rio Declaration, adopted alongside Agenda 21, sets out 27 key principles to guide sustainable development policy, including the precautionary principle and Principle 12 on multilateralism in environmental governance (United Nations, 1992).

¹⁸ At the Rio+20 Conference in 2012, UN Member States reaffirmed prior commitments and launched the process for developing Sustainable Development Goals (SDGs). The outcome document calls for integrated, inclusive, and equitable development (United Nations, 2012).

2030 Agenda¹⁹, as a foundation for the Parties' efforts. The chapter builds on the Parties' existing multilateral commitments and seeks to ensure that increased trade does not undermine each Party's environmental laws rights.²⁰ Unlike the legally binding obligations of the Paris Agreement, the commitments in this chapter are predominantly political and legally non-binding.

Article 2 sets out several specific, legally binding commitments by the Parties on environmental matters. A cornerstone principle is "*non-regression*", which prohibits either party from weakening or lowering the level of protection provided by its environmental laws to encourage trade or investment (Article 2(3)). In fact, the text explicitly forbids waiving or derogating from such laws or failing to effectively enforce them, to promote export or attract investment (Article 2(4)). In other words, neither the EU nor Mercosur countries may seek a trade or competitive advantage by rolling back domestic standards for environmental protection. This non-regression clause reinforces the Parties' commitment to maintain (and even improve) high standards as trade grows. Complementing this, Article 2(5) incorporates the "*precautionary principle*," ensuring that each side retains the ability to protect animal or plant life and the environment "*even if*" such measures could negatively affect trade, in cases where scientific evidence is ambiguous. Together, the *non-regression obligation* and *precautionary approach* guarantee that regulatory protections cannot be sacrificed for commercial gain (Commission, 2024f).

In Article 6, both sides reaffirm their obligations under international agreements on the environment. The agreement contains climate and environmental commitments, including explicit reference to the Paris Agreement. In Article 6(2) of the TSD chapter, the Parties commit to effectively implement the Paris Agreement in their domestic policies and to cooperate on trade-related climate measures. Both parties emphasize shared climate objectives. The EU reiterates its legally binding target to reduce greenhouse gas emissions by at least 55% by 2030 (from 1990 levels) and achieve climate neutrality by 2050 (from 1990 levels). Brazil, under its Nationally Determined

¹⁹ Adopted in 2015 by all UN Member States, the 2030 Agenda establishes 17 Sustainable Development Goals (SDGs) as a universal framework to eradicate poverty, combat climate change, and protect ecosystems by 2030 (United Nations, 2015).

²⁰ As previously outlined in chapter 3.1.1.

Contribution (NDC)²¹, commits to halting illegal deforestation (particularly in the Amazon) by 2030, and similarly targets net-zero emissions by 2050 (Brazil, 2023). These goals align with broader NDC commitments also made by Argentina²², Uruguay²³, and Paraguay²⁴ under the Paris Agreement (United Nations, 2015).

Beyond the TSD chapter, the EUMAA’s climate change section (main body) contains a newly introduced provision on climate change (Article XX) committing both sides to remain parties to the Paris Agreement under UNFCCC “*in good faith*” (Article XX.2). This obligation, essentially requiring continued implementation of the Paris climate accord, is expressly designated an “*essential element*” of the EUMAA (Article XX.3). In treaty practice, a breach of an essential element (comparable to violations of democratic principles or human rights) entitles the other party to invoke remedial measures up to suspending parts, or all the agreement (Commission, 2022). In practice, this means that a serious violation of the Paris Agreement could justify “*appropriate measures*” and therefore the suspension of trade concessions under the broader agreement (Article XY.3). Such measures require prior notification and must respect international law and proportionality (Article XY.4). Notably, suspension for a breach of the Paris clause applies specifically to the violating state and does not automatically suspend the Agreement with other Mercosur signatories (Article XY.6). This linkage of a trade deal to Paris Agreement compliance provides a legal incentive for both the EU and Mercosur countries to stay on track with their climate goals. The UK–EU Trade and Cooperation Agreement (TCA) was the first international trade agreement to explicitly embed the Paris Agreement and climate action as an essential element alongside traditional values (Commission, 2021a).²⁵

²¹ Nationally Determined Contributions (NDCs) are submitted pursuant to Article 4(12) of the Paris Agreement and form a core component of the global framework for mitigating climate change. Each country sets its own targets and strategies. NDCs are legally binding to submit and update, but not binding in terms of achieving the targets (United Nations, 2015).

²² Submitted its second NDC in 2021, pledging an economy-wide unconditional cap of approx. 349 MtCO_{2e} by 2030, addressing sectors like energy, transport, forests, and agriculture (UNFCCC (n.d.)).

²³ In its NDC2 submitted in 2022, for the first time set absolute emission caps for CO₂, CH₄, and N₂O by 2030 (e.g. limit CO₂ below 9.3 Mt/year) (UNFCCC (n.d.)).

²⁴ Submitted revised NDC in July 2021, maintaining previous mitigation ambition but with improved clarity according unconditional GHG cap and an enhanced conditional reduction target and introduced adaptation communication and reporting elements (UNFCCC (n.d.)).

²⁵ For further details, refer to the bibliographic entry of the agreement.

Article 8 of the EU–Mercosur TSD Chapter establishes a binding commitment for both the EU and Mercosur countries to encourage trade from sustainably managed products and combat illegal logging (Article 8(2)(a, c)). To “*combat*” goes beyond the softer language found in many earlier EU FTAs, which often “*promote*” or “*endeavor to*” pursue sustainable forest management goals (EU-Vietnam FTA, Chapter 13, Article 13.8)²⁶. In the EUMAA, the parties explicitly commit to take concrete measures against illegal logging and related trade, and to encourage trade in products from sustainably managed forests. Such direct wording signals a stronger obligation on both sides than the more generic cooperative statements in prior trade deals (Commission, 2021).

The environmental provisions were further strengthened in 2024 through the addition of an Annex to the TSD Chapter (Commission, 2024e). The Annex to the TSD Chapter (Preamble, Part A – C) integrates components that supplement the main text of the TSD chapter. The Annex is attached to the TSD Chapter of the EUMAA and introduces the commitment by each party to halt further deforestation by 2030, in alignment with target 15.2 of the 2015 UN 2030 Sustainable Development Agenda²⁷ (Part A.2. 12(a) (Harrison and Paulini, 2025)). In practical terms, the EU and Mercosur countries must ensure no additional deforestation occurs in their territories from that year onward, by taking actionable steps to halt any new deforestation (Dupré and Kpenou, 2024). Further, the Annex to the TSD chapter significantly expands the scope of environmental commitments. It incorporates cooperation on promoting trade in sustainable products (timber or other goods from sustainably managed forests) and on protecting biodiversity (Part B.2 48.). The legal text underscores the importance of conserving and sustainably managing all types of ecosystems and of enhancing the benefits of biodiversity for people, especially for communities dependent on forests. It explicitly acknowledges the role of indigenous peoples and local communities as key partners in safeguarding forests (Part A.3 22., B.2 48. (b)). The parties agree to support these communities, including respecting their knowledge and rights, so that efforts to curb deforestation do not come at the expense of local livelihoods. In addition, both sides commit to encourage responsible business practices to prevent environmental harm. Notably, the Annex references efforts to align

²⁶ For further details, refer to the bibliographic entry of the agreement.

²⁷ Refer to Footnote 19 for further information.

sustainability measures affecting trade with trade obligations by referring to the interplay between bilateral trade commitments and autonomous regulatory instruments such as the EUDR (Part B.3).

According to the typical TSD legal framework, Article 3 of EUMAA TSD chapter affirms each Party's sovereign right to determine its own levels of domestic environmental protection, its sustainable development policies and priorities and to adopt or modify its laws and policies accordingly.²⁸

3.2.1.2 Institutional Framework

The EU-Mercosur Interregional Framework Cooperation Agreement (Cooperation agreement), concluded in 1995 as a foundational political and legal instrument, affirms in Title III, "*Economic Cooperation*" to strengthen cooperation between the EU and Mercosur countries. This framework treaty provides the normative basis for subsequent, more detailed instruments, such as the TSD chapter of the EUMAA, by endorsing a cooperative, multi-stakeholder approach. Articles 10 and 11 emphasize that such cooperation should not be confined to state actors alone but should also engage the private sector and civil society, acknowledging their critical roles in advancing sustainable development. These principles serve as a foundation for the cooperative structures and participatory mechanisms outlined, *inter alia*, in Article 13 of the TSD chapter.

To operationalize the principles of the cooperation agreement, the EUMAA's TSD chapter establishes an inclusive institutional structure to monitor compliance and facilitate dialogue.

First, the Parties will set up a TSD Sub-Committee as joint institutional body. The body is composed of senior officials from the EU and Mercosur governments. According to Article 14 of the TSD chapter, this Sub-Committee must convene within one year of the agreement's entry into force (and thereafter as necessary) to "*facilitate and monitor the effective implementation*" of the chapter, including reviewing cooperative activities,

²⁸ As previously outlined in chapter 3.1.1.

consider any issues that arise, and carry out tasks related to dispute settlement (such as receiving reports from panels of experts) (Article 14(3a)).

It can also make recommendations to the higher-level Trade Committee of the Agreement on matters pertaining to sustainable development (Article 14(3c)). After each meeting, the TSD Sub-Committee is required to issue a report that will be made public, providing transparency about discussions and decisions (Article 14(4)). Each Party is required to designate a “*Contact Point*” within its administration to facilitate liaison on TSD matters and ensure effective day-to-day communication regarding the chapter’s implementation (Article 14(5)). Essentially, the TSD subcommittee serves as the primary forum for the EU and Mercosur to assess progress, discuss any concerns and coordinate efforts under the sustainable development chapter. It must establish its own rules of procedure and take decisions by consensus.

A second set of institutions are civil society bodies, referenced in brackets in Article 14(3)(c) of the TSD chapter.²⁹ The agreement provides space for the creation of DAGs in the EU and each Mercosur member state to involve independent stakeholders in monitoring the implementation of the TSD commitments. This is underlined by Article 17(11), which follows the standard practice in recent EU trade agreements and by further obligations in the General Provisions (A.1.) of the Annex to the TSD Chapter (Part A). In A.1. No. 5, the Parties emphasize the important role of civil society organizations in effectively implementing the TSD chapter.

In addition, Article 14(3)(c) of the EUMAA provides for the establishment of a joint Civil Society Forum (CSF) as a platform for structured dialogue. CSF is a platform for dialogue between civil society representatives of both sides, typically convened annually, to discuss the sustainable development aspects of the agreement (Commission, 2024g). The Forum is open to participation from members of the DAG as well as other civil society stakeholders from EU and Mercosur. These are periodic meetings organized by the Commission’s Directorate-General for Trade to inform and hear stakeholders, Non-Governmental Organizations (NGOs), businesses, consumer groups on the progress, key

²⁹ The current draft of the TSD Chapter of EUMAA contains placeholders for ‘civil society mechanisms. In the next draft published, which will have undergone legal scrubbing, these will likely be replaced with the concept of domestic advisory groups, as is the case for other EU FTAs.

issues and next steps related to the agreement. Recent dialogues took place on 10 and 18 December 2024, focusing on the deal’s current state and future trajectory (Commission, 2024g).

3.2.2 Synergies between EU-Mercosur Association Agreement and the EU-Deforestation Regulation

This section examines the synergies between the EUMAA and the EUDR, focusing on how the General Dispute Settlement System and the TSD chapter can support implementation and mutual reinforcement of the EUDR.

3.2.2.1 Synergies between General Dispute Settlement System and the EU-Deforestation Regulation

The 2024 revision to the EUMAA’s Dispute Settlement chapter (Commission, 2024) incorporates a non-violation clause in Article XX.4(b), often referred to as “*rebalancing mechanism*”. Mirroring Article XXIII.1(b) of the General Agreement on Tariffs and Trade (GATT)³⁰, Article XX.4(b) of the EUMAA allows either party to contest, through the procedures set out in the Dispute Settlement chapter, measures that, while not constituting a formal breach of the agreement, nonetheless “*nullify or substantially impair*” the expected trade benefits. Its introduction was driven by Mercosur concerns over the EU’s expanding unilateral environmental legislation, most notably the EUDR, and the risk that such laws could disproportionately burden exporters, especially in sensitive sectors like beef and soy (Matsumoto and Robert, 2025). The rebalancing mechanism represents a significant innovation in EU trade policy, marking the first instance of such a clause in an EU-FTA (Matsumoto and Robert, 2025). The 2021 EU–UK TCA also includes a rebalancing mechanism, though it broadly covers environmental and social policies rather than targeting unilateral EU regulations (Rudloff, 2025). While the clause does not limit the EU’s authority to legislate on environmental matters, it establishes an institutionalized forum where affected partners can pursue compensatory

³⁰ XXIII.1. If any contracting party should consider that any benefit accruing to it directly or indirectly under this Agreement is being nullified or impaired or that the attainment of any objective of the Agreement is being impeded as the result of [...] (b) the application by another contracting party of any measure, whether or not it conflicts with the provisions of this Agreement [...].

adjustments or engage in dialogue (Article XX.5). Thus, the non-violation clause represents an important *governance innovation*, designed to balance regulatory autonomy with trade predictability while providing a formal mechanism to mitigate conflicts without compromising environmental ambition.

