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The Diplomatic System of the European Union

Evolution, change and challenges

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11 The EU and Brazil in a changing world

Strategic partners or competitors?

Sebastian Santander

Introduction

Since the bipolar world came to an end, the European Union (EU) has been seeking a global strategy on Latin America (L.A.). From the outset, Europe's strategy has been notable for its steady support for regional groups in L.A, resulting in the development of interregional relations like those established with the Southern Common Market (Mercosur), set up in 1991 by Argentina, Brazil, Paraguay and Uruguay, and enlarged since 2012 to include Venezuela. Nonetheless, over the last few years, the EU has been looking to intensify individual relations with states and to form links with so-called 'emerging' powers, with which it is eager to sign 'strategic' partnerships. This strategy has an impact on the EU's relationship with L.A. Indeed, the European Commission communication of December 2005 proposes to encourage relations with countries that are viewed as 'key States' in L.A. In July 2007, this approach led to the 'Strategic Partnership' (SP) with Brazil and the development of a selective political dialogue with that country. Yet this raises a specific question. After so many years trying to develop regional bloc-to-bloc relations with Mercosur, why is the EU so interested in forging direct and regular relations with Brazil outside the interregional channel? In an attempt to answer that question, this chapter aims, first, to place the SP in context within the broader framework of the EU's strategic diplomacy towards L.A. Second, it identifies the factors that drove the EU to change its L.A. policy and set up a SP with Brazil. Third, it analyses the viability of this partnership by assessing the question of the EU's strategic importance for Brazil and the question of the capacity of European and Brazilian actors to draw up a common agenda and thus to work hand in hand on major international political issues. The chapter also focuses on the effects of the Lisbon Treaty's implementation on the diplomacy in this relationship.

From Mercosur to a selective relationship with Brazil

Since the early 1990s, Mercosur's regional integration had played a special role in the relationship developed by the EU with the continent of L.A as a result of the political, economic and institutional expectations that Mercosur had created

among the EU institutions as well as European business and media. From December 1995, the date when the Union invited Mercosur to sign the framework agreement on interregional cooperation, the parties set up regular and institutionalised contacts. They also launched a political dialogue to express any views on which there is a convergence of opinion and interests in the international bodies and multilateral organisations. Last, they paved the way for ambitious free-trade negotiations with a view to the eventual signing of a trade agreement that would include issues and compromises that go beyond those covered and included in the framework of the WTO.

The EU/Mercosur interregional framework had evolved into a forum, from which the Union could talk to the South American group's member states. An inter-institutional structure, actively encouraged by the European Commission, was set up. Through this structure, the two blocs' various bodies had developed inter-ministerial, inter-diplomatic, inter-administrative and inter-parliamentarian relations, plus relations between the bodies that represent both sides of civil society – mainly entrepreneurs and unions. The dialogues and negotiations during these meetings were intended to encourage Mercosur members to engage in regional dialogue, so that they could speak with one voice in international talks. The Union, which had long seen Mercosur as a mirror image of its own experience, hoped that a strengthening of South American regional cohesion would enable the Union to consolidate its economic interests in the region, to further export its model of integration and therefore to strengthen its identity and image as an international actor.

This approach aimed at strengthening and shaping regional integration poles internationally in much the same way as Europe has done, with a view to signing interregional agreements. EU bodies worked to legitimise this goal through international relations rhetoric that was marked by idealism. Starting in the early 1990s, the Union systematically promoted the European model to the rest of the world. This model was presented as a project unconnected with hegemonic ambitions and a project whose specificity lay not only in the 'shared values of liberty, democracy, respect for human rights, tolerance, gender equality, solidarity and non-discrimination' but also in the fact that European nations had created a collective environment of 'peace, stability and prosperity' thanks to 'unique and innovative structures that transcend traditional international cooperation [of a purely inter-state kind]' (Council of the EU 2003: 11). According to the Community approach, these structures are founded on respect for common law, negotiation and cooperation, and the peaceful resolution of conflicts. This would make the European experience a genuine 'quarry from which ideas for global governance can and should be drawn' (EC 2000: 4).

As European bodies saw it, the support for regional integration efforts in the world and the institutionalisation of interregional relations could only have positive consequences for the international system. That is because regional and interregional thinking were perceived as peaceful mechanisms for managing and controlling international affairs, thus helping to tame and multilateralise the international action of states.

