



# Improving prospects for the Brazil-EU strategic partnership

**Michael Emerson is Associate Senior Research Fellow at the Centre for European Policy Studies (CEPS), Brussels**

**O**ver the past year a group of independent Brazilian and European researchers have worked together to assess the scope for enhancing the 'strategic partnership' between Brazil and the EU. The project researched in some depth five topics of undoubted strategic significance: global macroeconomics, trade policy, climate change, norms of foreign and security policy, and continental regionalism. The group's report is about to be published<sup>1</sup>.

The strategic partnership is a thoroughly institutionalised diplomatic process, covering a vast landscape of political and economic issues. However many observers consider that it is lacking in truly strategic focus and operational impact.

In its conclusions the report of the group concentrates on two sets of issues of outstanding strategic importance for the Brazil-EU relationship, the nexus macroeconomic and trade policy issues, and issues of international diplomacy at the global level.

## **The economic relationship**

There seem to be winds of change blowing through Brazilian economic policy thinking, to judge by press reports in August 2013 that Brazil was preparing a new trade policy offer to the EU. While details of this are not yet available the broad direction in what has been reported is one we welcome, namely that Brazil would make an offer that would be differentiated from that of its Mercosur partners.

The EU and Mercosur have been trying to make a free trade agreement for years, but these have foundered on a combination of obstinate EU protectionism for some key agricultural products for Mercosur like beef and the reluctance of Mercosur industrial interests to open up. Negotiations started in 1994, were suspended in 2004, and resumed in 2010, with the end of 2013 now set as target date for a fresh exchange of offers.

However three factors have now become important reasons why Brazil should want to make a change of tack. First, while the Doha Round for WTO-level trade liberalisation is stuck in a deep coma, Brazil with Russia are the only big economies in the world that are not as yet inserting themselves into some major trade block or networks. The Asians are doing it

together. The US is doing it with much of Asia and now with the EU. The EU is doing it also with Japan, India and other Asian countries. Brazil for its part does not want to become an increasingly commodity-dependent economy, with uncompetitive industry – as is already the case with Russia. But Brazil has the highest average tariff levels of all major economies, which sustains its uncompetitive industries.

The second related factor is that Brazil's economy has been slowing after the fabulous commodity price boom of recent years, and a new growth impetus is needed – as has been underlined by the manifestations of social unrest in the summer of 2013.

The third factor takes us back to Mercosur. The chances of this grouping being able to make a genuine liberalising offer to the EU are stymied by the highly idiosyncratic and protectionist policies of its second largest economy, Argentina. As if this was not enough, Mercosur has recently admitted Venezuela as a new member, and its economic policy has for years been and still is both disastrous and protectionist. Brazil has long regarded Mercosur as keystone of its diplomatic priority to have stable and positive relations with Argentina. But now the Mercosur blockage factor has now come to be recognised to be a negative of strategic importance for Brazil.

This combination of factors has combined to push thinking for Brazilian policy in new directions, both in academic and official circles. The academic papers in our book suggest a number of possible approaches, given also that the EU for its part does not wish to do anything to harm the prospects for regional cooperation ventures in Latin America. The main argument is for an EU-Mercosur agreement to have a very limited Mercosur content, with some tariff provisions, but leaving the bulk of non-tariff barriers to bilateral agreements, notably with Brazil. The tariff provisions might have a differentiated speed of implementation, for example faster for Brazil and slower for Argentina. This would mean that the already imperfect customs union of Mercosur would become a little more imperfect. But still the Mercosur structure would not be abandoned.

The Mercosur countries have to come to terms with the fact that they, the Atlantic-facing states of South America,

are also now falling behind the Pacific-facing states such as Chile, Colombia, Peru, and (facing both ways) Mexico. These Pacific states are both liberal and open in their trade policies and are advancing economically rapidly to the point that they have now achieved informal brand recognition as the 'Pacific Pumas'. If Argentina and Venezuela are going to take more time to come to terms with these realities, Brazil for its part cannot afford to be held back by them.

If Brazil manages to make an attractive offer to the EU, the ball will be back in the court of the EU to work out how far it can go in meeting the requests on Brazil (and Mercosur side in general) for significant liberalisation in agriculture, especially beef. This will not be easy on the EU side, but at least a plausible negotiation process will be launched.

### **Diplomatic relations on global issues**

Here the outlook for the Brazil-EU strategic partnership is rather positive or promising. Both parties are keen to explore ways to shape better consensus at the global level on issues of crucial importance, and at least to try and build bridges between North and South, or between the West and the Rest.

Climate change policy is already a domain of deliberate cooperation over international negotiations at the UN level. Brazil has taken impressive steps to arrest deforestation of Amazonia and the EU has been pioneer in emission control and trading mechanisms. The two parties have worked together at recent UN climate change summits to try and shape convergence and progress at the global level. Of course there is no victory to be declared, but the two parties are doing their best to work together.

**“... the outlook for the Brazil-EU strategic partnership is rather positive or promising. Both parties are keen to explore ways to shape better consensus at the global level on issues of crucial importance”**

Equally difficult, but also interesting at the Brazil-EU level, is the totally different domain of international humanitarian security norms. The EU has been an advocate of the 'responsibility to protect' norm endorsed by the UN. Britain and France invoked this principle to justify the military action intervention in Libya in 2011. However this led to strong objections by China and Russia, and here Brazil tried to conciliate, proposing a Responsibility while Protecting principle to the UN as a way maybe to reconstruct global consensus. This has hardly borne fruit as of now, with new military intervention in Syria seeming to be imminent at the time of writing, with even sharper divisions over this among the five permanent members of the UN Security Council. However the point here for Brazil-EU relations is that constructive dialogue over crucial normative aspects of the world order is well worth doing, and the two parties are equally concerned to try and find ways ahead. ■

1. Michael Emerson and Renato Flores, editors, *Enhancing the Brazil-EU Strategic Partnership – from the Bilateral to the Regional and Global*, published by CEPS, Brussels, in collaboration with the Getulio Vargas Foundation, Rio de Janeiro. This will be available in the course of September 2013 freely on line at [www.ceps.eu](http://www.ceps.eu), as well as purchasable as a printed book. The book includes chapters on trade and economic policy aspects by Renato Flores, Daniel Gros, Patrick Messerlin, Vera Thorstensen and Alfredo Valladao, but this short article cannot do justice to all their arguments.