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# From Soft to Hard power? Security and Geo-economics in Brazil-EU Relations

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The displacement from military power to the geo-economics of commercial rivalry (Luttwak 1990) – in this case between countries and the mega-blocs TPP and TTIP – might strengthen the international position of Brazil and the European Union (EU). Both are rather economic than military powers in a geo-strategic environment and, according to the definition of Maull (1990), Germany and Brazil can be considered civilian, non-nuclear powers with a strong focus on diplomacy and cooperation.

Traditionally, security and defence rank second in Brazil-EU relations dominated by economic exchange and soft power as the result of a shared history, the same values and a strong multilateral vocation. Most studies on the Brazil-EU strategic partnership tend to neglect the other dimension of relations: hard power. Despite its civilian image, it should not be forgotten that Brazil is the seventh world economic and the eleventh military power on the globe, and the EU the strongest economic bloc and the second in defence industry. Although from very different geopolitical positions, both, the EU and Brazil belong to the West (Quintana Steiner et al. 2014).

## Domestic Changes and Strategic Uncertainties

Brazil and the EU face serious internal crisis that diminish their capacity for global action and bilateral cooperation, compared to 2007 when Brazil was perceived as a rising power and the European integration

process and economic growth advanced steadily. Today, the long period of nearly three years without a bilateral Summit (the last one took place in February 2014) is a clear signal for the lack of interest or capacity on both sides.

Initial European enthusiasm over Brazil's rising power and social progress – recognized in 2007 by the status of a “strategic partner” – has been replaced by a pessimistic outlook due to the country's deep recession (a decline of GDP by -3.5% in 2015), institutional weaknesses and political uncertainties after the political trial against elected President Dilma Rousseff. Both, the former and the current Brazilian government have a popular support beyond 16% and a poor legitimacy to impose adjustment policies with high social costs.

On the other side of the Atlantic, the trade-off between security and human rights in the refugee crisis, the controversial deal with Turkey, creeping growth rates combined with high debt ratios in the South and right-wing parties with xenophobe messages reduce the attraction of European integration and values in and outside its borders. The lack of leadership and the weakening of supranational institutions under EC President Jean-Claude Juncker further contribute to undermine the European model of regional governance.

Despite its upgrading in the Joint Action Plan (JAP) 2015-2017, the economic agenda prevails over cooperation on security that has been a minor issue in relations between Brazil and Europe. Traditional priorities might change in the next future, according to the clear foreign policy shift under the Brazilian government of Michel Temer away from the BRICS and towards the traditional Western alliance with the United States and Europe. Thus, the former search for autonomy in Brazil's foreign and defence policy might be replaced by a realist stance of national economic interests.

The new domestic scenario in Brazil opens a window of opportunity to return to the initial goal of the bilateral Strategic Partnership, defined in 2007, to “engage with the EU in a global, strategic, substantial and open dialogue both bilaterally and in multi-lateral and regional for a” (EC 2007). But it also endangers the strong development-security nexus in European-Brazilian relations build up under the PT-Governments that allowed triangular cooperation by “exporting” Brazil's own experience to other Latin American and African countries with European support (Ayllón 2013). The “end of diplomacy for development” (Quintana Steiner et al. 2014: 43) that characterized EU-Brazilian cooperation in the last decade might place economic and defence issues higher on the bilateral agenda.

In midst of domestic crisis, foreign policy has become an instrument of economic solutions. As a result of their strategic partnership, Brazil and the EU focus on trade and investment, but also held a regular, high level dialogue on security issues at the regional and international level. In the last 13 years, both shared a strong development-security nexus and recognized the UN concept of Human Security. This basic consensus offers a broad field of cooperation on international peace and conflict resolution. Nonetheless, during the PT governments (2003-2016), for ideological and strategic

reasons, Brazil and Europe played in different international leagues: Brasilia aligned with the BRICS and the EU was part of the West (Gratius, 2014).

The conservative President Michel Temer, who replaced Dilma Rousseff at the end of August 2016 in a long and highly controversial impeachment process (Ayuso 2016) might bring Brazil back to its traditional Western alignment, but not necessarily closer to the EU. According to a speech that Foreign Minister José Serra gave in May 2016, not the EU but Argentina and the US are Brazil's top priorities. In the next years, Brazil's foreign policy will be hijacked by the utmost goal of economic recovery including a possible free trade agreement with Washington. Again, the EU does not rank high on Brazil's external agenda and the new strategy to bandwagon the United States is no guarantee for a more strategic alliance with Europe.

