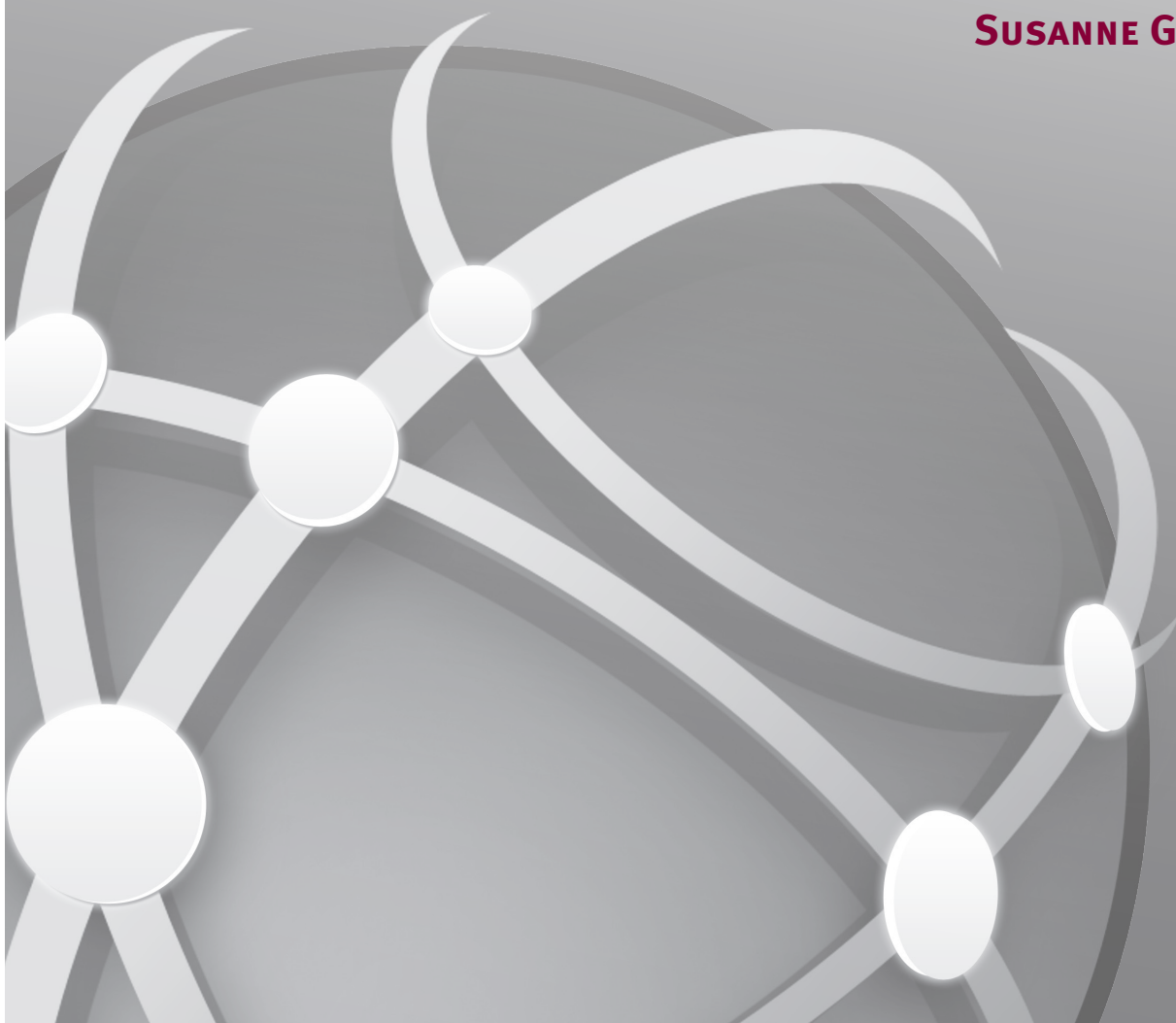


Brazil and the European Union: between balancing and bandwagoning

SUSANNE GRATIUS



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If relations between India and the European Union (EU) are a marriage of convenience,¹ Brazil and the EU seem like a long-standing couple. The two partners continue to share strong political affinities but they have gradually grown apart over time. They are now at a crossroads between continuing their relationship or getting a divorce.

This leaning towards separation occurs just as Brazil and the EU are ever closer partners due to Brazil's ascent up the international economic ladder. Their relationship will be less asymmetric than ever before: according to a study by PricewaterhouseCoopers,² in thirteen years time, with a GDP of \$3.95 billion and an internal market comprising 215 million people, Brazil will become the world's fifth largest economy with Germany relegated to seventh position.

As they grow closer economically, Brazil and the EU grow apart politically and adopt different positions on the international agenda. In the last decade, Brazil – historically one of the more pro-European countries in Latin America due to its tradition, culture and education – has turned more towards Asia. Today, China is its main investor and export market. This external redirection has given it a hybrid identity: Brazil's values make it a Western country, but its global action makes it a member of the BRICS. This and the 'Asiatization' of the economy have entailed a growing decline of its political relations with the EU.³

This paper analyses the reasons for the mutual distancing between Brazil and the EU and, from this basis, seeks to redefine their relations to seize their true potential. It envisages three scenarios but emphasizes that of 'Brazil as ally'. This offers the best way forward to project the EU as a global player without renouncing its interests and values which, moreover, almost always coincide with those defended by Brazil.

Before reaching this scenario, the paper presents the main reasons why the EU and Brazil are close partners in terms of values but distant partners when it comes to taking positions. In a second stage, it analyses these differences in five global spheres: trade, development, climate change, security and the international financial system. Finally, it suggests a joint strategy involving *balance-wagoning* – a third way between balancing and bandwagoning offering a cross between opposition and adherence⁴ – and a structured horizontal dialogue, to reach a scenario in which Brazil and the EU are allies.

¹ G. Khandekar, 'The EU and India: A loveless arranged marriage', FRIDE Policy Brief 90 (August), Madrid 2011; B. von Muenchow-Pohl, 'India and Europe in a Multipolar World', *The Carnegie Papers*, Washington DC 2012 (May).

