President Joe Biden has a lengthy climate change to-do list: Amid rising global temperatures, more frequent and extreme weather events, and the rapid loss of nature, there is little time to lose. Biden reflected this urgency in the first days of his presidency, in the content of his executive order (EO) on the climate crisis, issued in late January 2021. Among the highest international environmental priorities in this EO is setting a climate strategy on the Amazon, which—in addition to its pivotal role in any global solution to the climate crisis—serves as an important element of a U.S. strategy toward South America. The stakes are high: A stable and vibrant Amazon could continue to absorb about 5 percent of the world’s CO2 emissions, offsetting roughly the equivalent of all greenhouse gas emissions from Russia, the world’s fifth-largest emitter. Reducing deforestation rates would also address a major emissions source, as cutting down and burning forests in Brazil emitted 952 million tons of carbon dioxide equivalent in 2019, equal to the annual emissions from 245 coal-fired power plants.

The situation is dire, especially in the Brazilian Amazon. In office for just two years, far-right Brazilian President Jair Bolsonaro has overseen an aggressive assault on the country’s long-standing legal and institutional protections for the Amazon and its Indigenous communities. Several examples of the change in trajectory include:

• **Surging annual deforestation rates.** A 12-year high in 2020 saw the destruction of 4,280 square miles of forest in the Brazilian Amazon—nearly equal in area to the state of Connecticut. The overall loss of Amazonian forest cover has pushed the region close to a tipping point where rainfall patterns would change, drying out forests in the southern and eastern Amazon and affecting precipitation in nearly every South American country. There is evidence this is already occurring—roughly 20 percent of the Amazon has become a carbon source instead of a carbon sink.
• **An increase in fires tied to illegal land clearing for unapproved soy and cattle farming.** Both occurrences are verifiably linked to the increase in deforestation during the Bolsonaro administration. The Brazilian Amazon witnessed more than 2,500 major fires in 2020, well above average and even surpassing the wave of fires in 2019. Just south of the Amazon, the Pantanal region, the world’s largest wetland, also burned at historic rates in 2020—more than 20 percent of the region burned after the most severe drought in 47 years.

• **Cuts to the budgets and enforcement capacity of the country’s environmental police (IBAMA) and space agency (INPE).** The two agencies are responsible for combating illegal land clearing and monitoring deforestation, respectively.

• **The opening of 237 Indigenous areas in April 2020 to land claims by outside speculators.** A first in Brazilian history, this move violates constitutional rights granted to Indigenous peoples to maintain possession of their ancestral lands.

The increases in deforestation and burning—and the policy decisions that drive them—have plunged the country into environmental crisis, posing economic threats to Brazil and accelerating climate risks to the entire world.

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**Deforestation isn’t an inevitable part of development**

Recent trends in the Brazilian Amazon in forest degradation, fires, and conflicts between settlers and Indigenous communities are not inevitable consequences of the march of Amazonian development. Rather, they are symptoms of policy decisions (or the absence thereof) and a lack of enforcement. Brazil has a track record of political leadership and policy enforcement that have driven sustainable development pathways for the Amazon. A succession of presidents from 2004 to 2012 made a national commitment to enforce environmental laws and expand protected status for significant portions of the Amazon, which resulted in declines in annual deforestation in the Amazon of more than 80 percent, all over a period of significant economic growth for the country and its agricultural economy.

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President Biden has made clear that he is focused on Brazil’s role in addressing climate change. During the 2020 presidential debate, then-candidate Biden affirmed the urgency of addressing the threat that President Bolsonaro’s policies posed to the Amazon and to the global climate, proposing to work with global partners to create a $20 billion fund that would incentivize Bolsonaro to change his approach to the Amazon. If Bolsonaro did not agree to the plan, “Brazil would face ‘economic consequences,’” said Biden. In his January 27 executive order on tackling climate change, he directed the Treasury and State departments, along with the U.S. Agency for International Development and the International Development
Finance Corporation, to develop a plan for supporting protection of the Amazon and other important ecosystems through market-based mechanisms. This carrot-and-stick proposition—and Biden’s commitment to centering climate action in his administration’s foreign policy—demonstrates that the president recognizes the stakes for getting the right outcomes in the Amazon—for the global climate, human rights, and the rule of law.

