



MILEINOMICS: Fossil fuel expansion, climate denialism and the betrayal of human rights in Milei's Argentina

Why it's time to drop the EU-Mercosur trade deal



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Since the far-right Javier Milei came to power in December 2023, Argentina has been undergoing a tumultuous process involving the loss of social, labour, women and environmental rights. **One of his first measures was to dissolve the Ministry of Women, Gender and Diversity** and reduce funds allocated for gender policies, a serious setback for the hard-fought rights by the feminist movement in Argentina¹. He also **demoted the Ministry of Environment and Sustainable Development to a mere sub-section in the 'Secretary of Tourism and Sports'**.

In December 2023, the new president announced a mega-decree 70/2023², repealing significant laws and modifying others. The approach is part of the economic "shock" therapy the president says is necessary to radically reshape the economy and society. He has sought to restrict union influence and social protest by disproportionately deploying national security forces³.

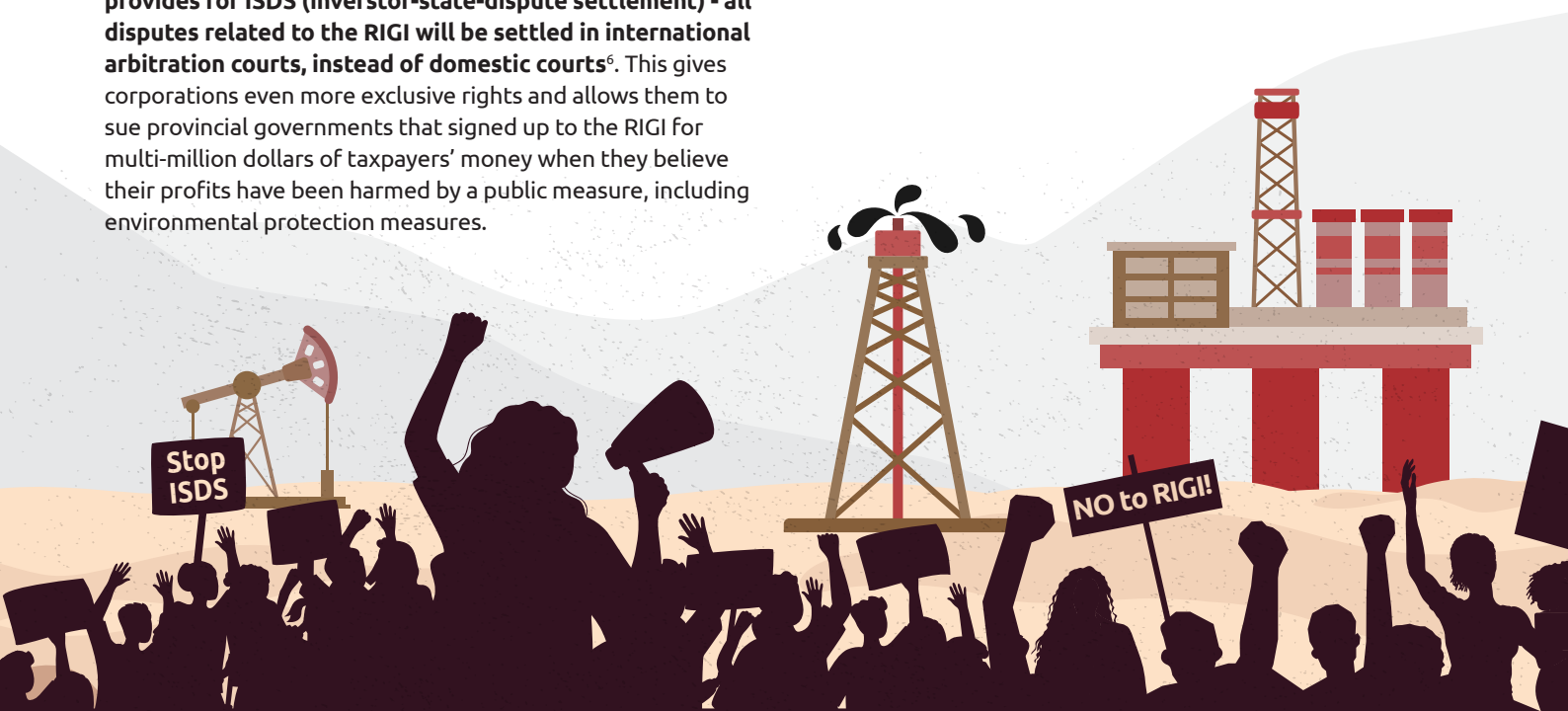
This was followed by a new sweeping economic reform bill, called the *Ley Bases* (Bases Law), which was approved in June 2024, sparking massive protests which were brutally repressed. The Inter-American Commission on Human Rights (IACHR) and its Special Rapporteur for Freedom of Expression (RELE) denounced the disproportionate use of force against people participating in peaceful protests and against journalists in Argentina⁴.

Milei's radical economic reform package will have far-reaching impacts. It grants extraordinary powers to the president for one year⁵, **while also boosting large-scale investment in the extractive sectors (oil & gas and mining) and agribusiness through the new Incentives Regime for Large Investment (RIGI)**. It will also further weaken state controls, with deregulation, privatisation and the unconditional opening up of the economy, **while weakening environmental protection and citizens' democratic rights**. Even worse, it also **provides for ISDS (investor-state-dispute settlement) - all disputes related to the RIGI will be settled in international arbitration courts, instead of domestic courts**⁶. This gives corporations even more exclusive rights and allows them to sue provincial governments that signed up to the RIGI for multi-million dollars of taxpayers' money when they believe their profits have been harmed by a public measure, including environmental protection measures.