² PricewaterhouseCoopers, 'The World in 2050: The accelerating shift of global economic power: challenges and opportunities', London 2011 (http://www.pwc.com/en_GX/gx/world-2050/pdf/world-in-2050-jan-2011.pdf).

³ S. Gratius, 'Brasil y la UE ante los poderes emergentes y la pujanza asiática', *Revista CIDOB d'afers internacionals* 97/98, Barcelona 2012 (April), pp. 231-245.

⁴ Political realism holds that faced with a hegemonic threat, a small or medium partner can create an asymmetric alliance (bandwagoning) with the more powerful country or balance (counteract) the policy of a large power through alliances with others. See S.M. Walt, 'Alliances: Balancing and Bandwagoning', in: S.M. Walt, *The Origins of Alliances*, Cornell University 1987, pp. 110-117; and S.M. Walt, 'Alliance Formation and the Balance of World Power', *International Security* 9:4 (1985), pp. 3-43.

Why has Brazil moved away from the European Union?

Since they share the same values and principles, Brazil and the EU seem ideal partners in the international sphere. Both, from different economic positions, seek recognition, prestige and influence. Yet the strategic partnership which Brazil and the EU defined five years ago with the aim of creating a global alliance has failed to counteract their increasing distancing from each other. Their five years of 'partnership' bore scarce results: a science and technology agreement, another agreement between Brazil and Euratom on nuclear energy use, the exemption of visas and an increase in academic exchanges. Such periodic bilateral advances contrast with the paralysis of MERCOSUR-EU negotiations in the regional sphere and, save a few exceptions such as advances in climate-related issues, the stagnation of the shared global agenda.

Despite Brazil's increasing regional and global relevance, expectations for a genuine, mutually beneficial alliance since 2007 have failed to come to fruition. The traditional neglect Europe has shown Brazil together with the increasing distance that Brasilia puts between itself and Brussels has led to a draw in terms of relative disinterest. Frustration is rising both in Brasilia and in Brussels, and the annual summits have failed to strike a chord in relations which experienced a remarkable boom in the nineties, when MERCOSUR was the EU's 'spoilt child' in Latin America. In five years of 'strategic alliance' and twelve years of MERCOSUR-EU negotiations, Brazil and the EU have moved away from the prospect of signing a free trade agreement. It is an ever less likely scenario given their insurmountable commercial differences, exacerbated by the deterioration of integration in both blocs, tensions with Argentina over Repsol and the protectionist effects of the financial crisis.

If Brazil does not sign a bilateral or interregional free trade agreement with the EU, the remaining option would be to become global allies. However, a review of the main topics on the international agenda, where Brazil and the EU tend to be in opposing camps, reduces the prospects for adopting common positions. If neither of these two options – a free trade agreement or a global alliance – materialises, the strategic partnership that both defined five years ago will become meaningless. This would prove the hypothesis that partnerships do not produce 'strategic results'.⁵

The main obstacle to Brazil and the EU adopting common positions is not differences of substance but rather opposing power strategies. Of the EU's ten strategic partners, and particularly the BRICS, Brazil is one of the closest to the Union. It shares its vision for development, peace, democracy and human rights. Like former president Lula da Silva, it also defends the 'European brand': the welfare state and regional integration, which form part of Brazil's political agenda too. For Brazil, Europe is the main reference for a different global model based on integration, rule of law, social welfare and soft power.

Unlike China and Russia, Brazil does not defend a different concept of democracy and human rights and does not belong to the nucleus of more 'pro-sovereignty' countries. Faced with conflicts in its own neighbourhood, it combines the traditional principle of non-interference with the doctrine of 'non indifference' pronounced in 2005 by the then Minister of Foreign Affairs Celso Amorim.⁶

So why is Brazil not a global ally of the EU? Three main reasons explain their mutual distancing: the failure of MERCOSUR-EU negotiations and the resulting reorientation of Brazilian foreign policy towards the South; different strategies of balancing the US position (Brazil) and bandwagoning (EU); and an inconsistent EU policy towards Brazil.

⁵ T. Renard, 'The EU Strategic Partnerships Review: Ten Guiding Principles', FRIDE/Egmont, Policy Brief 2, Madrid/Brussels 2012, p. 2.

⁶ Speech by the Minister of Foreign Affairs of the Federal Republic of Brazil, Celso Amorim, in: <http://archivo.clubmadrid.org>

MERCOSUR-EU negotiations and ‘Bricsalization’

Firstly, Brazil's growing detachment from its traditional allies, the US and the EU, is a consequence of the almost simultaneous end to the FTAA project and MERCOSUR-EU negotiations in 2004-2005. At that time, Brazil was also thwarted in its aim to enter the UN Security Council alongside Germany, India and Japan.

Part of the ‘blame’ for the paralysis in EU-MERCOSUR negotiations in 2004 and again in 2011 can be attributed to the EU. It proved incapable of sacrificing its agricultural protectionism – for sensitive items which only account for four per cent of total commercial exchanges – in order to sign a free trade agreement with a MERCOSUR clearly dominated by Brazil. On the other hand, Brazil has also proved incapable of lowering its barriers in strategic sectors for Europe like computing, services and cars. This zero sum game, whereby the largest gains for one are the other's largest losses, continues to prevent a bilateral or multilateral free trade agreement to date.

In parallel to the stagnation of MERCOSUR-EU negotiations, Brazil, under the Lula Presidency, joined the BRICS/IBSA group on a political level. As the option of a South-North alliance stalled, it elected ‘South-South’⁷ integration, forming an alliance in particular with global powers China and India, to the detriment of its traditional alliance with the United States and the EU. This change in foreign policy direction instigated by the Brazilian government shifted its identity from North to South, paradoxically at a time when the country increasingly belonged to the first league of nations. The latest two governments defined Brazil as a ‘country of the global South’ obsessed with development. This has become a strategic foreign policy tool, which also creates a sizeable obstacle to a global partnership between Brazil and the EU.

From 2005 onwards, Brazil changed its power strategy. Its legitimate aim to form part of the club of world leaders was no longer channelled through its participation in the fora of traditional powers, such as the G8+5 or the mini-lateral negotiations of the Doha Round. Rather, it used its positioning as a BRICS country, a group generally opposed to the stances of traditional powers or, as highlighted in a report published by the European Parliament (EP),⁸ with a negative impact on the Union's interests.

