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Strategic Partnership between the European Union and Brazil
Economic and Energy Cooperation

Abstract

The EU–Brazil Strategic Partnership established in 2007 was the result of a long process. Within the framework of the Strategic Partnership the negotiations were carried out in three levels, between the Union and Brazil, the EU and Mercosur, and Brazil and the Member States of the Union. From the several important objectives specified at the yearly organised high-level summits the paper emphasises two areas, the economic and trade cooperation, and the energy cooperation. In the past thirteen years significant improvement could be experienced in both sectors.

Keywords: Brazil, European Union, Strategic Partnership, energy, biofuel

Absztrakt


Kulcsszavak: Brazília, Európai Unió, Stratégiai Partnerség, energia, bio üzemanyag

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1. Introduction

The Strategic Partnership between Brazil and the European Union was established thirteen years ago, but its antecedents reach back to the 1960s when the South American state first established diplomatic relation with the European Economic Community. However, the intensive relationship between Europe – Spain and Portugal in the first place – and the Latin American region dates far back. The colonial era has left a mark on the economies of the countries in the region to this day, however, their development curve no longer depends on the mother countries but varies according to world economic trends.

Thanks to the economic recovery that began during Lula da Silva’s presidency, Brazil became an increasingly global player. In addition to its economic and energetic advantages, the strategic partnership concluded with the European Union had important political significance as well, because with this the EU acknowledged the regional leader role of the South American state and the possibility for it to become a determining global factor.

The essence of the strategic partnership cannot be defined easily. In addition to forging closer ties, in practice this usually means higher level summits between the EU and the partner country. As an EU-diplomat said, the strategic partnership is ‘like love – no one can define it. You only know what it is when you experience it.’

In this study I present the strategic partnership between the European Union and Brazil from its historical background to its inception, furthermore, the measures taken in the partnership primarily from Brazil’s point of view. Finally, I will detail the two most effective areas, the economic and trade cooperation, and the energetic cooperation in the field of science and technology.

2. Antecedents

The cooperation between Brazil and the predecessor organisation of the European Union started in the 1960s. Brazil was among the first to establish diplomatic relation with the European Economic Community in 1960. It continued to seek to deepen its cooperation with Europe, including signing a treaty with EURATOM in 1965, the essence of which was to ensure the peaceful uses of nuclear energy. In the 1970s mostly bilateral economic agreements were dominant between the South American country and the European Economic Community. Due to the general Latin American crises of the 1980s these bilateral initiations decreased and started again from 1993, after the establishment of the European Union. The interest of the European organisation in Latin America strengthened because of the accession of Portugal and Spain (1986), and because various countries of the Latin American region (partly due to

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the general economic crises of the 1980s) returned to the path of democratisation. In the 1990s, however, the EU’s primary partner in South America was not Brazil but the newly formed Mercosur.\(^4\) It is important to note though that within the South American Common Market, the leading role belonged obviously to Brazil, and the country’s leadership sought to take advantage of its position to improve its relations through the organisation with the European Union.\(^5\) The cooperation that took place in the last decade of the 20\(^{th}\) century was, in fact, a political dialogue between Brazil and the EU regarding organised crime, terrorism, climate change, the fight against poverty and renewable energy sources.\(^6\)

The most important change in the development of cooperation between the European Union and Brazil began with the new millennium. One of the main reasons for this is that in the early 2000s, the role of developing countries in international trade showed an increasing growth trend. However, until 2004, Brazil was not on the list of potential strategic partners of the Union, as the South American economy was in a very difficult situation in the late 20\(^{th}\) and early 21\(^{st}\) centuries. Following the East Asian economic crisis, the Brazil real lost its value, and finally the country had to turn to the IMF, from which it received a 30 billion dollars aid package in 2002.\(^7\) Brazil managed to stabilise its economy by encouraging foreign direct investments, and several Brazilian corporate enterprises got a foothold in international markets, making the South American state a global player in trade policy. The economic boom took place during the presidency of Lula da Silva, elected in 2003.\(^8\) The onset of growth also triggered a change in the relationship between Brazil and the European Union. A framework agreement on science and technology was signed at the beginning of 2004, and negotiations on expanding bilateral relations began a year later.

