



KINGDOM OF BELGIUM  
Federal Public Service  
Foreign Affairs,  
Foreign Trade and  
Development Cooperation



# Strategic Challenges in the EU-Brazil Relationship

7-8 May 2012, Brussels

## Conference Report



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## **Strategic Challenges in the EU-Brazil Relationship Conference Report**

This report presents an overview of the themes discussed at the international conference '*Strategic Challenges in the EU-Brazil Relationship*' that was held on 7-8 May 2012 at the Royal Academy in Brussels. Four main sessions were held, addressing four different themes:

- 1) Economic, financial and trade issues;
- 2) Sustainable development, climate change and energy;
- 3) Regional integration and the EU's relationship with MERCOSUR;
- 4) Impact of Brazil's cooperation with the BRICS, IBSA and BASIC on the EU-Brazil partnership.

The conference was the result of a unique cooperation between ten partners: the Belgian Federal Ministry of Foreign Affairs and nine academic institutions: the Leuven Centre for Global Governance Studies (KU Leuven), the Royal Flemish Academy of Belgium for Sciences and Arts, the University Foundation, the TOTAL Chair of European Foreign Policy at the College of Europe, the Centre for Institutions and Multilevel Politics (Antwerp University), the Institute for International Studies (Ghent University), the Université catholique de Louvain, Université de Liège (ULg) and Facultés universitaires Saint-Louis. The initiative could not have taken place without the generous support of the InBev-Baillet Latour Fund, the Federal Ministry of Foreign Affairs, GDF Suez, TOTAL, the Royal Academy, the University Foundation, the Lifelong Learning Programme of the European Commission and ApexBrasil.

Additional information on the conference's organizing institutions and partners, the Conference Booklet, speaker abstracts and presentations are available on the conference website [www.EUBrazil.eu](http://www.EUBrazil.eu).

## 1. Introduction - Brief Overview of EU-Brazil Relations

*“When one examines the present state of relations between Brazil and the European Union, the conclusion is that they have never been as close as they are today”*. Speaking at the opening session of the conference, Brazilian Ambassador to the European Union, H.E. Ricardo Neiva Tavares, underlined today’s proximity between Europe and Latin America’s biggest and most populous nation. The evolution of bilateral relations dates



back to 1960, when diplomatic ties between the European Union (EU), previously the EC (European Community), and Brazil were established. However, it was not until the return of civil rule in Brazil, the opening up of its domestic market, and its leading role in the establishment of the common market of the South or MERCOSUR, that closer EU-Brazilian cooperation took off. The 1992 EC-Brazil Framework Agreement for Cooperation<sup>1</sup> and the 1995 EU-MERCOSUR Agreement<sup>2</sup> created a structure to support political dialogue, development assistance, and increasing trade volumes. The agreements stimulated European investments in Brazil, which increased tenfold between 1995 and 2000.

H.E. Ricardo Neiva Tavares

At the turn of the millennium, Brazil entered the world stage as an emerging power, sharing with the EU a strong commitment towards multilateralism and international cooperation. Engaging Brazil on a bilateral basis found its way to the foreign policy agenda in Brussels. The issue became pertinent as the Presidency of Lula da Silva also emphasized South-South cooperation, engaged in informal groupings with other emerging global players and interacted with ‘controversial’ nations such as Iran, Cuba and Venezuela. While the economic importance of the EU as Brazil’s main trade partner remained untouched, the EU’s standing in Brazil’s new foreign policy saw a relative decline.

A first step towards strengthening bilateral cooperation was taken when José Manuel Barroso became the first Commission President to visit Brazil in 2006. While in 2002 the European Commission’s Country Strategy Paper on Brazil<sup>3</sup> was still conceived largely in terms of a donor-recipient relationship, Brazil was now approached as a like-minded partner. The Commission acknowledged that the *‘EU-Brazil dialogue has not been sufficiently exploited’* and set out an agenda for common action on a global scale.<sup>4</sup>

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<sup>1</sup> Framework Agreement for Cooperation between the European Economic Community and the Federative Republic of Brazil, OJ C 163, 30.6.1992, 12.

<sup>2</sup> Interregional Framework Cooperation Agreement between the European Community and its Member States, of the one part, and the Southern Common Market and its Party States, of the other part - Joint Declaration on political dialogue between the European Union and Mercosur, OJ L 69, 19.3.1996, 4.

<sup>3</sup> European Commission, Federative Republic of Brazil – European Community Country Strategy Paper 2001-2006 and National Indicative Programme 2002-2006.

<sup>4</sup> Communication From the Commission to the European Parliament and the Council: Towards an EU-Brazil Strategic Partnership, COM(2007) 281, Brussels, 30 May 2007.

At the Lisbon summit in 2007, the EU-Brazil relationship was consolidated in a ‘strategic partnership’.<sup>5</sup> One year later, at the second EU-Brazil summit in Rio de Janeiro, a five-year Joint Action Plan was adopted.<sup>6</sup> Five main pillars of collaboration were agreed upon:

- promoting peace and comprehensive security through an effective multilateral system;
- enhancing the economic, social and environmental partnership to promote sustainable development;
- promoting regional cooperation;
- promoting science, technology and innovation;
- promoting people-to-people exchanges.

The 2008 Joint Action Plan institutionalized bilateral dialogues on several levels and areas. Annual high level summits would take place, complemented by regular summits and ministerial meetings. A series of additional meetings by senior officials and the ‘EU-Brazil Joint Committee’ monitor the progress and implementation of the Joint Action Plan. In addition to ongoing dialogues concerning trade and macro-economic policy, the Joint Action Plan established new fields of cooperation and also called for a more intense exchange between non-governmental actors. In this respect, the EU-Brazil Civil Society Round Table was established as a ‘permanent forum’ at civil society level concerning ‘all the issues that are discussed within the EU-Brazil Partnership’. Furthermore, parallel to each annual high-level political meeting, private-sector dialogues are organized during the ‘EU-Brazil Business Summits’. Another new dimension within the partnership is trilateral cooperation between the EU, Brazil and third countries.