The possibility of adopting common positions with the EU is clearly muddied by Brazil's membership of the heterogeneous group of BRICS,⁹ whose main common denominator is their ‘anti-Americanism’ and their constant veto of ‘Western’ decisions, including the EU's. The BRICS’ actions evidently contradict Brazil's ‘Western’ identity.

In using a balancing strategy, which has become its main instrument for global integration, Brazil distinguishes itself from its rival Mexico. The latter opted for bandwagoning through its close global alliance with the United States. In other words, while Mexico wanted to be the ‘last’ member of the North through its alliance with Washington, Brazil prefers to come ‘first’ out of the Southern countries through its alliance with China.

⁷ See, among others, B. Aylón, J. Surasky (eds.), *La cooperación sur-sur en Latinoamérica: utopía y realidad*, La Catarata, Madrid 2010.

⁸ S. Keukeleire, M. Mattlin, B. Hooijmaaijers et al., ‘The EU Foreign Policy towards the BRICS and other emerging powers: objectives and strategies’, AFET, European Parliament, October 2011.

⁹ M. Emerson, ‘Do the BRICS make a Bloc?’, *CEPS Commentary*, Brussels, 30 April 2012.

Between China and the United States

The second obstacle to deepening cooperation between Brazil and the EU in the global sphere is not so much their different visions or interests, but rather their different power strategies in relation to China and the United States. These two countries constitute the main external axes for Brazilian and EU actions.

The China factor both divides and unites Brazil and the EU. The BRICS' anti-American or 'anti-Western' voting causes a divide. Yet in the economic sphere or in relation to climate change, Brazil and the EU share similar concerns about China's reluctance to comply with multilateral commitments.

Both Brazil and the EU hold growing concerns about China's competitiveness based on a devalued currency, which includes the risk of a trade deficit and, in Brazil's case, of an asymmetric relationship based on exporting primary materials and importing manufactured products. In terms of climate change, China is the main global CO₂ emitter and is much more reluctant than Brazil, which has a green energy matrix, to assume binding commitments in this and other areas.

Faced with competition from China, both its ally and rival,¹⁰ Brazil is starting to exercise greater protectionism. This is especially so in its motor industry (e.g. it temporarily increased the external tariff for cars to 30 per cent), which is largely the product of German, French and Italian investments. Brazil and the EU also share an interest in including exchange rate policies in the WTO or another international organisation to open up a global debate on the effects of the devalued Chinese currency, which is detrimental to both Brazil and Europe.

Nonetheless, both parties are increasingly dependent on the Chinese economy. Both the Brazilian boom and German growth are based in large part on exports of primary materials and industrial products to China. If China revalues its currency, internal demand for Brazilian and European products will increase as Chinese sales become less competitive.

For Brazil and the EU, the United States is a fundamental partner. The EU, whose identity is linked to the transatlantic axis, has been and continues to be Washington's main international ally. In spite of their differences in certain areas, the bases of the strategic relation between the United States and the EU have become more solid since Obama's Presidency. Nevertheless, distance has widened in the transatlantic relationship due to the United States' leaning towards Asia and different prescriptions for the global financial crisis.¹¹

Although Brazil also maintains close links to the United States, these are far from strategic. Neither country has signed a significant bilateral agreement in the last ten years nor, unlike the EU, does Brazil hold any regular bilateral dialogue with the US.¹² Dilma Rousseff's courtesy visit to Washington in April 2012 did not change this perception of mutual disregard. Since the FTAA Project failed in 2005, above all due to the insurmountable commercial differences between Brazil and the United States, no initiative which could replace it has emerged. Washington's hemispheric policy has thereby been reduced to a neighbourhood policy, concentrated on Mexico, Central America and the Caribbean.

¹⁰ C. Pereira, J.A. de Castro Neves, 'Brazil and China: South-South Partnership or North-South Competition?', *Brookings Policy Paper* 26, Washington DC 2011.

¹¹ D. Hamilton, K. Volker (eds.), *Transatlantic 2020: A Tale of four futures*, Centre for Transatlantic Relations, Washington DC 2011.

¹² P. Hakim, 'Brazil and the U.S.: Remaking a Relationship', *Foreign Service Journal*, Washington DC 2011, pp. 27-31.

Brazil uses its membership of the BRICS to veto many of the decisions promoted by Washington. The paralysis of the Doha Round, the end of the FTAA project or differences regarding the conflict in Iran bear in part the signature of Brazil. Faced with this obstructionism, both US and European civil servants complain in private about the far from conciliatory attitude of their Brazilian counterparts, be it within the framework of the WTO Doha Round, the IMF, the G-20 or in the United Nations Security Council where Brazil (together with Japan) is the longest-standing non permanent participating country.

In this sense, the differences between Brazil and the United States are a serious impediment to a strategic relationship. This stems not only from their conflicting interests, but from Brazil's strategy of global South-South integration via its alliance with China and India. In this context, Brazil considers both China and the EU as alternatives, the latter due to its formula of integration, democracy and welfare state, and part of the current international system dominated by the US that it wants to reform. From Brazil's point of view, this makes the UE both a partner and a rival.

An inconsistent European policy towards Brazil

The EU's changing and somewhat inconsistent policy towards Brazil creates a third obstacle. For a long time, Brazil was treated by the EU as another MERCOSUR country. Although this perception has changed, the question of Brazil's status in EU policy has not been resolved. On the one hand, the EU seeks to create a bilateral alliance with Brazil within EU policy, while on the other, it treats it as a country with which it has more differences than similarities. Brazil is thus seen as a country with a triple identity, a cross between a Western Latin American nation, a member of MERCOSUR and a BRICS country. Its status as strategic partner is not reflected in the organigram of the European External Action Service which continues to treat Brazil as part of MERCOSUR, while the rest of the BRICS appear individually.

