This policy brief examines Brazil’s foreign policy under the third presidency of Luiz Inácio Lula da Silva, focusing on the potential for enhancing relations between Brazil and the European Union, particularly in the areas of climate change, sustainable development and energy transition. Additionally, the brief addresses the domestic challenges faced by Lula’s government that could impact the implementation of Brazil’s foreign policy, including fiscal constraints, threats to democracy, and the need to rebuild key federal institutions that were dismantled by the previous government of Jair Bolsonaro. Furthermore, it highlights the changing global context, such as geopolitical rivalries, the war in Ukraine and the crisis of global governance, and their impact on Brazil’s role in the world and its relations with the European Union. The policy brief concludes with recommendations to enhance a mutually beneficial cooperation between Brazil and the EU.
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Executive summary

This policy brief analyses Brazil’s foreign policy during the initial months of the third presidency of Luiz Inácio Lula da Silva. It identifies the main political lines of Brazil’s international affairs, while also examining the challenges and opportunities for strengthening relations between Brazil and the European Union.

The policy brief notes that Lula’s new government faces significant challenges at home. These include fiscal constraints, the lack of a majority in Congress, a resurgent extreme right, and the need to rebuild federal institutions that were dismantled by the previous government, especially in the area of environmental protection and human rights. At a global level, there has been a regression in achieving the UN Sustainable Development Goals, while geopolitical rivalries and the climate crisis have intensified, as global governance faces a crisis of legitimacy and credibility. Lula’s new government will therefore face a different set of choices from his previous two mandates. The decisions his government makes with regard to these choices will impact on Brazil’s role in the world and on its relations with the EU.

This policy brief focuses on analysing opportunities for bilateral cooperation between Brazil and the EU in the areas of climate change, the environment, deforestation, and the energy transition. It concludes by recommending that stakeholders in Brazil and the EU seek the action listed below.

• Strengthen cooperation in science, technology and innovation in order to promote a just transition that is of equal benefit to both sides, especially in the areas of critical minerals and renewable energy, such as green hydrogen. Particular attention should be given to technology transfer and the joint production of green technologies with added value, as well as to the development of robust mechanisms to prevent any socio-environmental harm from such undertakings.

• Enhance the sustainable footprint in the EU-Mercosur agreement by incorporating more robust socio-environmental safeguards that consider the environmental standards and requirements of both Mercosur and the European nations. If the deal is approved without reopening negotiations to ensure adequate social participation and the correction of imbalances that risk harming the reindustrialisation efforts of the Mercosur nations, it is even more crucial that an independent oversight body be established. This body should include civil society organisations and indigenous peoples and should be tasked with monitoring potential violations and assessing the enforcement of socio-environmental safeguards.

• Ensure EU provision of positive incentives and financial contributions to facilitate the compliance of Brazilian stakeholders with the requirements of the EU Deforestation-Free Regulation. The EU should focus on supporting Brazil in the implementation of its national policies and initiatives that are aimed at tackling deforestation, such as the Amazon Fund, the Plan for Prevention and Control of Deforestation in the Legal Amazon (PPCDAm), and the low carbon agriculture programme. It should also focus on supporting Brazil in the improvement of the country’s Rural Environmental Register (CAR).

• Deepen the political cooperation between Brazil and the EU in the United Nations and other multilateral spaces, as well as develop a positive agenda to identify key areas of common interest where cooperation should be enhanced, including by making use of landmark events such as the EU-CELAC Heads of State Summit and meetings of the G20, particularly in light of Brazil’s upcoming presidency of that grouping.
Introduction

After four years of a foreign policy that broke with many of Brazil’s diplomatic traditions and constitutional principles, the country now has a new, progressive government, under the third presidency of Luiz Inácio Lula da Silva.

This policy brief provides an overview of Brazil’s foreign policy under Lula’s third presidency, and includes the key political and economic constraints that impact on the implementation of this foreign policy. The brief also examines the potential for enhancing relations between Brazil and the European Union, and focuses particularly on climate change, the environment, deforestation, and the energy transition. The policy brief concludes by offering recommendations to promote future collaboration between Brazil and the EU in these areas.

Lula’s new government faces considerable challenges at home – not only fiscal constraints but also an extreme right that is transnationally organised and continues to threaten democracy, both in Brazil (as the attacks on the seats of power in Brasília on 8 January showed) and abroad. Part of the population that Lula’s previous administrations helped lift into the middle classes has slipped back into poverty. Hunger – once practically eradicated in Brazil – has spread quickly despite the country remaining a commodity export powerhouse. Lula’s broad coalition government will also face the arduous task of rebuilding federal institutions that were all but emptied by the previous government, including in key areas such as education, health, and environmental protection. Furthermore, major human rights violations, including the decimation of indigenous populations – made sharply visible by the humanitarian crisis among the Yanomami groups in the Amazon – require urgent measures, as well as long-term policy shifts. These challenges could prove difficult to solve, given the opposition of an extremely conservative National Congress that has already inflicted significant defeats on Lula’s government, such as the weakening of the Ministry of Environment and Climate Change and the Ministry of Indigenous Peoples Affairs, which have lost crucial competencies related to the implementation of the Environmental Rural Register and the demarcation of Indigenous lands, respectively.

