

POLICYBRIEF

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EU-Brazil Relations: Opportunities and Challenges from the Global Gateway and the Amazon Fund Initiatives

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Highlights

1. EU-Brazil cooperation under the Global Gateway and Amazon Fund initiatives can contribute to the progress of the EU-Brazil Strategic Partnership by overcoming the challenges to the conclusion of the EU-Mercosur negotiations.
2. The EU's Global Gateway portfolio to Brazil must meet the real needs of the Brazilian society. The EU's projects have put a strong focus on energy transition, but there is a shortage of infrastructure (physical and digital) in Brazil that needs to be simultaneously overcome alongside the agenda traditionally associated with the Green Deal.
3. The Amazon Fund should be recognised as a catalyst for cooperation between the EU and Brazil on environmental issues, with the aim of establishing a common agenda, shared concerns and achievable objectives that will contribute to a gradual convergence between the two partners on the urgency of action to protect the Amazon region.

Introduction

When the EU-Mercosur agreement was concluded in principle in June 2019, it was expected to herald a new era in EU-Brazil relations. However, President Jair Bolsonaro's negative stance on climate change and the environmental agenda, as well as the strong opposition of some European member-states to the agricultural provisions of the agreement, undermined the ratification necessary for its entry into force, thus hindering some cooperation initiatives between the two sides of the Atlantic.

On the European side, France, one of the largest investors in Brazil, is also at the forefront of agricultural protectionism against Brazilian products, citing the deforestation of the Amazon (Folha de São Paulo, 2024). For its part, Brazil has shown little willingness to include an additional protocol on environmental regulation, which Lula sees as part of an initiative that "represents potential restrictions on Brazilian agricultural and industrial exports" (Planalto, 2023). The impasse in bringing this agreement into force goes beyond shared values and the recognition that climate change is a reality. It also involves the definition of an environmental agenda, which has been envisioned differently by each of the parts. In the case of the EU, this agenda has been marked by the European Green Deal, a set of regulations designed to contribute to sustainability, launched by the European

Commission in 2019, but not entirely consensual across the continent, being criticised particularly by the agricultural sectors of the European member-states, which point to the “punitive” nature of some of the measures. It also includes a crucial element, the Amazon, whose conservation is fundamental to the survival of the planet and therefore of interest to both the EU and Brazil. In this sense, cooperation with Brazil is necessary for the pursuit of the European environmental agenda, just as it is useful for Brazil to implement a long-term strategy for the conservation of the Amazon.

The revitalisation of this relationship requires reform or adaptation to make it operational and functional in the light of today’s realities. While the previous four years were marked in Brazil by President Jair Bolsonaro’s disinterest in the EU (and foreign policy in general) but also by the devastating effects of the covid-19 pandemic, Lula da Silva’s first year in office saw the outbreak of the Russia-Ukraine war and the war in Gaza between Hamas and Israel. These events were politically, diplomatically and economically challenging for the European Union. Nevertheless, Brussels has shown a willingness to keep Latin America and the Caribbean, and Brazil in particular, on

The EU’s contributions to the Amazon Fund and the Global Gateway Initiative for Latin America present themselves as two mechanisms of cooperation between the parties, parallel to the economic and commercial relationship represented by the EU-Mercosur Agreement, which continues under a standstill.

The purpose of this policy brief is to discuss the extent to which EU-Brazil cooperation under the Global Gateway and Amazon Fund initiatives meet the needs of both Brazil and the EU, but also whether it can help overcome the challenges to the conclusion of the EU-Mercosur negotiations and provide an opportunity to further deepen the EU-Brazil Strategic Partnership.

Global Gateway: Strengthening the EU’s Footprints in Latin America

In the context of great power rivalry and the EU’s pursuit of so-called open strategic autonomy, the EU announced the Global Gateway Agenda in December 2021, an initiative that aims to provide a more coherent development and investment approach for EU projects around the world.