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From the end of the Cold War, the EU has presented this notion of global governance as the best way to ensure a stable international order that respects international law. The idea is that this governance would be guided by a spirit of cooperation, far removed from a world driven by power and reasons of state. To promote this idealistic vision of international institutions and interdependence, EU decision-makers were encouraged to promote wherever possible relationships with regional political bodies rather than with states. As a result, beginning with the idea that regionalism is similar to multilateralism in the sense that both stem from negotiation, compromise and the rule of law, the Union worked hard to maintain its relations with the Brazilian state, mainly through political dialogue, the institutions and the relations that it was developing with Mercosur. The EU wanted to strengthen and develop the experience gathered from South American integration and to urge Mercosur to adopt a legal personality under international law, which would allow it to develop external relations with countries or regional groups. This pressure was all the stronger because of the urgency of preventing Washington's proposed project for the Free Trade Area of the Americas (FTAA) from undermining South America's regionalisation efforts, and therefore weakening Europe's presence in the region as well as the European concept of global governance. After the South American bloc was given a legal personality, the parties signed the EU/Mercosur interregional framework agreement of 1995. It was intended that the latter agreement would eventually give rise to a political and economic interregional association, whose goals included the reciprocal liberalisation of trade, promotion of the investment strategy by business and strengthening political cooperation at international level by aligning their positions in international bodies.

During this period, from the early 1990s to late 2004, Europe's decision-making bodies strove to encourage Mercosur countries to adopt a supranational kind of collective approach, designed to transcend the mere state-centric mindset. In the EU, belief in the benevolence of a liberal international order – where political and economic security is achieved through a network of regional and multilateral institutional bodies – created fears about developing special relations with regional state powers, like Brazil's. This was due to the EU's fear of legitimising the development of a state-centric world, mainly based on the dynamics of the balance of power between major powers.

The Euro-Brazilian SP: a turning point in the EU's strategic diplomacy towards LA

However, changes would come, including the EU's strategic diplomacy towards LA. At the EU's initiative, and under the Portuguese presidency, a bilateral meeting of heads of state and government was held on 4 July 2007 in Lisbon, giving rise to a 'Strategic Partnership' between the Union and Brazil. This Euro-Brazilian summit was a first: it was an unprecedented event in the Community's strategy towards LA – a strategy that had long focused on interregional relations rather than bilateral ones – aimed at engaging in a dialogue with and moving

closer to Brasilia. The conclusion of this partnership was a response to the European Commission's December 2005 communication. Keen to revitalise its relations with LA, the Commission called on Europe to grant more special treatment to LA countries, which, like Brazil, it identified as 'major players' and having a 'role in regional affairs' (EC 2005: 7). Therefore, during the Lisbon bilateral summit, and following the proposal of the Commission (EC 2007a), the European authorities invited Brazil to institutionalise a bilateral political dialogue on 'global, regional and bilateral issues of common strategic interest' relating to trade, energy, maritime transport, the environment, security as well as culture and education. To develop these bilateral relations, the Commission earmarked, for the 2007–2013 period, a sum of €61 million (EC 2007b: 27).

Since 2008, this association has been defined more clearly and has been complemented by a 'joint action plan' which emphasises strengthening Euro-Brazilian relations through the setting up of annual meetings at the highest political level, plus regular summits and ministerial meetings. These meetings should focus on 'global challenges and crises that threaten the stability and sustainable development of societies and economies around the world'. The action plan covers many letters of intent, which were summarised in the following five pillars: promotion of peace and comprehensive security through 'effective' multilateralism; enhancing the Economic, Social and Environmental Partnership to promote sustainable development; a call for regional cooperation; promotion of science, technology and innovation; and the promotion of people-to-people and cultural exchanges (EEAS 2008). This joint action plan lasted for three years and was re-examined after the fifth EU–Brazil summit in October 2011, to cover the next three-year period (2012–2014). The goals for this new plan are to 'introduce a number of new areas to bilateral collaboration, including general United Nations matters, drugs, tourism, space cooperation, disaster risk preparedness and small and medium-sized enterprises' (EEAS 2011a).

More than 30 sector dialogues have been established so far (EEAS 2013). The large number of issues covered by the SP underlines that many European services, particularly in the Commission, are interested in the relationship: DG Trade, Agriculture, Environment, Climate, Energy, R&D, Competition, Enterprise and Industry, Regional Policy and others play a fundamental role in the relations with Brazil. Hence the question: Who is responsible for the SP? Even if it is not the driving force of the SP, the EEAS plays a central coordinating role in preparing both the political dialogue and annual presidential summits, and in ensuring the global vision and the consistency of the SP. It also ensures that the summit's outcomes are enforced.