At the same time, **spending cuts to social programmes and devaluation of the currency have deepened a recession, increasing poverty to 55% and sending annual inflation skyrocketing towards 300%**⁷. **Small and medium-sized companies have been hit hard⁸, triggering unemployment rates further⁹.**

Against this backdrop, the EU, which claims to be a champion of the green transition, is willing to do business with the climate-sceptic¹⁰ far-right president in Argentina and is rushing to finalise the environmentally damaging EU-Mercosur trade deal. The deal is intended to boost trade in agricultural products such as beef, soy and ethanol, as well as hazardous pesticides banned in the EU and polluting European-made vehicles. Many of these commodities are the biggest drivers of deforestation, greenhouse gas emissions, and biodiversity loss, as well as leading to the displacement of Indigenous people and other human rights violations in Mercosur countries (Argentina, Brazil, Paraguay and Uruguay).

In this report we examine the destructive environmental and social policies introduced by the Milei government under the RIGI regime and highlight how the EU-Mercosur deal would further exacerbate the social-ecological crisis in Argentina, given its retrograde approach to climate action and nature protection, while benefiting polluting European car industries, chemical corporations as well as pesticide-intensive and environmentally harmful agribusiness.



Milei's economic shock plan: the RIGI large-scale Investment Regime

The RIGI regime aims to attract major large-scale foreign direct investments by boosting Argentina's exports through a series of far-reaching tax breaks, customs, foreign exchange and regulatory benefits¹¹, for projects worth more than USD 200 million.

Like Argentina's Mining Investment Scheme¹², created in 1993, **the RIGI grants generous fiscal stability to beneficiary companies at the national, provincial and municipal levels for a period of 30 years¹³. This limits the ability of the national government, the provinces or the municipalities to modify these benefits in the coming decades, including the ones clearly harmful to the environment or human rights.** The RIGI regime covers mega-projects in a range of sectors including forestry, infrastructure, mining, oil and gas, which are all sectors with high environmental, climate and social-ecological impacts.

While large business groups, including in the extractive industries, benefit from tax and other benefits, the RIGI does not include any accountability for these industries' social or environmental impacts.^{14, 15}

Given that the *Ley Bases* grants extraordinary powers to the president for one year, this would allow, among other things, the dissolution of governmental bodies and funds for environmental protection, which are already very meagre. **In fact, this is already towards that direction; in early October of this year the government eliminated a trust fund for the protection of native forests¹⁶, 'The Trust Fund for the Environmental Protection of Native Forests' (FOBOSQUE), in charge of managing the resources of the Forest Law, through decree 888/2024¹⁷. This leaves the Forest Law without its main implementation and action tools and puts the provincial governments' control of illegal clearings and forest fires at risk.**

The RIGI also prioritises the economic interests of companies (mining, oil or agribusiness) in terms of their use of water or energy, over the needs of the population^{18, 19}. Extractive processes such as open-pit mining, lithium mining or fracking in Vaca Muerta, one of the world's largest fossil gas deposits, all consume vast quantities of water.²⁰ **Under RIGI, if water becomes scarce (as already seen in Catamarca in the northwest of Argentina, for example), companies will have**

priority in terms of its use, and authorities will not be able to prioritise human consumption. This applies even in cases of extreme events (floods, fires, storms, tornadoes) or water stress (droughts).

The regulation ensures that these benefits cannot be modified and goes even further **by giving unique legal privileges to corporations stipulating²¹ that investor-state disputes will be resolved in international arbitration courts, such as the International Centre for Settlement of Investment Disputes (ICSID), the World Bank's arbitration body, through which corporations can sue governments over policies that they believe damaged their investments. This will allow companies to sue provincial governments over regulatory measures that would undermine their profits, for instance for climate or environmental protection measures.** The fossil and mining industries are already the most litigious industries when it comes to investment arbitration claims. **Argentina is already the world's most sued country in investor-state disputes, including claims by major corporations in the gas and oil sectors, such as Total Energies, BP and Repsol.^{22, 23}** The potential cost to the country of these claims is economic but also political, given that they can have a "deterrent or chilling effect" on regulations and public policies.

On top of this, **the RIGI does not set out any requirements for companies to submit Environmental Impact Studies or to carry out Cumulative Impact Assessments for their projects, nor does it establish any kind of technology transfer.^{24, 25}**

These concessions to the extractive industries, which could facilitate the construction of oil and gas pipelines or projects related to lithium mining or nuclear energy, raise questions about Argentina's ability to comply with the country's climate commitments under the Paris Agreement.

The RIGI has triggered a nationwide campaign of civil society organisations called "No to RIGI"^{26, 27}. **Below, we address the concerns that civil society and social movements in Argentina raised and look at the potential impacts of Milei's policy in different sectors.**



Fossil fuel expansion: crushing Argentina's climate commitments

Argentina's energy system is dominated by oil and natural gas, which account for almost 90%²⁸ of the total primary energy produced in the country. The energy sector and the agricultural sector both account for 45% of Argentina's greenhouse gas (GHG) emissions, totalling 90%.^{29, 30}

In recent years, fracking has played an increasing role in Argentina's oil and gas extraction, particularly at the country's main unconventional oil and gas reserve, Vaca Muerta. This shale gas field is one of the largest in the world, covering around 30,000 square kilometres—roughly the size of Belgium—and stretching across the province of Neuquén, the south of Mendoza and the north of Río Negro. Major oil companies based in Europe, including TotalEnergies and Shell, own large parts of the project. Shell alone invests between \$500 million to \$600 million in Argentina a year. **Shell has admitted that under the RIGI mechanism and when exchange restrictions are limited, the investments could increase to even higher figures³¹.**

In addition to being a significant source of greenhouse gas emissions, the mega-project involves high environmental and social conflicts: there have been numerous public health problems and Indigenous rights violations linked to the exploitation of Vaca Muerta^{32, 33}. Fracking is a contentious extraction method, and it has been banned or strictly regulated in many countries due to its devastating effects on human health and nature³⁴.

In May 2024, Argentina began constructing the Vaca Muerta Sur pipeline, which will carry fuel to Punta Colorada, in the

Patagonian province of Río Negro, where the national energy company, YPF, plans to construct a new port for exporting oil and gas³⁵. It will be one of the largest hydrocarbon exporting ports in South America, increasing unconventional oil production³⁶. YPF also plans a storage tank system with a capacity for seven million barrels of oil. By 2025 or 2026, weekly exports of approximately 2.4 million barrels or 390,000 cubic metres of oil is expected³⁷. YPF is understood to have selected the site in Río Negro over other contenders because the province had signed up to RIGI.