Clearly, EU-Brazil cooperation has deepened and widened, now covering a range of issues far beyond the scope of the initial 1992 agreement. At the end of the fifth annual bilateral summit in October 2011, President of the European Council Herman van Rompuy and his Brazilian counterpart President Dilma Rousseff signed a second EU-Brazil Joint Action Plan for 2012-2014.<sup>7</sup> As the EU-Brazil strategic partnership has been reaffirmed for another two years, its accomplishments, overall strategic value and impact should be subjected to critical enquiry.



H.E. Pierre Vimont, Prof. Dr. Jan Wouters

The EU-Brazil partnership and its Joint Action Plan should not be perceived as merely a formal process of periodic meetings but as the foundation of a bilateral ‘network’ for political dialogue concerning global issues of mutual interest, stated Piere Vimont,

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<sup>5</sup> PRES/07/162, Council of the European Union, Joint Statement 11531/07 on the EU-Brazil Summit, Lisbon, 4 July 2007, §3.

<sup>6</sup> PRES/08/386, Council of the European Union, Joint Statement 17602/08 on the 2<sup>nd</sup> EU-Brazil Summit, Rio de Janeiro, 22 December 2008, §3.

<sup>7</sup> PRES/11/346, Council of the European Union, Joint Statement 15084/11 on the 5<sup>th</sup> EU-Brazil Summit, Brussels, 4 October 2011, p.4.

Secretary General of the European External Action Service during the conference. The aim of the conference was to complement and enrich this ongoing political dialogue with an academic dialogue, bringing together academics and practitioners from both sides of the EU-Brazil relationship to analyze and assess bilateral relations. Several policy areas were addressed where progress is lacking or could be enhanced. In an environment of open debate the EU-Brazil bilateral agenda and the differences between the two partners were explored and discussed. Especially from an academic viewpoint, the need was felt to consider Brazil as an autonomous geopolitical actor. Western scholars, when conducting research on Latin America, have indeed mainly focused on domestic issues of democratization, state-formation and other development-orientated perspectives.<sup>8</sup>

## 2. Economic, Financial and Trade Issues

### *Background*

The EU is Brazil's largest foreign investor and biggest trading partner, accounting for 22% of its trade volume. Brazil moved forward to become the EU's 9th trading partner in 2011.<sup>9</sup> The economic weight of Brazil in Europe has increased dramatically over the last decade, with the value of Brazilian imports doubling between 2000 and 2008. It is now the single biggest exporter of agricultural products as well as iron and minerals to the EU. On the other hand, European exports to Brazil reached a low point in 2003 but have since doubled in value, gradually reducing the EU's negative trade balance with Brazil.

In the first half of 2011, the total volume of EU-Brazil trade reached new record heights. At the beginning of the conference, Ambassador Neiva Tavares highlighted the positive economic outlook as EU-Brazil trade continued to increase in the first months of 2012. He also noted the increasing importance of investment flows from Brazil to the EU, indicating a gradual change towards a more balanced economic relation. The intense economic exchange between Brazil and Europe is the pinnacle of the EU-Brazil partnership. In his keynote address at the conference, EU Trade Commissioner, H.E. Karel De Gucht affirmed: *'If we can make progress on our economic agenda we will be laying solid foundations for a stronger alliance across all areas'*. Further development of EU-Brazil trade is largely dependent on the conclusion of an agreement between MERCOSUR – the South American regional customs union to which Brazil belongs - and the EU. Negotiations between the two regional blocs were discussed during session 4 on 'Regional integration and EU-MERCOSUR relations' (see *infra*).



H.E. Karel De Gucht

<sup>8</sup> See C. Sabatini 'Rethinking Latin America: foreign policy is more than development', *Foreign Affairs*, 91(2), March/April 2012, p. 8-13.

<sup>9</sup> All data on trade volumes was retrieved from Eurostat.

While economic relations between the EU and Brazil have intensified, they are increasingly challenged by the growing importance of China as a trade partner for Brazil. In the past decade, Brazilian exports to China rose from \$1.9 billion to more than \$44 billion. Chinese exports to Brazil show a similar steep increase. The growth models of the Chinese and Brazilian economy are very different, but they are strongly intertwined. In April 2012 Beijing announced a slowdown in growth; the resulting decline in demand for raw materials is certain to affect Brazilian exports. Some observers have argued that this evolution, in combination with a lack of investment in infrastructure and increased spending on public social services, could further diminish Brazil's growth rate.<sup>10</sup> The 'unhealthy' dependence on exporting commodities in general, and to China in particular, was flagged throughout the conference. The question whether Brazil's growth is driven by an unsustainable commodity boom or whether its economy is increasingly sustained by a growing dynamic middle-class, continues to fuel discussions.<sup>11</sup>

Despite the explosive rise of China-Brazil trade, it is also apparent how close economic ties with the EU are still of unquestionable importance to Brazil. However, a number of obstacles and potential conflicts have arisen between the two partners.

### ***Trade Flows and Investment Climate***

Notwithstanding the impressive growth of Brazil's economy, its trade relationship with the EU remains asymmetric: exporting agricultural products and commodities and importing industrialized goods. Analyzing trade flows, Professor Jean-Christophe Defraigne (Facultés universitaires Saint-Louis) noted how Brazil's trade with China follows the same 'North-South' pattern. Because of this dependence on the export of food stocks and commodities, several speakers emphasized Brazil's vulnerability to market volatility. Food prices have risen but have also shown to be highly unstable in recent years. Moreover, Brazil's focus on agricultural development has raised fears of a possible



**Professors Dries Lesage, Jean-Christophe Defraigne, Géry d'Ydewalle, Alfredo Valladão and Mr. Marco Chirullo**

'de-industrialization' of its economy. Several other factors were identified as having a negative impact on Brazilian industry: competition from Chinese imports, an uncompetitive exchange rate, the global decline in demand due to the economic crisis and high operational costs for doing business - the so-called 'custo Brazil'. The growing concern of a creeping de-industrialization has spurred protective measures by the Brazilian authorities in areas such as textiles, automobiles, chemicals, and electronics, including the 2010 'Buy Brazil Act', which gives a 25% price preference to domestic products.