These internal problems of perception are compounded by the overlapping of EU partnerships with Brazil. Both Brussels and some member states (Germany, Spain, France, Italy, Portugal and the UK) have created individual strategic alliances with the five BRICS members,¹³ including Brazil. To avoid Brazil using a divide and rule policy in its relationship with the EU and to raise levels of internal coordination, the special relations that some member states maintain with Brasilia need to be integrated into its partnership with the EU. This calls for consideration of whether, in some spheres such as cooperation and climate change, this harmonisation process could be instigated through a mixed political dialogue with the participation of member state representatives.

Faced with these inconsistencies and the relentless euro crisis, concern is growing in Brazil over the fragmentation of European power and the absence of a sole European voice on the international stage.¹⁴ In this sense, Brazil is demanding that the EU be an international player. Internal division within the EU was the very argument put forward by those Brazilians who warned five years ago that a strategic Brazil-EU partnership would not have any added value and that Brazil needed to keep privileging bilateral relations with the main European countries it shared associations with: Germany, France, Spain, the UK and Portugal.

¹³ G. Grevi (ed.)/G. Khandekar, *Mapping EU Strategic Partnerships*, FRIDE, Madrid 2011.

¹⁴ R. G. Flores Jr., 'A Crise Internacional e as Relações Brasil – União Europeia', forthcoming publication in: *Brasil e União Europeia: Desafios em Comum e Oportunidades de Cooperação*, Série Relações Brasil-Europa, vol.2, 2012, Rio de Janeiro: Konrad-Adenauer-Stiftung.

Brazil has ceased to be a 'natural partner' for the EU due to these three factors rather than substantive differences. Contrary to official rhetoric, aside from some specific areas there are no substantial differences between Brazil's world vision and the EU's. However, the transition towards a multipolar or bipolar world offers Brazil a chance to open itself up to other power centres, mainly China and India. And although the EU has the same opportunity, each has global power aspirations of a different kind: while European countries seek to conserve their traditional predominance in multilateral organisations, Brazil seeks to increase its influence and global presence.

Differences more strategic than substantive

More than to concepts and ideas, the differences over global affairs between Brazil and the EU can be attributed to the increasing symmetry of power between the two countries, which has paradoxically led to a greater distancing between them; and to the strategies of balancing versus bandwagoning that Brazil and the EU tend to adopt respectively in the international agenda. The latter factor has led to different interpretations of multilateralism and created obstacles in various areas of the international agenda.

Closer partners

In terms of power, Brazil and the EU share an increasingly horizontal relationship. In light of the crisis, the EU should be the first to be interested in broadening relations with its now ninth trade partner and main destination for investments in Latin America. The EU's relationship with Brazil is certainly not a minor issue: the stock of European investments in Brazil is twice that in China and, despite a gradual decline, Europe is still the main trade partner of the second country of the Americas and is starting to challenge the United States over its hegemonic position in the continent.

Brazil has ceased to be just another Latin American country to become a global economic power. It is now the world's sixth economy, ahead of the UK. While Brazil climbed eight rungs of the global economic ladder between 2004 and 2011, the EU maintained its first place but lost some of its upper hand. According to current forecasts, it will lose its first place to China around 2025. Even if it is united and free of the euro crisis, the EU will be a far less important global player in thirteen years.¹⁵ Due to the crisis, and unlike Brazil, the EU is now more indebted, it is growing less and it is increasingly diminishing its presence in international organisations.

Comparing Brazil and Germany shows the new economic balance in favour of the emerging power. Against demographic decline in Germany and the threat of recession in the whole of the eurozone, Brazil has the advantage of a large domestic market and significantly less indebtedness. In the medium term, this new balance of power will create a dialogue and a bilateral partnership among equals that requires concessions on both sides. At the same time, Brazil's economic weight has not yet translated into greater financial responsibility in the United Nations, where Germany is the third largest contributor to the budget.

¹⁵ R. Youngs, *Europe's Decline and Fall: The Struggle against Global Irrelevance*, Profile Books, London 2010.

Figure 1: The weight of Brazil, the EU and Germany in the world (2010/2011)

	Brazil	EU 27	Germany
Population	195m, 5th	501m, 3rd	82m, 16th
GDP	€1.576 trn, 6th worldwide	€12.200 trn, 1st worldwide	€3.577 trn, 4th worldwide
GDP per capita	€8,159	€24,400	€37,935
External debt	15% GDP, 1,608 per capita	85% GDP, 27,864 per capita	142% GDP, 57,755 per capita
Growth	2.8% (2011)	1.6% (2011)	2.7% (2011)
Military expenditure	1.6% GDP, 11th worldwide	1.8% GDP, 2nd worldwide	1.3% GDP, 8th worldwide
Trade in goods	18% GDP, 22nd worldwide	1st worldwide	45% GDP, 4th worldwide
ODA	\$362m in 2009, 0.02% GNP	€49bn, 0.42% GNP (with member states)	€12.72bn, 0.35% of PNB
UN budget	13th	1st	3rd
International positions*	1 (FAO)	5	0
IMF quota (post 2010 reform)	2.316% of total	29% of total (without common vote)	6.464% of total

*IAEA, WB, ICC, ICJ, IMF, OECD, ILO, WTO, WHO, UN, OPEC, OSCE, NATO.

Sources: G. Grevi (ed.), G. Khandekar, 'Mapping EU Strategic Partnerships', FRIDE, Madrid 2011; CIA World Fact Book, IMF, Eurostat, SIPRI Yearbook 2011.

The new balance of power has led Brazil to demand treatment on a more equal basis. This levelling vision is behind the strengthening of border controls for Spanish and US citizens, which did the same themselves before; or the limiting of access in 2004 to a delegation from the International Atomic Energy Agency (IAEA) to control uranium enrichment.

Greater proximity in terms of power has also led to an incipient decline in relations. In the last eight years, the EU has lost five percentage points as a share of Brazilian trade.

In 2004, Brazil's main partners were the EU (26 per cent), the US (21 per cent) and Argentina (6.9 per cent). Now they are Asia (28 per cent), the EU (21 per cent), the US (15 per cent) and Argentina (8 per cent). Brazil's new economic geography detracts from its strategic partnership with the EU. The latter is just one option among many for the Brazilian government and no longer a priority as it was in the nineties, when it required a greater commitment from Europe and MERCOSUR negotiations began.