The construction of the port has been criticised because of its likely impact on the iconic fauna of the San Matías Gulf, which is a breeding ground for the southern right whale and the Magellanic penguin³⁸. YPF has previously been linked to pressure to repeal key environmental protection laws in Río Negro which would have prevented the project from being built³⁹. The repeal of this protection violates a legal requirement to maintain levels of environmental protection, and a requirement for citizen participation in decision-making on environmental issues (the Escazú Agreement⁴⁰).

There are also concerns that the new port will damage the economic activities of local communities who depend on artisanal fisheries, sport fishing tourism, diving and marine fauna watching. There are fears that the increase in oil tanker traffic will lead to more whale collisions, a major threat to their survival⁴¹.



Continued subsidies to fossil fuel companies with IMF support: During the first two months of 2024, the **Milei government provided more than \$7.3 billion in subsidies for hydrocarbon companies, with the support of the IMF**⁴². This is counter to Argentina's international climate commitments. The same period saw a reduction in subsidies for consumers⁴³. In a context of economic crisis where 58% of households⁴⁴ in Argentina have some kind of energy deprivation, the Fund endorses subsidies to fossil companies while affecting the population's access to energy.

Increased number of earthquakes in Vaca Muerta: Fracking in Vaca Muerta has been linked to increased seismic activity⁴⁵. **The Vaca Muerta region set a new record for earthquakes in August 2024, with 500 since 2018**, according to Argentina's Observatory for Induced Seismicity (*Observatorio del Sismicidad Inducida*)⁴⁶, which stated that 'the tremors registered and their environmental consequences are not being duly considered'. So far in 2024, 53 earthquakes have been registered throughout the province of Neuquén, ten of which are considered to be of 'natural origin' while the remaining 43 are considered to be the result of hydraulic fracturing⁴⁷.

Oil waste dumps and impact on poor areas: Toxic waste from fracking activities continues to be dumped near communities, after the Argentine materials recovery and sanitation company COMARSA, set up in 2014 to establish a waste treatment plant for hydrocarbon, failed to deliver. The land provided by the province ended up being used as a 'fracking dump' where millions of cubic metres of untreated waste material was accumulated. Environmental organisations launched an investigation of the criminal liability for the pollutants⁴⁸, which are just 500 metres from densely populated neighbourhoods on the outskirts of the capital city of Neuquén. In July 2024, Neuquén's highest court issued a fine of seven million dollars against the COMARSA company and its directors, for crimes of pollution and fraud⁴⁹.



Open-pit mining: environmental rights in jeopardy

Another area of extractive activity supported by RIGI is the large-scale exploitation of 'critical' minerals, which are considered essential for both the energy transition and for digital activities. This includes open pit mining, which has severe impacts on local communities, the collective rights of Indigenous communities and the environment⁵⁰.

The *Manifiesto por una Transición Energética Justa desde los pueblos del sur* (Manifiesto for a Just Energy Transition from the Peoples of the South) says: 'We warn that an energy transition led by corporate megaprojects, driven by the Global North and accepted by numerous governments in the South, will entail the expansion of sacrifice zones throughout the Global South, the persistence of the colonial legacy, patriarchy and the foreign debt trap. Energy is a fundamental and inalienable human right, and energy democracy must be our goal.'⁵¹

Open-pit mining has generated some of the greatest resistance from civil society, both in Argentina and other Latin American countries. Thanks to the mobilisation of socio-environmental collectives and Indigenous peoples from different provinces, laws banning open-pit mining with chemical substances have been passed in seven Argentine provinces since 2003⁵².

However, these laws have been put in jeopardy as a result of a pact signed by the President and provincial governors following the implementation of RIGI. Known as the 'May Pact', a 10 strategic pillars document aiming to 'put the Argentina people back on the path to development and prosperity'⁵³, and commits the Argentine provinces to advance in the exploitation of the country's natural resources.

The pact has been heavily criticised by environmental organisations in Argentina, particularly because it urged provincial governments to move forward in the exploitation of natural resources without considering the environmental dimension or the demands of local communities and civil society organizations^{54, 55}. **During his May pact speech, Milei lashed out to environmental defenders and criticised 'politicians who prioritize the demands of noisy minorities and environmental organizations funded by foreign millionaires'.**

Measures within RIGI also undermine the power of local environmental protection regulation by stating that any provincial regulation that opposes or hinders the activities of the beneficiary companies will be null and void⁵⁶. This would include Mendoza's Law 7722, which protects water, or Chubut's Law 5001, the first provincial law to restrict polluting mining. As a result, the environmental institutional framework that has been established in relation to the impacts of open-pit metal mining is under severe threat.

Mining companies are seeking to take advantage of these exemptions. In San Juan, where the Australian company BHP, which has just bought the Canadian company Lundin's copper megaprojects in the province, has just signed up to the RIGI. These copper mines could become some of the largest in the world due to the demand for copper, needed in the energy transition and artificial intelligence technologies⁵⁷.

Indeed, the RIGI model involves the institution of a new system of dispossession, due to the economic benefits granted to large companies, who will get priority access to water and energy over the needs of the population.



3

The battle for Lithium

Alongside critical minerals, lithium is also seen as essential to the energy transition as it is a crucial component of batteries. In 2023, Argentina ranked as the world's fourth-largest producer of lithium carbonate, behind Australia, Chile and China⁵⁸. The lithium industry has expanded in several Argentine provinces in the north of the country (Salta, Jujuy and Catamarca), and in the Patagonian province of Río Negro.

In the province of Jujuy, the constitution was amended in 2023 to allow extractive production and water use on public lands, including on Indigenous ancestral territories, without guaranteeing the free, prior and informed consultation of the communities concerned⁵⁹. This has led to widespread protests on the part of Indigenous communities, with numerous international human rights and environmental organisations highlighting the lack of prior consultation with Jujuy's 11 Indigenous peoples in the reform, in breach of international human rights and environmental standards⁶⁰.