A similar trend of neglect is visible in the EU. Its Global Strategy does not even mention Brazil, and Latin America only appears as the Southern part of the Atlantic Partnership (EC, EEAS, 2016). NATO alignment, maritime security and economic recovery are top priorities on the EU's still weak common foreign and defence policy. Difficult relations with Russia and the refugee crisis place again Europe's Eastern and Southern neighborhoods at the center of its external agenda beyond the Transatlantic partnership, while Latin America rank third behind Asia.

The return to a mutual "benign neglect" as a result of domestic crisis diminishes the prospects for a security alliance between Brazil and the EU, but might also reduce the frictions on international conflict solution during the PT years, when dissent and different voting behavior prevailed over consensus-building (Gratius 2014). On the economic front, the shared goal of economic growth and recovery could offer an incentive for a free trade deal between Brazil and the EU, although recession could also have the opposite effect of stagnation and further trade diversion to China.

At the international stage, Europe and Brazil's positions might converge, given that the conservative Temer government – closer to its German or Spanish counterpart – does not any more identify with the South-South orientation of Brazilian foreign policy since 2003. A first hint for Brazil's external re-orientation was the President's speech at the G-20 Summit on 4 September 2016 in China, when he said that "our primary goal is to promote structural adjustment to public spending in the last 20 years" (Temer, 2016).

## **The economic and security agenda: Declining Soft Power**

Prosperity and Security are the utmost priorities of relations, according to the Joint Action Plan defined at the 7th bilateral summit (Council of the EU, 2014). Strategic economic interests and the desire to overcome stagnations in EU-MERCOSUR negotiations were the main motivation behind the decision in 2007 to up-grade bilateral cooperation and dialogue. In a new domestic framework, characterized by the steady decline of soft power in relations by a minor relevance of human rights and development, hard economic and security issues could rank higher on EU-Brazil relations.

## Asymmetric strategic economic interests

Europe is Brazil's main investor and trade partner. European FDI in Brazil is still higher than in other BRICS countries including China and India. EU member states represent approximately half of total capital inflows, although lower growth rates in Europe and Brazil constrained recent direct investment from European companies. In Latin America, Brazil is the main destiny for European capital and trade relations with Brazil account for one third of total EU exports and imports.

Trade relations are highly asymmetric: in 2015, Brazil had an insignificant share of 1.8% in EU's total trade, compared a European share of 19.6% in its own commercial exchanges. Brazil lost its ninth position in the list of EU's top trading partners and ranked tenth after South Korea and India. The EU was still Brazil's number one trading partner, slightly before China (18.6%) and the United States (14.1%). Despite Europe's key position in Brazilian trade and investment flows, Foreign minister José Serra included a free trade deal with the United States and not with the EU among his top ten priorities.

This decision might be a reaction to 16 years of failed negotiations of a EU-MERCOSUR association agreement including free trade. The deadlock of the bloc-to-bloc process has not been solved yet and none of the two partners has taken any step forward towards a bilateral negotiation that could negatively affect Brazil's strategic partnership with Argentina and undermine the EU's paradigm of inter-regionalism. Albeit agreed during Serra's first visit as a Foreign Minister in Buenos Aires, a neoliberal economic revival of MERCOSUR remains doubtful, given that the bloc includes Bolivia and Venezuela.

Following the format of the Andean Community to sign bilateral deals under a broad collective umbrella could offer a solution for the real strategic challenge in relations: the signature of a free trade plus (dialogue and cooperation) agreement. Another solution could be the re-activation of the stagnant WTO Doha Round initiated in 2001 under the Brazilian Secretary General Roberto Azevêdo. The likely failure of the TTIP process – questioned by broad sectors and governments in the EU and the United States- could, again, open the door to multilateral WTO-negotiations. A third scenario would be the status quo of stagnation: neither an EU-MERCOSUR agreement nor a bilateral Brazil-EU or a multilateral deal.

EU-Brazil trade prospects are conditioned by the success or failure of mega-blocs. Given that Brazil is not a global trader – imports and exports have a share of 20.8% in GDP, compared to 71% in the case of Germany, mega-bloc deals outside the WTO threaten Brazil's global economic position. Particularly the Transatlantic Trade and Investment Partnership (TTIP) pose a major challenge for Brazil because of strong interdependences with the EU and the United States without free trade deals. Different to other Latin American countries like Chile, Mexico and Peru, Brazil has neither signed free trade agreements with the EU and the United States nor does it take part in the Transpacific Partnership (TPP) that agreed in 2015 on zero tariffs. Brazil's relative

isolation, the low share of trade in GDP and high custom tariffs (an average of 13.5%) are major constraints to its international insertion. Those challenges should be addressed by the new Brazilian government, but lower trade barriers face strong opposition, for example by the protectionist National Confederation of Industry (CNI).