At the international level, this decline and the reduction in asymmetries between Brazil and the EU mean differences now prevail over consensus, and therefore the negative agenda over the positive one. Without ignoring the existing differences, the distance between Brazil and Europe when it comes to taking international decisions is largely due to their different power strategies: while the EU tends to adopt a bandwagoning strategy or alliance with the United States for most global affairs, especially in times of crisis, Brazil prefers soft balancing¹⁶ (balancing using non military instruments) with the BRICS to defy Washington's dominant position in the international system. A clear example of this is their different understandings of multilateralism and multipolarity. Other obstacles to the global agenda surface in the spheres of trade, development cooperation, climate change, international peace and the global financial system.

¹⁶ A. Hurrell, 'Hegemony, liberalism and global order: what space for would-be great powers?' *International Affairs* 82:1 (2006), pp. 1-19.

¹⁷ B. Ayllón, 'Contribuciones de Brasil al desarrollo internacional: coaliciones emergentes y cooperación Sur-Sur', *Revista CIDOB d'afers internacionals* 97/98, Barcelona 2012 (April), pp. 189-204, p.191.

... and yet further apart

Brazil and the EU share the goal of avoiding a unipolar or bipolar world, and both are also committed to a multilateralism based on global rules and norms. The EU's 'effective multilateralism' coincides with Brazil's 'efficient multilateralism'.¹⁷ Brazil's foreign policy is clearly multilateral: it is a founding member of the UN, it is one of the 15 main contributors to the UN budget, it hosted the Earth Summits in 1992 and 2012, it was a key negotiator at the WTO Doha Round, it seeks a permanent seat on the Security Council and it leads the South's interests. For all these reasons, Brazil seems the most committed to multilateralism of all the BRICS.¹⁸ In addition, the fact that it is a historic ally of the US and the EU makes Brazil part of the heterogeneous club of the West.

However, there are also marked differences. Firstly, Brazil seeks status while the EU wants to maintain it. Unlike the EU, the South American country aims to strengthen multilateralism as a defence mechanism against unilateralism and hegemonic impositions, as well as considering it a formula for strengthening multipolarity. The EU, on the other hand, seeks to maintain the status quo, following its own integration model and pushing towards the creation of international law. Unlike the EU, the BRICS have greater preference for more informal agreements,¹⁹ compared to the binding global norms and rules that the EU tends to promote.

Their aims are the same, but their strategies are different: Brazil seeks a 'multilateral multipolarity' and the EU a 'multipolar multilateralism'. By vocation and nature, the EU is above all multilateral. Therefore, multipolarity is more of a reality than an aspiration. In any case, according to its own integration model, the EU prefers a multipolar world based on international law while Brazil prefers a state power balance based on political neorealism and the creation of anti-hegemonic alliances. Compared to the EU, its multilateralism is more functional and less normative, more pragmatic and in solidarity with the South's interests, which it belongs to less and less. This reflects the slow transition from a defensive multilateralism to an offensive one²⁰ as part of the Brazilian strategy of soft balancing.²¹

In this way, proactive or assertive multilateralism²² (as an alternative to military power) is considered a strategy to shape Brazil as a global power through its search for autonomy and independence from Washington.²³ Brazil promotes an anti-hegemonic multipolar system which is born of international negotiations and mini-lateral alliances with the BRICS and IBSA. In this sense, the alliance with China and India is designed as part of the multilateral multipolarity that the latest two governments of Brazil have aimed to build. South American regionalism – the creation of a geopolitical and geoeconomic space led by Brasilia – also forms part of this strategy, which poses an obstacle to a global alliance with the EU.

¹⁷ A. de Vasconcelos, 'Multilateralising multipolarity', en G. Grevi, A. de Vasconcelos (eds.), *Partnerships for effective multilateralism: EU relations with Brazil, China, India and Russia*, Chaillot Paper 109 (May), Paris 2008, EUISS, pp. 11-33, p. 27.

¹⁸ Stephan Keukeleire et al., op. cit., p.1. (note 1).

¹⁹ M. Fortuna Biato, '¿Qué está haciendo Brasil por la gobernabilidad global?', *Nueva Sociedad* 210 (July-August), Caracas 2007.

²⁰ A. Hurrell, op.cit., 2006 (note 14).

²¹ P. A. Haslam and B. Edison Rodrigues Barreto, 'Worlds apart: Canadian and Brazilian Multilateralism in Comparative Perspective', *Canadian Foreign Policy Journal* 15:1, 2009, pp. 1-20.

²² M. Spektor, 'Brazilian Assessment of the end of the Cold War', A. M. Kalinovsky / S. Radchenko (eds.), *The End of the Cold War and the Third World*, Routledge 2010, pp. 229-244., p. 240.

Obstacles in the global agenda

Trade is the backbone of Brazilian and EU relations and an area where controversies prevail over consensus.²⁴ In this crucial sphere, both partners are caught in a vicious circle: first they negotiated in an inter-bloc format, then in the context of the Doha Round and since 2010 at MERCOSUR-EU level again. Although planned for 2013, the context of recession, crisis and new nationalisms make it highly unlikely the EU will satisfactorily conclude a substantial agrarian reform. This is a fundamental requirement to conclude the trade chapter of the future agreement.

Although neither Brazil nor the EU have suggested negotiating a bilateral free trade agreement, MERCOSUR's slow dying death opens up a new window of opportunity for negotiating in a Brazil-EU bilateral format and then incorporating the rest of the members of MERCOSUR. Faced with the impossibility of holding an inter-bloc dialogue with the Andean Community, this is what the EU had finally agreed with Colombia and Peru which already signed free trade agreements.

Nonetheless, this formula requires overcoming the agricultural hurdle by responding to Brazil's traditional demands to dismantle non-tariff barriers. Despite the need to widen markets outside Europe, the EU does not seem that interested in accelerating negotiations with MERCOSUR, especially when the Repsol case and possible EU reprisals create new hurdles in the difficult process of negotiation. Likewise, the success of negotiations requires Brazil to make concessions in industry and services where it continues to be very protectionist in cutting-edge sectors such as cars and computing.