3.2.2.2 Synergies between Trade and Sustainable Development Chapter and the EU-Deforestation Regulation

The TSD chapter itself commits both sides to promote the conservation and sustainable management of forests “*with a view to reducing deforestation and illegal logging*”. Article 8(3)(b) in conjunction with (13)(n) also calls for cooperating “*as appropriate, bilaterally, regionally and in international fora on issues concerning trade and sustainable forest management,*” aimed at halting deforestation by linking production and consumption through sustainable supply chains. These clause reflect the same underlying logic as the EUDR, aiming to ensure transparent, deforestation-free supply chains while establishing a political mandate for the EU and Mercosur to cooperate on sustainable trade. The inclusion of Sustainable Development Goal targets (SDG 15 on forests and SDG 12 on sustainable consumption and production patterns) in Article 8(3)(b) highlights the shared ambition to eliminate unsustainable land-use practices through trade measures.

Article 8 (3)(a) of the TSD chapter further establishes that the Parties will exchange information on “*trade-related initiatives on sustainable forest management, forest governance and on the conservation of forest cover*” and will “*cooperate to maximize the impact and ensure the mutual supportiveness*” of each Party’s policies. In the context of the EUDR, this means the EU and Mercosur countries can regularly share data on deforestation rates, supply chain traceability systems and timber legality verification and other relevant measures. They can coordinate efforts so that Mercosur’s domestic actions to combat illegal deforestation are consistent with EU’s import regulations. By ensuring policies are mutually supportive, the agreement seeks to avoid duplication and conflict.

The Annex to the TSD chapter of the EUMAA provides concrete cooperative measures in Chapter B.3 “*Sustainability measures affecting trade* “, explicitly linked to the implementation of sustainability instruments like the EUDR. According to provision 56(a) of the Annex the EU agrees that the actions Mercosur countries take under the FTA

to meet sustainability commitments will be “*favorably considered*” when the EU evaluates countries under its risk classification system. Under the country benchmarking mechanism of the EUDR, the EU categorizes countries of origin into low-, standard- or high-risk categories based on deforestation rates (Article 29 of EUDR).³¹ Provision 56(a) indicates that if Mercosur countries demonstrate robust implementation of TSD provisions, the EU considers this when determining risk classifications under EUDR, potentially resulting in a lower-risk designation. A lower-risk designation would result in simplified due diligence requirements (Recital (68) of EUDR), as “*operators shall not be required to fulfill the obligations under Article 10 and 11*” (Article 13 of EUDR). Therefore, the FTA creates an incentive by linking treaty compliance to a more favorable risk status in the EUDR framework.

Provision 56(b) of the annex states that EU authorities “*shall [...] use*” information and data from “*certification schemes and traceability and monitoring systems officially recognized, registered or identified by Mercosur countries*” as potential evidence when assessing product compliance with EU market rules, especially EUDR. This stands in contrast to the general obligations under Articles 9 and 10 of the EUDR, which require operators to compile and submit in full all relevant data to be considered as part of the due diligence process. Brazil has an official cattle traceability system (Sistema Brasileiro de Identificação e Certificação de Origem Bovina e Bubalina – SISBOV) (Froehlich et al., 2022). Initially developed to meet EU sanitary requirements for beef exports after the Bovine Spongiform Encephalopathy (mad cow disease crisis) crisis, it ensures traceability for animal health and origin (Thomé e Castro et al., 2024). While EUDR is about deforestation-free compliance (rather than animal health), SISBOV provides a chain-of-custody system (Brazilian Ministry of Agriculture, (n.d.)). SISBOV’s farm-level traceability can be cross-referenced with deforestation-risk mapping to demonstrate that cattle were not raised on recently deforested land. Recital (52) of the EUDR merely states that, for the recognition of good practices in Mercosur, certifications or other third-party verified systems *could* be used as part of the risk assessment procedure, which suggests a weaker, non-binding approach. In this way, provision 56(b) addresses criticisms within Mercosur that the EUDR could amount to ‘green unilateralism’ or ‘eco-imperialism’ by

³¹ As previously outlined in chapter 2.2.2.

imposing EU verification standards without adequately incorporating partner countries' own systems.

In cases where integration of databases and certification schemes is a discrepancy between Mercosur-provided information and the information an EU authority is using about a product's compliance, provision 56(c) states that the EU must “*promptly consider*” any clarifications provided by Mercosur upon request. This provision creates a dialogue mechanism to resolve conflicts in data or findings. For example, a shipment of soybeans from Brazil that has been reported by EU authorities using satellite data (e.g. Copernicus Land Monitoring Service or EU Observatory on Deforestation and Forest degradation (EU Space Agency, 2024)) due to suspected recent deforestation could be defended by the Brazilian authorities with evidence from the Cadastro Ambiental Rural system (CAR). CAR system is Brazil's national electronic registry of rural properties and contains georeferenced maps of property boundaries and designated legal reserves or protected areas (GIZ, 2024). In this case, the operator from Brazil could show that the clearing took place before the EUDR cut-off date and is compatible with Brazilian forest law or is located outside protected areas. Thereby, provision 56(c) ensures a formal dialogue to reconcile divergent data sources and legal interpretations.

According to Article 57, upon request from Mercosur authorities, the EU “*shall [...] provide support for transparent and independent assessments*” of certification or third-party verification schemes and their alignment with EU requirements and good practices. This could involve the deployment of technical assistance missions, like Component 2 of AL-INVEST Verde. Component 2 is a cooperation initiative funded by the EU through its Directorate-General for International Partnerships and works with Mercosur authorities in assessing whether a soybean certification scheme or cattle traceability database aligns with EUDR standards (AL-INVEST Verde, n.d.). By investing in Mercosur's capacity to monitor and certify deforestation-free production, the EU helps exporters comply with the EUDR and strengthens the overall enforcement chain. It also signals a partnership approach. Instead of the EU unilaterally imposing rules, both sides work together to raise standards. Therefore, the Annex illustrates the interplay between bilateral trade commitments and autonomous regulatory instruments like the EUDR.

In addition, the institutional framework, including the TSD Sub-Committee and civil society participation, can serve as a forum for Civil Society Dialogue to review the progress of Mercosur's efforts to curb deforestation and the application of the EU's regulatory requirements under the EUDR. Challenges, like difficulties faced by SMEs in complying with traceability or concerns about the effectiveness of Mercosur's enforcement against illegal clearing, can be discussed and addressed through joint initiatives agreed in the sub-committee. Civil society input, including concerns raised by environmental NGOs and Indigenous community representatives in the DAG, can highlight on-the-ground issues such as illegal logging hotspots or weaknesses in certification schemes, which governments can then address through the FTA's cooperation mechanisms.

If disputes related to deforestation were to arise, for example an allegation that companies in one Mercosur state are not complying with their due-diligence obligation contrary to Article 8 of the EUDR, the TSD chapter's "*Dispute Resolution*" could be invoked. According to the "*Dispute Resolution*" provision in Article 15(5), the TSD chapter is covered by a dispute settlement mechanism and is excluded from the general trade dispute settlement system of EUMAA (Title VIII). The mechanism allows parties to raise non-compliance with TSD commitments through formal consultations and an independent Panel of Experts, which issues a public report with recommendations (Article 16, 17). Article 8(2)(c) of the TSD chapter articulates the commitment of "*sustainable forest management*" that is closely aligned with the regulatory goals of the EUDR. However, these commitments are not enforceable with trade sanctions or suspension of concessions under the FTAs general dispute settlement system. Instead, enforcement relies on reputational pressure and political follow-up. While that process would yield recommendations rather than sanctions, it would shine a spotlight on the issue and pressure the non-complying party to take corrective action, thereby indirectly supporting the EUDR's objectives.

Chapter 4 – Discourses and Coherence Challenges on the Interplay between EU-Mercosur Agreement and EU-Deforestation Regulation

This chapter examines the perspectives of relevant stakeholders in parallel to the analysis of legal frameworks. Central is a critical assessment of the potential divergences between EUMAA and EUDR, aiming to identify opportunities and constraints for effective policy coordination.

4.1 Adopters Discourses on the Relation between EU-Mercosur Agreement and the EU-Deforestation Regulation

4.1.1 EU Commission's Position

The Commission has presented the EUMAA as fully compatible with high sustainability standards and does not override or amend the EUDR. Its factsheet emphasizes that EU climate and forest commitments remain binding (Commission, 2024). The Paris Agreement is made an “*essential element*” of the pact, non-regression and precautionary principles apply, and “*EU legislation such as the EU Deforestation Regulation continues to apply to products imported under the agreement*” (Commission, 2024). In particular, the Commission assures that Mercosur imports must meet EUDR requirements and that a “*binding commitment to combat illegal logging and to tackle deforestation*” is included. Official Q&A material emphasizes a “*value-based trade agenda*” under the agreement, explicitly pledging to “*protect the environment, including fighting climate change and deforestation*” (Commission, 2024). The Commission highlights dispute-settlement in the TSD chapter and assert the Agreement “*provides a platform for cooperation on sustainable supply chains of timber and other commodities*” (Commission, 2024d). In public statements the Commission has denied any clash with the EUDR. Agriculture Commissioner Hansen has suggested Mercosur linkage could be a counterbalance to US tariffs, underscoring shifting political context (Euronews, 2025). A senior Commission official told that “*there's nothing that the agreement does...to derogate or to change... the EUDR*” and noted that Mercosur countries will face the same obligations as all others (Guillot and Gijs, 2024). Commissioner Lenarčič similarly stressed in late 2024 that although the entry of the new EUDR was postponed, the

regulation itself “*will not change*” despite Mercosur’s concerns (Reuters, 2024a). Both Paolo Garzotti and Marc Vanheukelen emphasized that while the EUDR and the EUMAA engage with overlapping thematic concerns, they are designed to address fundamentally distinct regulatory domains. Paolo Garzotti acknowledged that the EU possesses the unilateral competence to enforce stringent deforestation-related import requirements under the EUDR. However, the scope of this regulation is territorially confined to goods destined for the EU market [10:20 – 11:10].³² As such, they argued that mitigating deforestation occurring domestically within Mercosur countries, particularly that which does not intersect with EU-bound trade, necessitates binding bilateral commitments situated within the framework of the trade agreement itself. As Paolo Garzotti noted, this creates a “*shortcoming*” in that the treaty’s commitments lack enforcement, whereas the EUDR itself has legal bite [10:15 and 12:00].³³ He notes that DG Trade had wished to include sanctions in the TSD chapter, but Mercosur firmly rejected this [11:15–11:40].³⁴ Marc Vanheukelen emphasized around minute 7:13 that binding sustainability commitments in FTAs can only be ensured through integration into formal dispute settlement mechanism, marking a shift toward stronger TSD enforcement [7:10 – 7:25].³⁵

4.1.2 EU Member States’ Position

EU-MS remain divided over the ratification of the EUMAA. Domestic pressure from farmers and environment ministers has been particularly intense. For example, French farmers affiliated with the Committee of Professional Agricultural Organizations (COPA) staged protests over perceived unfair competition resulting from trade liberalization (Reuters, 2024b). France has since insisted on strict environmental safeguards, so-called “*mirror clauses*”, which would require imports to comply with EU-equivalent environmental, animal-welfare, and sanitary standards at origin, thereby imposing regulatory reciprocity (Reuters, 2025). In theory, this would mean that any product

³² Revised for clarity without changing the original intent; refer to expert interviews provided in the annex.

³³ Revised for clarity without changing the original intent; refer to expert interviews provided in the annex.

³⁴ Revised for clarity without changing the original intent; refer to expert interviews provided in the annex.