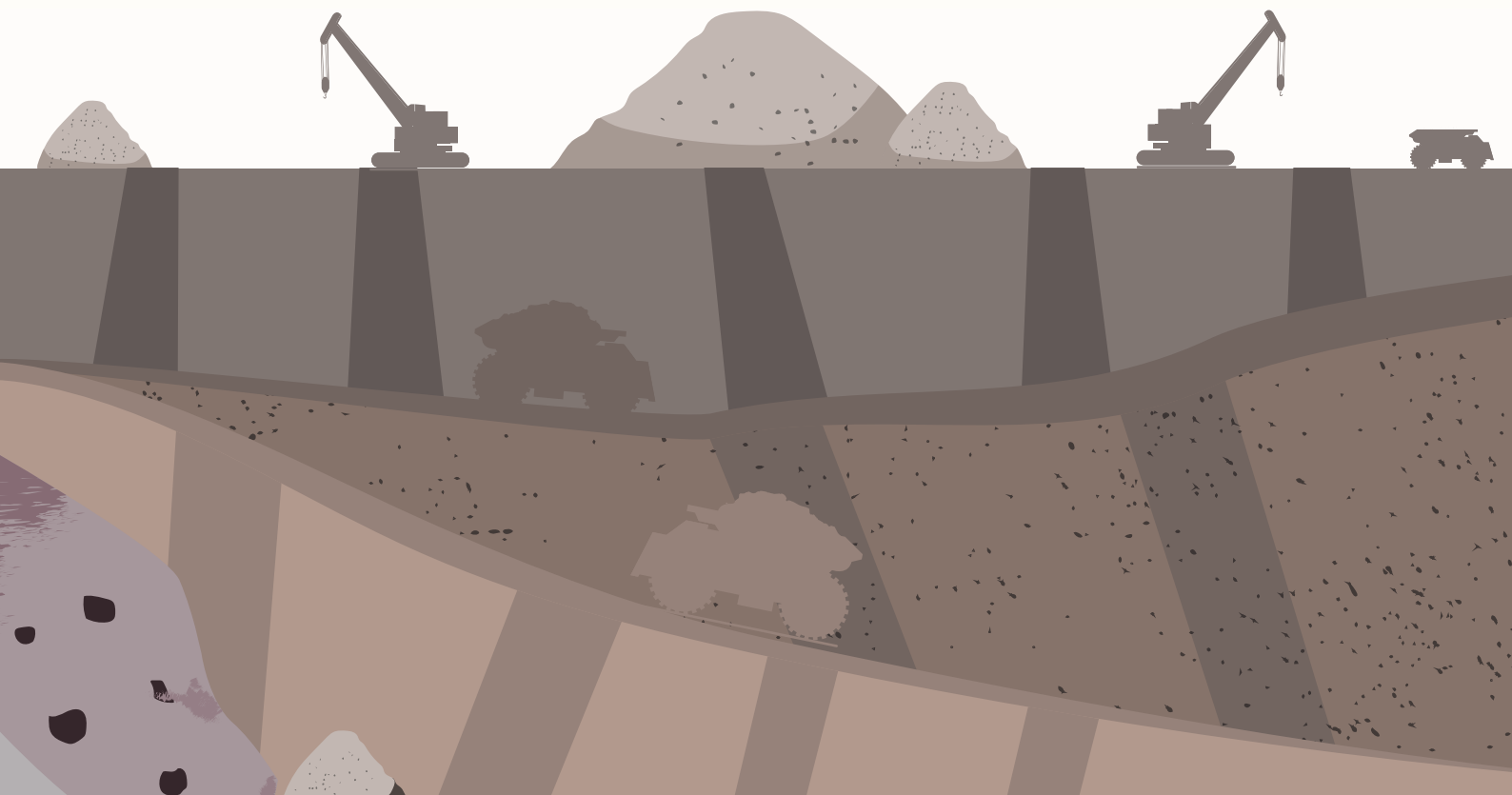
Mining companies have been making investment promises to districts that have signed up to RIGI, including the provinces of Mendoza, Tierra del Fuego, Neuquén, San Juan, Jujuy and Salta plan to sign up to RIGI⁶¹. Lithium and copper mining

companies claim that investments of at least USD 20 billion will be stimulated under the umbrella of the incentive system. Some 40 mining company projects are reporting to be waiting for RIGI in order to extract lithium from the Argentine Puna region.⁶²

In Salta province alone, there are some eight foreign mining companies hoping to benefit from RIGI. **Among these are the French company Eramet⁶³, which has just launched the first lithium extraction plant in Salta which would benefit from RIGI, and Rio Tinto,** which already operates in Salar de Rincón and plans a second plant for USD 300 million.⁶⁴

The oil company **Tecpetrol**, owned by the Italian-Argentine multinational **Techint**, is seeking to prospect the Guayatayoc Lagoon for lithium, following a contested consultation process, which saw communities being excluded^{65, 66}.

In addition, Argentine-owned companies, such as Tecpetrol and Panamerican Energy, have already made advances on lithium territories, where there is strong opposition from Indigenous communities.



Social movements under attack and rollback of environmental protection

With the adoption of RIGI, Argentina is clearly rolling back its existing commitments and measures to protect nature and the climate, both at the national and provincial levels.

The push to expand extractive sectors will severely impact protection for marine areas, forests, water and air quality—with Indigenous and local communities paying a particularly high price—and it will undermine Argentina’s existing international commitments to protect nature and act on climate change⁶⁷.