The question now is what these two paths—one with Brazil’s cooperation and one without—should look like. The Biden administration should demonstrate to Brazil that there is significant, long-term support for pursuing a more sustainable future in the Amazon, including enhanced partnership with the United States. At the same time, the urgency of the situation means that the United States cannot necessarily rely on a partnership with Brazil or wait for Brazil to agree to such a partnership. If Brazil opts not to act, the Biden administration should take steps with other countries and with the private sector to reduce economic contributions to deforestation and pressure Brazil and other countries to take meaningful action in the Amazon.

A potential pathway: U.S.-Brazil partnership on the Amazon

How can the two sides bridge the chasm between Brazil’s reckless policies and the very different direction the United States wishes to pursue? First, the countries have a record of accomplishment in scientific, conservation, and law enforcement cooperation in the Amazon upon which to draw, based on a historic commitment to develop the Amazon and its resources in a sustainable manner. Rediscovering common ground is achievable, but the challenges of halting and reversing Amazon deforestation should not be underestimated. Second, in a letter to President Biden in January 2021, President Bolsonaro made clear that he is interested in strengthening Brazil’s relationship with the United States, especially through trade, to bring the two largest democracies in the Western Hemisphere closer together.

It is in the interest of both governments to continue collaboration at the technical, working level. There is also potential for a renewed U.S.-Brazil partnership on the Amazon, with broadened and elevated official bilateral cooperation in such areas as policy, science, conservation, and law enforcement, as well as new, shared efforts to catalyze deforestation-free private sector trade and investment centered on sustainability and inclusion.

If the Bolsonaro administration can re-envision how such an international partnership on the Amazon could advance Brazil’s long-term national interest, these lines of effort could drive a strategy to develop and protect the Amazon
in a manner that is sustainable, inclusive, and consistent with the need to limit global temperature rise to 1.5 degrees Celsius, as recommended by the Intergovernmental Panel on Climate Change (IPCC). If Brazil chooses not to, the United States should be prepared to pursue other strategies to stem forest loss in the Amazon.

The partnership: Enhanced cooperation, sustainable investment, and trade

The Biden administration has already begun efforts to develop a partnership—inviting 40 world leaders to convene at the Leaders’ Climate Summit in late April 2021 and appointing former Secretary of State John Kerry to serve as special presidential envoy for climate and elevate climate change priorities in U.S. foreign policy. Special Presidential Envoy Kerry has emphasized the importance of U.S.-Brazil relations with respect to the Amazon and the global climate. Following the summit, he should announce the development of the partnership alongside the head of Brazil’s foreign ministry (Itamaraty), Carlos França, and Ricardo Salles, Brazil’s environment minister, to signal the priority and urgency of this shared agenda. To ensure prompt and tangible outcomes, the group should convene the respective governmental agencies, civil society, and private sector representatives on a regular basis to direct action and assess progress.

Such an undertaking cannot be a free pass for business as usual in the Amazon, however. As part of such an enhanced partnership, Brazil would be required to: 1) revise its nationally determined contributions as defined under the Paris Agreement and align them with a midcentury net-zero goal; 2) modify and robustly enforce relevant domestic laws and regulations accordingly (see text box below); and 3) implement and enforce an immediate moratorium on deforestation or any other economic activity, except by Indigenous groups, on currently undesigned—and thus, by definition, federal—forest lands. Ongoing U.S.-Brazil technical, working-level cooperation on the Amazon should continue and not be subject to the Bolsonaro administration’s agreement to the proposal.
How to follow ambition with action

Brazil already has a legal framework to manage deforestation and uphold human rights, but these have been neglected during the Bolsonaro administration. Chief among these domestic laws are the Forest Code, a national land-use law regulating the amount of native vegetation that landowners must maintain on their land, and a constitutional guarantee that Indigenous and quilombola groups have a right to claim and maintain their ancestral lands. With these commitments in hand, the legal framework for the Amazon’s sustainable and inclusive development is clear.