³⁵ Revised for clarity without changing the original intent; refer to expert interviews provided in the annex.

entering the EU under an FTA must be produced under the “*same or equivalent*” conditions as those mandated within the EU. As of June 2025, France continues to withhold ratification of the EUMAA, citing inadequate protections for both the environment and domestic agriculture (Reuters, 2025). A French official has acknowledged the shifting geopolitical context, particularly rising U.S. trade tensions, but reaffirmed the need for high environmental and agricultural safeguards. In parliamentary debates and the media, France’s position has consistently emphasized that “*without proper ecological guarantees the deal risks unfair competition for French agriculture*” (Reuters, 2024b).

At the same time, other EU-MS, particularly Germany, have advocated for swift ratification of the EUMAA, framing it as a strategic response to global trade disruptions and rising protectionism. German business and political leaders, including Friedrich Merz, have publicly called for the agreement’s immediate entry into force (Buenos Aires Times, 2025). Similarly, Italy supports the deal but has pushed for targeted safeguards for its agricultural sector. In contrast, countries like Poland, Ireland, Austria, and the Netherlands remained cautious or openly opposed in 2024–25, primarily due to agricultural and environmental concerns. Ireland’s trade minister reiterated the country’s opposition, citing the need to protect Irish farmers, while Poland and Austria questioned the adequacy of sustainability commitments under the agreement (Reuters, 2025).

These diverging positions on the EUMAA are closely intertwined with EU-MS dynamics surrounding the EUDR. While most EU countries publicly support the EUDR as a key pillar of the European Green Deal, aimed at addressing imported deforestation and global environmental harm, several EU-MS have simultaneously expressed concern about its potential to strain trade relations, particularly with Mercosur partners. Indeed, “*pressure from some EU Member States*” reportedly led the EU to delay enforcement of the EUDR until the end of 2025 (Reuters, 2024c). The postponement reveals how MS sought to coordinate the rollout of environmental standards with the diplomatic sensitivities of finalizing the EUMAA. In practice, this reflects a broader political cleavage. On one side, countries like Germany, Spain, and Italy view the EUMAA as a vehicle for market expansion and geopolitical leverage, while on the other, states such as France, Poland, and Ireland demand tighter alignment between the EUMAA and the EUDR to ensure that

trade liberalization does not come at the expense of environmental or agricultural protections. The ongoing refusal of several EU governments to endorse the EUMAA illustrates persistent skepticism over the coherence of the EU's dual agenda of sustainable trade and environmental integrity.

4.1.3 Mercosur States' Position

Mercosur states have generally welcomed the EUMAA as a historic opportunity, while emphasizing that its success depends on safeguarding their economic interests (Reuters, 2024d). Generally, Mercosur governments argue the EUDR would impose extra costs and bureaucracy on their agricultural exporters, despite obligations falling on EU importers (Politico, 2023). Consistent with this, interviewee John Clarke noted that the Commission has announced plans to simplify the EUDR and reduce reporting obligations for companies by 25 - 30%, acknowledging that the regulation was originally designed during the COVID-19 pandemic without proper consultation of political and industrial actors [2:59–9:30]³⁶ (Commission, 2025). Paolo Garzotti acknowledges that the impact assessment for the EUDR could and should have been conducted more thoroughly, particularly with regard to its effects on producers in third countries [33:30–33:40].³⁷ Brazil urged more time for Mercosur exporters to adjust to EUDR requirements (Reuters, 2024a). Uruguay's authorities explicitly described the new “*non-violation*” clause as a protection tool that allows Mercosur to counteract the effects that unilateral EU measures have on exports (Dupré and Kpenou, 2025). In effect, Mercosur officials argue the rebalancing mechanism gives them a new advantage by ensuring their exports are not excessively penalized. Vice President of Brazil Geraldo Alckmin warned that the EUDR “*must not...disrupt a trade agreement*” with Mercosur (Reuters, 2023). Brazil's Foreign Trade Secretary Prazeres have branded the EU regulation as “*protectionist, arbitrary and incompatible with WTO rules*”, underscoring that they see it as an extraterritorial barrier to their exports (Reuters, 2024e). In late 2024, Mercosur states negotiated the Annex to

³⁶ Revised for clarity without changing the original intent; refer to expert interviews provided in the annex.

³⁷ Revised for clarity without changing the original intent; refer to expert interviews provided in the annex.

the TSD Chapter to emphasize cooperation while rejecting “*unnecessary barriers to trade*”.

As a result, Mercosur states have accepted the agreement only with specific assurances. They sought safeguards against any EU environmental measures that might “*nullify*” expected trade benefits and positioned themselves as advocates for equitable market access under the deal. In mid-2025 Argentina formally objected to being classified as a “*standard risk*” under EUDR, claiming it meets low-risk criteria and citing Mercosur commitments (MercoPress, 2025). Paraguay has shown no official retreat from the deal’s terms, and Uruguay, which achieved a “*low risk*” rating under EUDR, is cautiously optimistic as its agriculture council welcomed gains in market access (Papatheophilou et al., 2024e). Overall, Mercosur states share a narrative that the EUDR rules should not undermine the new trade pact and that sustainable development language in EUMAA should be balanced against trade interests.

Paolo Garzotti reported generally positive trust between the EU and Mercosur governments, noting that Latin American partners “*entirely share*” the EU’s environmental objectives [6:10].³⁸ However, he emphasized concerns about implementation [6:50 – 7:40]. Garzotti explained that Latin partners viewed aspects of the EUDR as potentially undermining the benefits of the trade deal, e. g. if one country’s exports become harder to sell to EU buyers, and that he supports legal mechanisms to guard against such outcomes. In the new agreement, EU and Mercosur accepted the rebalancing mechanism that in principle allows them to complain if an EU regulation (like the EUDR) erodes agreed market access [19:56 – 25:30].^{39,40} One interviewee suggested that this clause is primarily intended as a symbolic gesture aimed at addressing domestic political concerns, rather than a provision expected to have significant impact on trade flows in practice. Instead, another interviewee emphasized that by including a unique rebalancing mechanism, essentially a compensation clause to address unilateral measures like the EUDR, the EUMAA can offer a *side measure* to accommodate

³⁸ Revised for clarity without changing the original intent; refer to expert interviews provided in the annex.

³⁹ Revised for clarity without changing the original intent; refer to expert interviews provided in the annex.

⁴⁰ As previously outlined in chapter 3.2.2.1.

partners. He pointed out that the practical effect of the rebalancing mechanism remains to be seen, but its presence was crucial to clinch the deal.

4.2 Stakeholder Discourses on the Relation between EU-Mercosur Agreement and the EU-Deforestation Regulation

4.2.1 Civil Societies' Position

Environmental and social justice NGOs have highlighted that no full Sustainability Impact Assessment (SIA) was completed before the EUMAA conclusion. The Ombudsman found that the Commission had committed to finalizing an SIA to inform the negotiations and ensure that environmental and social impacts were properly assessed and addressed (European Ombudsman, 2021). Instead, the agreement was politically concluded in 2019 before the final SIA was ready, raising concerns about insufficient integration of sustainability considerations, particularly regarding deforestation and climate commitments. This procedural shortcoming has fueled criticism of the deal's legitimacy and the credibility of the EU's commitment to policy coherence for sustainable development. It is noted that civil society inputs on deforestation, indigenous rights and climate were "*integrate[d]*" poorly (or not at all) into the final deal (Harrison and Paulini, 2020). ClientEarth's analysis warned that the Mercosur text "*not only contradicts*" the EUDR but could also force the EU into legal disputes over its application (ClientEarth, 2024). ClientEarth's analysis similarly warns the deal "*compromises*" enforcement independence, allowing Mercosur to contest or delay EUDR implementation. Greenpeace similarly cautioned that the deal "*promotes an increase of trade in agricultural commodities*" while having "*only weak provisions that fail to prevent deforestation,*" ultimately weakening the enforcement of the EUDR (Greenpeace, 2025). NGOs highlight clauses in the TSD annex allowing Mercosur certifications and authorities to influence EU compliance checks, e.g. requiring EU authorities to consider Mercosur-provided data and permitting Mercosur officials to intervene in enforcement (Annex to TSD chapter). CAN Europe's legal analysis similarly found that EUMAA is "*likely to result in a weaker application of [the EUDR] vis-à-vis Mercosur countries*" (Eckes and Krajewski, 2025). Indigenous and forest-protection groups have criticized the absence of meaningful participation, with a Paraguayan Indigenous advocate noting that local communities

“were not even consulted by the government, despite the legal obligation to do so (Fern, 2023). In summary, NGOs regard the Agreement as undermining the EU’s sustainability objectives.

4.2.2 Indigenous and Local Communities Position

Indigenous leaders from Brazil have mobilized strongly *against* the trade deal. At recent hearings in Brussels, a Brazilian indigenous leader warned that the agreement “*will increase deforestation and socio-environmental conflicts,*” undermining indigenous rights and granting “*economic interests*” new ability to exploit native territories (Euronews, 2025). Leader Alessandra Korap (Munduruku people) stressed that the Brazilian government’s push for greater production under the treaty comes “*at the expense of our rivers and the forest*” and over the “*bodies*” of indigenous communities (Euronews, 2025). Indigenous NGOs have also highlighted that recent changes to Brazilian law (e.g. 2023 legislation weakening land demarcation) could exacerbate land grabs under the agreement (Fern, 2023). In summary, indigenous stakeholders see limited protection in the TSD chapter and regard the EUDR with cautious optimism, yet they fear that the overall impact of the trade deal will be detrimental to forests and their communities.

4.3 Legal Challenges of the EU-Mercosur Agreement and the EU-Deforestation Regulation

The EUMAA’s TSD chapter contains only modest, non-distinct commitments. While the chapter lists deforestation-reduction goals, it gives them no priority over trade expansion. The chapter simply reiterates existing commitments under the Paris Agreement and biodiversity frameworks, without introducing any new binding obligations. Article 8 of the TSD chapter does not require countries to stop supplying commodities linked to deforestation, instead to “*improve forest governance [...] by promoting trade from sustainably managed forests*”. Thus, the Agreement is likely to commit the EU to increasing imports of emission-intensive products, like beef and soy, from Mercosur countries, thereby indirectly contributing to global greenhouse gas emissions through supply chains linked to deforestation and industrial agriculture.

Furthermore, while Article XX refers to the Paris Agreement as an “*essential element*,” the provision remains vague and Article XY offers only limited enforceable content to support its implementation.⁴¹ The only actionable requirement in Article XX.2 is, that each party “*shall remain a party*” to the Paris Agreement “*in good faith*”, which is legally vague and lacks any quantifiable standard by which compliance can be measured or enforced. In the event of a breach, Article XY.3 allows for the adoption of “*appropriate measures*,” like the suspension of the agreement, but only where the violation is “*particularly serious and substantial*.” In practice, the TSD offers no stronger deforestation controls than those already in EU or Mercosur law like the EUDR or e. g. Brazil’s Forest Code.

Moreover, earlier French demands for “*mirror clauses*” requiring Mercosur imports to meet EU production standards were not adopted, but their legacy informs current debate. Some EU actors hoped environmental clauses in EUMAA would compel Mercosur to enact policies like deforestation-free supply policies. The TSD chapter final texts include a vague commitment to halt deforestation by 2030 consistent with the Agenda for Sustainable Development, but lack of explicit binding deforestation targets illustrating a governance gap. It must be recognized that no sanction mechanism exists for failing to meet TSD promises on halting deforestation. This mismatch of *soft* TSD commitments in comparison to *hard* EUDR rules reflects legal tension in EU’s external climate governance.

Lastly, Brazil, Colombia, Paraguay and Peru introduced a joint communication at the meeting of the WTO Committee on Market Access regarding EUDR, characterizing the EUDR as a quantitative restriction on commodity imports. Despite these concerns, no Mercosur country has, to date, initiated formal dispute settlement proceedings under the WTO framework (WTO, 2025). The interaction with multilateral trade law remains a critical issue, raising the question of whether the EUDR, in its application, can be defended as a legitimate public policy measure. The EUDR may be viewed as discriminatory under Articles I and III of the GATT, and particularly Article 10, which requires “*transparency and prior consultation with affected trading partners*”, as

⁴¹ As previously outlined in chapter 3.2.1.2.

highlighted by John Clarke [15:13 to 18:44].⁴² Further these countries view the EUDR as violating the *principle of equivalence* under the WTO Agreement on Technical Barriers to Trade (TBT Agreement), as it fails to recognize alternative but comparable regulatory systems in third countries.