For the EU, the shift in trade and investments towards China presents a new incentive to sign a free trade agreement with Brazil. China has become MERCOSUR's main buyer of primary materials and agricultural products. Paradoxically, that reduces both the incentives for an agreement with the EU (from MERCOSUR's perspective, access to the European agricultural sector) and the obstacles to the negotiating process (the lesser importance of agricultural exports to the EU due to the Chinese alternative). Again, by requesting the elimination of US and EU agricultural subsidies, Brazil positions itself among the Southern countries and opts for a balancing strategy, renouncing a free trade agreement with the EU. In this sense, the failure of FTAA augurs the same fate for the MERCOSUR-EU agreement.

Development is a shared concern for the EU, as the world's largest donor, and Brazil, whose internal and external policy revolve around the aim of development.²⁵ At the moment, Brazil is making the change from aid recipient to donor. Following the OECD, which has classified Brazil as an upper-middle-income country, the European Commission announced that Brazil will cease to receive Official Development Aid (ODA) from 2014 onwards. In so doing, the Commission has accepted the country's new status. Given the priorities of the social agenda in the last ten years, Brazil will fulfil the millennium goal to reduce poverty by half by 2015. Through programmes such as the Family Grant programme (Bolsa Familia) or, more recently, 'Brazil Without Poverty' (Brasil Sem Miséria), 50 million Brazilians emerged out of poverty, which declined from 37 per cent in 2001 to 24.9 per cent in 2010.

²⁴ S. Gratius, 'Can EU Strategic Partnerships deepen multilateralism?', FRIDE Working Paper 109, Madrid 2011.

²⁵ P. da Motta Veiga, S. Polónia Rios, 'A Política Externa Brasileira sob Lula: o Fim do "Consenso de Brasília"?' *CEBRI Artigos*, vol. 3, Rio de Janeiro 2010.

This social democratic consensus and the economic boom have turned Brazil into a 'new donor'. Its resources are still limited (some BRL3 billion between 2005 and 2009, approximately €1.2 billion),²⁶ and it only spends 0.02 per cent of its GDP on ODA, channelled through 475 projects executed by the Brazilian Cooperation Agency (ABC) in 2010.²⁷ However, unlike in the EU, this trend is on the rise. In the same way as the EU, Brazil is both a bilateral and multilateral 'donor'. For the multilateral dimension it focuses on the axes of IBSA, which already has a tripartite cooperation fund, and the BRICS, which will create a development bank. Development cooperation is not without political aims since, according to the website of the Ministry of Foreign Relations, cooperation policy forms part of 'a multipolar world without hegemonies'.

Brazil has already signed a triangular cooperation memorandum with the European Commission, Germany, Spain and the UK to carry out joint projects in Haiti, Central America and Lusophone Africa. However, the North-South perspective prevents greater consensus in triangular cooperation with African and Latin American countries. For a start, Brazil does not accept the term donor, but rather focuses on South-South cooperation which proposes an alternative to the traditional cooperation model. Unlike the classic donors, 'solidarity-based diplomacy' is grounded in Brazil's own experience of development and the transfer of know-how.²⁸ Unlike Colombia, Chile and Mexico, Brazil does not accept the DAC-OECD agenda. But although Brazil does not form part of the DAC, it applies criteria of efficiency and transparency. In this way, it does not have a different vision to the EU, but rather a distinct strategy for projecting international power.

This same tendency can also be seen in the fight against **climate change**. Again, both partners are in different blocs: Brazil is part of the G-77 and BASIC (Brazil, South Africa, India and China) while the EU represents itself, assuming a greater commitment than other industrialised players. Although Brazil and the EU share an interest in implementing the Kyoto protocol and concluding negotiations on climate change with a firm global commitment, they start from different premises – with deforestation as the main cause of CO₂ in Brazil versus fossil fuels in the EU – and choose different methods.

While the EU insists on a legally binding commitment to reduce greenhouse gas emissions, Brazil prefers voluntary commitments. According to its government at the Climate Change Conference in Copenhagen, these would mean reducing expected 2020 emissions by between 36 and 39 per cent. The different stances of Brazil and the EU at that Summit highlighted the absence of a consensus on how and who should reduce the CO₂ emissions causing the greenhouse effect.

Nonetheless, at the latest conference on climate change, held in December 2011 in Durban, Brazil successfully mediated between the EU (in favour of a binding agreement) and China and India (which prefer voluntary reductions and demand a greater commitment from industrialised countries). Brazil thereby contributed to the agreement to open a second commitment period in 2013, derived from the Kyoto Protocol, and to negotiate a new climate change agreement two years later.²⁹

Regarding **the peace and international security** agenda, Brazil and the EU share the conviction that conflicts ought to be solved via diplomatic means. Similarly, like the EU, Brazil insists on the

²⁶ Secretary for Strategic Affairs of the Presidency of the Republic of Brazil, Institute for Applied Economic Research (IPEA) et al., *Cooperacao Brasileira para o desenvolvimento internacional: 2005-2009*, Brasilia 2010.

²⁷ B. Ayllón, op.cit., 2012, p. 199.

²⁸ C. Zilla/Cr. Harig, *Brasilien als emerging donor: politische Distanz und operative Nähe zu den traditionellen Gebern*, SWP Studie 7, Berlin 2012.

²⁹ S. Dröge, 'Climate Talks in Durban: Successful Diplomacy but no Progress on Climate Protection', *SWP Comments* 6 (February), Berlin 2012.

interdependence of security and development.³⁰ But in spite of these affinities they tend to adopt different positions. Since the Iraq war, their positions started to diverge. On the current conflict with Iran, where Germany, France and the UK adopt common positions with the United States, Brazil joined the position of Turkey which is in favour of dialogue and recognises the right of each nation to manage its own nuclear policy. Likewise, the recent votes in the Security Council on Libya and Syria proved that, unlike EU member states (the exception being Germany's abstention in the Libyan case), Brazil tends to reject military intervention under the umbrella of the UN concept of 'responsibility to protect'.