This stance is perhaps not surprising given Milei’s well-known climate denialism—a view that is also shared by many of his cabinet.⁶⁸

In May 2024, the Argentine foreign ministry removed the environmental agenda, known as the 2030 Agenda, from their official website. ‘The objectives of the 2030 Agenda are very good; the problem is the proposals’, said Foreign Minister Diana Mondino.⁶⁹

Also in May, **authorities from Argentina’s National Institute of Agricultural Technology (INTA in the Spanish acronym) informally told their staff that they would not be allowed to use certain terms related to climate change and other approaches to development, including “climate change”, “sustainability” and “biodiversity”⁷⁰.** The allegation was made public via the INTA workers’ union⁷¹. The head of the union stated: ‘It comes as no surprise for those of us who work in the organisation, as their aim is to ignore the 2030 Agenda, which the whole world is working towards.’⁷²

While legislation to protect Argentina’s forests remains in the form of the Forest Law, deforestation is rife, especially in the Gran Chaco region, the second-largest forest ecosystem on the continent. A Greenpeace survey, carried out by comparing satellite images, estimates that an area of 59,557 hectares, the equivalent of three times the surface area of the city of Buenos Aires, was lost between January and June 2024, with 27,148 hectares in the Chaco alone, putting pressure on marginalized Indigenous communities.⁷³

The Chaco is considered of global importance for its role in mitigating the effects of climate change,⁷⁴ acting as one of the planet’s largest carbon sinks. In the Argentinian part of the Gran Chaco, five million hectares of native forest have been lost in the past two decades.⁷⁵

A recent investigation by the Argentine Association of Environmental Lawyers denounced ‘the clearing mafia’ in Chaco, unveiling a state-business corruption scheme aimed at advancing deforestation in this northern province⁷⁶. The Chaco Legislature voted in favour of a law that runs counter to the Forest Law in April 2024, allowing the clearing of hundreds of thousands of hectares of native forest.

They also voted through another law that illegally reduces protection of native forests and allows native forests to be cleared, including on Indigenous lands, threatening



endangered species such as the jaguar.⁷⁷ The regulatory change was enabled by the 'revolving door' system, whereby officials/businessmen openly and blatantly move from one government to business to further their own interests⁷⁸.

Among those who benefit most from deforestation are the tannin factories, including the Indunor tannin plant, now owned by the Italian group Silvateam. It exports 95 per cent of its production to 60 different countries, generating around 27,000 tonnes of tannins that are used in sectors such as leather, animal feed, viticulture, mining, cardboard and hydrocarbons.⁷⁹

Environmental organisations, alongside human rights activists, are also among those targeted by the Ministry of Security's 'anti-protest protocol', which has attracted international criticism after a crackdown on protests, against a backdrop of economic austerity and increased impoverishment. In July 2024, in the public hearing requested by human rights, trade union and social organisations, representatives of the Inter-American Commission on Human Rights and the United Nations expressed their concern regarding the use of force, arbitrary arrests, the protocol of the Ministry of Security and the stigmatisation of demonstrators and social organisations, but the government has continued to criminalise protest⁸⁰.

Against this increasingly repressive backdrop, the government has announced the creation of a 'Production Security Unit' through Resolution 499/2024 of the Ministry of National Security (published on 10 June in Argentina's Official State Gazette)⁸¹. **The unit has the authority to mobilize and concentrate police and federal forces at any time and place, only by order of the national government⁸², to allow for extractivist territories to receive extra protection from military forces in the event of social conflict due to increasing extractivism.⁸³**

Military forces will 'protect' the commercial interests of mining and energy companies, guaranteeing the installation and advance of new projects in cases where there is resistance, such as Vaca Muerta or new lithium mines⁸⁴. Similarly, if a community protests about water shortages and seeks to defend its legal protection or to call for protection for health and ecosystems, the military forces can be mobilized to ensure that the companies can continue to operate.



PART 2

The climate-wrecking EU-Mercosur trade deal: further fuelling Argentina's socio-ecological crisis

The controversial RIGI regime promoted by President Milei will fundamentally change Argentina's role in the global economy, and unleash an environmentally and socially destructive agenda, which could be further exacerbated by the EU-Mercosur trade deal.

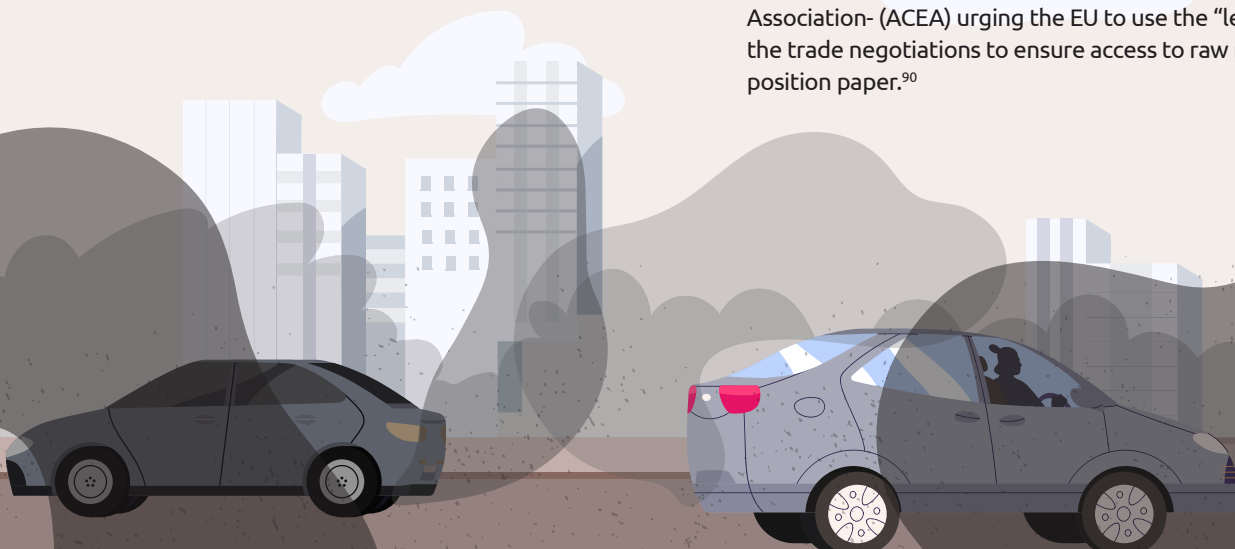
Big business lobbies had a seat at the negotiation table during the drafting phase of the deal, while civil society was sidelined. Since then, the business lobbies have been pushing for its ratification, with the support of the European Commission and several Member States.⁸⁵