Abroad, too, Lula faces a much-changed context, not only regionally, but also globally. In the past few years, Latin American and Caribbean organisations have either been dismantled or paralysed due to political divergences. At a global level, a series of crises – including the Covid-19 pandemic and the highly inequitable responses to it – have rolled back some of the successes of previous decades. Other challenges include rising inflation and the cost of living, the excessive indebtedness of many low-income and emerging economies, and persistent problems in peace and security, such as the Russian invasion of Ukraine. As far as the EU specifically is concerned, Brazil’s president will have to deepen and strengthen frayed relations with a bloc that is still handling the consequences of Brexit, and that is also facing considerable challenges as a result of the war in Ukraine. At the same time, European public opinion is increasingly concerned about environmental issues and, to a large extent, has become critical of globalisation and free trade agreements. There is a noticeable rise in European civil society organisations publicly expressing their concerns with regard to setbacks in the environmental and climate agendas worldwide, including those related to Brazil and the Amazon region in particular. This undoubtedly introduces new challenges and complexities to the Brazil-EU relationship.
Globally, there has been backsliding in the achievement of the UN Sustainable Development Goals, partly through increases in poverty, inequality, and environmental destruction. Geopolitical rivalries have sharpened, especially between the United States and China, despite the change in the US government from the Trump to the Biden administration. And global governance finds itself in an unprecedented crisis of legitimacy and credibility, unable to reform itself to increase effectiveness despite facing deepening challenges, such as climate change. All of these factors present Lula with a very different set of choices from those in his previous two mandates (2003-2006; 2007-2010). In turn, this new scenario will impact Brazil’s role in the world, including its relations with the European Union.

Lula’s third government, which was inaugurated on 1 January 2023, has already overcome a significant hurdle in the form of a coup attempt on 8 January. Brazil is notably among the few countries where right-wing governments have been democratically defeated at the ballot box (with the United States being another). Despite this turbulent start, Lula has hit the ground running when it comes to foreign policy, making it possible to identify key priorities from those in his previous two mandates (2003-2006; 2007-2010). In turn, this new scenario will impact Brazil’s role in the world, including its relations with the European Union.

Priorities of the new Lula administration for Brazilian foreign policy

At an immediate level, Brazil must regain the credibility lost during the previous administration of Jair Bolsonaro (2019-2022), especially with respect to the country’s environmental and climate credentials. The new government has made it clear that it is firmly committed to resuming Brazil’s obligations to environmental protection and climate action – first and foremost by reversing the destructive policies put in place and by ending deforestation in the Brazilian Amazon.\(^5\) It will then need to translate the regained credibility into momentum for the global climate and sustainability agendas, especially through the Rio 92 agenda (the three agreements that emerged from the United Nations Conference on Environment and Development that was hosted in Rio de Janeiro in 1992 – namely the legally binding UN conventions on climate change, biological diversity, and desertification).

The new government has made it clear that it is firmly committed to resuming Brazil’s obligations to environmental protection and climate action.

On climate regimes, Lula has already called attention to the need to go beyond the issue of mitigation, which often dominates international negotiations on climate, to address concretely the issue of financing more broadly, whether for climate adaptation or loss and damage.\(^6\) As the world’s most biodiverse country, Brazil is also likely to call greater attention to the agenda of the Convention on Biological Diversity, whose
Conferences of the Parties (COPs) receive far less media coverage, resources and political attention when compared to the COPs on climate change. In a recent press conference, Lula declared his intention to strengthen an alliance with Indonesia and the Democratic Republic of Congo, which also possess large forest areas, in order to coordinate policies aimed at protecting biodiversity and promoting a sustainable management of natural resources. Furthermore, on more than one occasion, Lula has mentioned the need to develop “a stronger climate governance” with greater ability to compel states, national congresses, and private companies to actually implement the commitments made at the global level.7

However, Brazil must go beyond these measures in order to gain the lost time in international relations, both in bilateral channels and in multilateral spaces. To this end, Lula has indicated that he will prioritise the revitalisation of regional organisations as the basis for Latin American and Caribbean integration. This will likely include the end of the flexibilisation agenda in Mercosur, where certain countries pursue trade opportunities individually, with new impetus to sign a bloc-wide agreement with the European Union (a topic addressed in greater detail later in this brief). Brazil has also announced the intention to strengthen the Amazon Cooperation Treaty Organization (ACTO), whose creation was agreed in 1995 and which constitutes the only international organisation headquartered in Brazil. This represents a strategic space for building mutual confidence and deepening cooperation with other states in the region to address sustainable development issues in the Amazon basin, including with regard to the sustainable management of natural resources, the protection of indigenous peoples, and the promotion of green regional infrastructure. In January Lula also began efforts to strengthen the Community of Latin American and Caribbean States (CELAC)8 by announcing Brazil’s return to that organisation and subsequently attending its Buenos Aires summit, which resulted in a 28-page declaration. In April 2023, Brazil also formalised its return to the Union of South American Nations (Unasur), which was dismantled as a result of political divergences, mainly related to the ideological stances of the previous administrations of Chile, Argentina and Brazil.9