<sup>10</sup>See R. Sharma 'Bearish on Brazil: The Commodity Slowdown and the End of the Magic Moment', *Foreign Affairs*, 91(3), May/June 2012, pp. 80-87.

<sup>11</sup> See S.K. O'Neil, R. Lapper, L. Rohter, R. Lemos and R. Sharma 'How Busted Is Brazil? Growth After the Commodities Boom' *Foreign Affairs*, 91 (4), July/August 2012, pp.159-166.

Professor Alfredo Valladão (Sciences Po) and several other speakers identified a trend towards nationalism and protectionism in Brazil and the larger region as a serious challenge to the relationship with the EU. In this respect, Brazil's tolerance of protectionist measures from other members in the MERCOSUR trade block is also problematic. Reference was made in particular to Argentina, which recently nationalized the YPF oil company, a subsidiary of Spanish multinational Repsol. EU Commissioner De Gucht commented on this issue, announcing further action on the Repsol case but also underlining Brazil's responsibility in countering this regional trend towards protectionism.<sup>12</sup> In the past, the EU has urged Brazil to tackle specific obstacles within its markets such as the lack of enforcement of intellectual property right protection, the many burdensome technical regulations and registration procedures and foreign ownership restrictions. On the other hand, Brazil continues to oppose the EU's agricultural import and export policy. Ambassador Neiva Tavares emphasized the various protective measures and subsidies under the EU's Common Agricultural Policy, which shields European producers and has a negative impact on export opportunities for producers in developing countries. At the conference, the importance of a clear free trade agreement and the enormous advantages of unrestricted market access were underlined. Several speakers highlighted the importance of the ongoing negotiations between the EU and MERCOSUR (see *infra*, 4).

In discussing EU-Brazil trade, the importance of technological innovation and long-term growth was a recurring topic. To stimulate innovation and high-tech exports and attract investment, the Brazilian government launched the 'Plano Maior' in 2011, with the aim of enhancing the country's competitiveness in the global marketplace. However, as stressed by Professor Defraigne, innovation remains a problematic issue. Brazil spends significantly less on research and development than other countries, and in 2005 had less researchers per capita and less students in engineering and sciences than other emerging economies. This raises concerns for Brazil's long-term growth perspectives. A key question put forward by Professor Defraigne was whether Brazil will be able to '*upgrade its technological level*' to '*diversify and create global competitors in the manufacturing and services industries*'. If not, it might indeed remain dependent on the export of primary goods. In this regard, Professor Valladão stressed the importance of the EU as an economic partner for Brazil, not only in terms of trade volumes or foreign direct investment, but also because of its ability to bring technological transfers to the Brazilian economy.

### ***Reform of the Global Financial System***

At the G20, the world's most influential platform on global economic policy, the EU and Brazil are dynamic partners with sometimes conflicting interests. Their agenda converges on several areas, including restraining the volatility of food prices and restricting tax havens through the OECD's 'Global Forum on Transparency and Exchange of Information for Tax'. A particular case of EU-Brazil cooperation on global governance

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<sup>12</sup> Mr. Karel De Gucht, European Commissioner for Trade *Brazil and the European Union: Allies in a Changing World* Speech presented at the International Conference: Strategic challenges in the EU-Brazil Relationship, Brussels, 7 May 2012. See also J. Chaffin, 'EU warns of growing LatAm protectionism', *Financial Times*, 7 May 2012.



was the 2004 campaign for a ‘global financial transaction tax’ or ‘Tobin Tax’, led by former French President Jacques Chirac and his Brazilian colleague Luiz Lula da Silva. Professor Dries Lesage (Ghent University) noted how this ambitious initiative has since lost momentum, and Brazil’s support for such a global financial transaction tax has weakened. Brazil’s difficult debate on a domestic financial transaction tax and the lack of support from other emerging economies might explain this more conservative position.

Besides these collaborations and joint efforts, specific attention was given to one area in global economic governance where the EU’s and Brazil’s interests are clearly opposed: the reform of the International Monetary Fund (IMF). As an emerging economy, Brazil is a vocal advocate for greater inclusion of developing and emerging economies and balancing European over-representation in the Fund. In 2008, a strategic alliance between the biggest emerging economies and the United States effectively challenged the EU’s defense of the status quo. Since then, the global economic crisis and subsequent Eurozone crisis strengthened the position of Brazil and other emerging countries, which are less affected by the economic downturn. To bring stability to the global



Prof. Dr. Dries Lesage

economy, the G20 agreed to dramatically increase the financial resources available to the IMF and at the same time tackle the issue of representation. This culminated in the 2010 reform package, which increased and adjusted the system of quota shares/voting rights. The reform places Brazil among the ten largest member countries of the Fund and implies a relative decline in the voting power of European countries. Professor Lesage noted that this outcome is still below Brazil’s actual weight in the world economy. Brazil could have demanded stronger reforms, in particular in the light of the extra resources it agreed to invest in the IMF through the New Agreements for Borrowing (NABs). The reform also restructured the IMF’s Executive Board, replacing two advanced ‘full-time’ seats of European countries.

More recently, the ongoing European debt crisis has led the IMF to request extra resources to fund recovery measures. However, Brazil and other emerging economies have refrained from contributing to an increase of the Fund’s lending capacity as long as the 2010 reforms are not fully implemented. This entails finalizing the review of the quota shares by January 2013. More importantly, Brazil and other emerging economies are demanding a reform of the system of calculating quota share/voting rights, adding a new element to the already difficult negotiations on IMF reform. At the upcoming G20 summit in Mexico, held on 18 and 19 June 2012, the euro zone crisis as well as IMF reform will feature high on the agenda.