The SP has undeniably marked a turning point in European policy towards LA. This turning point happened before the signing of the Lisbon Treaty and responded to the strategy paper of Solana (2003) and the EC communication (2007a) that called for closer relations with 'emerging countries'. In fact, it was the EC's DG Relex that determined the SP's global framework. Even though the EEAS has been in charge of the political dialogue with Brazil since December 2010, the SP's framework has not undergone major political changes. In other

words, EU strategic diplomacy towards Brazil remains essentially the same. The reference document for the EEAS is still the one published by the Commission (see EC 2007a). Moreover, according to the European authorities, 'The two action plans adopted with Itamaraty [Brazilian Foreign Affairs Ministry] are based on the EC's document of 2007.'¹ The substance of the SP's political dialogue has therefore not been modified with the creation of the EEAS.

Concerning the SP's structure, a few changes have been introduced with the Lisbon Treaty. When the EU-Brazil summit is held in Europe, it always takes place in Brussels and no longer in the country holding the EU's rotating presidency. In the past, the EU was represented during those summits by the rotating president and the president of the Commission. Today, the EU is represented both by the permanent president of the European Council and the Commission's President. Last, it is now the EEAS delegation in Brasilia which represents the EU's interests in Brazil and no longer the Commission.

The drivers of change

The association with Brazil represents for the Union a shift away from its traditional idealistic position, which aims in particular to promote institutions and multilateral cooperation in order to keep states' power under control. Yet in reality, the EU was back-tracking on its original approach: it now sought to work with the emerging powers to promote cooperation at the regional, interregional and multilateral levels. The change of course in the EU's external strategy is significant and can be explained by several factors.

A more realistic European vision of Mercosur

First, European decision-makers changed their view of LA regionalism. Among the EU institutions and member states, doubts started to surface about the ability of regional blocs, and in this case Mercosur, to become separate entities on the international scene. This new thinking stemmed from Brussels' disappointment with Mercosur. The South American project for regional integration was not living up to Europe's expectations. After existing for some two decades, Mercosur had failed to set up a collective bargaining body, modelled on the European Commission. Moreover, Mercosur had yet to finalise the free-trade area and customs union. Last, it had not adopted common legislation in the fields that were the subject of negotiations between the two regional groups – such as services, investments or government procurement.

Although it has not abandoned its project to negotiate an interregional association agreement with Mercosur, the EU believes that the establishment of a regular communications channel with Brasilia would likely foster interregional negotiation and thus facilitate the conclusion of the agreement between the EU and Mercosur.² Yet this has still to happen, in spite of the six summits of heads of state and governments as well as the many meetings held at ministerial and senior official level between the EU and Brazil. So the European authorities

changed their minds about a relationship that had been maintained with the South American bloc for more than 20 years.

This new approach aroused fears and confusion among the other members of Mercosur: they worried that this partnership was a first step towards a bilateral free-trade agreement between the EU and Brazil, at the expense of an interregional association with Mercosur. This has reinforced the conviction of some states – like Paraguay and Uruguay – that they should go it alone and negotiate their own international agreements.

Seeking recognition from emerging countries

The Union's interest in maintaining direct and regular relations with Brazil is also motivated by a search for prestige, visibility and international recognition among the global stage's 'new major players'. The EU's decision-making bodies felt the need to respond to the gradual changes taking place in the world order and the spreading of global power as a result of the rise of China, Russia's progressive return as a political power to the world stage and the way in which South Africa, India and Brazil were asserting themselves internationally. The influence of Asia and emerging countries in the world's economic order was growing at the expense of Western nations. Moreover, rankings of global economies highlight how European countries are falling back just as the emerging ones continue to rise. This explains the significance of Brazil. In 2011, Brazil became the world's sixth-largest economic power, edging out the United Kingdom. Over the last decade or so, Brazil has emerged as an increasingly influential actor on the global stage, economically and diplomatically. Its economy has grown stronger and become more diverse. Its companies have merged and some now operate internationally,³ investing billions of euro abroad and competing with companies in the industrialised world. Brazil recently became self-sufficient in oil, has increased the number of its trading partners, has a growing influence on global trade and has amassed currency reserves of more than €280 billion. Today the country has even become a donor to the IMF. Furthermore, the funding sources of support programmes for developing countries have grown so much in recent years (€3 billion) that Brazil has become one of the world's largest donors to poor countries (Santander 2012).