At the bilateral level, Brazil’s new government will also deepen ties and strategic partnerships, not only with neighbouring countries such as Colombia and Argentina, which Lula visited on his first presidential trip just 22 days after taking office, but also with the two major powers which he also visited in his initial months in office – the United States and China (Brazil’s top trade partner since 2009). His administration is furthermore working to strengthen political ties left frayed with the European Union and key countries such as France, as well as Germany and Norway, which are donors to the Amazon Fund.10 With industrialised countries in general, Lula has started seeking new partnerships on innovation, research, and technology to ensure that Brazil will be part of the technological revolution necessary to implement an ecological transition.11 To achieve this at the technical cooperation level, Brazil will need to revitalise the Brazilian Cooperation Agency (which falls under the Ministry of External Relations) and trade promotion organisations in order to give concrete support to the resumption of political relations. These efforts include engaging with Latin American, African, and Asian partners through South-South and triangular cooperation,12 as well as with industrialised countries and regions.

For some of these partners, including the United States and Europe, one clear item on Lula’s priority list is cooperation for democracy
and human rights, especially in the sense of combating transnational extreme-right hate speech and disinformation,\textsuperscript{13} and in the sense of promoting greater social inclusion and fighting discrimination. However, the new government will want to avoid the formation of ideological blocs as existed during the cold war, and its stance on the war in Ukraine illustrates a desire for strategic autonomy. In other words, Brazil’s foreign policy aims to avoid automatic alignment with great power poles, specifically China and the United States, in order to prevent the bipolarisation of the international system. Instead, Brazil seeks to find strategic spaces to promote national interests and priorities.

Given the restricted fiscal space at home – a result not only of economic downturn, but also of the previous government’s diversion of federal budget resources towards campaign purposes (the unfolding ‘Secret Budget’ scandal of the Bolsonaro government)\textsuperscript{14} – Brazil’s new government will also have to look abroad to secure economic growth and resources for social security. Lula has already taken steps to boost trade and attract investments from a wider range of partners in order to open space for the implementation of social policies, environmental protection and just transition, green infrastructure and, more broadly, in order to kickstart a process of reindustrialisation to reverse the setbacks of the past decade, which sharpened during Bolsonaro’s government. For this, Lula’s administration has re-established all the major successful policies of his previous mandates, such as the poverty alleviation programme \textit{Bolsa Familia} and the affordable housing scheme \textit{Minha Casa Minha Vida}. His administration has also announced the intention to update the methods and portfolio of the Brazilian National Development Bank (BNDES) in order to invest heavily in renewable energy sources and to promote green jobs.\textsuperscript{15}

Lula has also made global governance reform one of the priorities for his new government, with a focus beyond just environmental issues. He believes that current reforms being discussed are mostly driven by industrialised countries and do not necessarily reflect the demands, priorities, and realities of developing countries. On the economic front, Lula will work to mobilise other countries in order to resume pressure for a more democratic and effective global governance system. He will use existing coalitions, such as the BRICS (Brazil, Russia, India, China, and South Africa) and the India Brazil South Africa Dialogue Forum (IBSA), to foster reform of the global economic and financial architecture.\textsuperscript{16}

On peace and security, Lula will carry on defending reform of the UN Security Council, and he has signalled a strong intention to resume Brazil’s previous role as a promoter of peaceful means of conflict resolution, whether through direct participation in mediation or, more likely, by nudging other key states and the UN to take a more proactive stance towards a negotiated solution to end armed conflicts. Brazil will therefore likely work towards building dialogue to encourage democracy in Venezuela without provoking social disruptions or foreign interventions.\textsuperscript{17} With regard to the war in Ukraine, Lula has proposed the creation of a “peace club” made up of states “that have nothing to do with the war” – such as China, India, and Brazil – to encourage peace talks between those directly involved in the conflict. Regardless of the particular paths chosen, Lula aims to reinforce Brazil’s commitment, as enshrined in its federal constitution, to promoting peaceful resolution of conflict and international cooperation.\textsuperscript{18}
Implications for the international agenda

Brazil alone cannot alter the regional landscape or global politics, but Lula has a proven record of mobilising other countries to build or consolidate key institutions. For the region, this means that the new Lula administration will work to strengthen select regional bodies (especially Unasur or a new South American forum, ACTO, Mercosur and CELAC – as mentioned above) with the goal of boosting integration and cooperation on key strategy priorities. Attracting investment to boost regional infrastructure and creating strong regional value chains to accelerate sustainable development, including to protect the region from new global crises, was therefore a prominent topic in Lula’s official meetings with regional partners in his initial months in office.19

Brazil could benefit from the new leftist wave in the region to advance progressive policies, particularly in the area of environmental protection. This is especially promising as other major economies in the region, including Argentina, Chile, Colombia, and Mexico, are also led by left-leaning governments that have expressed a desire to prioritise environmentally sustainable development models and the transition to green economies. In addition to opening opportunities for enhanced inter-regional cooperation on environmental and green technology issues, such political alignment could also increase the region’s leverage in negotiations with external actors, including the United States, China, and the European Union, all of which have placed sustainability issues at the forefront of their domestic and foreign policy priorities. It is worth stating that extra-regional partners are fundamental not only for Brazil’s foreign relations, but also for advancing Latin American integration.20

Some of these ambitions could nevertheless be frustrated due to recurring instability in parts of Latin America, such as the recent coup in Peru, and ongoing US sanctions against Cuba and Venezuela which, if continued, may weaken the bid for regional integration (and, by consequence, regional stability).