4.4 Coherence Challenges in the Relation between EU-Mercosur Agreement and the EU-Deforestation Regulation

The interplay between the EUMAA and the EUDR exposes legal and governance challenges that complicate policy coordination. Although both instruments share the goal of promoting sustainability, they differ in design, enforcement mechanisms and assumptions about cooperation and compliance. These differences underscore the need for a critical assessment of the legal and policy coordination challenges involved in achieving effective joint implementation.

Firstly, the two frameworks were not negotiated simultaneously and differ in their regulatory content. Most sustainability provisions in the EUMAA TSD chapter date from 2019 and contain modest, non-specific commitments with limited monitoring and no due diligence requirements. By contrast, the 2023 EUDR mandates due diligence and geolocation tracing for commodities to ensure they are deforestation-free. While the EUDR imposes binding obligations for commodities on all relevant operators and authorities, the EUMAA lacks specific support clauses to help producers to comply with EUDR. There are no direct joint bodies linking the two policies. The TSD Sub-Committee serves primarily as the institutional framework for the EUMAA but is not anchored in the EUDR. Yet such coordination is essential, as the EUDR requires operators to provide geolocation data for each plot of land associated with commodity production. While this requirement aims to ensure supply chain transparency, it imposes substantial costs on producers, especially small and medium-sized enterprises (SMEs). As highlighted by John Clarke, the design of the EUDR may disproportionately affect SMEs, as its obligations of geolocation is often only feasible for large multinational

⁴² Revised for clarity without changing the original intent; refer to expert interviews provided in the annex.

companies, that are not reliant on limited EU financial support [15:13-18:44]⁴³ (Dufour et al., 2024).⁴⁴ The EUDR's impact assessment and follow-on communications (in accordance with EUDR recital (29)) explicitly acknowledge the compliance burden on SMEs in Latin America and commit the EU to finance and provide technical assistance (e. g. via Team Europe initiatives and capacity-building programs) to help Mercosur exporters and small farmers adapt. In accordance, Paolo Garzotti and Marc Vanheukelen, see financial and technical support in the implementation of the EUDR, especially the satellite monitoring, as crucial for Mercosur operators and authorities to comply with EUDR requirements [Garzotti; Vanheukelen 31:00 to 33:00].⁴⁵ In Brazil, for example, the agricultural sector comprises thousands of family farms and cooperatives that often lack the technical infrastructure needed to meet digital traceability requirements. Without targeted support, these producers risk exclusion from EU markets. In contrast, the EUMAA includes no general commitments to provide funding, training, or technology transfer for environmental compliance. The EU and Mercosur officially did not agree on any co-management or review committee that bridges EUDR implementation with EUMAA oversight. The reference to "*technical assistance*" is in provision 40 - 41 of the Annex to the TSD chapter, but only in the context of encouraging trade in "*sustainable goods*" from Mercosur countries. While the EUDR legally requires that all covered products placed on the EU market be deforestation-free and legally produced, this does not mean that all producers, particularly in Mercosur countries, receive equal support in meeting these standards (Fern, 2025). There is no blanket support clause in the EUMAA to provide technical assistance for *all* producers or for meeting EUDR compliance generally (Eckes and Krajewski, 2025). EUMAA technical assistance only focuses on existing certified sustainable supply chains, e. g. those already participating in national traceability systems or third-party certification schemes (Eckes and Krajewski, 2025). However, not all producers, especially smallholders or informal actors, are part of those systems. This results in a clear asymmetry. While the EUDR imposes costly traceability and legality requirements, the trade agreement offers no structured support to help developing partners meet them. Without concrete capacity-building measures, small

⁴³ Revised for clarity without changing the original intent; refer to expert interviews provided in the annex.

⁴⁵ Revised for clarity without changing the original intent; refer to expert interviews provided in the annex.

Mercosur suppliers risk exclusion from the EU market, undermining both effective enforcement and equitable cooperation. This compliance gap between large agribusinesses and smaller producers may drive sector consolidation and threaten local livelihoods, highlighting a lack of policy coordination on technical assistance between the EUMAA and the EUDR.

Secondly, under EUDR, each EU Member State's authorities must independently verify that imports are deforestation-free. Yet, Articles 54–56 of the Annex to the TSD chapter could force EU-MS to let Mercosur states intervene in EUDR enforcement. The Annex to the TSD chapter includes language obliging EU authorities to use Mercosur-provided information (e.g. national certifications, traceability data) when verifying products. For example, Article 55 of the TSD Annex effectively requires EU authorities to give “*full consideration*” to any assurances by Mercosur authorities that exports are legally produced. This may compromise the foundational requirement of the EUDR, which obliges operators to establish, through an “*objective and transparent*” due diligence process, that their supply chains are free from deforestation, as set out in Article 29(3), read in conjunction with Article 10(2)(n) and Recital 68 of the Regulation. The EUDR allows voluntary use of third-party certification, but never exempts due diligence requirements (Recital (52) EUDR). The EUMAA changes that balance. It tells EU authorities to consider Mercosur-endorsed certificates as proof of traceability. A certificate valid in Brazil, for instance, may bind an EU inspector even if it would fall short of EU due-diligence standards (provision 56(b) of the Annex). This undermines the common EU framework of fairness, objectivity and transparency and published guidance which states that recognition of certification does not create a guaranteed pass (“green lane”) (Provision 10 of the Annex to the EUDR in conjunction with 10(2)(n) EUDR). In practice, this creates a gap in enforcement independence and imbalance of certification, as national enforcement bodies could be pressured to defer to Mercosur input, thereby undermining the objectivity of inspections. This could lead to political pressure or legal disputes, undermining the neutral and objective application of the EUDR.

Thirdly, the interplay of dispute settlement remains ambiguous. The EUMAA establishes a joint committee on sustainable development that subjects TSD obligations to state-to-state dispute panels. While these panels can issue recommendations, they cannot enforce

compliance and civil society has no standing to initiate complaints, as only governments may bring a case. By contrast, the EUDR is a binding EU regulation enforced directly by EU-MS against companies. This misalignment limits the potential for regulatory coherence and undermines the prospect of mutual reinforcement between the EUMAA and EUDR. However, the rebalancing mechanism in the General Dispute Settlement Chapter allows to seek tariff and quota adjustments if measures “*nullify or impair*” expected benefits. Any unilateral EU measure could potentially be challenged as “*nullifying benefits*” under the agreement’s rebalancing mechanism. For example, if an EU customs authority blocks a shipment from Brazil under EUDR, Brazil might claim the EU “*nullified*” the EUMAA benefits and use the TSD panel to seek compensation. Provision 10 of the TSD Annex referring to the Rio Declaration on Environment and Development even advises parties to avoid extraterritorial environmental actions that would restrict international trade as far as possible. Mercosur officials openly view this as a shield against measures like EUDR. Therefore, the EU could face trade claims if it enforces the EUDR strictly. The threat of political pressure in disputes, in place of clear, rule-based enforcement, suggests a coherence deficit between the EUDR system and the EUMAA joint processes. This indicates a divergence of Dispute Mechanisms and Cooperation.

In contrast, the EUDR, as a binding EU regulation, provides affected parties with the opportunity to seek redress through EU or national courts in cases of enforcement failure. By comparison, while the EUMAA mandates the establishment of DAGs composed of civil society representatives, including NGOs, empirical evidence indicates that such bodies are frequently delayed in their formation and constrained in their operational capacity. Studies have shown that DAGs often lack adequate resources, procedural clarity, and the institutional authority to compel independent government action, either within Mercosur or the EU (Martens et al., 2020). This institutional asymmetry may limit the formal integration of community and indigenous voices into the agreement’s oversight architecture, raising broader concerns about participatory inclusiveness and accountability.

Chapter 5 – Exploring Means of Policy Coordination

To align the EUDR and EUMAA frameworks, the EU and Mercosur should develop coordinated means that respect both sides' rules while advancing sustainable trade. The following section outlines key strategies for improving policy coordination between the EUDR and the EUMAA.

5.1 Reinforcing Independent Enforcement

While the EUDR requires EU Member State authorities to verify independently that imports are deforestation-free, the EUMAA obliges them to promptly consider information from Mercosur governments, creating a risk of pressure to accept assurances that may fall short of EU standards. To uphold the legal primacy of the EUDR and safeguard environmental integrity, the European Commission should consider issuing interpretative guidance pursuant to Provisions B.3. 56–57 of the TSD Annex. Such guidance would clarify that the obligations of Mercosur-based operators under the EUDR take precedence over any non-binding assurances or information provided by Mercosur authorities. However, such legal clarification may carry diplomatic tradeoffs. While it would reinforce regulatory certainty and environmental enforcement within the EU, it could be perceived by Mercosur States as unilaterally undermining the cooperative spirit of the EUMAA. Conversely, maintaining a degree of interpretive ambiguity might offer greater flexibility for bilateral negotiations and facilitate gradual regulatory convergence, though at the potential cost of legal coherence and enforcement consistency. To ensure legal coherence and enforcement consistency, the Commission should interpret the Annex so that data or assurances from Mercosur are treated as “*non-binding supplementary information*”, without replacing operators' due diligence obligations.

5.2 Aligning Certification Standards

Under the EUDR, third-party certification is voluntary and does not exempt operators from due diligence obligations (Recital (52) in conjunction with Article 10(2)(n) of EUDR). However, the EUMAA introduces ambiguity by requiring EU authorities to consider Mercosur-endorsed certificates as evidence of traceability (Provisions B.3. 56–57 of TSD Annex). Rather than allowing certificates to dilute EU standards, the parties

could negotiate an *EU–Mercosur certification equivalence framework*. A joint expert committee, possibly under the agreement’s TSD Sub – Committee, could review Mercosur sustainability certificates for commodities and determine if they meet the baseline requirements of the EUDR (location data, land-use history). This creates a two-way recognition. On the one hand, Mercosur schemes that already align with EU criteria are accepted by the EU, on the other hand, the EU also offers to recognize credible Mercosur programs that demonstrate compliance. If a scheme is accepted, such certificates would help operators satisfy EU traceability requirements. If a scheme is not accepted, the committee would specify gaps to be closed. Such a process would transform the EUMAA’s unilateral obligation under provision 56 into a reciprocal, rules-based system of mutual recognition. While the current annex mandates that Mercosur-authorized documentation “shall be used as a source” for verifying traceability, effective coordination could further develop this into a robust *equivalence mechanism* by ensuring that any recognized certificates demonstrably satisfy EU criteria.

In parallel, the development of an *EU–Mercosur certification equivalence framework* should be supported by EU-funded technical assistance. The EUDR’s geolocation requirement (Article 9(1d)), burdens small producers, so the EU should fund shared *Digital Public Infrastructure* in Mercosur (mapping, registries, blockchain platforms). As Paolo Garzotti notes, promoting inclusive Digital Public Infrastructure can improve traceability across supply chains and play a significant role [14:23 – 16:43].⁴⁶ For example, under the Team Europe Initiative (TEI) on deforestation-free value chains, projects could help register land parcels in Brazil, build user-friendly mobile apps for geotagging, or support aggregating data through cooperatives (Commission, 2023a). Component 2 of AL-INVEST Verde is also⁴⁷ a TEI and designed to help Mercosur countries to build or improve land registration systems, satellite monitoring, and traceability databases. These tools are intended to support the identification of production origins and compliance with deforestation-free standards (AL-INVEST Verde, n.d.).

⁴⁶ Revised for clarity without changing the original intent; refer to expert interviews provided in the annex.

⁴⁷ For initial coverage of Component 2 of AL-INVEST Verde, refer to Chapter 3.2.2.2.

For example, Marc Vanheukelen refers to SERVIR-Amazonia and SATREPS as satellite-based monitoring initiatives that have received financial or technical support from the EU [31:10 – 33:00].⁴⁸ Further, the EU could deploy its TEI resources to train Mercosur inspectors on EU due-diligence standards (and vice versa), fostering mutual understanding. Regular workshops or secondments would help align expectations so that Mercosur assurances are used appropriately. By co-financing these systems, the EU both helps Mercosur producers comply with EUDR and ensures that Mercosur certificates are based on transparent, traceable data. This technological cooperation would harmonize standards in practice, not just on paper.

Furthermore, an EU–Mercosur technical working group could function as a verification team, drawing on resources from the EU Observatory on Deforestation and Forest Degradation (EU Observatory), which was launched as a Commission initiative and already has an operational website.⁴⁹ EU Observatory is a knowledge platform and monitoring tool that aims to collect, analyze and share data on global deforestation and forest degradation (Recital (31) of EUDR). EU Observatory could establish a technical working group to oversee the *EU–Mercosur certification equivalence framework*. EU inspectors would treat EU Observatory’s findings as additional evidence rather than conclusive proof. Discrepancies would be addressed cooperatively rather than resulting in automatic disqualification. This form of cooperative verification, as opposed to unconditional acceptance or rejection, supports the alignment of standards without lowering EU requirements.