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its economic radar as a counterbalance and alternative to China’s Belt and Road Initiative. In the face of the international reluctance generated by Bolsonaro, the election of Lula da Silva in October 2022 was seen by Brussels as crucial for deepening the relationship between Brussels and Brasília, as Ursula von der Leyen pointed out:

“I am here to tell you that Europe is back too. Europe is back in Brazil. Europe is back in Latin America. Our regions are not only natural partners, but they are also partners of choice. And it is time to take our strategic partnership to the next level” (European Commission, 2023d).

These different dimensions of the international scenario call for a readjustment of the EU-Brazil relationship in order to exploit its potential and turn challenges into opportunities.

The EU’s overall commitment is to mobilise up to €300 billion of global investment by 2027 as a counterpoint to global investment plans developed by other global actors, such as China’s Belt and Road Initiative (BRI) (Jorge and Otero-Iglesias, 2022). Within the ‘Team

Europe’ initiatives, which consists of a varying combination of contributions from the EU itself, the Member States, the European Investment Bank and the European Bank for Reconstruction and Development, the Global Gateway agenda presents itself as a key instrument to promote the EU’s green and digital transition ambitions internationally.

While half of the Global Gateway’s €300 billion stipulated investments will target the African continent, the European Commission has announced that €45 billion will be destined for Latin America and the Caribbean. ‘Although investment volumes are higher elsewhere (the EU wants to mobilise up to €150 billion for Africa), the LAC region is considered particularly suitable for the Global Gateway’s efforts, given the maturity of its financial markets and private sector, which is conducive to European private sector engagement (and responsible investments) in the region,

as well as the alignment of normative values and standards’ (ETTg, 2024, 10).

In the context of the revival of the EU-CELAC Summits in July 2023 and during the EU-LAC Business Roundtable, the President of the European Commission presented the EU’s investment agenda for the region within the GG framework:

“Under the banner of Global Gateway, we propose to bring over €45 billion of high-quality European investment to Latin America and the Caribbean. Over 135 projects are already in the pipeline, from clean hydrogen to critical raw materials, from expanding the high-performance data cable network to even producing the most advanced mRNA vaccines.”
(European Commission, 2023b, 1).

On one hand, Global Gateway’s investments serve the EU’s current geo-economic interests. At the strategic level, the EU’s strategic autonomy relies on the diversification of partners, especially when it comes to the provision of critical raw materials and green energy, which are fundamental to the implementation of the EU’s Green Deal. In this sense, ‘the EU needs to address how it will partner with the countries of origin of these raw materials such as Brazil (niobium), Chile (lithium) and Mexico (fluorspar), all countries on which the EU depends for certain technology manufactures’ (Jorge and Otero-Iglesias, 2022, 3). It is therefore no coincidence that the EU’s flagship projects in countries such as Argentina, Chile and Brazil are linked to investments in local value chains for critical raw materials (such as lithium and copper) and the development of renewable hydrogen (European Commission, 2023a).

On the other hand, at the normative level, the EU intends to offer its own investment model, which aims to differentiate itself from that of the Chinese by bringing added value to the region in terms of long-term environmental and social commitments, as well as contributing to the establishment of sustainable and resilient value chains, which can favour the region’s demands for reindustrialisation and becoming less dependent on its position in the global economy as a commodities supplier. The fact that most of the projects highlighted under GG focus on climate and energy, health and

digital, rather than transport/infrastructure is illustrative in this respect (European Commission, 2023a).

Despite its ambitious proposals and the announcement of estimated figures and flagship projects, GG has received several criticisms since its launch, both from EU actors and from actors in the beneficiary countries. First, the number of total investments and total projects remains a broad expectation coming from the European Commission, which will largely depend on how much the private sector and cooperation agencies from the Member States will invest. Second, and related to the first, the coherence of the GG initiative is easier said than done. The Team Europe initiative is a pre-GG arrangement that already covers existing projects in Latin America and other regions. However, it is not clear to third partners whether the figures presented by the EU include these ongoing European projects or whether they include completely new investment projects, which will certainly affect the real figures of the GG for the region. While it is recognised that the private sector has been involved in formulating and organising a list of projects under the GG umbrella, the same cannot be said for the involvement of civil society. Nonetheless, ‘one may easily

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argue that civil society does contribute to its officially set principles, such as the upholding of democratic values and high standards, good governance and transparency’ (Sauvignon and Benaglia, 2023, 4).