For global governance, there is expectation among G77 members and other developing nations with regard to Brazil once again taking up the mantle of global governance reform. With respect to international development and climate change, Brazil was an important player in the negotiation of both the 2030 Agenda and the Paris Agreement of the United Nations Framework Convention on Climate Change, and Lula is likely to rally support for accelerating implementation of both regimes. Brazil may also lend more weight to reform efforts aimed at pressuring, on behalf of highly indebted developing countries, for debt alleviation and greater access to climate and development financing. There may also be greater movement in the bid to reform the Bretton Woods institutions, especially now that the World Bank and the International Monetary Fund face greater competition from ‘parallel’ institutions, such as the Asian Infrastructure Investment Bank and the New Development Bank. All of these issues will no doubt be among the main flags raised by Brazil as part of its presidency of the G20, which starts in December 2023.

Brazil will also prioritise progressive social policies, including at the global level. Lula has emphasised that his concern with eradicating hunger extends not only to the alarming situation in Brazil but globally. He has called for a new global alliance against hunger, which at the very least may boost support for efforts on food security and nutrition.
Brazil's autonomy vis-à-vis the Russia-Ukraine war may also be interpreted as an effort to avoid cold war-like ideological blocs, which are viewed as undesirable by Brazil's diplomacy because such a configuration could limit their country’s international manoeuvring space and potentially harm its economic interests. However, this attempt to remain neutral towards the war, while also trying to foster a diplomatic solution to the conflict, has been criticised by certain sectors of the political elites in Brazil and Europe, adding complexity to the country’s ability to act as a peacemaker in a geopolitically delicate region.

**Brazil's relations with the European Union: opportunities and challenges**

The EU is important to Brazil’s new government for a number of reasons. First, since diplomatic relations were established in 1960, the political, economic, social, and cultural ties between Brazil and the EU have evolved into a strategic partnership (which started in 2007). Within the current context, the EU represents not only a bulwark of democracy in the West, but also an important pillar of an international order that is increasingly multipolar. The EU is therefore key to avoiding a ‘G2’ configuration dominated by the USA-China dyad. For a country that is increasingly caught in the geopolitical rivalry between the two greatest economies, the EU represents an important channel for trade and investment, and also for political relations and cooperation on climate, democracy, education, science, technology, and other exchanges.

From a cultural point of view, the EU is important to Brazil because of the large number of Brazilians living in its member states. Indeed Brazil's Ministry of Foreign Affairs (Itamaraty) registered 1,360,881 Brazilians on the European continent, or 30.8% of the entire Brazilian community abroad, at the end of 2021. On the economic front, since the EU is Brazil's second largest trade partner (after China), the new Brazilian government is determined to expand commercial relations with the EU, including by advancing the EU-Mercosur free trade agreement, which was largely concluded during Bolsonaro's government in 2019 after over two decades of negotiation. Despite Lula’s declaration during his election campaign that he wanted to reopen the deal to incorporate measures to prevent the risks of possible harm to Brazil's reindustrialisation process, since being elected he has maintained his criticism of certain aspects of the agreement but has expressed the intention to work to find common ground to accelerate its finalisation and subsequent ratification.

Brazilian civil society has nevertheless been vocal in calling for a renegotiation of the agreement due to the lack of transparency throughout the negotiation process, when the negotiated terms were not adequately publicised or debated. In addition, organisations and social movements have demonstrated against the absence of legally binding provisions that ensure respect for environmental, climate, and indigenous peoples’ rights. Under the current terms of the agreement there are legitimate concerns that it could lead to greater extractive and deforestation pressures on the Mercosur countries, given the emphasis on the exports of commodities, such as livestock and soy, which
are closely linked to at-risk biomes. In addition, NGOs such as Greenpeace have classified the deal as a negotiated “a neocolonial, extractivist instrument” intended to secure EU imports of commodities and raw materials from South America, while increasing EU exports of industrial and chemical products.

The deal also faces some resistance from EU member states, especially France and Austria. Some points, such as government purchases and environmental issues, have already been cited by Brazilian authorities as key sticking points, but there are also fears amongst Brazilian government officials that protectionist pressures from agricultural sectors in Europe could slow down the conclusion of the agreement, which needs to be ratified by all the 31 countries that make up both Mercosur and the EU.

The above-mentioned concerns are very likely to frustrate the initial intentions of negotiators on both side of the Atlantic to finalise the deal – including an EU-proposed side letter with extra environmental safeguards – ahead of the EU-CELAC Summit in July 2023. Brazilian diplomats consulted by this policy brief’s authors shared the view that the proposed side letter was not deemed acceptable because it could be instrumentalised for protectionism purposes and it relies almost exclusively on EU standards, thus failing to recognise the environmental protection standards of producing countries. As a result, Lula’s government decided to reject the EU proposal, with its requirements for Brazil to transform voluntary climate commitments into binding obligations. For instance, this proposal also includes a provisional mandatory target to reduce deforestation rates by 50% by 2025, as a step towards achieving Brazil’s previously announced voluntary goal of zeroing deforestation by 2030. President Lula has criticised the side letter in strong terms, stating that “strategic partners should have a relationship of mutual trust, not mistrust and sanction”, and promising to deliver a more balanced counter-proposal.