### 3. Strategic partnership

Brazil and the European Union signed a *Strategic Partnership Agreement* in 2007, in Portugal, from where Brazilian territories had been ruled during the colonial era. The main points of the document included the fight against poverty, climate change, furthermore the protection of the environment, and the issue of sustainable energy supply. For the EU, Brazil – now the leading power in the South American region – was

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\(^4\) Despite the fact that Brazil was the first country with which the EU signed a *Framework Agreement for Cooperation* (1992). A strategic framework agreement was signed with the South American Common Market later, in 1995. István Szilágyi, ‘The European Union and South America,’ in *Regional and Bilateral Relations of the European Union*, ed. by Zoltán Gál és Anna Molnár (Budapest: Dialóg Campus, 2019), 194.


\(^8\) Ibid.
attractive because of its huge internal market and significant natural resources. It is not a negligible fact that the Portuguese presidency managed to carry all this through, and it is also important to emphasise that the intensity of relations has really increased since 2004, when José Manuel Barroso, also of Portuguese descent, became the President of the European Commission. At the same time, the strategic partnership has another important significance, namely that with this the European Union has formally recognised Brazil’s development and regional leadership, treating it as a major global player.

The first Joint Action Plan was issued in December 2008, addressing multilateral issues such as the promotion of disarmament of weapons of mass destruction, the fight against terrorism, the promotion of international peace and security, the fight against organised crime and corruption, and the protection of human rights. Furthermore, it has also been extended with the scope of sustainable development, investment, trade, and nuclear energy. One of the most important issues was renewable energy. Both Brazil and the European Union considered the support for renewable energy developments essential to achieve greater energy security and to promote sustainable development. To this end, the aim was to support low-carbon technologies such as nuclear research and guarantee nuclear safety, as well as to encourage developments in the field of biofuels.

Although the Strategic Partnership was initially welcomed by both parties, the economic crisis that began in 2008 and its aftermath, which severely affected the European Union, pushed relations with Brazil into the background. Brazil was not hit as hard as the states of Europe by the 2008 economic crisis, for a number of reasons. On the one hand, Brazilian economy was affected by the crisis after a period of economic boom, and on the other hand, the banking sector was partly independent of international markets, so that the indebtedness of the population and companies did not become unmanageable. For the South American state, ‘the crisis thus came’ from outside ‘primarily in the form of shrinking export markets and the withdrawal of foreign companies and profit withdrawal’. In the aftermath of the crisis, Brazilian foreign trade turned to China instead of the United States and Europe, and also strengthened its relations with Russia, India, the Arab Gulf countries and South Africa.

Partly due to the negative effects of the economic crisis one can state that no decisive progress can be found in the development of relations between Brazil and the European Union.
European Union until the end of Lula's presidency. There were only high-level meetings every year, the main topics of which were the most general issues affecting the international system, such as energy security, sustainable development, environmental change and the consolidation of democracy and the rule of law. Meanwhile, Brazil's interest has turned much more towards the BRICS countries and the G20. Among other things, the fact that during his second presidency, one of Lula-led Brazil's main foreign policy goals was to include Brazil as a permanent member of the UN Security Council and to strengthen its global influence played a role in pushing the strategic partnership into the background.\(^{16}\)