5.3 Harmonizing Dispute-Settlement and Cooperation

To prevent politicization of EUDR checks, the agreement’s joint committee should clarify that ordinary EUDR enforcement actions (on-site inspections, paper checks, suspensions) are governed by EU law and remain outside the general state-to-state dispute settlement system. Only *substantial* or *systemic* conflicts (e.g. if a Mercosur country alleges the EU is treating all its products as non-compliant) would go to consultation or arbitration. This maintains a clear division, as day-to-day compliance remains a technical matter, while

⁴⁸ Revised for clarity without changing the original intent; refer to expert interviews provided in the annex.

⁴⁹ EU observatory on deforestation and forest degradation: <https://forest-observatory.ec.europa.eu>.

serious breaches are handled diplomatically. Document inspections or import suspensions, would remain technical matters under EU law, while only systemic conflicts, like discriminatory treatment or broad-based trade barriers, would be subject to formal dispute resolution.

Although the EUDR is a unilateral measure that lies outside the formal scope of the EUMAA its objectives are closely aligned with key sustainability commitments in the TSD chapter, particularly the obligation under Article 8(2)(c) to promote sustainable forest management. The TSD chapter provides a tailored dispute resolution mechanism, based on government consultations and non-binding recommendations from an independent Panel of Experts. While this mechanism does not allow for trade sanctions, it offers a form of soft enforcement that can be used in response to concerns related to the EUDR. By generating reputational and political pressure, it can encourage partner countries to address deforestation-related issues and align more closely with the EUDR's goals.

The TSD Sub-Committee itself could serve as the primary forum for policy alignment.⁵⁰ In practice, it could convene regularly (for example, on a quarterly basis) to review implementation challenges, exchange best practices and proactively address potential disputes. Marc Vanheukelen, drawing on his experience chairing these bodies, emphasized that annual meetings provide limited time and lack the necessary seniority to enable effective coordination on complex sustainability regulations like the EUDR [09:16 and 13:00].⁵¹ In comparable agreements, like the EU–New Zealand FTA, TSD Committees are scheduled to convene on an annual basis.⁵² For example, if EU member authorities plan a surge of checks on beef imports, they would notify Mercosur representatives in advance. Likewise, Mercosur could flag any suspicious products before they reach the EU, so authorities can jointly investigate. This kind of routine dialogue prevents surprises and ensures both sides interpret “*sustainable supply chains*” consistently. The official factsheet already notes the Agreement “*provides a platform for*

⁵⁰ As previously discussed in chapter 3.2.1.2.

⁵¹ Revised for clarity without changing the original intent; refer to expert interviews provided in the annex.

⁵² For further details, refer to the bibliographic entry of the agreement.

cooperation on sustainable supply chains”, this platform should be used actively for EUDR and EUMAA issues.

Routine, transparent dialogue would help build trust, avoid surprises, and ensure consistent interpretation of sustainability commitments. Rather than “splitting” the deal in ways that exclude parliaments or civil society, the EU should ensure joint bodies and procedures remain transparent and accountable. For example, TSD committee meeting outcomes should be published, and national parliaments on both sides should be able to question officials on EUDR and EUMAA implementation. This approach preserves democratic oversight and strengthens public trust (Greenpeace, 2025). Civil society representatives, including Indigenous and local NGOs, should be invited as observers to relevant sessions to ensure respect for rights and local knowledge.

5.4 Empowering Civil Society and Local Actors

While the EUMAA requires the establishment of Domestic Advisory Groups (DAGs) on both sides⁵³, experience with similar bodies under other EU FTAs suggests these groups are often slow to form and exert limited influence. A survey of 50 EU and 74 non-EU DAG members found frequent delays, insufficient institutional support, and weak impact on policymaking, especially in partner countries such as those in Mercosur (Martens et al., 2020). To address this, DAGs under the EUMAA should be established promptly and given real authority. This includes setting clear timelines (e.g. establishing a DAG within three months of entry into force) and mandating consultations on key topics, such as the evaluation of Mercosur certificates under the EUDR. Adequate resources, including translation and participation stipends, should be provided to enable full engagement. Strengthened DAGs would mirror the EUDR’s transparency requirements. As EU companies must share data, civil society could provide on-the-ground intelligence (e.g. reports of illegal clearing). By establishing a formal channel for DAG input into the TSD Committee, and requiring the Committee to respond, local voices would gain an active role in aligning the two frameworks.

⁵³ As previously discussed in chapter 3.2.1.2.

Moreover, the EU and Mercosur should consider measures to improve access to legal remedies on both sides. While the EUDR allows affected communities to petition courts, a similar right could be established in Mercosur. For example, EUMAA could include a provision enabling NGOs to file non-compliance complaints with the joint committee or national courts. While adding formal NGO complaint mechanisms would likely require reopening negotiations, the EUMAA's institutional framework, particularly the Joint Committee and TSD Sub-Committee, could adopt *interpretative arrangements* or *procedural guidelines* to facilitate civil society input and non-compliance reporting.

At a minimum, Mercosur states should facilitate class-action or injunction suits by local groups against operators violating deforestation commitments. Empowering civil society in this way would address the current asymmetry, where only EU law ensures judicial compensation, and strengthen enforcement by giving community and Indigenous voices a role on both sides.

5.5 Supporting Producers

Effective coordination of implementation timelines is essential, particularly to safeguard the participation of smallholders. While the EUDR provides a transitional period until 30 June 2026 for micro- and small enterprises (Article 37(2), Regulation (EU) 2023/1115), additional flexibility and support measures may be necessary to ensure these actors are not excluded from EU supply chains. One possible approach would be to place smallholder producers on an extended implementation pathway, whereby they begin fulfilling core due diligence obligations, such as geolocation mapping and legality verification, while being subject to reduced initial scrutiny. This approach would align with the EUDR's benchmarking system, which permits a minimum control rate of 1% for operators sourcing from “*low-risk*” countries or regions (Article 16(10) in conjunction with Article 29). Such a tiered strategy would allow more time for adaptation while maintaining the regulation's environmental integrity.

Conclusion

This thesis has investigated how two distinct instruments of EU external action, the EUDR and the EUMAA., can be coordinated to advance shared sustainability goals. While the EUDR represents a unilateral regulatory approach aimed at enforcing environmental standards beyond EU borders, the EUMAA is built on cooperative principles rooted in dialogue and mutual commitment. In this context, the thesis aimed to analyze the question: *How can cooperation on the EU Deforestation Regulation (EUDR) be aligned with institutional and sustainability frameworks of the bi-regional EU–Mercosur Free Trade Agreement to advance shared sustainable development goals?* The central argument developed throughout this research is that these instruments, although designed independently and based on divergent governance logics, can be brought into strategic alignment. Alignment, however, is achievable only if EUDR compliance is explicitly integrated into the EUMAA’s cooperative frameworks. Doing so requires not only legal compatibility, but also institutional innovation and political willingness to embed implementation efforts within the EUMAA’s governance structures. This is critical for ensuring that the EU’s ambition to curb global deforestation is both *effective* and perceived as *legitimate* by its trade partners.

Beyond addressing the specific institutional relationship between the EUDR and the EUMAA, this thesis contributes to a broader understanding of how the EU can reconcile regulatory unilateralism with cooperative trade diplomacy in the pursuit of global sustainability goals. The findings highlight that legal ambition alone is insufficient. The effectiveness and legitimacy of EU environmental measures abroad depend on whether they are accompanied by institutional mechanisms for coordination, capacity-building, and trust-building with partner countries. By proposing concrete pathways for integrating the EUDR into the cooperative structures of the EUMAA, this research offers a model for how future EU trade agreements can be designed or adapted to accommodate and support autonomous sustainability instruments. In doing so, the thesis offers useful perspectives for researchers and policymakers interested in the links between trade and environmental policy, particularly as the EU prepares to apply the EUDR and extend its Green Deal objectives through international cooperation.

Although this thesis concentrated on the interaction between the EUDR and the EUMAA, it also highlights several directions for future research. Future research could examine how other partner countries respond to EU environmental regulations, particularly in the context of the EUDR's implementation in the Association of Southeast Asian Nations or African regions, and whether similar coordination mechanisms emerge. Comparative studies could also explore how different FTAs accommodate the EU's autonomous instruments and what institutional innovations prove most effective. Moreover, empirical research on how national authorities and civil society actors in Mercosur adapt to EUDR requirements could offer valuable insights into the local governance dynamics of compliance. As the EU continues to advance its Green Deal through external action, further analysis is needed to ensure that its approach remains both effective and equitable and that trade partners become active participants, not passive recipients, of EU's sustainability agenda.

List of Abbreviations and Acronyms

| Abbreviation | Meaning |
|-----------------------|---|
| BASIC | Brazil, South Africa, India, China |
| CAR | Cadastro Ambiental Rural system |
| CITES | Convention on International Trade in Endangered Species of Wild Fauna and Flora |
| COPA | Committee of Professional Agricultural Organizations |
| Cooperation Agreement | EU-Mercosur Interregional Framework Cooperation Agreement |
| CSF | Civil Society Forum |
| DG | Directorate-General |
| DAG | Domestic Advisory Groups |
| Commission | EU Commission |
| EEAS | European External Action Service |
| EU | European Union |
| EU-MS | EU Member State |
| EUDR | EU Deforestation Regulation |
| EUMAA | EU-Mercosur Association Agreement |
| EUTR | EU Timber Regulation |
| FTA | Free Trade Agreement |
| GATT | General Agreement on Tariffs and Trade |
| MAPA | Brazilian Ministry of Agriculture |
| Mercosur | Argentina, Brazil, Paraguay, Uruguay and Venezuela |
| NGO | Non-Governmental Organizations |
| OSA | Open Strategic Autonomy |
| SME | Small and medium-sized enterprises |
| SIA | Sustainability Impact Assessment |
| SISBOV | Sistema Brasileiro de Identificação e Certificação de Origem Bovina e Bubalina |
| TBT | Technical Barriers to Trade Agreement |

| | |
|--------|---|
| TCA | UK–EU Trade and Cooperation Agreement |
| TSD | Trade and Sustainable Development |
| TEU | Treaty on European Union |
| TFEU | Treaty on the Functioning of the European Union |
| UNFCCC | United Nations Framework Convention on Climate Change |
| UN | United Nations |
| WTO | World Trade Organization |

Expert Interviews

Interview Paolo Garzotti

[Lea Limbach 5:34]

If you're happy to begin, I'd like to start with the first question. How would you describe the current level of political trust between the EU and Mercosur partners, especially in light of the growing use of autonomous trade-related instruments like the EUDR?

[Paolo Garzotti 6:04]

There is trust, of course, and a mutual appreciation for the legitimacy and importance of each side's objectives, particularly when it comes to environmental goals pursued through autonomous measures. From the outset, Mercosur countries and other Latin American partners have made it clear in discussions on the EUDR that they fully share our objectives. They understand the importance of reducing deforestation.

However, their concerns are less about trust in the traditional sense and more about uncertainty regarding how these regulations will evolve and how they will be applied in practice. Since the EUDR hasn't been implemented yet, there's no evidence of how it will work in reality. Their fear is that, if we apply it in ways they consider unreasonable, it could undermine the trade benefits they expect from our agreements.

Of course, concerns vary between Mercosur countries and even among producers, depending on the specific product in question. That's why you may have seen public letters expressing deep concern about the regulation—especially the EUDR. For Mercosur and Latin America, the EUDR is a more pressing issue than, say, the CBAM. While Brazil does export some steel to the EU, it's not a major share.

Their two main concerns are, first, the country benchmarking system, which could have reputational consequences. They're unsure how they will ultimately be classified, despite the guidelines. Second, the regulation does not legally allow for the recognition of national certification schemes, legal authorizations, or other processes from the exporting country. Everything comes down to the due diligence of the EU-based importer. This is perceived as a lack of trust in their institutional systems to monitor and address deforestation effectively.

[Lea Limbach 10:00]

Thank you. Turning to existing environmental provisions in Trade and Sustainable Development chapters, do you see the recent shift toward stronger enforcement in these chapters as a pathway for better aligning autonomous regulations like the EUDR with trade agreements? Or do you believe these instruments should remain institutionally separate?

