



COMMISSION OF THE EUROPEAN

014582/EU XXIII.GP
Eingelangt am 01/06/07

Brussels, 30.5.2007
COM(2007) 281 final

**COMMUNICATION FROM THE COMMISSION
TO THE EUROPEAN PARLIAMENT AND THE COUNCIL**

Towards an EU-Brazil Strategic Partnership

**COMMUNICATION FROM THE COMMISSION
TO THE EUROPEAN PARLIAMENT AND THE COUNCIL**

Towards an EU-Brazil Strategic Partnership

1. BUILDING AN EU-BRAZIL PARTNERSHIP

Over the last years, Brazil has become an increasingly significant global player and emerged as a key interlocutor for the EU. However, until recently EU-Brazil dialogue has not been sufficiently exploited and carried out mainly through EU-Mercosur dialogue. Brazil will be the last “BRICS”¹ to meet the EU in a Summit. The time has come to look at Brazil as a strategic partner as well as a major Latin American economic actor and regional leader². The first EU-Brazil Summit, will take place in Lisbon in July 2007, and will mark a turning point in EU-Brazil relations.

The recent intensification and diversification of bilateral EU-Brazil relations demands a global, coherent and coordinated framework to conduct them. Its emerging economic and political role brings new responsibilities for Brazil as a global leader. The proposed strategic partnership between Brazil and EU should help Brazil in exercising positive leadership globally and regionally and to engage with the EU in a global, strategic, substantial and open dialogue both bilaterally and in multilateral and regional fora. Based on powerful historical and cultural links, the EU enjoys broad relations with Brazil. Over the last few years Brazil has emerged as a champion of the developing world in the UN and at the WTO. The EU and Brazil share core values and interests, including respect for the rule of law and human rights, concern about climate change and the pursuit of economic growth and social justice at home and abroad. Brazil is a vital ally for the EU in addressing these and other challenges in international fora.

A quasi-continent in its own right, Brazil’s demographic weight and economic development make it a natural leader in South America and a key player in Latin America. Brazil is now actively pursuing this role in the Mercosur framework and is at the forefront of the drive to promote the Union of South American Nations (UNASUR)³.

Brazil is central to the success of the EU-Mercosur negotiations, an EU priority strategic objective, which have not come to a conclusion due to lack of progress in the trade chapter thus preventing so far the establishment of a wider strategic association between

¹ A term coined in 2003 by Goldman Sachs for the rapidly emerging economies of Brazil, Russia, India and China, South Africa.

² The Communication from the Commission to the Council and the European Parliament, “A stronger partnership between the EU and Latin America - COM(2005) 636 - sets the ground for a stronger partnership with the Latin America region.

³ The "Unión de Naciones Suramericanas" – UNASUR – was formally established at a Summit in Venezuela in April 2007.

the EU and Mercosur. Positive leadership of Brazil could move forward Mercosur negotiations. In the meantime, the EU remains committed to consolidating a solid political and economic relation with Mercosur as a block and to develop its bilateral relations with the other countries in the region as it is the case for Argentina, another important South American interlocutor (a number of policy dialogues have recently been launched).

Commercially, Brazil is a major EU investment hub in Latin America⁴ and a market that will offer major additional openings for EU business, once negotiations in the WTO Doha Development Agenda (DDA) and with Mercosur are completed and trade barriers have been further reduced. Although its growth rates are not comparable with China or India⁵, Brazil has huge natural resources, renowned scientific and academic excellence, broad industrial diversity and a vast internal market.

Brazil still has challenges to address: acute income inequalities remain a real handicap and are one of the Government's main targets for action, particularly through its 'Bolsa Familia' programme and a key area for co-operation and dialogue with the EU. These inequalities are also reflected in sharp regional differences within Brazil between the North and the more developed South. Exchanges of good practices on regional cohesion is an area where the EU would like to see closer co-operation with Brazil.

2. SETTING A COMMON AGENDA

A closer, stronger partnership is in the EU's and Brazil's interests. In the chapter below the Commission identifies a number of areas and sectors at the global, regional and bilateral levels where it considers that closer cooperation between the EU and Brazil could be mutually beneficial and could form the core of a future strategic partnership.