It is important that the Bolsonaro administration reverse those policies and actions (and rectify affirmative inactions) that have stripped protections for the Amazon, its resources, and the rights of its Indigenous populations. It is appropriate and prudent for Washington to condition its cooperation under the partnership on Brazil delivering on commitments to: 1) fully restore the functions and authorities of the Environment Ministry (MMA)—in particular the IBAMA and ICMBio agencies, which are responsible for Forest Code enforcement and the country’s conservation areas—and provide them sufficient funding; 2) take the same restorative actions for FUNAI, the agency responsible for Indigenous peoples’ matters; and 3) restore the previous governance modalities in the Amazon Fund.

If Brazil accepts the deal, the United States should be ready to deliver on a package of enhanced official cooperation as well as to execute a strategy to mobilize higher levels of sustainable and inclusive international trade and investment directed toward the Amazon, in partnership with Brazil and other key international partners, including third country governments in the Amazon region and elsewhere.

U.S. mobilization of official finance to the Amazon

The biggest step in the case of a partnership would be for the United States to follow through on President Biden’s pledge to mobilize $20 billion in international finance to the Amazon. The Amazon Fund, established in 2008 to channel developed countries’ support to forest sustainability projects in Brazil, could be a candidate entity to coordinate such an infusion of donor support. But the Amazon Fund is in deep freeze, after the Bolsonaro administration disbanded its steering committee and abandoned the official strategy to protect the Amazon, which prompted Norway and Germany, previously the fund’s largest contributors, to suspend their support. No mobilization of international donor resources will be able to proceed until Brazil delivers on the reform agenda outlined above, including restoring the previous governance modalities at the fund, and reductions in deforestation are verified, as stipulated in the decrees that guided the Amazon Fund prior to 2019. If Brazil does deliver, the United States should join the fund; make an initial pledge of $1.5 billion over three years; work with Norway, Germany, and Brazil to unlock the millions of dollars that
are currently frozen in the fund; and recruit other donors—including Canada, the United Kingdom, and Japan—to meet the balance of the $20 billion Biden pledged through public and private sources.

Enhanced bilateral cooperation
The agenda for enhanced and broadened cooperation on the Amazon could span policy dialogue as well as cooperation on conservation, law enforcement, and applied scientific research.

• **Launch senior policy dialogue on the Amazon.** As noted above, Special Presidential Envoy Kerry, Foreign Minister França, and Environment Minister Salles should chair annual meetings between senior representatives from relevant policy and technical agencies of both governments to discuss policy issues regarding the Amazon and assess progress on partnership initiatives.

• **Conservation cooperation.** In 2018, the United States and Brazil renewed a partnership to conserve biodiversity in the Amazon and "strengthen conservation and sustainable development" in protected areas and Indigenous territories in the Amazon. In addition to the financial pledge above, this cooperation could be expanded to include technical areas that help address climate and conservation concerns. This includes securing protected status for remaining undesignated lands, preparedness for wildfire response in remote areas, and new tools and practices for forest restoration to help expand forest cover in previously cleared areas and achieve compliance with the Forest Code.

• **Increase law enforcement cooperation in the Amazon.** The United States can support Brazil’s efforts to enforce environmental laws through both existing technological partnerships and new boots-on-the-ground initiatives. U.S. land management agencies, along with NASA, can deepen their cooperation with Brazil’s space agency (INPE) and its ministries of Agriculture (MAPA) and Environment (MMA), to develop and share technologies to monitor deforestation. Such programs facilitate close-to-real-time observations of deforestation, as well as timely data on fires in the Amazon, which help law enforcement agencies track violators. The U.S. Fish and Wildlife Service, which works in trade hubs such as airports and in the field with many countries to combat the illegal wildlife trade, would be an appropriate partner with environmental agencies in Brazil to help combat trade in illegally produced commodities.

• **Science research and development investments for more sustainable development.** Remote sensing is also being applied to climate-relevant topics such as estimating soil carbon on agricultural and natural lands. This is useful for quantifying the benefits of sustainable agriculture practices in the Brazilian Cerrado, a tropical savannah in the center of the country, and the American
Great Plains—regions where significant belowground carbon stores are affected by rapid conversion to large-scale agriculture. There is a natural opportunity for the U.S. Department of Agriculture and NASA to continue to work with MAPA, Brazilian agricultural institute Embrapa, and INPE on technology sharing and joint research initiatives that help both countries shrink the carbon footprint of agriculture.