Brazil is not afraid to make the most of all these advantages for political and strategic purposes. This situation has also given the country unprecedented international credibility, while attracting considerable numbers of foreign states and economic operators. Its growing influence on the world stage also owes much to the bold dynamism of the leaders in charge of Brazil's external relations. In recent years, Brazilian diplomacy has been active and broad-ranging, more so than at any time in the past; this has given the country far greater international visibility. This move can also be seen in the substantial increase of Brazilian diplomatic representations (embassies and consulates) worldwide (from 155 in 2003 to 224 in 2011), a strengthening of the country's regional base and its relations with Northern powers, the development of 'South-South' cooperation – with the emerging powers and

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developing countries, and in the country's stronger presence in multilateral fora (WTO) and/or 'power clubs' (IBSA,⁴ BRICS,⁵ G20⁶) and its influence in international talks (climate, trade, development aid, etc.).

Consequently, the signing of an SP with an emerging actor such as Brazil can bring economic and trade advantages for European companies. Yet as we noted earlier, it also enables the EU to develop international dialogue with emerging powers on themes of importance for Europe – including climate, trade and energy – or themes linked to security. Furthermore, since Brazil has become an important donor to poor countries and increased its presence in Africa, the EU is encouraging primarily through the Commission and then through the EEAS triangular cooperation (EU/Brazil/Africa). Dialogue and cooperation like this allow the EU to reap the benefits in terms of international recognition and to demonstrate that it is capable of adopting a stance on an increasingly diverse world stage. This is in line with the EU's wishes to project itself internationally as a 'more credible actor and a more influential partner' (Solana 2003: 15; EC 2007b: 3).

Meeting the Chinese challenge in South America

A third reason for forging closer ties with Brazil, was that the EU noted the threats posed by the rise of these new powers to its international presence. For European business interests in LA are increasingly faced by competition, due to the economic expansion of Asia's emerging powers.

This is especially the case with China. Since 2004, it has continually invested in infrastructure, transport and technology in South American countries, and is fighting for a stake in the automotive sector or in public procurement. China is also becoming a key client for raw materials (soya, sugar, oil, iron ore, wood) and the leading supplier of the continent's manufactured goods. Bilateral trade has grown exponentially. Between 2006 and 2011, it rose by 160 per cent, from €54 to 145 billion. China's impressive progress in the region has resulted in the country becoming one of Brazil's leading investors and trading partners. This progress can also be seen in other countries across the region, such as Argentina, Cuba, Chile, Costa Rica and Peru. Although Europe, as a regional bloc, remains the leading investor in this continent (40 per cent) and the US holds second place (17 per cent), China has leapt from twenty-ninth to third place, by virtue of its 9 per cent stake in the total investment in LA. China also has plans to double its investment in LA, in the very short term (ECLAC 2011).

As China continues its expansionism in LA, trade between the EU and the continent of LA is shrinking and European investment in the region has been falling due to the impact of Europe's economic crisis (Price 2012). The US is still LA's main trading partner. Yet forecasts from the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), about the effect of Chinese expansion on the EU28's interests on the continent of LA, suggest that Europe's place will be usurped by 2015 (ECLAC 2010).

Moreover, to support and strengthen its presence on the continent, China has adopted a series of diplomatic initiatives. They include the launch of the China/LA

Forum, China/Mercosur dialogue, negotiations on free-trade areas with several countries, the granting of aid and credit, making regular visits at the highest political level and the adoption in 2008 of an LA 'white paper' that identifies Chinese objectives for the continent. In June 2012, Chinese authorities also made a proposal to Mercosur to negotiate a free-trade agreement.

China's presence on the continent is gradually starting to have a political impact too. Apart from the economic and trade success that China has been enjoying in LA, the country has been granted market economy status by a growing number of countries – some of them large countries (Argentina, Brazil, Chile, Venezuela, Peru); this is a status that the EU and US still refuse to grant to China. China has also achieved recognition of its 'One-China' policy.

By forging close links with Brazil, Brussels hopes not to be left behind, particularly as Brazil is clearly LA's most important economic and trading partner for Europe. In 2011, Brazil became the Union's ninth-largest trade partner and accounts for one-third of Latin American trade with the EU. In addition, 52 per cent of foreign investment in Brazil is from Europe. This investment amounts to some €80 billion, compared with €25 billion for China, and is mainly focused in the tertiary sector (EC 2007b). By forging closer ties with Brazil, Europe's strategic diplomacy also hopes to maintain the EU as the country's leading investor and trade partner, in response to the rise of China in Brazil. The EEAS is aware that 'World trade, economic and strategic competition is growing with the increasing international weight of China, the proliferation of bilateral trade agreements and the raising mega-trade blocs like the Transpacific Partnership'. According to the EEAS, 'In a fast changing world, strategic relations with Brazil need to be maintained and reinforced'. The EU's strategic diplomacy sees Brazil as a lever to 'rebalance the international weight of Asia and the US'.⁷ The EEAS is also convinced that by forging close links with Brazil, 'The EU will reach an interregional agreement with Mercosur which will allow it to counterbalance the Chinese penetration in LA'.⁸