### 3. Sustainable Development, Climate Change and Energy

#### *Background*

At the first EU-Brazil summit in 2007 a new field of cooperative action was identified: promoting sustainable development through enhancing an *'economic, social and environmental partnership'*. At the conference, academics and policy-makers assessed the current progress and challenges faced by Brazil and the EU. The latter has long been the most progressive and 'normative' global player on the issue of sustainability, even though its Member States' national conduct is very heterogeneous. Brazil on the other hand is a country of enormous natural resources: its tropical rainforest constitutes the largest forest area in the world. The Presidency of Lula da Silva and his successor Dilma Rousseff placed environmental protection, climate change and 'green energy' high on the political agenda. In 2007, an ambitious National Climate Change Plan was adopted by presidential decree, setting a number of fixed goals by 2015, 2020 and 2030.<sup>13</sup> As a consequence, Brazil is arguably the most 'green-minded' of the BRICS.



**Prof. Dr. Eduardo Viola**

Despite Brazil's progressive national climate laws, Professor Eduardo Viola (University of Brasilia) reiterated the challenge for Brazil to implement and enforce this regulatory framework. This is still severely lacking, notably in sectors such as the automotive industry. None the less, Brazil has reduced its carbon emissions with 5% per year between 2005-2009. At the same time, Brazil realized a stable economic growth rate of 3.5% annually. This combination of economic growth and emission reductions is unique in the world.

Explaining Brazil's impressive achievements, Professor Viola recalled the country's unique emissions profile: Brazil is still the world's largest carbon emitter from deforestation, has a very carbon-intensive transport sector as a result of its poor infrastructure, and is home to extensive high carbon emitting cattle raising. This unique profile influences the cost price of cutting back on emissions: up to now Brazil has been able to gradually reduce its high level of carbon emissions at a relatively low cost for its economic development. However, with a 4% share in global carbon emissions, Brazil remains one of the biggest greenhouse gas emitters in the world when taking into account deforestation and forest degradation.

#### *Combating Climate Change*

Besides domestic efforts, a key issue addressed at the conference's session on sustainable development was the EU and Brazil's commitment to global climate governance. Both being among the original signatories of the Kyoto Protocol, the EU and Brazil have joined efforts to tackle climate change within the UN Framework Convention on Climate

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<sup>13</sup> Presidency of the Republic of Brazil, Decree N°6.263, 21 November 2007. [http://www.planalto.gov.br/ccivil\\_03/\\_Ato2007-2010/2007/Decreto/D6263.htm](http://www.planalto.gov.br/ccivil_03/_Ato2007-2010/2007/Decreto/D6263.htm)

Change. But whereas the EU is one of the most committed players with regard to multilateral action, Brazil's foreign policy does not mirror its national developments in sustainable development. According to Professor Viola, Brazil plays an ambiguous role on the international scene, stemming from a dissonance between the Brazilian Ministry of Foreign Affairs and the Ministry of Environment. In the run-up to the 2009 Copenhagen Climate Summit, an intense dialogue between the EU and Brazil took place to coordinate a joint position. At the Climate Summit, President Lula da Silva's progressive speech raised hopes, but eventually Brazil chose to join the BASIC coalition (Brazil, South Africa, India and China) which opposed a binding resolution and adopted a non-negotiable stance on international monitoring and oversight. Two years later, at the 2011 Durban Climate Conference, Brazil's position shifted. It played an important role in consolidating international consensus on the EU's proposed roadmap for action and the goal of holding global average temperature within 2°C above preindustrial levels. Tackling the question of how to further reduce emissions and prevent dangerously high carbon dioxide levels, the need for an incentive-based approach was underlined by several panelists. To achieve this, raising the cost price for emissions globally would be necessary. Professor Geert Van Calster (KU Leuven) noted how energy efficiency labels can play a role in this, creating an incentive at the consumer level and allowing for the internalization of the social and environmental costs of production.

Deforestation and climate change are closely intertwined, and both civil society and academics felt the need to address this polemic topic at the conference, which is of particular relevance to Brazil. Although Brazil is still the largest deforester in the world, the gap with other major 'deforesters' Indonesia and the Democratic Republic of Congo is becoming smaller. Combating illegal logging and conserving pristine forests has been a long-standing priority in the EU-Brazil partnership, and much of the EU's resources for bilateral



Prof. Dr. Geert Van Calster, Prof. Dr. Eric De Keuleneer, Mr. Dirk Beeuwsaert, Prof. Dr. Eduardo Viola, Mr. Hugo-Maria Schally

investment in environmental projects have focused on the protection of Brazil's rainforest. In turn, Brazil has applied modern technologies and effective enforcement to reduce deforestation rates dramatically. It also established the 'Amazon Fund', to which several European countries have pledged substantial contributions. These positive developments are currently overshadowed by a controversial reform of Brazil's Forestry Code, which passed the Lower House in April 2012. The reform was actively supported by the agricultural sector and would ease regulations on farm-land use, allowing further expansion at the cost of forest areas. At the moment of the conference President Rousseff, under heavy pressure from environmental groups, was still able to veto the reform. Presented with this question, Professor Viola thought it likely the reform would be at least partially vetoed by the President. Eventually twelve articles of the bill were blocked, but the debate between environmental conservation and agricultural development continues as the presidential veto might be overturned by an absolute majority in Congress.

