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The European Union and Brazil as Privileged Partners? Difficult Path to an Authentic Strategic Partnership

Dilma Rousseff took over the presidency of Brazil a year ago. Her government's policy has been marked by a general continuity of the directions set during President Luiz Inácio Lula da Silva's tenure (2003–2010). The largest Latin American country keeps growing economically and improving in social indicators, and at the same time is gaining ground as an increasingly influential global player.

The EU acknowledged Brazil's ascendancy only in 2007 when both partners agreed to establish a formal strategic partnership (SP). The 5th annual EU–Brazil summit in October 2011 was a testimony to significant progress in developing a bilateral agenda. However, a broad catalogue of topics is not enough to build a truly special relationship with well-defined common goals. With its position undermined by the global financial crisis, the EU will have to struggle to be seen by Brazilian governments as a privileged partner. It will be facing significant challenges if it wants to turn the nominal SP with Brazil into an authentic one.

Belated Recognition and a Boost in the Bilateral Agenda

The EU's relations with Brazil date back to the 1960s, but the progress in bilateral dialogue was slow and dominated by a region-to-region dimension. The EU decision in 2007 to grant the country the status of strategic partner could be partly explained by the Union's disappointment with the limited results of the interregional approach. In particular, this referred to the collapse of negotiations on an Association Agreement with Mercosur (Argentina, Brazil, Paraguay and Uruguay)—the most promising EU partner in Latin America since the mid-1990s.¹

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¹ See: Alfredo Valladao, "L'UE et le Brésil: un partenariat naturel", [in:] Alvaro de Vasconcelos and Giovanni Grevi (eds.), "Partnerships for effective multilateralism", *Chailot Paper*, No. 109, EU ISS, 2008, pp. 33–34, www.iss.europa.eu.

However, the main driver was, in fact, the quick rise of the largest Latin American country as one of the main emerging economies, especially as part of the so-called BRIC (Brazil, Russia, India, China) concept. BRIC promptly turned into one of the most prominent points of reference and a tool used by the countries represented by the acronym to assert their increasing importance in international relations. The EU, with its ambitions to become a key global player, saw the need to prioritize relations with all such players. It couldn't ignore the fact that Brazil rapidly became an active and influential participant of the global negotiations on such issues as trade liberalization or climate change.²

In the documents spelling out the SP, Brazil appears in two main roles. First, as an important global player with whom the EU could promote multilateralism (with a central role for a reformed United Nations) and cooperate on the main global issues. Second, it is presented as a regional power in South America, with a proven record as a key stabilizer and promoter of integration initiatives. Important for the EU, the SP with Brazil was seen as a useful channel that could help advance EU–Mercosur talks on the AA.³

The specific ways of building the EU–Brazil SP agreed in December 2008 in the *Joint Action Plan (JAP)* for 2009–2011 comprised the promotion of peace and comprehensive security through an effective multilateral system; sustainable development; regional cooperation; science, technology and innovation; and, people-to-people exchanges. The document mentioned annual high-level dialogues, regular summits and ministerial meetings as ways to foster bilateral ties. In the JAP for 2012–2014, endorsed during the 5th EU–Brazil summit, the main guidelines included in the previous plan were reiterated. The document also referred to the main challenges that both partners were facing and considered further subjects to be included in the bilateral dialogue.⁴ Subsequent declarations have included additional, detailed fields of possible cooperation, which now comprise, among others, economy and finance, information society, air and maritime transport, satellite navigation, academic cooperation, dialogues on culture and civil society as well as fostering business links. To date, some 20 dialogues have been set up to cover various issues on the agenda.

Managing Inherent Incompatibilities

The broad catalogue of issues and the institutional framework point to an evident intensification of contacts between the EU and Brazil at various levels. However, the multiplication of topics brings with it the risk of diluting the substance of the SP. The apparent convergence of interests on a general level turns into discord on the level of

² Thomas Renard, "Strategy Wanted: The European Union and Strategic Partnerships", *Egmont Security Policy Brief*, No. 13, September 2010, p. 2, www.egmontinstitute.be.

³ "Towards an EU-Brazil Strategic Partnership", Communication of the European Commission, 30 May 2007, www.eeas.europa.eu.

⁴ "Joint Statement", 13th EU–Brazil Joint Committee, 1 July 2011, www.eeas.europa.eu; "V European Union–Brazil Summit. Joint Statement", Council of the European Union, 4 October 2011, www.consilium.europa.eu.

fundamental details. But there are also other significant challenges that cast doubts on whether both partners would be authentic strategic partners for each other.