Joining forces with Brazil in response to LA radicalism

Ideological considerations also lay behind the EU's labelling of Brazil as a power and the setting up of an SP with the country. The proposal for this SP clearly emerged as a result of the EU positioning itself in response to the changes seen in LA's political landscape in recent years. These changes followed the continent's 'left turn', which stemmed to varying degrees from a shared rejection of growing inequality, a new legitimacy for the state, a new plan for foreign policy based on greater self-reliance, a distancing from the international financial bodies that promoted liberal monetary policy in the previous decade or a challenging of the traditional economic powers.

These changes resulted in strained relations between the continent and the major centres of economic power, including the EU. However, the nationalist content to be found in some of the economic policies followed by several governments in LA also led to the emergence of significant political differences

between states on the continent. LA reindustrialisation policies and the relocation of production activities – for example, through the introduction of protectionist measures or strategies aimed at regaining control of national energy resources (gas, oil and/or hydroelectric) – created ideological divisions and only exacerbated the power struggle among LA countries. These tensions clearly hampered the building of any form of common identity or the projection of a coherent regional geostrategic space. LA's regional experience was evidently stagnating and its political dialogue mechanisms were being weakened. All this was largely due to the spread of different visions of integration, of distinct representations of the international projection of regionalism and power struggles between states in South America (Santander 2009).

The relative rivalry for sub-continental influence – which set Venezuela against Brazil – is a notable example. In LA, the two countries promote different energy sources: Venezuela backs oil, while Brazil promotes biofuels. They also have very different visions of regional integration, even though Venezuela has taken on board Brazil's project for a Union of South American Nations (UNASUR), created in 2008, and joined Mercosur in 2012. For over 20 years, Brazil has pursued a regionalisation project guided by the principles of free trade and the market economy. This project was conceived as a way of strengthening Brazil's status as LA's leading industrial power, so as to turn the nation into the region's undisputed leader in the eyes of the world, and thus to help Brazil join the small group of major powers with a view to achieving the Brazilian dream of a multi-polar world. Not surprisingly, Brazil has encouraged Venezuela to join UNASUR and Mercosur. This is Brasilia's attempt, to the extent possible, to control Caracas and have the entire South American continent under its leadership.

Yet unlike Caracas, Brasilia has no intention of reviving the spirit of Bandung or of rekindling any kind of anti-imperialist front. On the other hand, Venezuela is using its petrodollars to co-opt governments that share a similar ideology to its own to develop its *Bolivarian Alliance for the Peoples of Our Americas* (ALBA),⁹ which is based on an exchange system that calls on a form of bartering and aid. This Chavez initiative, now adopted by the new Venezuelan president Nicolás Maduro – and shared by other LA governments – is notable for its opposition to neo-liberal capitalism and for a willingness not to limit the state's regulatory action in economic affairs.

European authorities are wary of the rise of economic nationalism and political radicalism in LA, as can be seen in various EU documents (see EC 2007a, 2007b). By developing a SP with Brazil, the EU is taking a position on the ideological and geopolitical changes happening in LA. Compared with the radicalism of Venezuela and other states in the region (Bolivia, Ecuador, Nicaragua, etc.), Brazil is seen by Brussels as a moderate and serious country. According to an EU document offering a strategy for relations between the EU and Brazil, Brazil has maintained 'balanced relations with the USA or the European Union' (EC 2007b: 8–9) and has a 'prudent and stable macroeconomic' strategy that benefits foreign companies and investors. It is also considered a potential stabiliser, capable of tempering the political radicalism and economic nationalism flourishing in LA.

Viability of the strategic partnership

Brazil shows limited interest in the EU

Brazilian authorities are delighted that the EU has raised the status of their country, as they are eager to win international approval. In Brasilia, Europe's initiative has also been interpreted as a form of approval, especially as Brazil is the first and one of the few countries in LA to be given this status of 'Strategic Partner'.¹⁰ As far as Brasilia is concerned, the EU is a major economic power. That said, Brazil sometimes struggles to understand the EU's intentions. Brazilian authorities have for example noted that while the EU is developing an SP with Brazil, some European countries (France, Sweden, Portugal, Spain and Germany) are each developing their own SP with Brazil. This somewhat confusing European approach inevitably affects the EU's image in Brazil.¹¹ However, Brazil has noted the changes introduced by the Lisbon Treaty: the Brazilian mission to the EU has a unit in charge of the SP and this unit works closely with the one in charge of EU/Mercosur relations. Brazilian authorities have therefore shown some strategic and geopolitical interest in the EU. Indeed, while observing the growing pace of Europe's construction and seeing the EU take on new roles the internationally, Brazil sees the EU as a developing power centre capable of rebalancing global power.