## ***Renewable Energy***

The development of renewable and environmental-friendly energy sources can be considered one of the ‘building blocks’ of the EU-Brazil partnership. During the panel discussion the need to explore all energy sources to fulfill future demand was emphasized. Enhancing energy efficiency in both production and consumption is necessary, while lowering overall consumption levels remains crucial as well. It was noted how the affordability of energy, which is at different levels in different societies, is an important factor when developing a regulatory framework or taxes on unsustainable energy. In this respect the difference in the EU’s and Brazil’s energy profile was underlined: contrary to the EU, where energy consumption per capita is higher and energy needs to be imported, Brazil is an energy-secure nation. With 45% of its consumption covered by renewable sources such as hydropower and biofuels, Brazil is also the undisputed global leader on sustainable consumption. As board member of Brazil’s largest private energy supplier and vice-president of GDF Suez International Power, Mr. Dirk Beeuwsaert underlined Brazil’s strong comparative advantage for developing renewable energy. While it already has large hydropower reserves, the possibilities of further expansion are enormous. At the same time Brazil applies stringent environmental regulations for dams. Exploring the sustainability of expanding hydropower, it was noted how case-by-case cost-benefit analysis could indicate whether the conversion of forest into high efficiency dams could be beneficial from a sustainability point of view. Moreover, the high potential of solar and wind power was underlined, as these alternative sources currently remain largely unused in Brazil. Mr. Beeuwsaert also stressed the growing importance of natural gas, which might not be a renewable energy source but does have a much lower environmental impact than other fossil fuels.

Biofuels are a specific renewable energy source which is of particular importance to EU-Brazil energy policy. Brazil is the biggest ethanol exporter to the EU as well as globally, and it has the largest ethanol potential on the planet. Europe, on the other hand, has committed itself to scale up renewable energy consumption to 20% by 2020. Several large European energy companies are already investing heavily in Brazil’s biofuel industry. Multilateral dialogue on bioenergy has taken place on a number of international platforms such as the International Bioenergy Forum (IBF) or the Global Bioenergy Partnership (GBEP). The panel discussion underlined the huge potential for technological cooperation between the EU and Brazil. The EU has a higher level of human and technological capital for the transition to low carbon energy. This knowledge holds an enormous potential for Brazil, where a stagnation in innovation has taken place, for example, in the development of efficient green energy cars. Future exchanges could be win-win situations whereby dramatic reductions in emissions are realized while creating opportunities for Brazilian and European companies. Despite convergence on the issue of biofuels, some contentious issues have arisen. The EU’s high import tariffs on ethanol are firmly opposed by Brazil, while in the EU an intense debate has emerged on the negative effects of biofuel cultivation. Some observers question the ecological value of Brazil’s biofuel industry and link ethanol production to massive deforestation. Countering this argument, Professor Viola stressed that biofuel cultivation can be sustainable and does not necessarily affect valuable biospheres. In this debate, he argued, Brazil’s right to develop itself and use its national resources in accordance with international market

demands is an important factor. Regarding the further development of biofuels, the EU and Brazil are highly involved parties. Finding consensus on how to adequately measure the effects of indirect land use change and its relation to biofuel cultivation is one of the issues faced by both the EU and Brazil. The mutual benefits from technological exchanges could prove crucial in establishing market-driven and sustainable progress.

### ***Rio+20***

At the time the conference took place, a major upcoming event in global sustainable development was the United Nations Conference on Sustainable Development to be held in Rio de Janeiro from 4 to 6 June 2012. The 'Rio+20' summit was the follow-up to the historic 1992 summit, where consensus was found on a number of environmental principles. The EU and Brazil, in its role as host country, were expected to play a crucial role at the summit. At the conference, various assessments were presented of the progress made over the last 20 years. Professor Van Calster noted that the overall outcome has been disappointing, which can be partly explained by the complex patchwork of numerous international environmental treaties and national regulations. The discussion also focused on analyzing the positions of the EU, Brazil and other states. The EU, as part of a small group consisting of Norway, Switzerland, South Korea and Australia, has taken the most progressive position towards strengthening global environmental governance and supporting a green economy. Further commitment from major players such as the US and Canada cannot be expected, but Brazil has been more progressive and open to negotiations. However, in discussing its position at Rio+20, it was noted the Brazilian national policy document published proved to be rather conservative. In the



**Prof. Dr. Geert Van Calster**

difficult negotiations for Rio+20, the key challenge was trying to reconcile economic growth with sustainability and respect for natural resources. It remained to be seen whether there would be enough political will to turn Rio+20 into a success and whether Brazil's position, shaped by the BRICS alliance and the ambiguous position of the G77, would not undo Brazil's domestic progress. In this respect it was noted how Brazil's interests coincide more with those of the EU than those of the other BRICS. In the past, clear common policy goals have been identified, which opened perspectives of convergence in the framework of the G20 and possibly Rio+20.

Bilaterally, both parties reached agreement at the latest EU-Brazil Summit in 2011 to enhance coordination by launching a self-standing 'EU-Brazil Climate Change dialogue'. Professor Van Calster suggested a mix of multilateralism, regionalism and bilateralism may prove more successful in achieving progress than multilateralism alone. During the panel discussions it was noted how multilateral negotiations, governed by the 'iron' rule of consensus, often lead to the lowest common denominator. Therefore unilateral, or indeed bilateral initiatives such as the 'EU-Brazil Climate Change Dialogue' might become of great importance in spearheading the transformation towards a sustainable global economy.

## 4. Regional Integration and EU-MERCOSUR Relations

### *Background*

The EU-MERCOSUR relationship is a cornerstone of EU-Brazil cooperation. Of the four core members – Argentina, Brazil, Paraguay and Uruguay - Brazil alone accounts for approximately 80% of the population within the South American regional organization. EU-MERCOSUR relations therefore inevitably converge with EU-Brazil relations, in particular concerning economic issues of market access. The EC served as a model of peaceful regional cooperation when Brazil and Argentina took the first steps towards reconciliation. Paraguay and Uruguay soon joined the process to form the *Mercado Común del Sur* or MERCOSUR in 1991. In its efforts to promote regional integration globally, the EU found in the new trade association one of the most promising partners. The members of MERCOSUR saw the EU as an institutional model and the EU saw in MERCOSUR a regional project ‘similar’ to itself. Since its foundation the EU has actively supported MERCOSUR’s further development by providing technical assistance. Professor Sebastian Santander (Liège University) stressed the incentives for the EU to strengthen relations with South America and to have MERCOSUR consolidate itself as a unified actor, able to play a bigger role in international relations. The idea of open regionalism, both outward oriented and compatible with globalization, is an important point in the development of the relationship.