The influence of big business is reflected in the design of the deal, which has no reference to binding corporate responsibility for human and environmental rights violations. Instead, the deal contains binding rules that favour market access for corporations to secure and cheapen supplies of raw materials. **Big businesses with a track record of unsustainable global supply chains, like the car, agribusiness and chemical industries, will be further empowered by the EU-Mercosur trade deal.**^{86, 87, 88}

Fossil fuel cars for South America while securing cheap access to minerals

The EU-Mercosur deal is expected to secure a lucrative market for the EU's car manufacturers to sell polluting vehicles in Mercosur countries. **This will mean the industry can continue to sell fossil-fuel cars at the expense of the climate, while simultaneously proclaiming their green credentials in the EU.** This undermines efforts to reduce emissions from the global car fleet as a whole. Instead, it promotes false solutions such as the use of agrofuels based on soy or sugar cane, which drive deforestation and biodiversity loss.⁸⁹

To ensure the continuous and cheap supply of raw materials for the car industry, import tariffs on all raw materials will be eliminated. The EU's primary objective is to prevent Mercosur countries from introducing export restrictions on the raw materials the industry needs. This is something the car industry lobbied for, with the European Automobile Manufacturers' Association- (ACEA) urging the EU to use the "leverage" of the trade negotiations to ensure access to raw materials in a position paper.⁹⁰



The EU is also pursuing raw materials through strategic partnerships with resource-rich countries in parallel to the EU Mercosur deals.⁹¹ These deals with resource-rich countries are intended to secure the EU's access to a reliable supply of minerals critical to the energy transition. For example, the EU signed a Memoranda of Understanding (MOU) with Argentina in 2023, establishing a partnership on critical raw materials.⁹²

Civil society organisations have already expressed concern regarding the lack of environmental and social safeguards relating to the expansion of raw materials projects in and outside the EU. A key concern is the EU's pursuit of a resource-intensive growth strategy that doesn't address the overconsumption of natural resources by wealthy EU countries.^{93 94}

The strategic partnerships are linked to investment projects through the Global Gateway, the EU's new strategy for development cooperation⁹⁵. The aim is to use funds intended for international development to bolster European businesses, create opportunities for enhanced trade networks and boost the EU's global standing through strategic investments⁹⁶. The Global Gateway flagship projects are framed as sustainable and transparent. However, a recent investigative report by three major NGO's revealed that on closer examination, there are many **concerning issues with the Global Gateway, including risks increasing the debt burden of partner countries, negative impacts on human rights and the environment and overall lack of democratic participation and transparency in its implementation**⁹⁷. In Argentina, one project under the Global Gateway is the development of the lithium value chain in the Salta and Jujuy provinces⁹⁸. **The issues raised with the Global Gateway and how it interplays with Argentina's RIGI suggest that the Global Gateway is far from advancing the EU's development goals as sustainably and transparently as it is promised to do.**

Agribusiness: fuelling deforestation and biodiversity loss

The EU-Mercosur deal is designed to boost agribusiness and increase exports of agricultural products such as soy and beef products, but these sectors are closely linked to deforestation in Argentina.⁹⁹ Soy imports from Mercosur

countries into the EU are already duty-free, but Argentina's export duties on soy and soy-based biodiesel will be reduced under the EU-Mercosur deal, which in turn will make soybean exports cheaper and more competitive, encouraging soy expansion.

The Chaco forest in particular is being cleared to expand cattle ranching and soy production. The forest is also home to many Indigenous communities who have struggled against soy expansion and forced displacement.¹⁰⁰

In Argentina, deforestation in the Chaco accelerated in the mid-1990s, when the government authorised the introduction of genetically modified (GM) soy beans¹⁰¹. The current rollback of environmental protection laws, allowing new forest areas to be cleared,¹⁰² will make the situation worse. **During his election campaign, Argentina's President Milei brandished a chainsaw to symbolize his plans to cut the state down to size. The government in the Chaco province seems to be taking Milei's chainsaw message literally, passing a law that removes protection for hundreds of thousands of hectares of the Chaco**¹⁰³. Agribusiness will be able to expand ever more easily under the EU-Mercosur deal at the expense of family farmers¹⁰⁴ and Indigenous communities.¹⁰⁵

This creates a clear conflict with the apparent ambition of the EU's deforestation legislation (EUDR) of which its implementation has already been delayed for a year and risks being dismantled by EU's conservative political groups. Studies suggest the EU-Mercosur trade deal will encourage deforestation by 5 to 25%^{106, 107}. In fact, large parts of the Chaco forest are not protected under the EU's deforestation regulation, because of the narrow definition of 'deforestation' which only applies to areas that are classified as 'forest' under the FAO definition. Many of the other agricultural products promoted by the EU-Mercosur deal, such as sugar, ethanol and poultry, whose trade and production play a crucial role in accelerating deforestation are not included in the scope of the EUDR.

Moreover, the EUDR does not apply to the financial sector, allowing European investors to take advantage of their increased access under the EU-Mercosur deal, potentially investing in the agricultural sector in the Mercosur region without putting in place any safeguards to guarantee that their investments are not linked to deforestation or forest degradation.



Indigenous rights and other human rights commitments ignored

The human rights of Indigenous communities are directly threatened by the EU-Mercosur deal, since areas at risk of deforestation often border or are in Indigenous territories. Dispossession of Indigenous lands¹⁰⁸ and exploitation of natural resources have already intensified in Argentina as an effect of increases in mining, natural gas extraction, and oil activities as well as the expansion of agriculture and livestock in Indigenous lands.^{109, 110} Most alarming are the reported trends of repression against Indigenous groups as well the structural racial discrimination they face^{111, 112}.