In the post-Cold War world, Brazilian officials in charge of external action clearly saw the US as the leading global power. However, they also realised that the end of the bipolar world was creating action spaces for players eager to exert greater external influence and they realised that there were new opportunities to build a multi-polar world. The project to create a regional space – under Brazil's leadership – in South America was in line with this multi-polar strategic thinking. Against that background, Brazilian authorities paid special attention to the European regional project. They saw it as a rich pool of ideas for integration, a pool that could serve as inspiration, insofar as is possible, for regionalism in South America. This project was seen as preferable to NAFTA, which served as a reference for the US in the bid to establish the FTAA. Washington's intentions were viewed by Brasilia as threats to its project for the regionalisation of South America. At the same time, the rapprochement pursued by the EU with Mercosur and the negotiations for an interregional association agreement were all seen as elements conducive to international recognition of the South American bloc and its consolidation. Brazil therefore quickly saw that relations with the EU could serve as an important lever to balance the country's relations with the US, and was an alternative to the FTAA project.

Notwithstanding the failure in 2005 of the FTAA and the US's relative disinterest in LA, there has been no change in Brazil's visions and strategic concerns – notably achieving a balanced entry on to the international scene and constructing an increasingly decentred world. Brazil has continued to forge ahead with multi-directional diplomacy (see above) in order to keep on diversifying its partners and to avoid where possible getting caught up in a web of relationships with

just a few players. So as far as Brazilian authorities are concerned, relations with the EU have remained relatively strategic.

This is especially true in the context of the rise of Asia in South America. Although Brazil was not pushing for the SP initiative with the EU, it welcomed the partnership with interest and went along with it. Moreover, this focus on Brazil allowed the country to raise its profile and achieve greater recognition as an international player. The country was also able to continue diversifying its foreign policy and to some extent to position itself as a counterweight in its relations with Asian powers. The expansionism of these powers in LA started to worry Brazil. It had the same kind of fears when it saw the future of its industrial project threatened by the US and the FTA.

Brazil has started to worry about relations with Asian countries. Its manufactured goods are getting harder to export and to compete with those made in China, India and other Asian tigers. The Brazilian economy increasingly depends on the country's raw materials to accumulate trade surpluses. Brazil's political leaders and top entrepreneurs worry especially about the way its relations are developing with China. Economic relations with China increasingly resemble a North-South type of trade scheme, and this has raised fears in Brazil of the 'Dutch disease'¹² (Bresser-Pereira 2010). Brazil supplies the Chinese economy with oil, coffee, sugar, tobacco, meat and soya beans; for its part, China invests tens of billions of dollars in the Brazilian economy to ensure a supply base for its natural resources. Chinese investment concentrates mainly on energy sectors (54.7 per cent), minerals (22.3 per cent), the steel industry (11.8 per cent), port operations (3.4 per cent), electrical energy (3.3 per cent) and recently agribusiness (buying land to grow soya beans for the Chinese market) (Crebec 2011). Chinese goods exported to Brazil are also mainly manufactured (textiles, household appliances, automotive equipment) and are discounted, thanks to an undervalued yuan. This competition strongly affects Brazil's industry and helps to shift Brazilian manufactured goods away from their natural markets in LA, especially as the value of the Brazilian real remains high. Moreover, even though China's arrival was initially welcomed as an economic and commercial opportunity, Brazilian authorities today do not want to be locked into too close a relationship with the country.

In this context, relations with Europe take on a strategic dimension, notwithstanding any differences between the two sides, especially in terms of agriculture. Brazil is aware that private capital from Germany, Italy, the United Kingdom and France, and later from Spain and Portugal, with the encouragement of the European Investment Bank (EIB), has contributed extensively to the country's industrialisation for more than 40 years (Gracas Rna 1999). Closer cooperation with the EU is thus seen as a guaranteed way of sustaining and consolidating European investment in Brazilian industry and of further pursuing the country's technological development. Brazil has therefore hoped that this collaboration would lead to more technology transfer from Europe.¹³

The EEAS is aware of the situation and believes that the difficulties now faced by Brazil and its industry could play in favour of the SP. In other words, it 'could help the EU to keep its position as leading investor and trade partner in Brazil'.¹⁴

The EU–Brazil relationship however also faces difficulties or serious limitations. The main motivation for the partnership was to set up a bilateral political dialogue and thus to enable the parties to ‘working together to take leadership and exert responsibility on regional and global issues, and in multilateral fora’ (EEFAS 2011b). In other words, the relationship was chiefly envisaged as an association for contributing to global governance. However, although the parties are working to create a common agenda, they have very different views on what needs to be done on a variety of different international issues at the heart of the partnership.