[Paolo Garzotti 10:15]

They are separate in the sense that, so far, the environmental provisions in TSD chapters have not specifically addressed deforestation. The EU–Mercosur Agreement is actually the first trade agreement where we include a specific provision on deforestation.

Focusing on Mercosur, which I believe is your main area of interest, we’re dealing with two distinct challenges. The EUDR addresses the problem of preventing products exported to the EU from originating in deforested areas. It includes the necessary controls, such as tracking and tracing systems. However, countries like Brazil export only a small portion—sometimes as little as 1% of their total meat production to the EU. So, the regulation alone doesn’t tackle domestic deforestation at its root.

To effectively address deforestation within producer countries, we need binding commitments within trade agreements. That’s what we negotiated in the EU–Mercosur Agreement. Still, we faced clear limitations. For instance, since the renewed negotiations began in 2022, Mercosur made it very clear, especially the Brazilian president, that they would not accept any form of sanctions linked to sustainable development violations. This ruled out the possibility of including a mechanism to suspend trade concessions for non-compliance with sustainability provisions.

That’s the trade-off. In a negotiation, you get what’s feasible, not necessarily what’s ideal. The EUDR, despite applying only to a limited share of exports, gives us a legal tool to block non-compliant goods. The agreement, by contrast, provides for the first time a legal obligation in an international treaty to stop deforestation. No other trade or multilateral agreement has achieved this. Nationally Determined Contributions (NDCs) sometimes

mention deforestation, but they are voluntary and not subject to binding enforcement or dispute settlement.

So, in short: unilateral instruments like the EUDR can be stricter but only apply to EU-bound trade. Trade agreements like the EU–Mercosur Agreement can cover the broader context, but necessarily operate under different legal and political constraints.

[Lea Limbach 14:02]

Thank you. Turning now to cooperation on the EUDR with Latin American partners: which practical mechanisms within regional agreements, such as joint committees, traceability partnerships, or technical assistance, do you consider most promising for fostering meaningful cooperation?

[Paolo Garzotti 14:23]

I believe the committee work and broader cooperation mechanisms will likely play the most significant role. In the EU–Mercosur Agreement, particularly in the sustainability protocol we’ve negotiated, we included concrete provisions to enhance institutional cooperation between EU authorities and those in Brazil and Paraguay. This should facilitate smoother implementation of the EUDR.

But above all, I think the most impactful mechanism will be dialogue within the joint committees, especially the Trade and Sustainable Development (TSD) Committee. These bodies provide an institutional space to discuss sustainability-related issues and monitor cooperation progress.

Additionally, we’ve already put some support structures in place. For example, through the “Team Europe Initiative” and the Global Gateway, the EU has committed €1.8 billion in grants and loans to support the region. Within this framework, we aim to help partner countries set up the necessary systems to comply with the EUDR.

So, in short, all these mechanisms, committees, cooperation tools, technical assistance, will be important, but the committee structure probably offers the most flexible and responsive way to address implementation challenges. My sense is that we’ll encounter some initial difficulties when the regulation is first applied. However, as implementation stabilizes, many of the current uncertainties and concerns can be addressed through structured dialogue and practical problem-solving within these mechanisms.

[Lea Limbach 16:43]

Thank you. To what extent were the institutional frameworks created under the EU–Mercosur Agreement originally designed to facilitate cooperation on regulatory instruments? Was there an intention from the beginning to design joint committees in a way that would assist with cooperation on such instruments, or did that emerge later in the process?

[Paolo Garzotti 17:00]

No, I would say that the committee structure in the agreement follows the standard institutional model, and we did not specifically redesign it for this purpose. In fact, we maintained the committee architecture that was already in place since 2019, when the initial round of negotiations concluded. At that time, the European Green Deal and related environmental regulations were just beginning to emerge, so there was no immediate trigger to adapt the institutional structure in light of these developments.

That said, these committees are by definition intended to address such issues. While the subject matter has evolved, the institutional setup has proven flexible enough to accommodate new topics. For example, in the context of other agreements, we’ve already used these committees to discuss environmental and health-related issues like pesticide regulation, sanitary measures, or the use of antibiotics and hormones.

In the case of the EUDR, discussions would naturally fall under the Trade and Sustainable Development (TSD) Committee, rather than under Sanitary and Phytosanitary (SPS) or Technical Barriers to Trade (TBT) committees. So, while the structure wasn’t modified specifically for the EUDR or similar instruments, it is well suited to support cooperation on such topics.

What will be important moving forward is to ensure that these committees involve not only trade experts, but also the relevant environmental authorities on both sides. On our side, this means involving Member State environmental enforcement agencies so that, once the regulation enters into force, they can provide technical explanations and clarity. Such expert-level dialogue is key to ensuring that the values and requirements of the

regulation, especially the deforestation-related provisions, are properly understood and applied.

[Lea Limbach 19:40]

Thank you. What have been the most significant concerns raised by Latin American partners, particularly Brazil, regarding the EUDR, and how have these concerns affected the political climate surrounding the Mercosur Agreement?

[Paolo Garzotti 19:56]

The main concern expressed by our Latin American partners, especially Brazil, has been the fear that the EUDR could undermine, nullify, or impair the benefits they expect to derive from the Mercosur Agreement. From our side, we do not believe this will be the case. These countries will still be able to export to the EU, though perhaps at a higher cost due to compliance with the regulation. That additional cost, however, will ultimately be borne by the EU consumer. So, while there may be some burden, market access remains open.

One of their key apprehensions was around country classification. To give a concrete example—though this was not explicitly raised in the negotiations—it reflects their concerns: if Brazil were classified as a ‘high-risk’ country while Uruguay were classified as ‘low-risk,’ EU importers might shift preference toward Uruguay. This would clearly affect Brazil’s competitiveness, despite both countries being Mercosur partners. The perception is that the regulation introduces market distortions.

They initially proposed that such impacts be offset by adjusting trade concessions unilaterally in response to the EU Green Deal measures. Naturally, this was not acceptable from our side. Eventually, we reached a compromise by agreeing to introduce a *non-violation complaint mechanism*, modeled after what exists in the WTO. This allows one party to request a review by a panel if it believes that, even in the absence of a direct violation of the agreement, the benefits of the agreement have been nullified or impaired. In my view, this functions primarily as a political *fig leaf*, a symbolic provision that gives them something to present to their constituencies to justify signing the agreement.

From a political standpoint, perhaps the most sensitive issue was the perception that the EU would be judging their national deforestation efforts by classifying them as high,

medium, or low risk. Compounding this is the fact that the EUDR does not allow recognition of third-country certification schemes. In legal terms, we cannot assign binding value to any information or certification issued by the exporting country. The relevant paragraphs in the Mercosur sustainability protocol, paragraphs 54, 55, 56, and 57, are carefully worded to reflect this. They acknowledge efforts and dialogue, but they stop short of granting legal equivalence.

This has created a strong perception among some countries that we do not trust their systems or institutions. Additionally, the regulation is seen as Eurocentric in nature. For example, Paraguay has roughly 60–70% forest coverage, yet the regulation applies the same criteria to them as to countries like Germany or France, where forests were cleared a century ago. The rule that products cannot originate from land deforested after 2020 applies universally, even though countries like Paraguay are still in the midst of their development trajectory, while European countries underwent deforestation long ago. This feeds into broader North–South debates around climate justice.

So overall, their political concerns center on (1) reputational impacts of risk classification, (2) lack of trust in national certification schemes, and (3) perceived unfairness in applying historical standards uniformly. From an economic and trade perspective, their worry is that the regulation could restrict or undermine their access to the EU market.

Brazil was by far the most vocal on these points, particularly regarding the non-violation complaint mechanism. The other three Mercosur countries were less concerned, largely because they understood that, given the relative size of their exports to the EU, any retaliatory suspension of trade concessions would have limited practical effect.

[Lea Limbach 25:55]

I think it's article 23 of GATT, correct?

[Paolo Garzotti 26:02]

Yes, it's Article XXIII. Article XX, by contrast, deals with general exceptions such as environmental measures. Article XXIII introduces the possibility, further elaborated in the WTO Dispute Settlement Understanding, to bring a case even in the absence of a formal violation of the agreement.

The WTO has historically interpreted this clause very narrowly, effectively limiting the scope for invoking “nullification or impairment” without a breach. However, the theoretical possibility remains. For example, the United States includes non-violation clauses in most of its FTAs to protect market access.

In our case, this clause is not limited to Trade and Sustainable Development (TSD) chapters. It can be applied to any market access issue. Suppose Argentina were to reintroduce balance-of-payments restrictions, which are permitted under both WTO rules and our agreement, but which in practice block EU exports and severely undermine our comparative advantage. Even though such a measure may be legally justified, the EU could still invoke the non-violation clause to challenge the impact on the expected benefits of the agreement.

So, while the mechanism is not perfectly balanced, it offers a formal channel to raise concerns about the erosion of trade benefits due to unilateral measures, even when no rule is directly violated.

[Lea Limbach 27:58]

So, yeah, perfect. Just another question, if time permits, do you still have time?

[Paolo Garzotti 28:09]

Yes.

[Lea Limbach 28:12]

In your view, how should the EU balance the trade-offs between maintaining high environmental ambition and ensuring economic fairness—particularly in light of the compliance burdens that the EUDR may place on smallholders and SMEs in Latin America? If I understood you correctly earlier, you mentioned that, ideally, the implementation of the EUDR should not significantly alter trade patterns or volumes from the region. Could you elaborate on how that balance can be achieved in practice?

[Paolo Garzotti 28:45]

I certainly hope so. I cannot rule out that there may be some shifts in trade dynamics, but overall, I believe Mercosur countries will retain their comparative advantage in exporting

to the EU. The preferences we offer them under the agreement will continue to provide benefits, and in that sense, the agreement's value should not be nullified or impaired.

That said, the EUDR may affect internal dynamics within these countries. Take, for example, the coffee sector in Andean or Central American countries. While the regulation formally applies to importers in the EU, such as Nestlé or other major European buyers, in practice, the burden is passed down to exporters. When importers sign contracts, they include clauses stating that if the documentation provided by the supplier doesn't meet EU due diligence requirements, the responsibility lies with the supplier. So, even though the legal obligation is on the EU importer, the practical responsibility rests with the producer.

This creates a challenge, especially for smaller producers. Some sectors are better positioned to adapt. For instance, the beef industry in Argentina, Uruguay, and Paraguay already has solid traceability systems in place for sanitary reasons. But if you look at coffee producers in rural Colombia or family cooperatives in Honduras, where thousands of families are involved, tracking and tracing becomes significantly more difficult.

Moreover, public administrations differ in their ability to support producers. Costa Rica may be better equipped than Honduras to implement supportive structures and take advantage of EU cooperation tools. So while EU imports of coffee from Central America may remain steady, some families could be excluded from the supply chain.

Take Colombia again: in some regions, the EU has invested heavily to support the transition from coca to coffee or cocoa production. If the new regulation imposes excessive barriers for these farmers to export, the risk is that they revert to illicit crops. That's why implementation must be careful, context-specific, and granular, through both cooperation mechanisms and technical dialogue in the trade committees.

It won't be easy. This is where the trade agreement's cooperation framework can really make a difference. Personally, I believe the impact assessment for the EUDR should have been more thorough, especially regarding the implications for third-country producers. The fact that we had to delay its application by a year indicates that we were overly optimistic. Compare that to CBAM, where we had a three-year transition period on paper

before actual implementation. With the EUDR, we expected to be ready in under 18 months, for what is arguably a far more complex regulation.

Still, I believe that after some initial implementation issues, the system will stabilize. It will be crucial for national governments in partner countries to support the most vulnerable producers, and we in the EU are deploying a range of measures to support that transition.

[Lea Limbach 34:03]

Okay, just one final follow-up question: So, you personally don't expect any fragmentation in EU–Latin America trade relations?

[Paolo Garzotti 34:28]

No, no, I don't expect fragmentation. Latin America will remain a very important region for us. As for Mercosur, we'll have to see how things develop. You know how politically sensitive the debate is, so we'll need to monitor closely how the process unfolds when we present the agreement for signature in the Council, either before the summer or, more realistically, in the second half of the year.

If the Mercosur agreement eventually enters into force, that would mean that around 95% of our trade with Latin America will be covered by FTAs. That opens the door to not only consolidate our bilateral ties but also to enhance the regional dimension among Latin American countries. The potential for deepening cooperation would be substantial.