Under Dilma Rousseff's presidency, even fewer results were achieved in the framework of the Brazil–EU strategic partnership. The second Joint Action Plan, signed in 2011, did not bring much novelty either; it focused on previous general, multilateral issues such as the protection of the environment, human rights, and the maintenance of international peace. However, progress was made in science, the support of international exchange programmes between Brazil and the EU were included in the action plan. No summit was held in 2012, and then the next two years focused on economic interests and sustainable development.\(^{17}\) Brazil's domestic political problems also played a major role in the loosening of relations. Under Rousseff's government, the Brazilian economy began to decline, driven by falling commodity prices and the 2014 FIFA World Cup, the cost of which exceeded 11 billion dollars\(^{18}\) and 'put a significant strain on the budget at a time when the economically more favourable years had already passed'.\(^{19}\) In May 2016, Dilma Rousseff was removed from office by the senate on the charge of 'illegal redeployment between budget lines'\(^{20}\) and was replaced by the vice president Michel Temer. Temer changed Brazil's previous foreign policy and expressed his intentions to strengthen economic relations with the USA, Japan and the European Union again.\(^{21}\) Brazil's interests met with that of the European Union again in 2016, and the EU’s Global Strategy, published in the same year, also included improving relations with Brazil.\(^{22}\)

The next election was won by Jair Bolsonaro, who steered Brazil's foreign policy into a different direction once again. While close ties with South American states had played an important role in the Brazilian foreign policy in the past, Bolsonaro sought to strengthen links with the United States. He promoted liberalisation in his economic policy, which helped the European Union conclude a free trade agreement with the South American Common Market.\(^{23}\) Therefore the most important progress in the EU–Brazil relationship happened in 2019. On 28 June, the European Union

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\(^{17}\) Ibid.,10–11.

\(^{18}\) Mónika Szente-Varga, 'Brazília az olimpia előtt' [Brazil before the olympic games], Nemzet és Biztonság 3 (2016), 121.

\(^{19}\) Ibid., 122.

\(^{20}\) Annamária Artner, 'Brazília korunk világrendszerében' [Brazil in the world system of our time], Statistikai Szemle 97, no 1 (2019), 36.


\(^{22}\) Poli, 'European External Actions', 2.

signed an agreement with the South American Common Market, which reinforced the close political and economic ties between the two parties. Besides trade and economy, another successful area of EU–Brazil relations is the issue of science, technology as well as energy security and supply, particularly biofuels. These areas are detailed below.

4. Economic, trade interests

One of the defining points of the strategic partnership is economic cooperation, which is important for both parties. The trade between Brazil and the EU more than doubled between 2003 and 2018.24 Besides, in 2018 the European Union was Brazil's second biggest trade partner after China (in the case of the European Union Brazil ranked the 11th in 2018).25 In terms of foreign direct investments, Brazil was the most important destination for the EU member states' investment in Latin America.26 In addition, the importance of Brazil in trade between the EU and Latin America is well exemplified by the fact that this country accounts for 30.8 per cent of total EU–Latin American trade (2016).27 Most of the Union's imports from Brazil come from primary products such as food, beverages, tobacco and minerals. Brazil is the Union's largest exporter of agricultural products. The South American country primarily imports machinery, equipment, chemical products, and transport equipment from the EU.28 This is why the agreement concluded with Mercosur in 2019 is of significance. This promises to be mutually beneficial, as the European companies can gain important benefits in a market with significant economic potential, while for Mercosur member states, this cooperation can bring about economic reform and modernisation.29

5. Energy cooperation within science and technology cooperation

This area is another successful part of the relationship between the European Union and Brazil. Strengthening the energy cooperation between the two parties had already played an important role when concluding the Strategic Partnership, especially regarding biofuels. It is already stated in the 2007 document that the EU will seek to increase energy efficiency cooperation with Brazil.30 The first energy negotiations took place within the framework of the Strategic Partnership in November 2009,

24 ‘European Union,’ Ministry of Foreign Affairs, Brazil.
26 ‘European Union.’
27 ‘Countries and regions’; ‘European Union.’
28 ‘Countries and regions.’
30 Communication from the Commission, 7–8.
when general principles were formulated, such as the need for regular exchanges of experience, technological consultations, and priority was already given to renewable energy (including biofuels) and energy efficiency.31 A brief overview of the Brazilian energy market is needed in order to examine the energy agreements between the European Union and Brazil.