Prof. Dr. Ramon  
Torrent

To strengthen interregional ties the 1995 EU-MERCOSUR agreement consolidated a framework for cooperation covering political, economic and cultural exchange. However, according to Professor Ramon Torrent (University of Barcelona), this was largely an ‘empty agreement’ without significant meaning. To date, a more substantial association agreement between the EU and MERCOSUR has still not been agreed upon. With both negotiators and academics participating in the conference panel, the development and strategy of negotiations between the two regional blocs were assessed from different perspectives.

### *The EU-MERCOSUR Association Agreement*

The first steps towards an EU-MERCOSUR Association Agreement were taken in 1999 with the aim to deepen interregional relations, and in first instance stimulate trade and investment flows between the two regional trade blocs. Initial progress was achieved in various areas ranging from human rights, combating drug-trafficking, modernization of public administration and sustainable development. In 2001, negotiations entered into a second phase when tariffs on trade were discussed. Again, substantial progress was booked and in 2004 a first full proposal seemed close, but negotiations stalled over EU agricultural subsidies and MERCOSUR’s tariffs on industrial products and the service sector. The EU-MERCOSUR trade negotiations are closely related to the WTO Doha negotiations on trade, which also reached a deadlock. In this light, after the first EU-Brazil Summit in 2007, both partners stated their willingness to revitalize negotiations

and ‘*deepen region-to-region economic relations*’. The 2008 EU-Brazil Joint Action Plan underlined the need to ‘*strengthen the regulatory and industrial dialogue*’ and ‘*help overcome unnecessary obstacles to trade*’. At the 2010 EU-Latin American and Caribbean summit in Madrid, the EU-MERCOSUR Association Agreement was put back on the agenda, and a new round of negotiations has been launched in March 2012. The next round is scheduled to take place in Argentina, which currently holds the rotating MERCOSUR chair. The expropriation of oil company YPF by Argentina has been a cause of concern to the EU, in particular Spain, and might have implications for further negotiations (see *supra*, 2).

Against this background, several speakers underlined the obstacles faced by the EU and MERCOSUR negotiators. On the EU side, the accession of new member states affects the relationship. Most East European countries do not have a political interest in Latin America. More importantly, the potential negative impact a trade agreement with MERCOSUR could have on the European agricultural sector largely explains opposition within the EU. There have also been relevant political evolutions in South America which complicate stronger economic and political ties with the EU. In this respect several observers mentioned how the free trade agenda is being abandoned, as MERCOSUR members and other countries in the region are moving away from neo-liberalism and taking measures to protect their economy. The accession of Venezuela to MERCOSUR, which at the time of the conference was close to being realized and blocked only by Paraguay, would pose a significant challenge to the relation with the EU. The presence of Venezuelan President Hugo Chavez complicates a free trade agreement, but also raises the issue of respect for human rights and freedom of expression within the MERCOSUR bloc.



Session IV Q&A

Lastly, the global economic crisis also has a negative impact on the negotiations and poses additional challenges. Professor Santander recalled how the crisis has raised fears within Brazil of a de-industrialization of the national economy. A trade agreement with the EU through MERCOSUR could potentially worsen this situation, as European industrial goods would freely compete with Brazilian goods (see *supra*, 2). It was noted how the current economic priorities of MERCOSUR countries

are more and more incompatible with the EU’s vision. In this climate, a substantial trade agreement seems unlikely.

### ***Interregionalism vs. Bilateralism***

A key question addressed at the conference is how the EU-Brazil partnership has affected EU-MERCOSUR relations. The 2008 EU-Brazil Joint Action Plan reiterates both parties’ commitment towards further development of the MERCOSUR framework, but concerns have arisen as to its undermining effects for the process of regional integration in South America. According to Professor Santander, the partnership has created a ‘bad climate’ between MERCOSUR member states. Arguably, a stronger EU-Brazil relationship

undermines the image of the EU as a regional federator. In South America, the perception is growing of an EU foreign policy pursuing a strategy similar to the US, i.e. based on direct bilateral contacts and no longer supportive of regional integration. By consolidating a strategic partnership with Brazil, the perception has grown that the EU does no longer see MERCOSUR as a positive project inspired by its own integration process. Professor Santander expressly posed the question whether we are moving toward the end of EU-MERCOSUR interregionalism. Considering the long and ineffective rounds of negotiations, Professor Torrent voiced a similar set of concerns: does it make sense to continue with ambitious interregional trade negotiations without having a coherent policy framework, well adapted to the present circumstances? Should the EU continue negotiations with MERCOSUR simply because it is already at the negotiating table? Moreover, several speakers stressed the fact that negotiations are now in the midst of a second attempt; if these fail, conclusions will have to be drawn. Several other questions were raised with regard to the continued relevance of the EU's interregional model of external relations. While abandoning the 'region-to-region' approach could be feasible with regard to other regional blocs, several panelists noted the difficulty of doing this in the case of MERCOSUR, since it already is a customs union. Reverting to bilateral negotiations when interregional negotiations fail is unrealistic, as Brazil or other MERCOSUR members are unlikely to sign substantial bilateral agreements outside the regional framework.