In November 2011, Brazil presented its own concept of 'responsibility while protecting'³¹ to reinforce the protection of civilians. In addition to the principle of 'responsibility to protect', it proposes defining the context of humanitarian interventions by demanding more debate and analysis of the local situation, clarification of the aims of military operations and the defining of transparent criteria, before recourse to the 'last resort' of the Security Council, once diplomatic means are exhausted. Although this represents a concept close to the EU's prevention policy, it also reflects the suspicion that humanitarian interventions could serve as a pretext for a 'regime change'³² as, according to the Brazilian view, had occurred in the case of Resolution 1973 of the Security Council on Libya promoted by the United States, France and the United Kingdom (in which it abstained).

Both the concept of the 'responsibility while protecting' and the defence of national sovereignty that Brazil prioritises differ from the shared sovereignty and 'responsibility to protect' that the EU supports. Although the old concept of national sovereignty has ceased to exist in a globalised world, it continues to be an effective negotiating tool to prevent certain decisions promoted by Washington and its allies. The BRICS, including Brazil, which applies a policy of non-indifference in its neighbourhood, continue to use the shield of sovereignty and non interference to wield their veto power in most international negotiations.

In the **economic and financial** sphere, Brazil and the EU share their concern for the crisis and the need to reform the global financial architecture. Even so, their positions do not coincide over the reform of the global financial system or the revision of IMF quotas in particular. Raising the BRICS' quotas, including increasing the weight of Brazil, necessarily entails lowering those of EU member states. In the first review exercise carried out in 2010, the United States and the BRICS put pressure on European countries like Belgium or Denmark to reduce their quotas which are still above those of the emerging powers. Also, the appointment of the President of the World Bank, Jim Yong Kim, revealed that the United States and the EU continue sharing the main international financial positions, rejecting candidates from emerging powers.

In this sense, the BRICS' future Development Bank forms part of its strategy to counteract the dominance of the United States and the EU in international organisations. The last IMF meeting, held in April 2012, again revealed that Brazil makes its contribution to the Fund conditional to an increase in its quota. Likewise, the Brazilian government has demanded on several occasions that Europe respect the reform of the Fund to increase quotas for emerging countries to the detriment of the current concentration of European power. Again, differences are tactics: Brazil is not demanding a new international architecture but rather a greater share of power in existing institutions.

³⁰ Statement by H.E. Ambassador Vera Machado, Vice-Minister for Political Affairs, Ministry of External Relations of the Federal Republic of Brazil, New York, 23 November 2011.

³¹ Statement by H.E. Ambassador Antonio de Aguiar Patriota, Minister of External Relations of the Federative Republic of Brazil, Open Debate of the Security Council on the Protection of Civilians in Armed Conflicts (delivered by H.E. Ambassador Maria Luiza Ribeiro Viotti, Permanent Representative of Brazil to the United Nations), New York, 9 November 2011. .

³² Annex to the letter dated 9 November 2011 from the Permanent Representative of Brazil to the United Nations addressed to the Secretary General. General Assembly, Security Council, New York, 11 November 2011, point 10, p. 3.

Brazil as ally?

Compared with China and Russia, the differences between Brazil and the EU are not unsalvageable since they share the same visions and handle similar concepts. The question is how to bridge differences between Brazil and the EU on the global agenda. A *balance-wagoning* strategy offers a possible response.

Merging two power strategies

The best way to create a global Brazil-EU alliance would undoubtedly be *balance-wagoning*. This would allow Brazil and the EU to form an alliance with the US in some areas and to lean more towards the stance of China/the BRICS on others, or find a third way between both. This strategy would also entail a more similar conception of multilateralism on the one hand, and multipolarity on the other and require concessions by both partners.

The relationship between Brazil and the EU on one hand and the US and China on the other is crucial in order to develop a mutually agreed strategy which could represent a third way between China and the United States. To date, Brazil and the EU have positioned themselves in two opposing camps on most international topics: Brazil seeks an alliance with China while the EU tends to support the US. An exception, and a first example for a *balance-wagoning* strategy, was the aforementioned successful mediation of Brazil between the EU, China and India at the Climate Change Conference in Durban in December 2011.³³

This example raises a series of questions: How can this positive experience be translated to other areas of the global agenda without either of the two partners abandoning their current power strategy? Are there other spaces where a third way such as *balance-wagoning* could work? How can the EU avoid the full integration of Brazil into the BRICS group and, particularly, its association with China and India? A way of promoting the global alliance with Brazil would be to offer additional incentives to create common positions. This could be done through a series of concrete measures in four main areas, seeking a joint strategy which requires concessions on both sides and a closer approach:

Trade. Renouncing the idea of concluding the MERCOSUR-EU agreement, which no longer seems viable, and replacing it with a less ambitious bilateral Brazil-EU agreement, taking as a possible example the MERCOSUR-India agreement. This would need to be compatible with Brazil's commitment to the bloc by excluding conflictive sectors. However, any type of agreement would need to be based on the mutual strategic and pragmatic vision whereby the costs of not reaching an agreement (redirection of trade and investment towards China) are much higher than those of an agreement (agricultural subsidies versus industrial protectionism).

Development. Highlighting Brazil's development model as an example of European-style social cohesion and welfare and promoting it jointly in Africa and Latin America as a 'vaccine' against populism. A new look at global and regional cooperation could unblock relations. With EU support, Brazil could thereby be profiled as a successful model of democratic order and social progress in a region which, despite recent differences, continues to be the closest to Europe.

³³ J. Vidal and F. Harvey, 'Climate deal salvaged after marathon talks in Durban', *The Guardian*, 11 December 2011.

Climate change. Brazil's course of action in Durban was key to achieving an agreement and showed that Brazil leans more towards the EU position, as well as revealing again the heterogeneity of the BRICS. It would be advisable to make the most of Brazil's rapprochement and mediation in the Durban conference to promote a joint proposal for global climate change governance with a view to negotiating a new post-Kyoto agreement in 2015.

Peace and security. Providing EU support for Brazil's request to become a permanent member of the UN Security Council and requesting in return the adoption of common positions towards global conflicts such as those in Iran and Syria. Initiating a dialogue on security and defence, following the example of the EU dialogues with China and India, would be advisable to combat current differences. This could start with a debate on the concept of 'responsibility while protecting' introduced by Brazil that could be supported by the EU.