Despite agreeing that these extra obligations are disproportionate when compared to the terms of other trade agreements between the EU and other nations, the diplomats consulted by the authors of this policy brief shared the opinion that concluding the deal – preferably in a renegotiated one in order to correct current distortions – could be important not only to boost economic exchange, but also to enhance political cooperation in areas of common interest, including that of the energy transition.

As Brazil’s largest source of foreign investment (foreign direct investment stock in 2020 reached €330 billion), the EU can also plan a key role in the implementation of a just transition in Brazil and, more broadly, in boosting the new government’s capacity to implement the UN Sustainable Development Goals (SDGs). Brazilian federative units, including states and municipalities, and the European Union have indeed been collaborating on the expansion of renewable energies, especially green hydrogen, and energy efficiency projects. In fact, subnational actors have demonstrated their importance as well as their suitability as partners for European cooperation initiatives. This must be maintained and enhanced. Nevertheless, it is vital to move beyond this because it is vital not only to increase the inflow of investments but also to establish a strategic purpose for these investments.

During a recent visit to Brasília, the vice-president of the European Commission, Margrethe Vestager, sought to advance a “strategic partnership” on critical minerals for the green and digital transition. This ambition is aligned with the proposal for the EU Critical Raw Materials Act, which seeks to achieve supply
chain security, including by ensuring that no more than 65% of the EU’s annual consumption of each strategic raw material at any relevant stage of processing comes from a single third country.33

It is important to note that in order to be fair and to avoid domestic resistance, any project related to the energy transition in Brazil must be mutually beneficial and not repeat past mistakes, where investments in renewable energy did not result in technological transfers and were often accompanied by the expansion of precarious labour relations. In other words, Brazil’s political elites and society are now less willing to act as a mere provider of raw materials and have a stronger expectation of more equal partnerships. To achieve this, joint research and Brazil-EU ventures could be established to allow Brazilian companies to participate not only in mineral extraction, but also in the production of added value green technologies made from critical minerals.

In other words, Brazil’s political elites and society are now less willing to act as a mere provider of raw materials and have a stronger expectation of more equal partnerships.

Another major concern relates to the sustainability of green energy transition ventures and investments in infrastructure in general, which require robust regulation, risk assessment, risk mitigation, compensation, and monitoring measures to prevent harm to the environment and local populations. This was one of the topics of the meeting between Brazil’s Vice President Geraldo Alckmin and the EU Commission’s Executive Vice President for the European Green Deal Frans Timmermans in Brasilia on 23 January,34 where they underscored the need to deepen bilateral ties between the EU and Brazil on environmental issues.

Since physical infrastructure remains one of the major bottlenecks for Brazilian and Latin American development, it is essential for the strategic partnership with the European Union to address this challenge in a manner that is commensurate with the obstacles at hand. European support for the deepening of South and Latin American integration is crucial – and should be based on the concept of green infrastructure. That means EU support should be based on a concept that does not deepen the logic of predatory extractivism but that is socially and environmentally responsible, and that is oriented towards sustainable development.

Promisingly, EU member states have already expressed support for the measures of the new Lula administration to tackle deforestation, both collectively and individually. For instance, Germany, along with main funder Norway, has endorsed the restart of the Amazon Fund, which was paralysed during the Bolsonaro administration due to that government’s anti-environmental policies. Germany has announced that it will contribute an additional €35 million to this fund,35 and during a visit to Brasília, the French minister of Europe and foreign affairs, Catherine Colonna, stated that both France and the EU are considering investing in the Amazon Fund.36

Such expressions of support and concrete measures are especially meaningful because, in addition to being the EU’s 12th biggest trade partner, Brazil is also the EU’s second largest supplier of agricultural commodities. This creates both responsibilities and opportunities to cooperate more closely on low carbon
agriculture strategies. Not only do Brazil and several European Union countries have enormous agricultural potential, but this sector also accounts for a large share of greenhouse gas emissions on both continents. It is therefore fundamental to promote the exchange of good practice in order to boost initiatives such as low carbon agriculture plans, methane emission reduction policies, sustainable forest management, and the recovery of devastated pastureland.

Promoting value chains that are free of deforestation, other environmental crimes, and human rights violations is also an area of mutual benefit for both Brazil and the EU. In this regard, international cooperation will be essential to ensure Brazilian stakeholders’ compliance with the European Union Deforestation-Free Regulation (EUDR), which was approved by the European Parliament on 19 April 2023.

This regulation, which requires EU-based companies to ensure that their imports and exports are deforestation-free and uphold human rights, has been met with criticism by the Brazilian government and stakeholders. In a recent speech at a public event, the Ambassador to the Mission of Brazil in Brussels stated that “Brazil has repeatedly conveyed its views to the European institutions about the unilateral, punitive and discriminatory aspects of the Regulation.” He also expressed concern that the EUDR lacks incentives for reforestation or the recovery of degraded land. Additionally, he pointed out that the requirement of “zero-deforestation” ignores Brazil’s national legislation, which allows varying degrees of deforestation for different biomes. This particular point was also strongly criticised by Brazil’s Association of Agribusiness (ABAG), while a softer implied criticism of legislation approved by the EU, such as the EUDR, is contained in the Brazil-China Joint Statement on combating climate change. Released during Lula’s visit to Beijing on 14 April, this statement “rejects unilateralism and green trade barriers.”