### ***Institutional and Governance Dialogue***

The EU presents not only a model for economic integration but also an institutional model for transnational governance. Despite the difficult negotiations on a trade agreement, panelists underlined there is great potential for a stronger cooperation between Brazil and the EU on issues of regional governance. The term 'cooperation' was advanced at the start of the conference by former Belgian Prime Minister and Professor Mark Eyskens, referring to cooperation on global challenges and competition in the economic field. The EU-Brazil dialogue could further define the possibilities and limits of regional cooperation. To this effect, the 2008 EU-Brazil Joint Action Plan aimed to '*maximise co-operation and exchange of experiences in regional integration questions.*' Regional governance in Europe has widened its scope and covers a broad set of policy fields including social and environmental regulations, cultural and scientific exchange, migration, foreign affairs etc. The EU-Brazil dialogue could also further explore the possibilities of institutional development and accountability at the regional level. The establishment of the MERCOSUR Parliament in 2005 and its further development raises new questions, of academic and practical nature, on the democratic accountability of regional institutions and national representation on the regional level. Exchanges between Brazil and the EU on regional integration are overshadowed by an overarching question: can further regional integration be realized? Are MERCOSUR Member States willing to transfer national competences to the regional level? At the conference there was broad agreement that to this end, exchanging knowledge between academics, policy-makers and other stakeholders on different fields of regional governance seems necessary.



## 4. Impact of Brazil's Cooperation with the BRICS, IBSA and BASIC on the EU-Brazil Partnership

### *Background*

Opening the conference, Prof. Dr. Mark Eyskens stated “Brazil is the embodiment of the dramatic changes that take place in our world”. Besides other emerging powers such as India, China and South Africa, Brazil is expected to become a central force in the future world order. Under the Presidency of Lula da Silva, Brazil's external relations have been re-oriented towards developing and emerging economies, and through active diplomacy it has been instrumental in the formation of several new, largely informal, strategic power formations with other fast growing world economies. Brazil plays a key role in establishing dialogues between the BRICS (Brazil, Russia, India, China and South Africa), IBSA (India, Brazil and South Africa) and BASIC (Brazil, South Africa, India and China). It has hosted a number of summits



Prof. Dr. Mark Eyskens

for these ‘minilateral’ alliances, and at the same time sought to enhance bilateral cooperation with the individual members of these blocs. Brazil's vocal advocacy for the interests of the ‘Global South’ and ability to organize coalitions on international fora has inevitably come into conflict with some aspects of EU foreign policy. For example, the BRICS have opposed international interventions proposed by EU countries at the UN Security Council and the BASIC countries blocked progress on international climate regulation. Furthermore, the aspirations of Brazil, India and South Africa to become permanent members of the UN Security Council present a long-term challenge of crucial importance. These developments have far-reaching implications for EU-Brazil relations, which was illustrated by the many considerations and references to the new power blocs resurfacing throughout the debates and sessions of the conference.

One key aspect under discussion was Brazil's role in the emerging forms of South-South cooperation. According to Prof. Dr. Marco Antonio Vieira (University of Birmingham), different motives are to be found behind these new models of cooperation. First of all, there is the intense attachment to the idea of sovereignty and non-intervention. A second rallying point is the absence of an ‘updated’ global governance. The emerging economies want to reform the international institutions in which most of them, and other developing countries, are poorly represented. Concrete examples are Brazil's efforts to gain a permanent seat in the UN Security Council and its role in reforming the IMF (see *supra*, 2). The third aspect is economic development. The so-called ‘Beijing Consensus’ is sometimes said to have replaced the ‘Washington Consensus’ and becomes increasingly influential in the BRICS and in Africa. Arguably, the Chinese model of development has surpassed the western one in these countries. Finally, the last aspect characterizing these models is the resistance to the universal appeal of western values. More specifically, China strongly challenges western dominance and the idea that human rights should be universally applied. In this respect, Brazil clearly distinguishes itself from the other

emerging powers as it embraces democratic values and has not consequently challenged the universality of human rights in favor of the principle of national sovereignty.

Besides these common ideas, South-South cooperation is also supported by increasing economic ties. As indicated above, between 2001 and 2010, Brazilian exports to China and imports from China have increased more than tenfold, making China the biggest importer of Brazilian goods. Brazil's trade flows with India and South Africa have also seen a steep rise in the last decade. Economic ties have resulted in closer bilateral cooperation; in 2010 Brazil signed strategic agreements with China. The initiative for the IBSA Forum was launched in 2003, and a 'Strategic Alliance' with Russia was signed by President Putin and President Lula da Silva in 2005.

The creation of new informal power formations is seen as a major shift in global geopolitics and international relations. A series of questions concerning the nature of BRICS, IBSA and BASIC, Brazil's role in them, and the implications for EU-Brazil relations, were discussed.

### ***BRICS, IBSA and BASIC: What Kind of Coalitions?***

The BRICS cover 30% of the world's surface, 42% of the global population and 20% of the global economy. While they converge on several issues, most notably the reform of the global financial system, several speakers stressed how this remains a very diverse group faced by a number of conflicting interests. None the less, its members have signed several bilateral or multilateral agreements, and four BRICS high-level summits have been held since 2009. The latest meeting in March 2012 resulted in the Delhi Action Plan, which consolidates the BRICS dialogue. An element which brings together and at the same time makes the further development of the BRICS as a collective improbable is the clear emphasis on national sovereignty. China is the driving force, carrying most of the group's economic, political and demographic weight. On the other hand, South Africa, which joined in 2011, is the smallest and least significant member. It was noted how it was 'adopted' by the BRIC to have an African presence and to give the bloc a more global appearance.



Professors **Erico Duarte, Marco Antonio Vieira, Stephan Keukeleire, Salem H. Nasser and Tanguy Struye**

The IBSA group presents a different model of international cooperation as it includes three diverse democratic societies. India, Brazil and South Africa officially established the 'IBSA Dialogue Forum' in 2004. Their foreign ministers meet annually and a number of trilateral official consultations have taken place at lower levels. The IBSA Forum also facilitates exchanges amongst Indian, South African and Brazilian academics, business leaders, and other members of civil society. IBSA focuses on three pillars of cooperation: (i) reform of the UN Security Council and WTO negotiations, (ii) fostering trilateral cooperation on particular areas and projects through working groups and (iii) funding development in other developing countries through the IBSA Facility Fund, managed by UNDP. Despite these initiatives, IBSA remains largely informal and has no permanent secretariat.