Instead of getting lost in fruitless debates about sector-specific controversies, it would be much more useful if Brazil and the EU were to think how they could find a formula to slow the decline of the EU to their mutual benefit, and at the same time favour Brazil's ascent. In the end, a more multipolar and balanced multilateral system suits them both. The strategic partnership is an excellent platform to progress jointly towards this goal.

Reforming the political dialogue

Aside from modifying its content, there is also a need to reform the format of the strategic partnership. Currently, Brazil and the EU share 27 sector dialogues (compared to over 50 between China and the EU), an annual bilateral summit, MERCOSUR-EU negotiations rounds, Ibero-American summits and sporadic business or civil society meetings. Although all of these forums for dialogue confirm the maturity of Brazil-EU relations, their results are rather modest.

To free up the agenda and use the existing 27 dialogues to make concrete progress, it would be advisable to structure the forums according to their bilateral, regional or global relevance. Some topics should be addressed at the summits of the Heads of State and Government, others by experts and/or civil society representatives, and some at ministerial level, distinguishing between the different portfolios. Likewise, in some cases member state representatives could be included, for example topics which include mixed competences like energy, investment, education, science and technology, development, climate change or security. Similarly, to monitor the results, a working group could be created to evaluate dialogue outcomes at the bilateral, regional and global levels.

Another problem in the relationship is that the political dialogue still fails to reflect a perspective of equality. Although the global positions of Brazil and the EU have changed, old paradigms and views still count for a lot. In spite of its global ascent, Brazil continues to define itself as a country of the 'global South', while the EU, in full decline, continues to perceive itself as part of the 'North'.

On some topics including migration or peace and security, the EU continues to treat Brazil as a developing country, applying the traditional channels of an asymmetric North-South relationship. Traditional asymmetric visions thereby persist, which contribute to Brazil tending to speak as a 'victim' and showing solidarity with poorer countries that reflect the past more than the present and future of the country. In this way, Brazil is already playing simultaneously in the first and third divisions of the league of nations.

Brazil is the southern pole of the Americas and, therefore, fundamental to the continent's development. From this perspective, another way to create a relationship of the same stature would be to integrate Brazil into some of the themes of the Transatlantic Dialogue. Widening the transatlantic axis and including Brazil in some of the summits and other fora and initiatives between the United States and the EU would also be a means of reducing the attraction of the BRICS. Despite its alliance with the latter, Brazil's convictions and its geopolitical and geoeconomic position make it a strategic partner of the US and the EU. Linking Brazil to one of the main Western fora could facilitate the adoption of closer positions. In some spheres, like international security or trade, Brazil could move away from balancing towards a *balance-wagoning* strategy. This step would also be a way of reforming and widening the transatlantic forum that has experienced a clear decline since the government of George W. Bush.³⁴

Three scenarios

These measures could favour a positive scenario of 'Brazil as global ally of the EU'. However, if both parties fail to seize the window of opportunity that the bilateral strategic partnership opens up, two less desirable outcomes could occur: 'Brazil as eternal strategic partner' or 'Brazil as distant partner'. Three options for the future are therefore possible:

Progress and Brazil as ally: This scenario requires the EU to make a political adjustment to create incentives in favour of bandwagoning and to better include Brazil in the 'Western' alliance and the transatlantic relationship with the United States. It requires broadening the transatlantic axis and convincing both Brazil and Washington that tripartite cooperation would be beneficial for transatlantic relations and coordinating global positions. 'Brazil as ally of the EU' is a scenario that could be opened up in some spheres more favourable to the adoption of common positions such as climate change or development cooperation, where greater room for convergence seems to exist. The most appropriate instrument would be a *balance-wagoning* strategy between China and the United States and, in the bilateral sphere, a (less ambitious) trade agreement between Brazil and the EU.

Status quo and Brazil as strategic partner: This panorama of low profile relations would result if the current lack of EU strategic vision continues, which reflects a certain neglect of its relations with Brazil. In this scenario, MERCOSUR-EU negotiations would continue with a low profile and without consideration of any alternative to this rigid scheme. Therefore, obstacles would continue in the commercial sphere and different positions on the main challenges to international security and in the global financial system would persist. Brazil and the EU would continue to be close partners in terms of values but, due to different power strategies, they would be distant when it comes to taking action. Without visible progress in their relations, this scenario will lead in the medium term to a third scenario.

Decline and Brazil as distant partner: Without incentives to deepen the strategic partnership, Brazil will become a partner ever less aligned with the EU. If the current tendency towards relative mutual neglect continues, both sides will be in different camps on the global agenda and will compete for status and global influence. This negative scenario would entail the collapse of MERCOSUR-EU negotiations without any alternatives, and the distancing of Brazil from the EU

³⁴ S. Gratius, 'El triángulo Atlántico: arquitecturas multilaterales y reajuste de poder entre nuevas y viejas potencias', *Pensamiento Iberoamericano* 8, Madrid 2011, pp. 3-21.

Brazil and the European Union: between balancing and bandwagoning

even in areas where their positions are not so different, such as climate change or development cooperation. This horizon would lead to Brazil deepening 'bricsalization' and its balancing strategy, while the EU would intensify its alliance with the US and/or its process of fragmentation.

At the moment, the most probable scenario lies between options two and three. Brazil and the EU will be more rivals than allies in the international system in terms of their economic and political position and will pursue different agendas (gaining versus maintaining power quotas). However, they share an interest in multilateralising a multipolar world, having a strong state as agent of development and justice, regional integration and global governance with institutions and rules. They must build on this common basis to avoid Brazil becoming a distant partner of the EU. It would be a mistake for the EU, which has already initiated the process of defining an alliance with Brazil and negotiating a free trade agreement, to follow the same policy of 'benign indifference'³⁵ that characterises Washington's relation with Brasilia.

The Brazil-EU partnership needs greater political will on both sides to translate shared values into joint actions, more than to resolve differences of substance. The scenario 'Brazil as EU ally' does not require opening up other sector dialogues or new cooperation instruments, but rather a sincere political debate on real differences and disparities derived from tactics and power strategies. This debate should include a review of the respective relations that Brazil and the EU hold with China and the US. It should also acknowledge the new balance of power and the advantages of joint action in the global sphere so that Brazil and the EU can be international players with recognition, prestige and influence.

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³⁵ M. Spektor, op.cit. 2010.

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