Brazilian parliamentarians also reacted vehemently against the EU legislation. On 24 April 2023, congressman Zequinha Marinho, a supporter of former president Jair Bolsonaro, introduced a bill to make it mandatory for any country that “imposes environmental restrictions to international trade” to comply with environmental standards compatible with those of Brazil in order to sell goods on the Brazilian market. His law proposal condemns the discrimination of Brazil’s agribusiness by “false narratives” perpetrated by foreign governments and industries. It also explicitly refers to the fact that EU environmental legislation is weaker than that of Brazil in certain aspects – for instance with regard to the licensing of agricultural production in protected areas and with regard to the use of water in agricultural production. A source in Brazil’s Ministry of Foreign Affairs has reportedly stated that, if developed as a result of constructive discussions, the bill could “make sense.” Although not referring to this specific bill, a diplomat consulted by the authors of this policy brief stated that Brazil’s Environmental Code (Código Florestal) is, in fact, stronger than EU environmental obligations in certain aspects. Recognition of the equivalence of specific producing countries’ standards should therefore be considered both in the proposed environmental side letter to the EU-Mercosur Agreement and in the implementation process of the EUDR.

It is thus clear that EU-Brazil relations will be affected by the EU’s green measures, including the European Green Deal – a regulatory framework with a key goal of making the European bloc climate neutral by 2050, and which promises a 55% reduction in greenhouse gas emissions by 2030 compared with 1990 levels. Another point
of concern raised by a diplomat consulted by the authors of this policy brief relates to the EU’s Carbon Border Adjustment Mechanism (CBAM) that was agreed by the European Council and the European Parliament in December 2022. Criticism of the CBAM includes the fact that it introduces a gradual tax on the imports of high-carbon-emissions goods by the EU from 2026. This could, for instance, result in a tax of up to 15% on steel produced by some developing countries, which could see their exports to the EU drop by over a half. However, high polluting industries in EU member states – such as steel, iron, cement, aluminium, fertilisers – could have up to 2034 to adapt.44

This resistance from political leaders and certain sectors of Brazilian society shows that in order for the EU green measures to fulfil their goal of achieving deforestation-free and low-emission supply chains, international cooperation between producing and importing countries will be essential. Brazil’s environmental NGOs and think tanks, which are overwhelmingly in favour of the EUDR, have suggested that partnerships should be created to generate positive incentives for implementation of the legislation by Brazil. In order to overcome sovereignty concerns, the EU should focus on supporting Brazil in the implementation of its own national policies that are aimed at reducing emissions and deforestation. For Adriana Ramos from the Socio-Environmental Institute (ISA), an EU-Brazil partnership should prioritise the support of Brazil’s low carbon agriculture plan45 and the Rural Environmental Register (CAR) in order to help prevent land grabs and to facilitate the embargo of deforested areas registered in the CAR, so that their owners are prohibited from trading goods produced on those lands. It is also essential for the EU to provide support for smallholder associations to ensure that they are able to comply with the EUDR, while receiving fair prices for their products. In addition, the EU-Brazil partnership should focus on strengthening forest governance and protecting the rights of indigenous peoples and other traditional communities, as well as prioritising forest restoration, monitoring, and transparency.46

EU support to Brazil’s enforcement of its own policies was, in fact, classified by Brazil’s ambassador in Brussels as something that “we can accept.”

Ensuring that Brazil’s due diligence and traceability instruments will actually work to halt the flow of harmful products to sensitive Brazilian biomes depends on strong cooperation not only with Brazil’s government agencies, but also with society, indigenous peoples and traditional communities, who have a track record of mapping and producing essential information on deforestation and associated human rights violations. Forging alliances with these stakeholders will therefore be pivotal not just in attaining successful environmental preservation in Brazil but also in guaranteeing the effectiveness of the wider EU green agenda.

**Conclusion**

This policy brief has shown that despite political and practical challenges, there is enormous potential for enhancing Brazil-EU cooperation in areas such as trade, investment, science and technology, sustainability, and the environment. While Brazil and the EU may have different priorities with regard to how to achieve goals such as the promotion of a green transition or sustainable and deforestation-free supply chains, this policy brief has pointed out that strengthened cooperation and partnerships based on mutual benefits and positive incentives are essential to help overcome hurdles and develop a common vision.
One area where the stances of Brazil and the EU differ to the point of generating diplomatic fallout that, if not addressed, could impose obstacles to cooperation in key areas, relates to the war in the Ukraine. A leaked EU diplomacy document reportedly indicates that the EU is concerned with Brazil’s position on the war, which is probably as a result of recent declarations by Lula indicating that the EU and the US were allegedly contributing to the continuation of the conflict. Following negative repercussions, Brazil’s president has adapted his discourse, stating that “Ukraine, effectively, cannot accept occupation of its territory. It has to resist. The European Union has its reason for taking the decision it has taken. And Brazil and other countries have their reason for trying to find a compromise. If I believed that peace was impossible, I would not be working to achieve it.”