The BASIC group was formed in preparation of the 2009 Climate Summit in Copenhagen. Brazil, India and China agreed to coordinate closely and, if necessary, leave the negotiations collectively. The BASIC countries have played key roles in the G77 for decades and this experience enabled them to represent a relatively coherent opposition to the efforts by industrialized countries to impose an obligation for greenhouse gas emission reductions on emerging economies.

### ***EU Foreign Policy: Engagement or Divide and Rule?***

Brazil has shown itself to be a pragmatic and adaptable player on the world stage. It is able to be an interlocutor for both developing countries as well as developed countries, a position that could become increasingly important in the EU-Brazil relationship. Recently, the emergence of the BRICS has been increasingly recognized in the EU. In an assessment of the EU's objectives and strategies towards the BRICS countries, European Parliament Rapporteur Saryusz-Wolski observed that the *"EU's vision and the BRICS countries' vision with regard to binding commitments and institutionalized regimes may not necessarily always be the same."* In spite of these differences the EU needs to *"formulate its position regarding a closer relationship with the BRICS"* and *"play a major role in the global power transition as a promoter of partnership and inclusive governance."*<sup>14</sup>

A key question raised at the conference was whether the EU should consider the new power blocs as single entities, or maintain a bilateral approach and consider each of the concerned countries separately. A number of speakers argued that the EU should continue to develop bilateral relations with these emerging powers, but should not recognize the informal structures such as BRICS, IBSA and BASIC. According to Professor Tanguy Struye (Université catholique de Louvain), approaching them as an entity would directly affect the EU's agenda-setting power on the world scene. Professor Struye and some other speakers maintained that a 'divide and conquer' strategy would be more beneficial to EU interests. Considering them as well-defined groups is problematic given the strong cultural fragmentation between the different countries. Secretary General Vimont recalled that the EU has faced a similar challenge before, when interacting with the G-77 bloc of developing countries, and suggested that to a certain extent each of these countries should be looked at along its own merits and specificities. A crucial question in the development of a coherent policy presents itself: how serious or 'real' should these new power formations be taken, considering they are still largely informal, loose coalitions without a clear structure or agenda? Professor Salem Nasser (São Paulo Law School of Fundação Getulio Vargas) underlined the serious and very significant impact which these formations are already



**Dr. Salem Nasser**

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<sup>14</sup> European Parliament (2012) 'Report on the EU foreign policy towards the BRICS and other emerging powers: objectives and strategies' Committee on Foreign Affairs, Rapporteur: Jacek Saryusz Wolski.

having, exemplified currently by their conservative position on the conflict in Syria. Not recognizing the existence of BRICS, IBSA or BASIC will not affect the influence they already have. Despite these different views, the panelists largely agreed EU policy should take into account the more general evolutions behind these informal power formations, and adapt its position to an increasingly multipolar world order.

### ***Implications for EU-Brazil Relations***

The rise of new power coalitions and Brazil's emphasis on South-South relations present an undeniable challenge to EU-Brazil relations. In analyzing Brazil's current position towards the EU and its priorities concerning partnerships with other global powers, several speakers observed that Brazil's foreign policy remains ambiguous. A key issue in this respect is whether Brazil's relation with other emerging economies is becoming more relevant than its partnership with the EU. Professor Vieira argued that the EU is no longer an attractive player for emerging economies, as exemplified by Turkey's changing position towards Europe. This raised a larger question; is the EU badly managing its decline in international relations? Regarding Brazil, it has been argued that the 'EU-Brazil Strategic Partnership' lacks political willpower, and the EU has not succeeded in developing a coherent strategy towards its main Latin American partner.<sup>15</sup> Moreover, the lack of progress on an EU-MERCOSUR agreement, or a possible bilateral EU-Brazil trade agreement, contrasts sharply with Brazil's booming trade relations with Asia and its interest in South-South cooperation.

Although many question Brazil's commitment to developing a strong alliance with the EU, a number of speakers noted that there are significant potential benefits for Brazil in its partnership with the EU, benefits which are of greater importance than any partnership with other BRICS or emerging powers. In this regard, Professor Erico Duarte (Universidade Federal do Rio Grande do Sul) observed that the EU needs to create more interest among Brazilian society and its political elites, as there is a lack of knowledge about Europe in Brazil. Professor Nasser further reiterated that Brazil has close cultural ties and a shared identity with Europe, which it does not have with the other BRICS countries. The need for more intense society-to-society and people-to-people exchanges



**H.E. Frans Baron van Daele**

between the two partners was flagged by several speakers. Furthermore, the role of the EU-Brazil partnership in international relations could also further be strengthened through trilateral cooperation. Secretary General Vimont touched upon the opportunities of trilateral initiatives on such issues as sustainable development and democratic assistance in, for example, Portuguese speaking African countries.

Looking at the broader scope of international relations, the EU's and Brazil's shared commitment towards a stable and rule-based multilateral system is a strong binding factor. At the conference's evening session in the Fondation universitaire, H.E. Frans

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<sup>15</sup> See S. Gratius (2012) 'Brazil and the European Union: between balancing and bandwagoning' European Strategic Partnerships Observatory (ESPO), Working Paper nr. 2,

Baron van Daele, Head of Cabinet of the President of the European Council, highlighted this issue. He noted that both the EU and Brazil have been constructive and prominent players in reforming and retooling global governance institutions. While in the short term this might imply a loss of influence for European nations, in the long term the establishment of a functional and stable world system is in everyone's interests. He underlined that the EU remains dedicated to the formation of a 'new multilateralism' in which Brazil is expected play an increasing role and assume greater responsibilities. This complex transition, H.E. Frans Baron van Daele noted, presents a learning process to both Brazil, the EU and all other members of the international community.

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