Therefore, there is a demand from political and civil society actors for more civil society participation not only in the implementation of the projects but also in their design, in order to ensure that the projects respect their principles as well as their social and environmental commitments from the outset. Moreover, GG has been framed according to the principle of equal and eye-to-eye partnerships. However, a common criticism coming from the third partners is that the

EU is hypocritical about this and other principles when the beneficiary countries are not fully consulted – but mainly informed – about the GG’s priority projects in the region.

The Global Gateway and the Amazon Fund: Omnipresence of European Environmental Concerns?

The Amazon Fund was set up in 2008 by Brazil and Norway, is managed by the Brazilian Development Bank (BNDES) and provides Brazil with financial support to implement policies aimed at reducing deforestation in the Amazon. As for the EU’s participation in the fund, Germany was the first member state to make donations, which have been frozen since Bolsonaro’s government halted all activities related to

decades (Financial Times 2024). The “Americas Act” is under discussion at Congress and could be the way for the US to fill the gap in the trade relations with the region since the US has never signed free trade agreements with key countries such as Brazil or Argentina.

As some analyses have pointed out, the Amazon Fund is only part of a broader picture of initiatives to address environmental concerns (Tollefson, 2019). Some of its programmes target Amazonian communities directly affected by climate change and the illegal activities of miners. Linking environmental concerns to commercial interests is crucial to understanding the acceptance or rejection of such measures. This is an important task for the EU if its proposals are to be well received by the communities without being perceived as hegemonic attempts.

The current deadlock of the EU-Mercosur Agreement illustrates that trade and environmental areas are two sides of the same coin. The globalised and interdependent nature of these dynamics requires finding a balance

the fund. In contrast, President Lula da Silva approved the resumption of the Fund’s activities during his first month in office (Wilson Center, 2023).

During a visit to Brazil in 2023, President von der Leyen announced at a press conference with President Lula that she recognises Brazil’s environmental commitments and leadership in this area and intends to contribute €20 million to the Amazon Fund. She also took the opportunity to announce key projects to be included in the Global Gateway portfolio, such as a €430 million plan to combat deforestation in the Amazon and a €2 billion flagship project to produce green hydrogen in the country (European Commission, 2023d). This represented the EU’s focus on environmental issues in line with the Green Deal and energy transition Agendas, but also the need to get Brazil by its side, as well as represents the European strategy to contain Chinese influence in Latin America.

While China’s approach in Latin America has been advantageous to the region because its trade relations come without conditionalities, the re-rapprochement with the whole of Latin America has also been considered by other external actors such as the US, since the designing of its most comprehensive policy for the region of the last two

The current deadlock of the EU-Mercosur Agreement illustrates that trade and environmental areas are two sides of the same coin. Ursula von der Leyen stated that “We share the same vision of fighting climate change – as I just described – and on labour rights – we discussed it. And our common commitments in these

areas will be embedded in the MERCOSUL agreement. So this trade agreement is more than a trade agreement, I see it as a long-term engagement, as a platform for dialogue” (European Commission 2023d).

The globalised and interdependent nature of these dynamics requires finding a balance to deepen the relationship and adapt the agenda of dialogue and cooperation to the new reality.

For the EU, trade policies go beyond the economic dimension. It is an issue of global and geopolitical power and influence, recently framed by the trade wars between the US and China. For Brazil, on the other hand, this is also a question of development and a mechanism for reducing economic and social inequalities among the population. Moreover, the terms of the environmental agenda are not consensual between the two sides. The EU has stressed that all economic activities must be guided by a set of guidelines aimed at energy transition and reducing the greenhouse effect.

Meanwhile, although there is growing concern and awareness about the effects of climate change and the need to preserve the Amazon in Brazil, the relationship and impact between environment and development is still not fully present in

public opinion and in the development of some public policies. As the EU's main investment destination in Latin America, Brazil has been highlighted as a special destination for Global Gateway projects. The European Commission has indicated that the development of the digital network in the country and the protection of the Amazon forest have been identified as priority areas in the Global Gateway portfolio for the country.