This proposal to the Council and the Parliament could, if endorsed, serve as a basis for the formulation of the EU's proposal to Brazil at the Lisbon summit. On this basis, Brazil is invited to submit its own strategic response to the EU's proposals.

The Lisbon Summit should therefore be the launch of a process that will allow the EU and Brazil to develop a joint agenda for a strategic partnership.

2.1. Strengthening Multilateralism

Brazil and the EU share a common understanding that today's global challenges can only be addressed through a multilateral framework centred on a strong UN. We must both, therefore, constantly demonstrate our commitment to the principle of effective multilateralism through our actions. From UN reform to climate change, from disarmament to world trade, Brazil plays a vital role in bridging divides that hinder

⁴ At the end of 2004 38% of EU capital investment stocks in Latin America were located in Brazil (Eurostat Yearbook 2006).

⁵ Brazil's growth was under 3.7% in 2006.

progress on global issues. It is in both partners' interests to seek greater convergence of EU and Brazilian positions on a wide range of issues by means of closer co-operation and consultation at all levels. The EU would welcome a more assertive and proactive position by Brazil and an increased co-operation with the EU in UN bodies, commensurate with its global role and weight.

- *An important first step will be to strengthen our co-operation in all international fora, by consulting systematically ahead of important UN meetings and others, to compare views, align positions wherever possible, ensure mutual support on important issues and develop common initiatives.*

For example, the EU and Brazil could take advantage of opportunities for closer coordination of our respective positions in the UN Peace-Building Commission (PBC). This could include co-operation to ensure that the Peace-Building Commission becomes a strategy-oriented organ, as it was intended to be, rather than just another donor-coordination mechanism.

The EU holds in high regard Brazil's commitment to play a prominent role in peace-keeping operations⁶ particularly in Haiti through its command role in the MINUSTAH peace mission.

- *Taking into account the EU's strong involvement in Haiti⁷ there are ample grounds for co-operation and co-ordination of EU and Brazilian efforts in that country and beyond in the field of peace and stabilisation operations.*

On non-proliferation, Brazil takes a keen interest in the global non-proliferation regime and could possibly facilitate enhanced relations between the developed countries and the G77.

- *The EU and Brazil should cooperate closely to support and further develop the global non-proliferation regime.*

In recent years Brazil has assumed a leading role on behalf of developing countries in the WTO, notably in agricultural trade and through the G20 group. Brazil and the EU have a shared ambition to strengthen further the multilateral trading system, so that countries at all levels of development can benefit more fully from the global opening of markets. As a result, both Brazil and the EU have a special responsibility to bring the ongoing Doha Round negotiations to conclusion. Over the longer term we also have to engage more deeply to face the new challenges of the global economy, where regulatory issues play an increasingly important role in ensuring fair competition and sustainable development.

⁶ Brazil is currently taking part on the following UNPK operations: Sudan, Ivory Coast, Liberia, Ethiopia and Eritrea, Haiti, East Timor, Cyprus.

⁷ The EU's contribution to Haiti for 2002-2007 (9th EDF) is nearly € 300 million and nearly € 233 million is allocated for the period 2008-2013.

- *The EU and Brazil should continue to engage each other fully in the different formats of the WTO negotiations to bring them to conclusion in 2007.*

In the G20 Finance Ministers forum, Brazil could be a key partner to develop common positions with the EU, including the discussions on the reforms of the international financial architecture. This will be particularly relevant during Brazil's G20 Presidency in 2008.

2.2. Raising Human Rights Standards, Fostering Democracy and Governance

The EU and Brazil have long shared a broad base of common values and interests when it comes to promoting and protecting Human Rights, strengthening democracy, the rule of law and governance. Both have been strong proponents of building up a comprehensive body of global standards and a range of tools for their implementation. In the Human Rights Council and the UNGA (United Nations General Assembly) Third Committee there is great potential for synergies and further co-operation to promote global human rights. Both the EU and Brazil also share a common interest in fostering democracy and the rule of law and good governance in all countries.