However, despite the historical colonial, social, economic and racial discrimination of Indigenous peoples in Argentina, their struggles against mining and agribusiness expansion¹¹³ and the increased pressure the EU-Mercosur trade deal could put on Indigenous communities, **their voices have been excluded from the negotiations and creation of the deal. No local communities or Indigenous peoples have been consulted**,^{114, 115} and the European Commission has not made any effort to ensure that these groups were adequately involved. Even worse, Indigenous rights, the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) and its core principle, "*the right to free, prior and informed consent*", was weakened and reduced to "*prior and informed consent*" when mentioned in the deal.¹¹⁶

"The agreement is for the economic and business world," an Indigenous woman from the Chaco told Reuters. "For us as an Indigenous community, the reality is that we are not part of these agreements. We were never in the negotiations"¹¹⁷.



Toxic trade

If the EU-Mercosur trade agreement is ratified, tariffs on agrochemicals will be reduced by up to 90%, leading to a likely **increase in the export of dangerous pesticides from the EU to Mercosur countries, including pesticides that have been banned in the EU due to the risk they pose to human health and the environment.** The deal is also expected to boost exports of crops and crop-based products, including soy, sugarcane, and sugarcane-derived ethanol that depend heavily on pesticides. Exports of meat products such as poultry, which depend on soy-based animal feed, are also expected to increase, driving even more pesticide use.

Argentina has long been recognised as one of the top three pesticide users in the world, alongside Brazil¹¹⁸. With the increase in genetically modified soy production and the growth of the agro-chemical industry in Argentina, herbicide, pesticide and insecticide use has soared. **The last 25 years have witnessed an almost tenfold increase in the use of pesticides.**¹¹⁹ **People in rural communities have campaigned against the use of pesticides next to their homes due to their proven health risks,**¹²⁰ **including cancer**^{121, 122}. The scale of pesticide use, which includes aerial spraying, is also contaminating and threatening the biodiversity of the Gran Chaco biome¹²³.

European pesticide companies are looking to capitalize on weaker pesticide laws through the EU-Mercosur deal. The largest European chemical lobby group, the European Chemical Industry Council (CEFIC), has been promoting rapid ratification of the EU-Mercosur,¹²⁴ stating that reduced tariffs for chemicals will allow steady growth in chemical exports to Mercosur countries.¹²⁵

One of CEFIC's most important members are the German companies, Bayer and BASF, the biggest chemical producer in the world¹²⁶. Both companies have been heavily criticised for their production of hazardous chemicals and pesticides^{127, 128} and their human rights records.^{129, 130}

In April 2024, four civil society organisations from South America,¹³¹ the Centro de Estudios Legales y Sociales (CELS) from Argentina, Terra de Direitos from Brazil, BASE-IS from Paraguay and Fundación TIERRA from Bolivia, filed an OECD complaint against Bayer. They allege that Bayer is violating the OECD Guidelines for Multinational Enterprises and contributing to adverse impacts in the four Latin American countries by not complying with its human rights and environmental due diligence obligations in the sale of soybean seeds and toxic pesticides.¹³²

The EU-Mercosur deal risks aggravating existing problems putting even more pressure on ecosystems and adding to the toxic burden of pesticide-intensive agriculture on nature and local communities.

Loss of tax income

The deal is expected to broadly prohibit taxes and duties on exports, such as the tax restrictions currently in place on exports of cobalt, lithium, copper and iron ore from Argentina.¹³³ Three years after the EU-Mercosur deal comes into force, none of the signatory countries will be allowed to introduce or maintain export duties, unless they have reserved the right to make exceptions. Argentina has so far reserved the right to levy export duties on a list of products, but will be required to pledge to freeze or reduce these.

Export taxes have been an important way for the Argentinian economy to generate fiscal revenue. In 2019, export duties on soya generated revenues of around US\$4.7 billion for Argentina's government¹³⁴. The duties have been particularly useful to Argentina following economic crises, for example, when the country defaulted on its sovereign debt in 2002. The elimination of export duties will pose a challenge to a government that is trying to stabilize its finances.

A deal that drives economic and social inequality

The deal is touted as a win for economic development and diversification, but studies have shown that it poses serious economic risks to Mercosur countries and could even contribute to higher inequality, further destabilising already vulnerable economies and push Mercosur countries further away from sustainable development.¹³⁵ The European Commission's own sustainable impact assessment admits that the GDP gains from the deal are negligible.

In fact, it is likely that the deal **will also drive massive job losses in some manufacturing sectors in Argentina as well resulting in job losses for farmers** due to the increased intensification and consolidation of agriculture.

One of the sectors that will also be most affected in terms of employment is the textile sector, which currently represents some 10% of the total jobs in Argentine industry.¹³⁶ The sector employs a large number of women, many of them migrants, but mostly in precarious conditions, with very low wages. Women's employment in the garment sector in Argentina is predicted to fall by between 25.9% and 35.5% as a consequence of the deal.¹³⁷

The deal is also being touted by the European Commission as beneficial for small and medium-sized enterprises (SMEs), but by opening up the government procurement market to European companies (and vice versa), SMEs will have to compete with more competitive EU companies. The economic consequences of such competition raise concerns about the impact on small and medium-sized national companies in Argentina,¹³⁸ particularly where procurement is used as a development policy tool, including sustainable development programmes. In Argentina and other Mercosur countries, procurement programmes have been used to support initiatives to reduce hunger and to support family farmers and local economies. Women, in particular, have benefited from these initiatives,¹³⁹ which will now be open to competition. Under Milei, Argentina's poverty rate has risen to over 50% due to austerity measures and steep cuts in social spending.¹⁴⁰

Against this backdrop of a growing food emergency and rising hunger,¹⁴¹ the EU-Mercosur deal would see the agribusiness sector and agro-export model benefit. Argentina is already among the five largest grain exporters in the world, yet in some regions, communities struggle to access food.¹⁴²

Greenwashing the deal

The European Commission has claimed that the EU-Mercosur deal adequately addresses environmental and social concerns through its chapter on Trade and Sustainable Development (TSD). However, the TSD chapter has been criticized by legal experts for its serious weaknesses, and found to be not fit for purpose.^{143, 144, 145, 146, 147} One key shortcoming is that many of the provisions only contain “best endeavour”-clauses and often are mere declarations of intent or remain vague. This means their actual implementation depends on the political will of the parties.