Despite ambiguous declarations by its president, Brazil’s official position unequivocally reprimands the Russian invasion of Ukraine. On two occasions, Brazil voted to condemn Russia at the UN General Assembly, including in a February 2023 resolution demanding that Russia immediately end its invasion of Ukraine and unconditionally withdraw all its military forces from that neighbouring country.

The Brazilian delegation has nevertheless made use of UN discussions to share its opposition to unilateral sanctions. However, this stance does not indicate Brazil’s support for Vladimir Putin, but rather reflects Brazil’s longstanding foreign policy position. Indeed, Brazil has traditionally held the view that any legitimate sanction should be authorised by the UN Security Council. More importantly, the country often expresses its concern that economic sanctions can have a disproportionate impact on vulnerable populations, leading to their undue suffering.

Ultimately, Brazil’s stance towards the war in Ukraine is consistent with the core principle of peaceful conflict resolution, which has long guided Brazil’s foreign policy regardless of the political ideology of the ruling government. Consequently, despite the EU’s apparent desire for Brazil to take sides, the new government is unlikely to follow an automatic alignment with the EU position. In fact, Lula has already declined to sell armed vehicles and ammunition, following a request by Germany’s Chancellor Olaf Scholz during his January 2023 visit to Brasilia. Instead, the EU may find in Brazil a firm supporter of mediation, or perhaps even a participant in future efforts to find a political solution to the crisis when conditions allow.

By striving for a balanced approach towards the war in Ukraine, Brazil seeks to bolster its foreign policy credentials and position itself in the world as a reliable contributor to global peace efforts. Enhanced dialogue and channels of communication between Brazilian and European stakeholders could help ensure that divergent approaches on how to achieve peace in Ukraine will not have a negative impact on their bilateral relations. This is especially important because Brazil and the EU not only share the common goal of ending the war and its associated suffering, but also have the potential to become significant partners in promoting a more equitable and rules-based multipolar international system.

Enhanced dialogue and channels of communication between Brazilian and European stakeholders could help ensure that divergent approaches on how to achieve peace in Ukraine will not have a negative impact on their bilateral relations.
Recommendations

It is early enough in the new Lula government that a proactive stance by actors on both sides will enable the deepening of relations in a mutually beneficial way. Towards this end, we recommend that Brazil and EU stakeholders take the action listed below.

• Strengthen cooperation in science, technology and innovation to promote a just transition that equally benefits both sides, particularly in the areas of critical minerals and renewable energy, such as green hydrogen. Brazilian stakeholders should proactively work to ensure fair and balanced agreements that promote technology transfer and enable Brazilian companies to participate not only in the extraction of mineral and other natural resources but also in the joint production of green technologies with added value. Both Brazil and the EU must strive to prevent socio-environmental harm from joint undertakings in these areas.

• Enhance the sustainable footprint in the EU-Mercosur agreement by incorporating more robust socio-environmental safeguards that consider the environmental standards and requirements of both Mercosur and the European nations. If the deal is approved without reopening negotiations to ensure adequate social participation and the correction of current imbalances that risk harming the reindustrialisation efforts of Mercosur nations, it is even more crucial to establish an independent oversight body. This mechanism should monitor the agreement’s adverse effects and assess the enforcement of its environmental safeguards while ensuring the involvement of civil society organisations, indigenous peoples and communities affected by potential inequalities and violations linked to the bilateral trade between the two blocs. This would enable them to make complaints and provide relevant information.

• Foster bilateral cooperation mechanisms to facilitate the compliance of Brazilian stakeholders with the requirements of the EU Deforestation-Free Regulation (EUDR), which is aimed at preventing the EU import of products associated with deforestation and environmental harm. The EU should focus on providing positive incentives to assist Brazil in the implementation of its national policies that are aimed at tackling deforestation and environmental crimes, including by supporting initiatives such as the Plan for Prevention and Control of Deforestation in the Legal Amazon (PPCDAm), the low carbon agriculture programme, and the improvement of Brazil’s Rural Environmental Register (CAR) to prevent land grabs and facilitate the embargo on goods produced in deforested lands. The EU should make significant donations to the Amazon Fund and should provide financial support to scale up existing due diligence and traceability systems in Brazil. It should also support small farmers to prevent their exclusion from the EU due to non-compliance with the EUDR.

• Deepen the political cooperation between Brazil and the EU in the United Nations and other multilateral spaces, as well as develop a positive agenda to identify key areas of common interest where cooperation should be enhanced, including by making use of landmark events such as the EU-CELAC Heads of State Summit and meetings of the G20, particularly in light of Brazil’s upcoming presidency of that grouping. Brazil and the EU should also seek to carry out a new edition of the EU-Brazil Summit, which was last held in 2014. The creation of regular spaces
for dialogue can play an important role in promoting a positive agenda, developing mutual respect, and achieving a pragmatic common understanding, especially in areas where positions may differ, such as peace and security and the war in Ukraine in particular.
Endnotes and References

1. The authors would like to express their gratitude to the diplomats from Brazil’s Ministry of External Relations for kindly sharing their insights and expertise. Although they preferred not to be identified, their contributions have greatly enriched our analysis.