Beyond trade, the G-20 Summits and the IMF reform constitute the most important financial issues in Brazil-EU relations. Brazil is one of the emerging powers from the South that could increase its power quotes at the IMF in recognition of its financial contribution to the Fund and its rising power status. In 2016, six years after the initial agreement, the IMF reforms were approved. The new quota system guarantees a greater participation of the BRICS including Brazil and reduces tensions with European countries and the United States. Moreover, this year's G-20 Summit in China, attended by the new Brazilian government evidenced a closer approach on economic and financial policies between the EU and President Temer.

### Drifting apart together? the security and defence agenda

In terms of military power, Brazil and the EU play in different Leagues. The EU counts on a military manpower of 1.4 million actives, compared to 318000 in the case of Brazil. The EU spends each year approximately 195 billion on its military defence, while Brazil's military budget is eight times lower (24.3 billion in 2015). These figures prove that Brazil and the EU are also military powers with an important defence industry. But, with a modest share of 1.4% for Defence in GDP, the EU<sup>1</sup> and Brazil are rather civilian than military powers with a strong profile of development and diplomacy.

On security and defence, Brazil and the EU face different challenges. Terrorism has become a major threat for the EU since the attacks in Madrid (2004), London (2005), Paris (February and November 2015), Brussels and Nice (2016). The second security challenge is posed by the arrival of over one million refugees in Europe as a result of the five-year war in Syria, the conflict in Afghanistan and instability in Somalia and other countries in the global South. Under a weakened German leadership, the EU addresses both challenges from a perspective of border security and much less from a humanitarian and human rights stance<sup>2</sup>. Paradoxically, both phenomenon – international refugees and terrorism – pushes the EU towards a security community of a fortress Europe. The decline of European values and the return to realist nationalism affects its external image and attraction in the global South including Brazil.

Neither terrorism nor the refugees rank high on the Brazilian agenda focused on domestic security challenges like the protection of the Amazon region, the control of drugs trafficking and consume, and the fight against organized crime as a major threat for citizen's security, civil rights and democratic institutions including the police. Due

<sup>1</sup> Only France and the UK by their condition as permanent member states of the UN Security Council spend more than 2% of GDP on Defence.

<sup>2</sup> According to the UNHCR, 3 771 people died in 2015 during the attempt to reach European coasts.

to the absence of external enemies in a peaceful South American region, following the path of their neighbors Argentina and Uruguay, the Brazilian military increased its participation in UN peace missions. According to the Ministry of Defence, Brazil currently participates with 27 000 militaries in nine UN missions and had been part of another 21. From 2004 on, Brazil assumed the Military Command of the UN Stabilization Mission in Haiti (MINUSTAH) which is by far its largest logistical and financial contribution to international peace. Since 2010, Brazil's contribution is managed by the Common Peace Operations Center (CCOPAB) in Rio de Janeiro. In 2014-2015, under former Minister Antônio Patriota, Brazil chaired the UN Peacebuilding Commission (PBC). While Brazil focuses its engagement on the UN, European states are important financial contributors to international peace missions but send their troops to European military and civil operations (currently 16), most of them in Africa.

At the UN, Brazil and the EU assumed an active role in global disarmament. Brazil is a signature of the NPT and subscribed an agreement with the European Atomic Agency Euratom. Brazil and the EU pushed for the Arms Trade Treaty that came into force in 2014. Nonetheless, both partners face the dilemma to reconcile its international engagement for peace with influential domestic arms lobbies. Brazil figures among the top ten exporters of small arms, while France, Germany and the UK are important suppliers of all type of weapons that undermine efforts for any peaceful conflict resolution (SIPRI, 2015).

The final declarations of the seven Summits held between Brazil and the EU underline a regular dialogue on international conflicts aimed at the adoption of common positions. Iran, Syria and Haiti rank high on the bilateral agenda, albeit UN voting behavior revealed different perceptions on the causes and solutions of conflicts. Under the PT-Governments, Brazil gave priority to its alliance with the BRICS and prevailed national sovereignty and non-interference over the principle of the Responsibility to Protect (R2P) criticized by the former Government of Dilma Rousseff (Gratius, Grevi, 2013). Finally, Brazil has been a non-permanent member of the UN Security Council for nine times and seeks to obtain a permanent seat at the world's most powerful security institution. As a member of the G-4, together with Japan and India, Germany is a key ally to push for a reform of the UN Security Council, an issue that remains high on Brazil's list of foreign policy priorities.