Support sustainable commercial trade and investment
The United States would also use its financing and convening capacity to help direct investments toward projects that advance sustainable development in Brazil.

- **U.S. catalytic investment initiative.** Following the direction of President Biden’s executive order, the U.S. International Development Finance Corporation (DFC) should make Brazil and the sustainable development of the Amazon a top priority in its blended finance strategy. For example, the DFC board could set a policy to dedicate a proportion of its overall credit guarantee authority exclusively to drive U.S.-based private investments to identified deforestation-free opportunities. The DFC should partner with other development finance institutions and philanthropic groups on co-financing, including leveraging domestic public money furnished by Brazil under this collaboration.

- **Private sector payments for REDD+.** Interest in voluntary purchases of forest carbon to reduce greenhouse gas emissions from deforestation and forest degradation (REDD+) has been growing quickly, especially among U.S. and European companies. At the same time, standards for recording and monitoring these purchases, and for intermediaries to help align buyers and sellers, have become established. The Biden administration can support this growth by convening U.S. firms to direct new demand toward high-quality forest carbon projects—giving Brazil and other countries incentives to make progress against deforestation.

Driving action in the Amazon with the private sector and in the international arena
If Brazil were not to accept the deal, or if it were to fail to fulfill expectations, the United States should be prepared to act accordingly. Potential U.S. responses could include different or terminated actions under the partnership or actions outside the partnership but with close relevance to Amazon issues. Trade and foreign investment are high priorities for Bolsonaro, who has committed to better integrating Brazil into international markets, and potentially the most powerful leverage points for the United States and international partners to drive action on the Amazon. Brazil’s interest in membership in the Organization for Economic
Cooperation and Development (OECD) is another area where the United States and like-minded partners can bring environmental governance to the table.

• **Embed Amazon protections in future U.S.-Brazil trade relations.** The Trump administration and Brazil concluded in October 2020 a “mini trade deal,” which included provisions to improve regulatory coordination and fight corruption. Both sides signaled it could be a first step toward a potential bilateral free trade agreement (FTA). If this discussion continues, the Biden administration should condition any agreement on inclusion of appropriate climate, environmental, and human rights-related actions and safeguards. The United States would have leverage on such an agenda, given it is Brazil’s second-largest export market, with significant trade in beef and soybeans. Indeed, given the importance of both countries’ soy and beef exports for their farmers and for global commodity markets, the United States and Brazil should consider agricultural trade strategies for reducing incentives to cut down even more rainforest. For example, agricultural trade policies include mutual support for conservation reserve programs and fair competition practices, all with an eye toward limiting the race to the bottom to grow commodities at the expense of climate impacts. Even if FTA negotiations are distant, trade consultations provide an opportunity to expand on collaborations or technical assistance to advance appropriate safeguards and monitoring.

• **Support Amazon-related conditions in the EU-Mercosur trade agreement.** In 2019, the European Union and Mercosur countries, including Brazil, agreed in principle to a free trade agreement, after nearly 20 years of negotiations. Ratification of this agreement is a high priority for Bolsonaro and would provide an economic boost to Brazil, but several EU member states have threatened to withhold approval without guarantees that Brazil will adhere to the Paris Agreement and make significant commitments to reduce deforestation. As the Biden administration begins work with countries in both trading blocs, it should coordinate its approach on environmental, social, and corporate governance (ESG) matters with the high standards the European Union is advocating.

• **Work with other Amazon basin countries.** Forty percent of the Amazon rainforest lies outside Brazilian borders, in seven other countries. These countries have also sought to cooperate regionally on conservation—through initiatives such as the Leticia Pact—to monitor wildfire, expand afforestation efforts, and scale up land tenure processes for Indigenous communities. Where possible, the Biden administration should support these countries—diplomatically, financially, or technically—in their efforts to take meaningful climate and conservation action.
• **Support U.S. domestic supply chain due diligence legislation.** Sen. Brian Schatz (D-HI) has prepared draft legislation prohibiting the import of any commodity produced on land that undergoes illegal deforestation and requiring importers to conduct appropriate supply chain due diligence accordingly. 30 There is also meaningful action at the local and state levels to contribute to combating Amazon deforestation. In February 2020, for example, the Los Angeles City Council unanimously committed the city to eliminating the procurement of any product derived from Amazon deforestation. 31 The states of California and New York are considering similar laws. 32