These issues include climate change and solutions to it. For many years, the EU has tried to play a key role on climate change. It actively contributes to the preparation and monitoring of international discussions on it, and defines the outline of multilateral commitments in the fight against global warming. It has sought international support, especially from Brazil, to defend its position and hoped that the SP would advance its position. However, as has been shown by the various international negotiations on climate, Brazil stands more on the side of those who, like other emerging countries (China, India, South Africa), defend the principle of ‘common but differentiated responsibility’¹⁵ (and therefore reject the European proposals).¹⁶ Indeed, Brazil is opposed to the EU proposals, which involve adopting binding target figures to reduce greenhouse gases.

Another international issue where Brasilia and Brussels do not see eye to eye, even though the Union presents it as an ‘area in which the EU and Brazil are allies’ (EEFAS 2010), is solutions to the global economic crisis. To date, the Union has tended to promote liberal monetary policies and austerity as a way out of the crisis. Brazil however has called for a stimulus plan in favour of growth. Its authorities believe that the drastic fiscal measures implemented in Europe will only result in more difficulties and stagnation. Like the other emerging powers, Brazil fears that the European crisis will lead to a new global financial and monetary crisis. Therefore, as these countries see the situation, recovery from the crisis cannot be envisaged without investment or boosting domestic demand. This taking of open positions was not well received by the presidents of the European Council and the Commission. They viewed the positions as attacks on Europe, as can be seen in the Fifth EU–Brazil Summit (October 2011) or the G20 meeting in Los Cabos, Mexico (June 2012).

Furthermore, the European crisis, which has damaged the EU’s credibility and the economic influence of its member states in the world, also represents an opportunity for the Brazilian authorities to call for a downward adjustment of the power enjoyed by European member states in the decision-making process of international institutions. The crisis has also harmed the EU’s image abroad – particularly in Brazil, where the media often depict it as a ‘continent on the verge of collapse’. This influences the behaviour of Brazilian officials, who are less inclined to work closely with EU representatives on a daily basis.¹⁷

Trade is also a contentious issue. The SP and political dialogue were envisaged and presented as levers to unblock trade talks held directly with Mercosur and under the WTO. That said, working with Brazil is no guarantee that talks with Mercosur will be unblocked or that new momentum will be breathed into interregional relations. There are still reasons for the incompatible positions of the two with regard to trade – positions notably found in the negotiations between the Union and Mercosur. Brazil, like the other Mercosur countries, is defending offensive interests in agriculture. But the EU views Brazil's agriculture requirements as a threat to the subsidies that the EU gives to production and export under the EU's Common Agricultural Policy.

Of all the South American countries, Brazil also has the most defensive interests. So much so that European negotiators have long considered Brazil to be the toughest negotiating partner in this round of interregional trade talks (Klom 2003). Their viewpoint even takes into account the fact that other Mercosur member countries, such as Argentina's Kirchner/Fernandez, are apparently less willing than they were previously to open up to international trade competition, as they today pursue a policy of re-industrialising their economy. Brazil sees European demands for liberalisation of investment, services and public procurement as threats to its industrial policy project. The European negotiators' proposals on the protection of intellectual property rights are also seen as serious problems by the Brazilian authorities. This situation echoes the one in the multilateral negotiations at the WTO. The Brazilians and Europeans therefore have fundamental differences of opinion, in both the interregional talks and talks on trade multilateralism. So on these issues, the partnership between the EU and Brazil is far from strategic.

Conclusions

The establishment of a direct and regular channel for relations with Brazil reflects the EU's determination to adapt its action to the changes seen over recent years in the international system and in LA's politics. The first decade of the twenty-first century was chiefly marked by the growing power of the 'emerging countries' and the shift in global power. By building 'Strategic Partnerships' with so-called 'emerging powers' (see also the chapters by Casier and Allen-Smith in this volume), Brussels aims to create economic benefits for European multinationals. Brussels also hopes to increase its visibility to be recognised as a player on the world stage and to show that the EU can also operate in a state-centred world.