Examples of projects so far identified by the EU in Brazil include:

- The Team Europe-Brazil Tropical Forest Initiative (preventing deforestation and promoting a sustainable bio-economy and traceability of supply chains).
- The implementation of the Amazonia+ programme financing of renewable energy and energy efficiency projects and the promotion of green hydrogen.
- Co-financing of solar and wind energy infrastructure green low-carbon technologies for SMEs and enterprises Internal connection to the Bella project via the ELLA-Link optical cable (35,000 km).
- The modernisation of the water and sanitation services of the public water companies (European Commission, 2023a).

Despite the flamboyant announcements made by EU leaders, Brazilian actors have often expressed scepticism regarding their expectations of concrete investment and dialogue with the EU in the design and implementation of the Global Gateway initiative. As highlighted by Brazilian representatives, political and bureaucratic actors in the region have not been fully informed about the Global Gateway projects and, more importantly, have not been consulted in the formulation of these initiatives, which would help to integrate the needs of the country and local actors into the European investment portfolio (Euractiv, 2023).

In addition, Brazilian actors have argued that most of the initiatives launched under the Global Gateway already existed under other names. Furthermore, despite the positive initial figures, the EU's contribution to the Global Gateway is estimated to be small, meaning that its success will depend largely on the contribution of Member States, as well as cooperation/development agencies and banks.

Finally, Brazilian actors are aware that the focus of the Global Gateway is not Latin America, but Asia and Africa, which explains the reduced participation of Latin America in the selection and design of Global Gateway projects.

Conclusions and Policy Recommendations

Despite the stand-by seen in the overall EU-Brazil Strategic Partnership (launched in 2007, but lacking High-Level Summits since 2014), its reformulation is both possible and necessary, as it benefits both parts, even if for different reasons. The competition with China, from the European side, and the expectations for economic growth, from the Brazilian side, are goals that may be difficult to reconcile — neither the EU has the current economic and commercial capacity of China, nor does Brazil seem to be able to convince the EU member states to ratify the EU-Mercosur Agreement despite its prominence in energy transition matters.

Also, Brazil and the EU are not aligned on all international policy issues. However, there are common interests and untapped potential that need to be operationalised. In that sense, it is necessary to focus on reformulating the EU-Brazil relations considering the dynamics of the current international order.

Bearing this idea in mind, and considering the latest dynamics associated with the Global Gateway and the Amazon Fund initiatives, this Policy Brief suggests that:

1. In Lula's third term and with a new European Commission about to take office, the environmental agenda is the key element for improving EU-Brazil relations. In this area, both actors could propose new forms of cooperation and take each other's interests into account in the policies to be developed.
2. EU and Brazilian leaders must work to diffuse and prevent feelings of suspicion and distrust in the measures and programmes proposed; otherwise, the establishment of a common agenda for cooperation will not progress in a continuous and consolidated manner.
3. Given the EU's limited resources, EU plans for Brazil, to be well received and truly beneficial for both actors, should focus on investing in the modernisation of essential infrastructure for integration into global value chains and for sustainable development. Focusing solely on access to natural resources, particularly in the Amazon, risks being perceived negatively as the return of a neoextractivist logic.
4. The Global Gateway must meet the real needs of Brazilian society. The EU's projects have put a strong focus on energy transition, but there is a shortage of infrastructure (physical and digital) in Brazil that needs

to be simultaneously overcome alongside the agenda traditionally associated with the Green Deal.

5. The Amazon Fund should be recognised as the catalyst of EU-Brazil cooperation on environmental matters, aiming to establish a common agenda, shared concerns and achievable goals that contribute to a gradual alignment between both partners regarding the urgency of measures for the protection of the Amazon region.
6. The EU cannot solely present itself as a normative power that defines, designs and implements rules and policies unilaterally, but must focus on building collective rules and on fostering more balanced relationships with its global partners, especially with those regarded as like-minded.

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