• **Advance international standards for deforestation-free supply chains.** The United States was instrumental in setting up the Tropical Forest Alliance (TFA) in 2012, a partnership of governments, business, and civil society to end deforestation in commodity supply chains. The United States should partner with key governments—including Norway and the United Kingdom—and build on the important progress made since the TFA launched, such as partnering with different jurisdictions in Brazil to reduce deforestation due to agricultural production, especially soy and meat. 33 A key opportunity would be to use the occasion of China’s hosting the Convention on Biological Diversity in 2021 to persuade China to work with the United States and other international partners such as the European Union to agree on a standard for what should count as a deforestation-free supply chain. An agreement of this kind with China—the largest importer of Brazilian beef and soy—could provide a baseline against which corporations would be judged across the world, rather than the disparate standards that companies currently employ. Significant progress has been made to improve the United States’ ability to track deforestation in supply chains—who does it, who buys it, and who finances it. The Biden administration can drive further progress with key companies, including tropical forest commodity producers, and sources of commodity demand such as the European Union, China, and India.

• **Advance ESG transparency and engage institutional investors on sustainable investment.** The power of consumer pressure to act on climate is driving the behavior of many companies, and Brazilian officials and companies are paying attention. In June 2020, a group of international institutional investors that collectively manage more than $3.7 trillion in assets sent a letter to the Bolsonaro administration warning that the group would take steps to divest from the country if it did not address deforestation caused by beef and soy production. 34 Brazilian companies have also pressed the Bolsonaro administration to act to offset the divestment risk. The Biden administration should act on this public sentiment. In their Amazon Protection Plan, several former U.S. Cabinet officials and foreign policy experts proposed that the White House convene CEOs of major U.S. companies for a summit, with the goal of financing 1 billion tons of greenhouse gas emission reductions by 2025; this would be an excellent early sign of progress. 35
At the same time, other steps can help spur sustainable investment decisions. The U.S. Securities and Exchange Commission (SEC) should require public companies to disclose climate risks, including deforestation risks, across supply chains. Financial companies in particular should disclose the emissions from financing deforestation activities. And the Treasury and Agriculture departments should encourage institutional investors to adopt strong, publicly available deforestation policies and share best practices to move agricultural production away from unsustainable activities. The Treasury Department and the SEC can also work to promote coordinated ESG disclosure by key capital markets venues. Europe is already a leader on sustainable finance, and it can be a central partner in those efforts.

- **Bring Amazon governance into the discussion on Brazil’s OECD membership.** The Biden administration should review the Trump administration’s support for fast-tracking Brazil’s full membership in the OECD, a process that will take several years. In the meantime, the United States should work with Brazil and other OECD member states to ensure that Brazil’s environmental, trade, and investment laws and regulations align with the principles under the bilateral climate partnership, as a condition for final U.S. concurrence on Brazil’s OECD bid.
Conclusion

The current state of governance in the Amazon poses existential threats to the world’s interests in managing the consequences of climate change. As the clock ticks down to keep global warming under 1.5 degrees Celsius, the United States should partner with Brazil to position the Amazon to play its critical role as the planet’s largest terrestrial carbon sink. President Biden’s strong commitment to action in the Amazon is a promising first step, and the administration must follow through with urgency.

While a collaborative approach between the United States and Brazil would be the preferred course of action, there is a strong likelihood that President Bolsonaro will continue to resist outside actors engaging on this issue. President Biden should not be deterred by this, and instead should be prepared to draw from the menu of pressure options outlined in this issue brief. It is clear that institutional investors’ warnings that they may tighten due diligence over commercial transactions involving Brazil captured the attention of Brazilian industry—and of Bolsonaro. The United States is positioned to coordinate with the governments of Brazil’s major foreign traders to align national policies on due diligence in Brazil-related supply chains. The United States must be prepared to use every tool at its disposal to support sustainability and protect the Amazon from further destruction.

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27 The United States must be specific on what indicators should be utilized to determine deforestation levels. For example, staying below an agreed-upon baseline and downward trajectory—meaning specified levels of gradually/rapidly reducing deforestation—would make sense as a condition.


38 Ibid.