- *Regarding Human Rights, the EU is particularly keen to work closely with Brazil to achieve greater consensus on resolutions or co-sponsor initiatives on specific countries and issues in the relevant UN bodies.*

2.3. Achieving the Millennium Development Goals and promoting regional and social development

Cooperating in international efforts to tackle global poverty and inequality: Like other emerging powers, Brazil is increasingly assertive in South-South co-operation, especially in its own neighbourhood and in lusophone Africa. Whilst the engagement of most 'emerging donors' is often aimed at generating short term results and returns, the emphasis of Brazil's own (relatively small-scale) co-operation programme tends more towards long term, sustainable development. Brazil is known for its active advocacy work on the multilateral platform and for the development of innovative multilateral and trilateral co-operation models, such as the UN's '*Action against Hunger and Poverty*', launched in 2004, on the initiative of President Lula, together with Chile, France and the UN⁸. There is a convergence of approach between the EU and Brazil regarding development co-operation as a means to foster peace and security.

⁸ Over 100 countries have signed this 2004 UN Declaration, which calls for innovative financing mechanisms to be used to help achieve the MDGs. The initiative led to the establishment in 2006 of UNITAID to fight three major killer diseases such as tuberculosis, AIDS and malaria. UK, France, Italy Spain, Sweden are funding members.

EC-Brazil bilateral co-operation in the framework of thematic programmes has been very valuable⁹. Approved projects and programmes address areas ranging from administrative and economic reform, social development and the environment.

The Commission is keen to explore avenues for triangular co-operation with Brazil and the Community of Portuguese speaking countries (CPLP) (e.g. on energy), and to establish a framework for strengthening relations with Brazil and the Portuguese-speaking African countries.

- *The Commission is ready to intensify cooperation with Brazil in the field of development assistance, notably in relation to triangular co-operation with the CPLP on development co-operation activities.*

Dialogues on social, employment and regional policy issues: Although Brazil is one of the least ‘aid dependent’ countries in South America (ODA constitutes 0.05% of GNI) the country is beset by considerable poverty (e.g. a poverty rate of 27.9%) and a high GINI index (58.2 in 2003, dropping to 56.7 in 2005) as well as growing challenges in the form of regional development disparities. By employing the ‘Bolsa Familia’ and other effective programmes, Brazil has managed to increase its Human Development Indicator¹⁰ and halve extreme poverty 10 years ahead of the 2012 target year, but much still needs to be done to distribute resources more evenly. Brazil's employment structure is evolving very fast and many aspects of globalisation are challenging regional and social policies and the capacity of public action to reduce inequalities. Many aspects of the Lisbon strategy are designed to tackle these challenges. Sharing our respective policy experience could therefore be of value for both EU and Brazil. On the basis of EU-Brazil dialogues on social and employment issues and on regional policy, Brazil could share its experience on providing innovative solutions to the challenges of poverty, inequality and social exclusion to other countries in Latin America.

- *The recently established EU-Brazil dialogue on social and employment issues provides a forum for exchanging best practices and discussing policy in the fields of employment social protection inclusion and social dialogue.*
- *Similarly, the dialogue on regional policy will allow Brazil to share the EU's own experience in reducing regional disparities and achieving a better territorial balance and to exchange best practices in setting up and implementing regional policy, in particular on issues like multi-level partnership (involving regional and local actors, private sector and civil society), medium-term strategic planning, leverage effects on national resources (both public and private), development of administrative capacity, inter-institutional coordination and communication, diffusion of the evaluation culture and co-operation between regions.*

⁹ The amount of the co-operation projects/programmes portfolio totals over € 165 million, excluding RTD projects.

¹⁰ Ranking in 2004: 69 out of 177 (source: UNDP Human Development Report 2006).