Studies also find that the TSD Chapter does not significantly reinforce the countries’ climate change commitments as set out in the Paris Agreement, and that it does not provide a strong framework for addressing other important environmental and human rights issues. Nor does it include effective rules for corporate duty of care obligations. Besides being insufficient in scope and content, TSD Chapter excludes sustainable development commitments from the state-to-state dispute settlement mechanism that applies the other chapters of the deal and could lead to trade sanctions if the deal is violated. Instead sustainable development commitments will be resolved via a panel of experts who, unlike under the general dispute settlement mechanism, cannot impose sanctions for non-compliance. Thus, its clauses are essentially not enforceable.

The European Commission appears to assume the agreed TSD Chapter is insufficient to uphold the spirit and intent of the Green Deal¹⁴⁸ and intends to provide further detail through a Joint Instrument that was leaked last year. The text of the Commission’s proposed Joint Instrument is more detailed on environmental standards but it does not go further with respect to the substantive obligations. Neither does it remedy the fact that the TSD chapter’s provisions are not subject to the regular dispute settlement mechanism.

Moreover, while the Joint Instrument was devised in the context of widespread public concerns against the EU-Mercosur deal, the process leading to the creation of the current draft was not transparent and did not include consultation from civil society.¹⁴⁹

The failure to prioritise sustainability in trade agreements is also reflected by the fact that the deal’s sustainability impact assessment (SIA) was not published until several months after the deal was agreed¹⁵⁰. The Ombudsman found that the Commission’s failure to ensure that the SIA was finalised in good time constituted maladministration. However, not only was the SIA late, but it also has major shortcomings¹⁵¹, which more than 200 economists addressed in an open letter¹⁵².

An opportunity to legally challenge the EU-Mercosur deal: A legal study released by Greenpeace argues that trade EU-Mercosur deal would lead to an increase in greenhouse gas emissions and is incompatible with EU and international climate laws. This opens up the possibility that the deal could be challenged in the European Court of Justice by an EU government or the European Parliament¹⁵³.

Democratic set-back in the EU and lack of transparency

The EU-Mercosur deal has faced criticism for being negotiated in full secrecy and opacity. After 19 years of negotiations concluding in 2019, there is still no complete text of the trade text available to the public, with key chapters missing. Important information on the status of negotiations often only reaches the public via leaked documents,^{154, 155} and **even the European Ombudsman has called for greater transparency from the European Commission.**¹⁵⁶ This automatically leads to the exclusion of certain civil society voices, despite widespread public concern about the deal. Three-quarters of Europeans want the deal to be scrapped if it leads to deforestation and environmental damage.¹⁵⁷

Against this backdrop, the European Commission is proposing changing the voting process. This proposal is to split the trade pillar of the EU-Mercosur agreement from the rest of the Association Agreement to be put for adoption by the Commission without requiring the consent of all EU Member States within the Council of the EU, and without requiring any kind of national ratification.

This is despite a common understanding that Member States would have an opportunity to veto the deal either in the Council or through a ratification process at the national level. **The Commission is now trying to create a shortcut which would bypass the opposition of those national governments which have been critical—undermining democratic rights,¹⁵⁸ and violating the negotiation mandate.**¹⁵⁹ Designed as an Association Agreement, the EU-Mercosur deal can only be adopted if all EU Member States agree on it unanimously. This should mean that every Member State has a right of veto. Furthermore, national and/or regional parliaments throughout the EU also have the right to approve or reject the deal through the national ratification process¹⁶⁰.

Hundreds of civil society organisations and parliamentarians have expressed concern about the Commission’s proposal to split the approval process,^{161, 162} which severely threatens the democratic processes.



Conclusion

At a time when Argentina's government is pushing through reforms that exacerbate the impacts of the extractivist model, while rejecting frameworks to protect human and environmental rights, and facilitating the repression and criminalisation of legitimate protests, the EU-Mercosur deal risks fuelling climate break-down and exacerbating the social-ecological crisis in Argentina.

The EU-Mercosur deal is, in reality, a stark example of the EU's hypocritical double standards. While the European Commission has set internal targets for the European Green Deal to reach climate neutrality, reduce pesticide use, and phase out petrol and diesel cars in the EU, it is pushing for ratification of a trade deal that promotes the complete opposite for countries in South America. This portrays the ecologically unequal exchange between the Global South and Global North, and the neo-colonial structures of global trade.

The same pattern can be seen in Europe's trade relations with Mercosur countries today. Around 84% of EU exports to Mercosur are services and high-value industrial products, whereas about three-quarters of Mercosur exports to the EU are agricultural and mineral resources¹⁶³. The trade liberalisation envisaged by the EU-Mercosur trade deal will reinforce this neo-colonial relationship, increasing exports of raw materials to Europe, while also continuing the damage to nature and local communities, who already bear most of the burden of climate change impacts.

No greenwashed environmental annex can address the long-term destructive impacts the trade deal will have. The unsustainability of the agreement lies in its very essence, since it is precisely the trade in harmful products and the expansion of the intensive agribusiness model that drives environmental crimes, land-grabbing, destruction of nature and greenhouse gas emissions.

Milei's so-called "libertarian experiment", or 'Mileinomics', for radical free market reforms combined with the outdated EU-Mercosur deal are a recipe for economic disaster. It is rooted in an economic model that created the social-ecological crisis in the first place.

It is time to fundamentally change trade relations to put the environment, climate and human rights at the centre and dismantle the legacy of neo-colonial economics. The solution is clear: drop the EU-Mercosur trade deal and redirect policy and funds into sustainable and regenerative economies reliant on sustainable modes of production, as for example agroecology.



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