Clashing on Fundamentals

Although both partners highlight the importance of multilateralism, they understand this notion in different ways. As a peculiar international actor, the EU strives for an “effective multilateralism”, which means strengthening global governance and building a multipolar order based on international law and rules negotiated on an equal basis. It considers human rights and individual freedoms as universal and indivisible. It understands reform of the UN as improving the organization’s effectiveness in dealing with issues of global importance. However, the EU’s aspirations to act as a coherent and visible actor are challenged by the individual interests of certain member states, especially the largest ones: France, the UK and Germany.⁵

Brazil's approach to multilateralism has been evidently led more by pragmatism than by values.⁶ For example, while Brazilian governments have been declaring a commitment to human rights, they also were highlighting the importance of non-interference and non-intervention principles and were reluctant to criticize abuses by undemocratic regimes. They have been promoting a diplomacy of dialogue with every government no matter its ideology or political system. Thus, Brazil’s understanding of multipolarity is strongly driven by national interests and longstanding aspirations to be formally recognized as a global actor. Subsequent governments in the last few decades have been prioritizing permanent membership in the UN Security Council (UNSC) as the ultimate confirmation of Brazil’s international status. Unsurprisingly, Brazil tends to see reform of the UN largely through the prism of enlargement of the UNSC.

In many issues of international importance, the partners are at odds. Despite important socio-economic progress in Brazil, there still are significant social deficiencies that have been allowing the governments to present the country as part of the developing world. Accordingly, they could aspire to be seen as a representative of the interests of the poor “South”, and with its support could counterbalance the negotiation positions of the richer “North”. In this context, Brazil has been advocating the liberalization of agricultural trade and criticizing protectionist measures undertaken by developed economies in this field (e.g., EU subsidies for its farmers). It also engaged in global climate-change actions, arguing for further obligations for industrialized countries, and that they commit to direct financial assistance and facilitate transfers of technology to the developing world.⁷

⁵ See: Rafał Tarnogórski, “The European Union at the United Nations: Towards Effective Multilateralism”, *PISM Bulletin*, No. 72 (289), 8 July 2011; Susanne Gratius, “Can EU Strategic Partnerships deepen multilateralism?”, *Working Paper FRIDE* No. 169, September 2011, pp.1-2, www.fride.org.

⁶ *Ibidem*, pp. 3-4.

⁷ See Bartłomiej Znojek, “Brazil’s Position for UN Climate Conference in Copenhagen”, *PISM Bulletin*, No. 71 (71), 8 December 2009.

Global Shifts of Power

Since the SP was established, two significant processes influenced Brazil's perception of the EU: the institutionalization of cooperation between emerging economies and the global financial crisis of 2008. In the first case, the BRIC forum organized in 2009 (renamed to BRICS in March 2011 to include South Africa) became the key platform for enhancing the standing of the main emerging powers. Significantly, Dilma Rousseff's government has considered BRICS to be a prospective platform for maximizing Brazil's international status and advancing the country's ambitions to shape and become part of a new multipolar order.⁸

The global financial crisis that originated in the U.S. and strongly affected European economies, played into the hands of Brazilian authorities, since they could argue about the vulnerability of economic models in developed countries and the need to reform the global financial system. The uncertainty about economic recovery in the EU has led emerging economies to promote their apparent good macroeconomic standing compared to most developed markets. The deliberations on the possibility that BRICS countries could help stabilize the economies of the eurozone have not translated into relevant decisions but actually have had much to do with the will to strengthen the position and legitimacy of their own socio-economic models. However, the sustainability of economic growth in Brazil is not so obvious. The current government faces high inflation, an economic slowdown and a continuous appreciation of the national currency. As a result, last November the government decided to introduce some protectionist measures to safeguard its automotive industry and re-adjusted estimates of GDP growth.⁹

Mutual Recognition as International Players

In the recent JAP, both partners refer to themselves as "global actors in a multipolar world", and indeed the SP gave them mutual acknowledgement of their statuses in international relations. The explicit naming of Brazil by the EU as a regional leader and global player has not been free of negative repercussions, however.

While such descriptions appealed to Brazil's international ambitions, they apparently ignored the actual position of the country in Latin America. One could argue that by its attributes (e.g., size and economic potential) Brazil may be considered the natural regional leader. This status, however, has been contested by Brazil's South American partners, especially Argentina.¹⁰ The pompous rhetoric with regards to Brazil apparently weakened

⁸ Bartłomiej Znojek, "From BRIC to BRICS: Developments in the Cooperation of Emerging Economies", *PISM Bulletin*, No. 41 (258), 27 April 2011.

⁹ Rogelio Núñez, "Brasil y sus múltiples frentes de guerra económicos", *Especial para Infolatam*, 17 October 2011, www.infolatam.com.