The EU's desire to develop an SP with Brazil predates the Lisbon Treaty. The establishment of the EEAS has not significantly changed the development of EU–Brazil relations. In terms of content, the Commission communication 'Towards an EU–Brazil Strategic Partnership' of 2007 is still the document of reference for the EEAS. So since the establishment of the latter, the EU strategic diplomacy towards Brazil has not undergone major political changes. Just a couple of arrangements have been made to European representation at the

bilateral annual summits. Furthermore, the EEAS does not play a leading role in the SP, but it does try to coordinate the activities relating to this relationship. A significant number of European services are also concerned by relations between the EU and Brazil.

On the Brazilian side, the SP was welcomed with enthusiasm, since Brazil is accorded recognition as a key interlocutor in the relationship between the EU and LA. The European initiative fulfils Brazil's dream of achieving prestige, visibility and international recognition. Brazil also sees the partnership as a means of attracting European investment, which it needs to solve its problem of deindustrialisation. Last, the initiative also represents a way for Brasilia to further diversify its external relations beyond those with the US and China.

However, this partnership also faces certain constraints. For EU-Brazil relations are somewhat challenged by the contradictions arising from the strategies of the two sides and in particular those of the EU. While the latter develops an SP with Brazil, its member states are also developing individual SPs with the country. This somewhat confusing European approach inevitably harms the EU's image in Brazil, which is already damaged by the fallout of the Eurozone crisis. Another problem is a lack of coherence in the EU's strategic diplomacy. For more than 20 years, the EU has supported regionalism and interregional relations with Mercosur. The EU's selective bilateralism has raised doubts among Mercosur's other members – even generating a centrifugal effect in regional integration, something the EU has always tried to avoid. This strategy seems contradictory to the EU's traditional preference for interregional relationships. Consequently, the EU and its interregional approach are losing credibility in terms of international regionalism. It also seems to have forgotten that it was the EU model of integration that helped the Union over the last two decades to build a sort of identity as an international player in other regional blocs and to heighten its profile on the world stage. The thorny question now facing the EEAS is how to ensure that the EU's interregional strategy and its strategy towards rising powers are complementary rather than competitive.

Last, regarding a whole series of regional, interregional and global challenges, the EU and Brazil, despite the current rhetoric, are far from being Strategic Partners. For they have differences of opinion on trade talks, climate and the solutions required to tackle the global crisis. So the bilateral relationship is for the EU and Brazil both an opportunity and a challenge. In some cases they are partners and act as such, while in others they are major competitors with one another.

Notes

- 1 Taken from an interview with Mr Mateo Gominato, EEAS, 18 September 2013.
- 2 Taken from an interview with Mr Mateo Gominato, EEAS, 10 February 2012.
- 3 See Embraer (aircraft industry), Petrobras (oil), Odebrecht (construction), Vale (mines).
- 4 Brazil, India, South Africa.
- 5 Brazil, Russia, China, India, South Africa.

- role in ship. A between Brazil is the EU, means further
- 6 A group of countries made up of industrialised and emerging countries, designed to foster international cooperation.
 - 7 Taken from an interview with Mr Wiktor Staniecki, EEAS, 23 September 2013.
 - 8 Taken from an interview with Mr Matteo Gonninato, EEAS, 18 September 2013.
 - 9 Antigua and Barbuda, Bolivia, Cuba, Dominica, Ecuador, Nicaragua, Saint Lucia, Saint Vincent and the Grenadines, Venezuela.
 - 10 Only Mexico would be granted this status after Brazil had got it.
 - 11 Taken from an interview with Luciano Mazza, Mission of Brazil to the EU, Brussels, 10 February 2012.
 - 12 An economic phenomenon that links exploitation of natural resources and the decline of local industry.
 - 13 Taken from an interview with Mr Tiago Ribeiro dos Santos, Foreign Affairs Ministry, Brazil, 8 November 2012.
 - 14 Taken from an interview with Mr Wiktor Staniecki, EEAS, 23 September 2013.
 - 15 Taken from an interview with Mr Paulo Alves Neto, Foreign Affairs Ministry, Brazil, 7 November 2012.
 - 16 This principle recognises both historical differences in the contributions of developed and developing states in terms of global environmental problems and differences in their respective economic and technical capacity to address these problems (CISDL 2002: 1).
 - 17 According to European civil servants in Brasilia, the crisis in Europe has made it harder now for them to reach the Brazilian government's key decision-makers or to make appointments with them. Taken from interviews with Piero Venturi and Manlio Chirullo, of the EEAS, in Brasilia, 5 November 2012.

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