Drugs-related problems are part of the (few) shared security problems. Brazil, that has become the second cocaine consuming country in the Americas, faces a serious problem of drugs-related criminal networks and is also part of the transit route to Europe (via Africa or Spain). In recent years, Europe increased its share in Latin American's cocaine market compared to the opposite trend in the United States. Different to most EU member states and some South American neighbors, Brazil has not yet adopted de-penalization and health as the dominant paradigms to address the drugs problem. A closer approach towards the global fight against consumption and trafficking of drugs – Fernando Henrique Cardoso was among the influential group of ex Presidents that criticized the war on drugs and suggested a softer de-criminalization paradigm – would be a major step towards an inter-regional and Atlantic consensus.

## Building a hard power alliance of the West? Prospects for cooperation

Although it is too early to predict a major shift in Brazil-EU relations, there are some trends in Brasilia that indicate important changes in traditional perceptions and priorities of cooperation with Europe:

- › First, Brazil's Government of Michel Temer represents a return to the Western alliance, away from the BRICS group, opening the way for an Atlantic consensus on international conflicts like Iran, Syria and others.
- › Second, economic realism and adjustment policy conspire against Brazilian-European triangle cooperation in Latin America and Africa and the development-security nexus under former Brazilian Presidencies.
- › Third, due to economic constraints, Brazil will probably reduce its regional and international engagement and leadership position of the South and replace political goals by the predominance of economic growth in its foreign policy agenda.
- › Fourth, Brazil's recent status as an emerging power suffered from a credibility crisis and forced a come-back of traditional structural problems like corruption, institutional weaknesses, social inequalities and infrastructure deficits that need to be addressed by a stable and legitimate government with strong popular support.

In the EU, three important trends determine its international profile and relations with Brazil:

- › The "securitization" of the development and human rights agenda tends to undermine the European brand as a soft, civilian power committed to peace, democracy and human security in and outside its borders.
- › The Global Strategy reinforced the EU's strong neighborhood profile and concentrate foreign policy even further on its Eastern and Southern borders. Security and human rights challenges at home and the traditional North Atlantic alliance reduce the prospects of the EU as a global actor with a larger presence in the far West, including Brazil.
- › A lower attraction of the European integration model as a false? promise of peace, security, democracy and prosperity. The spill around or spill back of European integration and the come-back of nationalism after the Brexit and the rise of right-wing political parties weaken the European brand of inter-regionalism (like the EU-MERCOSUR process) and supranational institutions.

Given those domestic constraints and a certain revival of realism and hard power in Brazil and the EU, in the near future, an interest-driven agenda will be even more important than before. Both share the strategic goal to sign a free trade agreement: Brazil needs the deal as an instrument to overcome its relative isolation and to stimulate exports, and the EU has to diversify markets, to countervail trade-diversion to China and to recover economic growths. The expected mutual benefits are probably higher than the political costs: tensions between Brazil and its MERCOSUR-partners and a conflict with the influential agriculture lobby in the EU.

There are less common interests and challenges to justify a strategic security alliance between Brazil and the EU. Nonetheless, on a wider security agenda there are several

issues where a closer position and common action could make sense. First, one of those sectors is the protection of the Amazon as a vaccine against climate change where both partners are actively engaged. Second, Brazil's current return to the West could facilitate a consensus on major international conflicts with the United States and EU member states. Third, at the national level, Olympic Games in Brazil showed the country's problems of internal security that could foster a closer cooperation with the EU on police reform. Fourth, the shared drugs problem offers a playground for a dialogue on bilateral, regional and global solutions. These four concrete fields could be further developed in a future Action Plan more focused on a horizontal security relationship than in the past. This would also include a stronger institutional cooperation and exchange between intelligence Services, defence ministries and security forces as well as common training programs at a bilateral or collective level.

Nonetheless, all these proposals and initiatives remain to be wishful thinking without a political impulse for closer relations. For the moment, none of the two partners seems to explore those alternative and interest-driven paths of hard power cooperation that rather respond to domestic crisis than to a conscious new strategy in relations. None of the issues mentioned can be put in practice without a new bilateral Summit. The fact that neither Brazil nor the EU asked for a date prove that, independent from the decline of soft power, relations are not in a good shape.

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