¹⁰ S. Gratius, "La Unión Europea y Brasil: entre el birregionalismo y el bilateralismo", [in:] E. C. de Rezende Martins and M. Gomes Saraiva, *Brasil-União Europeia-América do Sul: Anos 2010-2020*, Fundação Konrad Adenauer, Rio de Janeiro, 2009, pp. 50-51, www.kas.de.

the validity of EU declarations to build the SP with Brazil complementary to the dialogue with Mercosur. It also raised doubts about whether the EU–Brazil separate relationship contributes to strengthening broader EU–Latin American relations.¹¹

Advancing Mercosur

Importantly, the EU's declarations can be seen as rather naïve if it easily considers Brazil to be a partner in moving forward with the integration of Mercosur. While the country often acted as the mastermind of the projects of regional cooperation, it has always had a rather ambiguous role in advancing those initiatives.

The fact that Mercosur was developing slowly was not only a result of trade disputes and conflicting interests but also of the ruling concepts of regional cooperation influenced strongly by subsequent Brazilian governments. They traditionally have been prioritizing Mercosur in their declarations but have persistently and successfully promoted an intergovernmental formula in which presidential diplomacy is the preferred way to fulfill commitments and advance the initiative. Consequently, they opposed establishing supranational bodies and were reluctant to consider junior members' demands (Paraguay and Uruguay) to tackle intra-bloc asymmetries. The main reason for such an approach was the desire to defend national sovereignty (perceived by Brazilian policy-makers as a zero-sum game) and to keep all future options open. Additionally, since Mercosur had no common institutions able to advance the consolidating process it also began to lose its relative importance in continent-wide cooperation, which was strongly promoted by Brazil and which had progressed in the last decade. The establishment of Unasur (Union of South American Nations) in 2008 was the most evident sign of that process.

It is worth noting that there appeared voices that stated the main goal of Brazil was no longer to integrate South America but to limit the harm in order to avoid undermining Brazil's credentials as a mediator and an effective regional stabilizer. The behind-the-scenes prevention of troubled situations began to be seen, therefore, as a crucial condition to enhance the country's global position.¹²

Brazilian governments haven't abandoned the will to develop Mercosur, however, but constantly have strived to keep to a minimum the cohesion of the organization. Paradoxically, while Brazil wasn't successful in winning acceptance for its international aspirations from continental partners, by presenting itself as a promoter of regional integration it was effective in gathering recognition from the main global partners.¹³ In Brazilian foreign policy, Mercosur is, thus, currently a prominent instrument rather than an end in itself.

¹¹ Andres Malamud, "A Leader Without Followers? The Growing Divergence Between the Regional and Global Performance of Brazilian Foreign Policy", *Latin American Politics & Society*, No. 53, Fall 2011, p. 18.

¹² *Ibidem*, pp. 19-20.

¹³ *Ibidem*, p. 19.

Economic Cooperation

Evidently, the most tangible benefits of the SP can be seen in economic relations. The SP surely has brought more interest in the private sector in bilateral cooperation since it can offer more long-term certainty and opportunities. In 2010, Brazil was the 10th biggest trading partner of the EU, and accounted for a third of Latin American trade with the European bloc. While the volume was growing, the country's share slightly surpassed 2%. With a 22% share (€65 billion), the EU as a whole remains the main trading partner for Brazil.

The trade structure has been characterized by the dominance of manufactured products in European exports to Brazil and of primary goods (raw materials as well as food and beverages) in Brazilian exports to the EU. The bloc's foreign direct investment flow to Brazil reached €15 billion in 2010; however, it has been marked by strong fluctuations.¹⁴ Furthermore, bilateral trade relations are still intrinsically dependent on finalizing the EU–Mercosur negotiations on the AA, which was re-launched in May 2010 but whose prospects for conclusion are rather vague. The interests of the agricultural lobby in the EU and industrial advocacy groups in Brazil are too strong to allow their respective governments to open the markets.¹⁵

EU-Brazil Cooperation—A Role for Poland

Poland held the presidency of the EU Council in the second half of 2011 and played a secondary role during the 5th EU–Brazil summit in October. This was not only because the Lisbon Treaty has diminished the role of the presidency but also because Latin America has never been an important direction for Polish foreign policy. In official pronouncements, Brazil (along with Mexico and Colombia) has been named as one of Poland's main Latin American partners. Nonetheless, the interactions of Poland and Brazil are rather marginal. Although Brazil was the first recipient of Polish trade in the region, bilateral economic cooperation is far from its potential (a 0.2%–0.3% share for both sides in 2010). Nonetheless, the quick development of the EU–Brazil SP, combined with ongoing EU–Mercosur negotiations, can bring direct implications for Poland.