Brazil, the largest and most populous state on the South American continent, is the eighth largest consumer of energy in the world and the third largest consumer in America after the United States and Canada (2017). Furthermore it is the ninth largest consumer of oil and other liquid fuels in the world and third largest energy producer (after the USA and Canada) of the American continent with 3.36 million barrels per day (2017).32

Brazil has favourable conditions regarding energetics, with significant reserves in both renewable and non-renewable energy sources. This further strengthens its regional leadership in the South American region. The importance of Latin America’s largest state in the energy sector is well illustrated by the fact that according to 2018 year-end data, it has the second largest proven oil reserves in South America after Venezuela (13.4 billion barrels),33 and ranks third in terms of natural gas after Venezuela and Peru.34 Crude oil and natural gas together account for 57 per cent of Brazil’s energy consumption (2017).35 In addition to hydrocarbons, hydropower is hugely significant in Brazil, supplying 28 per cent of the country’s primary energy consumption in 2017. Brazil accommodates the world’s second largest hydropower plant, the Itaipu Dam, built in 1984 on the Paraná River, on the border of Brazil and Paraguay. The remaining 15 per cent of energy consumption was divided between other renewable energy resources (8 per cent), coal (6 per cent), and nuclear energy (1 per cent).36

The EU–Brazilian cooperation is facilitated by the significant overlaps in the energy policies of the two parties. An important point in the energy policy of both the European Union and Brazil is to build a sustainable energy system, which is why they put huge emphasis on renewable energy research.37 Brazil with its significant energy reserves is regarded as an attractive partner by the EU, which covered more than half of its energy needs from import in 2018 (58 per cent).38 The issue of energy security, which can be implemented within the framework of scientific and technological cooperation, also played an important role in the Joint Action Plan for the period 2015–2017 adopted at the 2014 meeting.39 Undoubtedly, the

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31 Carolina Guimarães and Nadine Peifer, ‘Brazil: (Future) green energy power and strategic partner for the EU?’ Comparative European Politics 15, no 1 (2017), 8.
34 ‘Brazil,’ Independent Statistics and Analysis. Ibid.
35 Ibid.
36 Ibid.
37 Todd and Carvalho, ‘Brazil – A New Global,’ 181.
38 ‘From where do we import energy and how dependent are we?’ European Commission. Available: https://ec.europa.eu/eurostat/cache/infographs/energy/bloc-2c.html (04. 05. 2020.)
strongest cooperation between the two parties developed in the field of biofuels. Brazil already has more than four decades of experience in biofuel production. As early as the 1970s, the first attempts to produce sugarcane-based fuel began. Today Brazil is the second largest biofuel producer in the world after the United States (2018).\textsuperscript{40} In Brazil, biofuel production is mainly concentrated to the southern parts of the country, especially in and around São Paulo. One of the biggest advantages of Brazilian biofuel compared to the North American is that it is much cheaper to produce, thanks to the favourable climate and the fact that Brazilians have tried to plant varieties of sugar cane that can withstand infections. Furthermore, the combined presence of relatively well-developed infrastructure and cheap labour is an even greater advantage.\textsuperscript{41}

The mentioned Action Plan focused on renewable energy, as it was given a major role in increasing access to energy and reducing poverty. Therefore, the EU works to further develop its relationship with public, small, and medium-sized enterprises in these sectors.\textsuperscript{42}

Unfortunately, after 2014, there was no further summit between Brazil and the European Union, nor was the Action Plan adopted in 2014 followed by a new one. The Brazilian economic crisis and the political scandals, including the imprisonment of Lula and the replacement of Dilma Rousseff, played a crucial role in this. However, the EU–Mercosur agreement signed in June 2019 gave a new impetus to the trade in biofuels. Under the agreement, the EU will import 650,000 tonnes\textsuperscript{43} of ethanol per year from the countries of the South American Common Market. Most of these exports will be covered by ethanol from Brazil. From the aforesaid quantity, 200,000 tonnes of ethanol will be sent to the European Union as fuel, while the remaining amount will be used by the EU for chemical purposes.\textsuperscript{44}