We've already seen that where we have trade agreements, like with Mexico, Central America, Chile, and the Andean Community, our competition with China has been more effective. While we've lost market share to China over the past 15 years, the losses have been significantly smaller in those FTA-covered countries than in Brazil or Argentina.

[Lea Limbach 37:39]

Perfect. Thank you so much again for your time. This was extremely helpful.

[Paolo Garzotti 38:00]

I'm really glad we were able to speak. Best of luck with your thesis!

[Lea Limbach 38:30]

Thank you! Have a great day. Bye-bye!

[Paolo Garzotti]

Take care, bye-bye!

Interview Marc Vanheukelen

[Lea Limbach 0:29]

Just to quickly summarize: As part of my master's thesis, titled "*From Autonomy to Alignment: Cooperation on Unilateral Environmental Policy between the EU and FTA Partners*", I'm examining how the EU's autonomous environmental instruments, particularly the EU Deforestation Regulation (EUDR)—can be better aligned with the institutional and sustainability frameworks of its Free Trade Agreements, especially through Trade and Sustainable Development (TSD) chapters. My case study focuses on the EU–Mercosur Association Agreement.

The broader context is that the EU has been increasingly relying on unilateral instruments, rather than multilateral solutions, to pursue its external environmental goals. And recently, we've seen a similar trend emerging in the U.S., with a rise in unilateral trade-related climate measures as well.

[Lea Limbach 1:40]

So my first question would be: Do you see a feasible way of formally integrating autonomous environmental instruments like the EUDR into future trade agreements?

[Marc Vanheukelen 1:55]

I would say that's quite difficult. It really depends on what you mean by "integration." These unilateral measures, like the EUDR, CBAM, or the methane regulation, have been introduced because there is little realistic hope for progress at the multilateral level, whether under the UNFCCC, the biodiversity conventions, or the WTO.

By definition, these measures are *erga omnes*, they apply universally to all trading partners. That makes it hard to formally integrate them into a bilateral FTA, especially given that we now have agreements with 20 to 30 countries or more. You can't tailor these regulations to fit individual agreements—they apply across the board.

That said, what *can* be included, either within an FTA or in a side agreement, are provisions that help countries cope with the requirements set by EU regulations. A good example is what we've now introduced in the EU–Mercosur Agreement: the so-called "rebalancing mechanism." Its precise meaning is still somewhat unclear, but the idea is

that the EU retains the right to adopt unilateral measures. However, if a partner country can demonstrate that it suffers economic harm as a result, it may be entitled to compensation, whatever form that may take. To my knowledge, this is the first time such a mechanism has been included in an FTA. It's a novelty.

Whether this constitutes "integration" is debatable. I would describe it more as a kind of indemnity mechanism than true regulatory integration.

What leans more toward actual integration is the provision of direct support, technical and financial assistance, to help partner countries comply with these measures. Additionally, all FTAs contain joint committee structures, including those focused on sustainable development. I've chaired several of these during my time in DG TRADE, in the context of agreements with Korea, the Andean countries, Moldova, and others.

They offer a space for meaningful discussion, involving civil society, employers, and workers. But in practice, it's fair to say that these forums rarely move beyond dialogue.

[Lea Limbach 6:48]

Thank you. Turning to the evolution of TSD chapters, many of which are now moving toward stronger enforcement, do you see this shift as a pathway to better align autonomous regulations like the EUDR with trade agreements? Or do you think such instruments should remain institutionally separate?

[Marc Vanheukelen 7:13]

That's been the subject of considerable debate. There are pros and cons. One of the concerns is that, if stakeholders know that the provisions in the Sustainable Development chapter will be subject to binding dispute settlement—just like other parts of the agreement, they may hesitate to include ambitious commitments. In the past, actors were more willing to accept broad and aspirational language in TSD chapters precisely because they knew the consequence would be limited to dialogue, rather than litigation.

So, greater enforceability could potentially reduce ambition. That said, on balance, I personally believe we should move toward fully integrating the Sustainable Development chapter into the general dispute settlement framework. It should no longer be treated as separate. The current setup is not sufficiently constraining to ensure meaningful implementation.

[Lea Limbach 8:53]

What are your thoughts on including cooperation mechanisms—such as joint committees, technical assistance, and traceability partnerships, within bi-regional agreements like the EU–Mercosur Association Agreement? Do you believe these tools can meaningfully support the implementation of autonomous instruments like the EUDR?

[Marc Vanheukelen 9:16]

Yes, I do think they can be helpful. But one might ask: should such cooperation be included in an FTA, or should it be part of the implementation track of the unilateral measure itself? Why, for example, would we provide technical assistance to an FTA partner but not to a non-FTA partner? Today, most developing countries already have some kind of trade agreement with the EU, so this distinction matters less in practice.

That said, FTAs can certainly contain provisions for trade facilitation or technical assistance to help implement laws like the EUDR or CBAM. Technical assistance is especially valuable in smaller or less developed countries that lack the resources to comply with these new rules. So yes, such support is useful and should continue.

Still, I personally believe this assistance is best placed in a dedicated implementation track, separate from the FTA itself. The EUDR should be accompanied by delegated and implementing acts *and* a comprehensive program of technical assistance, whether sector-specific (soy, beef, timber) or geographic.

You have to consider the reality of trade policy. Once an FTA enters into force, follow-up often comes down to just a one-day annual meeting, either in Brussels or in the partner country. These joint committee meetings cover a wide range of issues: customs procedures, SPS measures, and so on. You might only have one or two hours to talk about environment and climate.

That doesn't allow for serious discussion on how to implement complex regulations like the EUDR. Typically, only junior officials from DG CLIMA or DG ENV, and from the partner side, attend. That's not enough to make meaningful progress. It's why a separate implementation track would be more effective.

Now, turning to Mercosur, I've negotiated enough of these agreements to say: at some point, both sides hit their political limits. The question then becomes whether the outcome is "good enough." Often, you end up with constructive ambiguity.

Take the rebalancing mechanism in the EU–Mercosur Agreement. Each side interprets it differently: Mercosur sees it as a safeguard against harm from EU legislation like the EUDR, while the EU sees it as something more symbolic. In practice, the true meaning will only become clear through dispute settlement.

This mechanism is new, it's never been included in an FTA before. It gives a party the right to request compensation if new EU legislation undermines the trade concessions of the agreement. And now that it's been introduced, the door is open. I'm certain that countries like Indonesia and the Philippines, with whom we're currently negotiating, will also ask for similar provisions.

But what this clause will really mean in concrete terms, that's something only the future will reveal.

[Lea Limbach 17:01]

In your view, how should we strike a balance between environmental ambition and economic fairness moving forward?

[Marc Vanheukelen 17:16]

In my opinion, the only realistic way to achieve that balance is through technical assistance. We've had similar discussions in the past, take, for example, sanitary and phytosanitary (SPS) measures. Many African countries have told us that EU health standards are too stringent for their current production capacities. And the EU's position has always been clear: we won't lower our standards just because you can't meet them. What we can do, however, is help you meet them through targeted support.

The same logic applies here. The EU will continue to uphold its environmental objectives, such as halting deforestation. Being a preferred trade partner doesn't entitle one to special exemptions. But we will provide support to help countries comply with the standards we've set. That, in my view, is the only politically and economically sensible path forward.

[Lea Limbach 19:02]

Thank you. One final question, this has all been incredibly helpful. How do you personally envision the future relationship between unilateral instruments and cooperative frameworks? Could they evolve into a more integrated form of cooperation?

[Marc Vanheukelen 19:21]

Well, as I mentioned earlier, the EU is unlikely to step back from unilateral measures unless meaningful progress is made at the plurilateral or multilateral level, which would, of course, be the ideal. But if that ideal isn't achievable, we have to settle for second-best solutions.

If, for instance, the WTO were to conclude that a given EU measure violates international trade rules, we would certainly need to reassess our legislation. But until then, the EU remains committed to multilateral norms, unlike, say, the U.S. or, to some extent, China.

Unilateral measures will continue to play a role. And yes, they will frustrate third countries—as they're meant to. If they didn't cause friction, they likely wouldn't have the intended effect.

Going forward, I see two possible approaches. First, you might persuade partners to accept these environmental standards as “essential elements” of an FTA, as we've done with the Paris Agreement in the EU-Mercosur Agreement. There, it's stated that if a Mercosur country withdraws from the Paris Agreement, the trade deal would be suspended. But I doubt countries would accept such a clause in the case of, say, deforestation.

The second and more realistic path is the one now being pursued: maintain discussion within the joint committees, include mechanisms like the rebalancing clause, and provide technical assistance alongside. This way, partner countries can build the capacity needed to comply with our regulations.

Of course, the existence of these unilateral measures does complicate FTA negotiations. I don't know yet how Indonesia or Malaysia will respond, perhaps they'll say they won't sign an agreement as long as the EUDR exists. That ultimately depends on the relative bargaining power and interests involved.

In the case of Mercosur, I believe both sides concluded that despite serious differences, the overall benefits outweigh the frictions. And in the end, that's the key judgment every country has to make. If they decide to go ahead with a deal, then the kind of arrangements we've developed in the Mercosur agreement are probably the least problematic compromise.

[Lea Limbach 23:53]

Thank you so much. I just have one final off-the-record question, something I was thinking about earlier today. From an academic perspective, would you classify the EUDR primarily as a unilateral trade measure or as a unilateral environmental measure? My thesis supervisor, who works as a policy advisor on trade, just shared an article on the same topic as my research, and he referred to it as a unilateral trade measure.

[Marc Vanheukelen 24:36]

In my view, the EU would be wise to frame it clearly as an environmental measure. That's certainly how we will present it in the WTO context. Of course, it is an environmental measure with trade-restrictive effects, but the motivation is environmental. If we frame it as a trade measure, I'm quite certain the WTO would interpret it as protectionist.

That's also why there's been such a delicate debate around CBAM and how it might apply to exports. We always must ask: is what we're demanding from third-country producers proportionate to our environmental goals? In trade policy, proportionality is a key principle when assessing whether a measure is justified.

Some might argue that with the EUDR, especially with the level of detail required in satellite imaging and geolocation, we've gone too far. But then the question becomes: if this is excessive, what would be a viable alternative? That's something only sectoral experts can really assess.

For palm oil, for example, implementation might be easier because the sector is dominated by a few large producers who have the resources to trace their supply chains. Cocoa, on the other hand, definitely not. That sector is far more fragmented. For soy, I imagine it's mostly large farms, so compliance might be more manageable. For beef and cattle, especially in Mercosur, that's something that would need to be studied with concrete data.

But yes, the implementation challenge is significant, and this level of detail is exactly why we need to be very clear about the environmental purpose of the regulation.

[Lea Limbach 28:55]

All right. Thank you very, very much. Good. Well.

Interview John Clarke

[Lea Limbach 0:01]

This is part of my master's thesis. I'm researching how the EU can align cooperation on unilateral environmental measures, particularly the EU Deforestation Regulation, with the institutional and sustainability frameworks integrated into FTAs, especially the EU–Mercosur Agreement. The impulse for my work was the DG Trade Management Plan 2024, which stated that DG Trade will continue to explore means to achieve synergies between FTAs and environmental or autonomous tools. A main objective of this interview is to gain insights from you, as Head of the EU Delegation to the WTO and a senior trade negotiator, into how the EU and the Commission in particular envisions aligning unilateral environmental instruments, particularly the EUDR, with the frameworks of FTAs.

[Lea Limbach 1:00]

How would you describe the current level of political trust between the EU and Mercosur partners, particularly considering the EU's growing use of autonomous trade-related instruments like the EUDR or CBAM?

[John Clarke 1:20]

Yeah, okay, that's a very good topic. The Commission doesn't have a complete answer at the moment, as far as I can see. I think in general; Paolo may have told you this, I'm sure the Commission is convinced that the FTA with Mercosur will make a significant contribution to helping those countries meet the requirements of the EUDR and other autonomous sustainability regulations. The Mercosur example is particularly relevant here, and it applies to other agreements as well. It's not just a trade agreement, it's an Association Agreement that also includes a political cooperation chapter and a development cooperation chapter. For the Mercosur side, that development cooperation chapter is especially important. They are very concerned that the EU might move ahead with the trade part of the agreement and leave behind the political or development funding elements, which they heavily rely on, particularly Uruguay and Paraguay, but also Argentina to some extent. So they will be watching the Commission, and the Council, very closely to ensure that the whole agreement progresses together. Even if the trade

pillar is separated, they expect all components to advance at the same pace and be adopted simultaneously. This is crucial so that Mercosur countries receive the development funding and cooperation needed to meet the quite significant environmental, climate, and other obligations laid out in the trade agreement, especially in the TSD chapter.