With its broad and diversified agricultural business and a large car-manufacturing industry, Brazil is a challenging competitor to Polish producers. A potentially ambitious AA between the EU and Mercosur might have a strong impact on Poland, especially on the domestic agricultural sector. The Polish government should therefore fully understand the potential consequences of the development of the EU's relations with Mercosur and Brazil in particular for its national interests. On one hand, Poland has to consider how to manage the negative impacts of economic competition, but on the other, it should look for existing and

¹⁴ "Brazil. EU bilateral trade and trade with the world", Statistics of the European Commission (DG Trade), 8 June 2011, www.ec.europa.eu.

¹⁵ See Bartłomiej Znojek, "EU–Mercosur Negotiations: Towards an Association Agreement?", *PISM Bulletin*, No. 32 (249), 31 March 2011.

emerging opportunities for closer bilateral cooperation. For example, it could pay attention to developing people-to-people contacts—especially facilitating business links as well as contacts between academics and experts. Another example of possible cooperation is through EU-funded projects in science and technology.

It is also important to use the EU–Brazil SP dialogue mechanism for forging closer contacts with Brazilian counterparts. The visible interest of Poland in EU–Brazil cooperation could be beneficial in building its own image as an influential EU member and, importantly, as an attractive business destination for Brazilian investors. This, however, requires more explicit interest in relations with Brazil and increasing the policymakers' awareness of the importance to include such rising international players in long-term foreign policy priorities. Only then will it be possible to formulate a coherent position and influence the debate about the EU agenda with Brazil.

Conclusions

It is indisputable that Brazil has gained importance as a global actor and that its attributes mean it should be seen by the EU as a partner of choice in Latin America. The institutionalization of the SP has quickly opened various paths to strengthening bilateral dialogue, although the multitude of topics should not lead to a dilution of the main objectives of the SP.

Furthermore, if to a certain extent the EU–Brazil SP was intended as a solution to some difficulties regarding interregional relations, it has somehow brought negative implications. The EU needs to elaborate on a balanced approach that retains the special character of its relations with Brazil while at the same time not harming relations with other Mercosur partners if advancement in the interregional dimension remains an equally important goal.

Since relations with Brazil are intrinsically linked to the EU–Mercosur dialogue, building the interest of EU member states in both bilateral and bi-regional arrangements may prove even more difficult. Without substantial progress in the EU–Mercosur negotiations, it will be hard to win the interest of Brazil in authentic strategic cooperation. Indeed, for Brazilian governments it could be frustrating that since 2000 the EU has not been able to conclude negotiations with the most important Latin American group but has advanced relations with other regional partners. At the beginning of 2011, the EU has initialed AA's with Central America as a whole, Colombia and Peru.

The EU also ought to be more critical of the potential role of Brazil as a promoter of regional integration in South America. First of all, numerous organizations in the region can hardly be classified as integration initiatives. Besides their rhetoric and overly ambitious goals, they are rather intergovernmental organizations or forums to which a transfer of powers is unthinkable by national governments. While it is correct to consider Brazil a key

architect of many of these concepts, it is doubtful the country will give up its existing aversion to supranational bodies, which arguably are required if Mercosur is to substantially advance.

The risk remains, however, that the stronger a global position Brazil achieves the less committed it will be to developing regional cooperation initiatives. It is then probable that Brazil will be willing to put aside Mercosur and decide to negotiate a separate trade deal with the EU. Such a scenario, however, could undermine not only EU negotiations with Mercosur but also the integrity of the South American organization and the credibility of the EU, not to mention that it would be contrary to Mercosur's rules, which obligate member states to negotiate free-trade arrangements jointly.

If the EU wants to gain the interest of Brazil and other similar partners, it will have to perform two daunting tasks. First, it needs to elaborate a systematic and clear concept of strategic partnerships as an important instrument of the external relations of the EU. The tool should clearly show the advantages of such a relationship for the privileged partners of the EU. The clarity of the benefits to be had will be essential to providing incentives for mutual engagement in building an SP. The concept should also include reliable methods to monitor and assess the actual progress of the privileged relationships. The second task will require EU institutions to build a coherence of interests among EU members in developing relations with the South American partner. Only a handful of the EU27 have significant ties with Brazil. First and foremost is Germany—the main trading partner, with a 30% share in EU–Brazil trade. Another is France, which has been cooperating closely with Brazil in the military sphere.

The key question is currently not whether Brazil is a strategic partner of the EU but rather whether the European bloc can be a distinctive partner for Brazil. The urgency of the issue at hand is accelerated by the real risk that Brazil will further prioritize relations with other emerging economies as much more relevant as allies in achieving foreign-policy goals and building an influential position in international relations. Still, without acknowledgement of the U.S. and the EU it will be hard for Brazil to be recognized as one of the leading actors in a new multipolar order.