6. Summary

The strategic partnership between Brazil and the European Union established in 2007 was the result of a long diplomatic process. Brazil was able to successfully emerge from the deep economic crisis of the late 1990s and early 2000s and began to become an increasingly global player under Lula’s presidency. The strategic partnership partly served as a political reinforcement of this. The high-level meetings covered a number of important issues, not only in the two regions, but also internationally, such as promoting the disarmament of weapons of mass destruction, the fight against organised crime and corruption, ensuring a sustainable energy supply, and protecting

\textsuperscript{40} ‘Leading countries based on biofuel production in 2018,’ Statista. Available: www.statista.com/statistics/274168/biofuel-production-in-leading-countries-in-oil-equivalent/ (03. 05. 2020.)


\textsuperscript{42} ‘7th EU-Brazil,’ 10.

\textsuperscript{43} Javier Rico, ‘La UE rebaja la entrada de etanol desde Mercosur a unas cuotas inasumibles para la industria europea.’ Available: www.energias-renovables.com/biocarburantes/la-ue-rebaja-la-entrada-de-etanol-20190701 (04. 05. 2020.)

\textsuperscript{44} Rico, ‘La UE rebaja.’
human rights. One of the most important areas was still the economic, trade and energy agreements between them. The economic crisis that began in 2008 hit the EU countries hard, so they were much more preoccupied with their internal concerns, and Brazil’s attention turned to developing countries within the so-called South–South Cooperation. During Michel Temer’s presidency, improving relations with the Union were given a new role, coinciding with the EU’s Global Strategy, which also states that the European Union must improve its relations with its former strategic partners, including Brazil. However, this was offset by a significant deterioration in Brazil’s economic indicators for the second half of the 2010s (compared with a steady increase in GDP in previous years, it decreased by 3.54 per cent in 2015 and 3.3 per cent in 2016),\(^45\) the unemployment rose significantly, from 6.6 per cent in 2014 to 11.6 per cent in 2016 and to 12.82 per cent in 2017,\(^46\) besides that in 2016 the inflation exceeded 10 per cent), which created further social and political tensions within the country, and the Union also faced crises such as the 2015 migration crisis.

The two most successful areas of the strategic partnership are economic and trade agreements and, within science and technology, the energy sector. For Brazil, the EU is one of the most important trading partners, with trade more than doubling since 2003. Most of the foreign direct investment from EU countries is also destined for Brazil. The most important result of the strategic partnership is the EU–Mercosur Free Trade Agreement concluded in June 2019, which promises economic reforms and modernisation for the member states of the South American Common Market (Argentina, Brazil, Uruguay, Paraguay). A deepening economic relationship would be of high priority to Brazil, as it could lead to an improvement in employment, which in turn could raise living standard within the country.

For the EU, which supplies more than half of its energy needs from import, Brazil, with its significant reserves, can also be a promising partner. Renewable energy research, particularly biofuels, will be given high priority in the Joint Action Plans. The South American country is the second largest producer of biofuels in the world, and the aforementioned agreement with Mercosur concluded in 2019 will also boost this area between the EU and Brazil, as most of the ethanol imported by the EU from Latin America comes from Brazil. The importance of South America in the energy sector is also shown by the fact that the global R / P (reserve / extraction) ratio for crude oil in the world is the highest here, 136 years (2018).\(^47\) The above value also confirms that the Latin American region has significant reserves, however, current production rates are much lower (about one-fifth of crude oil production in 2018)\(^48\) than in the Middle East region, which has the largest oil reserves in the world. In the long run, however, this could even be favourable for South America.


\(^{47}\) BP Statistical Review, 15.

\(^{48}\) Ibid., 16.
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