[John Clarke 2:59]

Your first question was about the level of trust between the two sides. In my opinion, it's not very high. The Argentinian president is not convinced about the agreement in the first place, he's not an integrationist, doesn't believe in integration—so that's a bit of a question mark. Brazil and Uruguay are very cynical about the EU's autonomous sustainability regulations, such as the deforestation regulation, CS3D, labor standards, and so on. They are very concerned and, frankly, don't believe that even with development funding, the EU will be able to help them or guarantee access to the EU market for soya, beef, and other affected sectors. They're very worried, and the Mercosur Agreement does not fully allay or remove those worries—particularly because the EU has shown little sign of any sincere desire to cooperate with third countries on the implementation of the EUDR or other autonomous instruments.

I don't know whether you've listened to my recent podcast for the Jacques Delors Foundation, where I speak for half an hour about exactly how Mercosur countries perceive the problem. I think you've heard this from many people, they all agree with the noble objective of the EUDR and the broader set of instruments: combating climate change, etc. But they believe the EU's approach is fundamentally, probably illegal. And I think they have a strong set of arguments, although we'll only know for sure once it starts to be implemented in 2026.

What they have not seen is practical cooperation from the Commission or the EU to help their farmers, producers, and smallholders prepare for implementation. The regulation is very complicated—unless you're a multinational beef or soya producer, and most aren't. These countries were depending on technical assistance and cooperation support from the EU, which has not been forthcoming. DG Environment, which was behind these regulations, has basically washed its hands of it. The EU delegations in countries like Argentina, Brazil, Uruguay, and Paraguay have been tasked with delivering support,

advice, and capacity-building for local farmers and producers, but they're not equipped for it. They're not experts.

I spoke to a friend who's the Trade Counselor at one of our EU delegations in Mercosur. He said, "How can we possibly help 5 million farmers implement this regulation? We have no tools, no training, no expertise—and there's no new money for it either."

If these countries want development assistance to implement the EUDR, that money must come from other budget lines. That's how EU development funding works—there's a negotiation where countries give three priorities, like healthcare, education, rule of law, or agricultural productivity. If they now want funding for EUDR compliance, it will come at the expense of those other priorities. That's a real problem. There's no new funding, and there may be even less in future, as the EU's budget is shifting toward defense and security, not development.

The EU delayed the EUDR by one year, which was sensible—but one year is not enough. The Commission has also acknowledged it made a mistake with this regulation and said it will simplify it, aiming to reduce its bureaucracy by 30%. That, to me, indicates very poor policymaking. Yesterday they introduced a regulation, and today they say 30% of it is unnecessary. That's a bad sign.

One reason for this, I believe, is that the deforestation regulation was designed and written during COVID, without proper consultation—either within the EU or with third countries. It was, frankly, a disastrous piece of policymaking.

[Lea Limbach 9:40]

Thank you very much. Coming to the TSD chapters in FTAs. Do you see the evolution of TSD chapters, towards stronger enforcement, as a pathway for better aligning autonomous regulations like the EUDR with trade agreements, or do you believe they should remain institutionally separate?

[John Clarke 10:12]

Well, they are separate. But clearly, as I mentioned earlier, any cooperation carried out under the Sustainable Development (TSD) chapters of FTAs can only support third countries in implementing these autonomous regulatory requirements. So, the intention is good. If we take the TSD chapter of the EU–Mercosur Agreement and the Additional

Protocol—which is essentially there to enforce it—I think these two instruments together can help the Mercosur side implement the EUDR. But that really depends on how much human and financial resources the Commission allocates on the technical side.

In my 30 years of experience working for the European Commission, I can say we're very good at negotiating, concluding agreements, and drafting legislation. But, as I've also said in Berlin, we're not so good at the less glamorous part—implementation over time. That's not as exciting. And contrary to what people might believe, the Commission has very limited human resources. Staff are already stretched, and budgets have been or are being cut. One of the first areas to suffer from those cuts is cooperation with developing countries. You can already see this with the EU and the US closing embassies in Africa.

[Lea Limbach 12:12]

Thank you, following up, coming to the practical mechanisms within bi-regional agreements like joint committees, traceability requirements and other technical assistance for those implementing countries. do you see as most promising for fostering structured cooperation on the EUDR with Latin American partners?

[John Clarke 12:36]

Yeah, it's what you do. I mean, I mean, you have a joint committee. The Joint Committee is like tip of the iceberg. Yeah. So, the joint committee will move once or twice a year. It will decide the broad policy lines, the priorities, what the two sides should do together, and then it will delegate the work to working groups and to technical meetings, between scientists, between experts, the official sets. The joint committee is simply the kind of higher-level steering group which will determine the work program in practice to be, to be carried out by experts, you know, on a kind of weekly or monthly basis. Yeah, it will also, it will also supervise any development NGOs, who are, or think in tax, which are which have got contracts to work for with, for the commission in implementing some of these regulations, like GIZ or as you want sponsor development these, You know, important development organizations here which get commission contracts to help implement these, these, these regulations and these requirements, and high level steering group for all of that. Yeah, and according to Latin American countries, so Mercosur countries. Do you see this as promising enough? Or what is your stance on this next year? What happens? Is too early to tell so you don't want the joint committee, let's say the Joint

Committee on sustainability, if there is one, I guess there is responsible for monitoring over overseeing the implementation of the SD chapter and the protocol, okay, that will that will make that one that will have a one-day meeting for six months on one day. Yeah, it doesn't actually do the work itself. It simply sets the direction of travel and agrees on the priorities that will then be implemented by development NGOs and the Commission and the Ministry of Agriculture in Brazil or whoever, to have to see how this works in practice is okay. And I mean you follow you've left the negotiations with.

[Lea Limbach 15:12]

Thank you. What have been the most significant concerns raised by Latin American partners, particularly Brazil, regarding the EUDR? In how far has it affected the political climate around the EU–Mercosur negotiations?

[John Clarke 15:13]

Well, first, they see it as an unacceptable intrusion into national sovereignty. Second, they find the way deforestation is measured scientifically questionable. They argue that the standards applied are overly rigid and rapid, with little resemblance to on-the-ground realities. Third, the regulation is so inflexible that it doesn't take into account the specific circumstances of third countries—it's very Eurocentric. Fourth, they believe that small farmers simply cannot comply. These producers are expected to provide satellite monitoring data for their land. But how can a poor subsistence farmer in Paraguay, with 10 cows, 20 pigs, a few chickens, and half a hectare of land—who may also be illiterate—be expected to use Copernicus satellite data to measure their environmental footprint? It's just not feasible.

This means that the regulation will effectively only be applicable to medium or large multinational producers, such as joint ventures and big agribusinesses. That could lead to socially unsustainable outcomes by marginalizing smallholders—clearly not the regulation's intention, but a very negative consequence, nonetheless.

Finally, the Brazilians—this came up recently when I spoke with their ambassador over lunch—also believe the EU has breached WTO rules, particularly Article 10 of the GATT, which concerns transparency. According to that article, before implementing legislation that could impact trade, a country must publish it in draft form, consult with

affected parties, and be willing to revise it in response to feedback to minimize trade barriers. They argue that none of this was done.

Moreover, they claim the EUDR is being applied retroactively, which they also consider incompatible with WTO rules. And, perhaps most importantly, the regulation ignores the WTO's principle of equivalence. That principle—embedded in the TBT Agreement, particularly Article 4—says that if another country achieves the same policy objective using a different method, that approach should still be accepted. But the EUDR doesn't allow for this flexibility. It fails to recognize alternative national systems for tackling deforestation as equivalent, even if they are effective. That's a major sticking point.

[Lea Limbach 18:44]

Perfect. Thank you.

[John Clarke 18:44]

So, you know, *Houston, we have a problem*, as NASA would say. And depending on how the EUDR is implemented next year, we'll see whether other countries—not just Mercosur, but also Canada, Mexico, Australia, New Zealand, and ASEAN—decide to bring a WTO dispute settlement case over its potential illegality.

They'll be reluctant to do so, because they understand the purpose behind the regulation. It's not protectionist in nature. But it may be extremely difficult to implement in practice. And remember, this will all happen *before* the EU-Mercosur Agreement enters into force. The EUDR is set to be implemented as of January next year, while, in my view, the Mercosur Agreement won't come into force until sometime in 2026—maybe six months, nine months, or even a year later. So, the support mechanisms embedded in the Mercosur Agreement won't be available when the EUDR starts applying. They'll only kick in *after* the regulation is already being enforced. That's a serious issue.

[Lea Limbach 19:51]

Following up, do you expect the implementation of the EUDR to change trade patterns or volumes with Latin American countries, especially for commodities such as soya, beef and timber?

[John Clarke 20:00]

Yes. I mean, it depends on two main factors. First, the category in which a country is classified—low-risk, medium-risk, or high-risk. If a country is placed in the medium- or high-risk category, then European importers will likely stop sourcing from them. Importers of soy, beef, palm oil, rice, coffee, cocoa, and so on will shift to suppliers from low-risk countries because it means fewer border checks, fewer restrictions, and overall easier compliance. So, the risk categorization will definitely affect trade flows and influence where European companies choose to source commodities. Second, implementation matters. If the practical application of the regulation proves too difficult for SMEs and smallholders in developing countries, they simply won't be able to access the EU market at a competitive cost. That will push importers toward sourcing from larger companies—often multinationals—who are better equipped to meet the EUDR's requirements. We'll have to see how this plays out once the risk categorization is finalized—presumably later this autumn. But Brazil, in particular, is extremely concerned about being placed in the medium-risk category. Until recently, their position was essentially: "We'll only agree to the EU-Mercosur Agreement if we're put in the low-risk category." Of course, the Commission couldn't promise that, as categorization is supposed to be based on scientific data—not political negotiation. That said, there may have been some informal negotiation behind the scenes. It's possible that Brazil agreed to the additional sustainability commitments in the EU-Mercosur Protocol in exchange for an informal understanding that it won't be placed in the high-risk category. Alternatively, Brazil may be classified not as a whole, but on a regional basis—meaning different parts of the country could fall under different risk levels.

[Lea Limbach 22:49]

This question was touched upon in your lecture, and I recall your response. However, I'd like to revisit it for clarity. In your view, how should the EU strike a balance between environmental ambition and economic fairness—particularly when it comes to the compliance burdens placed on smallholders and SMEs? What is your perspective on achieving this balance?

[John Clarke 23:16]

My position is more aligned with supporting small farmers and smallholders, who, generally speaking, are responsible stewards of the environment. Their environmental

footprint tends to be relatively low, and they are the ones most in need of assistance. If the world's food production system becomes dominated solely by large multinationals, I believe that would be harmful both for the planet and for the equitable distribution of wealth. So, if we are forced to choose sides, I stand with the smallholders. In that sense, I favor economic fairness. As the saying goes, 'if a farmer is in the red, he can't go green.' Without sufficient income, farmers simply cannot afford to invest in environmental protection. The link between poverty and environmental degradation is well established—think of the Kuznets curve, which illustrates how environmental harm initially rises with economic development but can decline once a certain level of prosperity allows for environmental investment.

[Lea Limbach 24:50]

And now a little outlook. How do you envision the future relationship between unilateral environmental instruments and a cooperative framework?

[John Clarke 25:00]

Regarding FTAs and especially regulatory fragmentation, I believe the Commission has begun to realize the need to be less aggressive with autonomous instruments. There's a growing awareness that these measures must be grounded in science, allow for sufficient flexibility, and result from broad-based consultations—not just with NGOs, but with all relevant stakeholders. I expect that these lessons will start to shape regulatory processes over the next four years. We may therefore see improvements in the design and quality of future sustainability legislation, with greater sensitivity to the specific circumstances of third countries and the diversity of stakeholder interests.

However, I'm less optimistic about significant progress in the implementation of existing regulations. As I mentioned earlier, the main obstacle remains the lack of human and financial resources.

[John Clarke 26:30]

By the way, there's lots of information in the podcast I did, perfect for the law.

[Lea Limbach 26:45]

I am truly grateful to John Clarke for taking the time to share his experience and perspectives so openly. His thoughtful reflections added great depth to my research and were a real inspiration throughout the writing of this thesis.

[John Clarke 28:37]

Great. Okay. Lea, thank you. Good luck with your thesis, and when you, when you land in Brussels, do, do drop me a message and we'll meet up. Yeah, perfect. Thank you very much. Okay, thanks, all right, Steven, See you. Bye, bye, yeah, bye, bye.

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