2. For more information on the return of hunger in Brazil, see Vigna, A. (2022) ‘Brazil is facing the return of hunger’, Le Monde, 9 June.

3. For more information on this subject, see (in Portuguese) ‘Entenda as leis que promovem o desmonte dos Ministérios dos Povos Indígenas e do Meio Ambiente’, Ministry of Indigenous People, 25 May 2023.

4. For more information on this subject, see (in Portuguese) ‘Lula se reúne, em um mês, com metade do total de países de todo o mandato de Bolsonaro’, O Globo, 29 January 2023.

5. See ‘Can Lula save the Amazon? His record shows he might just pull it off’, The Guardian, 3 January 2023.

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9. ‘Brazil officially leaves Unasur to join Prosur’, Agência Brasil, 17 April 2019; in May 2023, Brazil hosted a meeting with the presidents of the 11 South American countries to discuss key priorities for regional cooperation. The meeting resulted in a declaration that determined the creation of a working group to advance cooperation efforts. However, there was no agreement around the re-establishment of Unasur or a similar South American forum.


11. The main example is the visit by Olaf Scholz, the Federal Chancellor of Germany, to Brazil on 30 January, in which topics such as deforestation, the bioeconomy, and the energy transition were discussed. For more information, see ‘Visita ao Brasil do Chanceler Federal da Alemanha, Olaf Scholz’, Planalto: presidency of Brazil, 30 January 2023.

12. The terms South-South cooperation and triangular cooperation refer to the process in which two or more developing countries pursue their development objectives through the exchange of knowledge, resources, and technical expertise, and through regional and inter-regional collective actions, including partnerships involving governments, regional organisations, civil society, academia and the private sector, for their individual and/or mutual benefit within and across regions. It should be noted that South-South cooperation does not replace, but rather complements, North-South cooperation. Source: ‘Triangular Cooperation’, ABC, 2023. For more information on the concept, history, and implementation of South-South Cooperation by Brazilian foreign policy, see: Milani, C. and Magnus, K. (2020) ‘South-South cooperation and foreign policy: Challenges and dilemmas in the perception of Brazilian diplomats’, International Relations, David Davies Memorial Institute (DOI: 10.1177/0047117820920906).


14. ‘Understand why the so-called Secret Budget is related to illegality and corruption’, Brasil de Fato, 7 October 2022.

15. See more in Aloizio Mercadante, president of Brazilian Development Bank (BNDES), inauguration speech (in Portuguese).

16. See more in Lula’s speech at the inauguration ceremony of the president of the New Development Bank (in Portuguese).


18. See the Constitution of the Federative Republic of Brazil (in Portuguese).

19. See, for example, the acts signed on the occasion of Lula’s visit to Argentina here (in Portuguese), the announcement of Lula’s visit to Paraguay here (in Portuguese) and Lula’s statement after his visit to Uruguay here (in Portuguese).

20. An emerging effort in this regard is the Bridgetown Initiative, which is being led by Barbadian Prime Minister Mia Mottley with the aim of reforming the international financial system. While Brazil has not yet publicly stated its stance on the proposal, the initiative gives particular attention to the need to scale up climate financing.

21. Source: Comunidade Brasileira no Exterior, Itamaraty: Ministry of Foreign Affairs of Brazil, August 2022. However, the discrepancy is strong with data from Eurostat, the European Union’s statistical service, which counts only 461,246
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Brazilians in 2020. Both Itamaraty and Eurostat data are nevertheless likely to be underestimated, since there are large numbers of Brazilians living in Europe without formal permits or visas.


23 ‘Lula diz que, se eleito, irá rediscutir acordo entre Mercosul e União Europeia’, G1, 22 August 2022.

24 After a meeting in Brasília with the president of the European Commission in June 2023, Lula declared that his government will not accept the trade agreement if it means giving up the preference given to Brazilian companies in government purchases – a point he classified as “non-negotiable” given the importance of government purchases for the sustainability of small and medium-sized Brazilian companies. Source and more information: ‘Lula se queixa de legislação europeia e questiona trecho de acordo UE-Mercosul sobre compras governamentais’, O Globo, 12 June 2023.

25 Imazon (2020) ‘O acordo comercial entre UE-Mercosul é à prova de desmatamento?’


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29 ‘EU chief sees Mercosur deal this year, Lula fears environmental sanctions’, Reuters, 12 June 2023.

30 European Parliament Briefing (2022) Brazil’s economy: Challenges for the new president.

31 See some examples on GiZ Brazil website: www.giz.de/en/worldwide/12055.html.


36 ‘Presidente Lula se reúne com chanceler francesa Catherine Colonna’, Planalto: presidency of Brazil, 8 February 2023; ‘EUA anunciam US$ 500 milhões para Fundo Amazônia nos próximos 5 anos’, Folha de São Paulo, 20 April 2023; the EU’s willingness to donate to the Amazon Fund was confirmed by EU Commission President Ursula von der Leyen during the Major Economies Forum on Energy and Climate in April 2023. See: ‘União Europeia mostra interesse em contribuir com o Fundo Amazônica’, Valor, 5 May 2023.


39 ‘How partnerships complement the EU deforestation regulation’, FERN: making the EU work for people and forests, 9 March 2023.


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