- *Brazil could usefully exchange experience with other South American countries in offering innovative solutions to the challenges of poverty, inequality, social exclusion, reduction of regional divides, social protection and decent work for all.*

2.4. Protecting the environment

Brazil is custodian of the largest remaining areas of rainforest in the world and a critical partner for the EU in campaigning for greater international action to combat climate change and to halt the decline in biodiversity. Strong and continued political will will be required to reach a comprehensive global climate agreement to limit increase in temperatures to less than 2°C compared to pre-industrial levels. As expressed in the Commission Communication of 10 January 2007 on 'limiting global climate change to 2°C' and endorsed by Heads of State and government at the Spring Council of 8-9 March 2007, the EU believes that, considering the urgency of the issue, negotiations for a global and comprehensive post-2012 agreement, based notably on the principle of common but differentiated responsibilities need to be launched at the UN Climate Change Conference to take place in Bali in December this year, and completed by 2009. High-level political engagement is necessary to strengthen and implement the UN Convention on Biological Diversity and to achieve the World Summit on Sustainable Development biodiversity 2010 target. The EU and Brazil also share a particular concern for other environmental challenges notably the protection of forests, water management, the marine environment, the global mercury challenge and unsustainable patterns of consumption and production.

As well as working together on the international stage, the EU and Brazil consult bilaterally on a range of environmental issues. Regular policy dialogue meetings on environment and climate change take place between the European Commission and Brazil. The EU is interested in sharing experiences in water management and in dealing with unsustainable patterns of consumption and production.

- *The EU should develop and reinforce our Environmental Policy dialogue with Brazil on topics such as climate change, water management, bio-diversity and deforestation, including the role of indigenous people so that we better understand each others' positions, thereby enhancing our collective influence in these areas.*
- *The EU should work with Brazil in international fora to advance climate change and deforestation discussions with a view to reaching agreement for a global post-2012 framework.*
- *Closer co-operation should also be envisaged towards implementing the Convention on Biological Diversity and achieving the biodiversity 2010 target as well as on other key global concerns, such as addressing mercury pollution.*

2.5. Strengthening energy cooperation

Brazil was the first country to develop successfully a very large indigenous biofuels production which has great further potential. It has taken a leading role along all different stages of production, distribution and consumption of biofuels. The EU has recently

confirmed that greater use of renewable energies is a key priority for the EU energy policy. The 2007 action plan on an energy policy for Europe, which has been endorsed politically by EU leaders, sets ambitious targets for the use of renewable energy (20%) and of biofuels (minimum 10%) until 2020.

The EU and Brazil share the conviction that co-operation in this area can offer mutual benefits: a partnership has been forged in the context of the International Biofuels Forum initiated by Brazil in March 2007¹¹. This Forum contributes to developing common standards in order to enable an international market to grow whilst ensuring that production is sustainable and results in the reduction of green-house gas emissions and addresses other sustainable development objectives. The International Conference on Biofuels organised by the Commission on 5-6 July 2007 in Brussels will offer an opportunity to widen this co-operation significantly.

The EU is also keen to enhance co-operation on energy efficiency with Brazil, both at bilateral level, as well as through a future international framework agreement.

- *The launch of the EC-Brazil Energy Policy Dialogue in 2007 could allow significant progress in EU-Brazil energy co-operation, both at regulatory and technical level. Topics should include sustainable biofuels and other renewable energy sources, energy efficiency and low carbon energy technologies. The dialogue would also allow closer ties, exchanges on major international energy developments and promoting policies to improve energy security and sustainability.*

2.6. Enhancing Latin America's stability and prosperity

Over the last few years, Brazil has strengthened its relations with its neighbours, particularly Argentina, with whom Brazil has established a 'strategic relationship'.

On the political front, Brazil has become a pillar of South American stability. It has been able to address challenges faced by many countries in the region (such as social cohesion) within the framework of its political and institutional system.

Brazil has been at the forefront of efforts to deepen South American integration both through Mercosur and with the founding of the South American Community of Nations in December 2004, leading to the establishment of UNASUR at the regional Summit in April 2007. In recent years Brazil's relations with its neighbours have been marked by moderation, as shown by the way in which it has handled areas where there are divergences of views with Venezuela and Bolivia.

In the areas of energy, telecommunications, water and transport, interconnectivity plays an important role in promoting stability and prosperity in Latin America. Brazil's participation in any big regional energy scheme is an essential condition for its contribution to the regional energy infrastructures. The development of bi-oceanic

¹¹ Other members include China, India, US, South Africa.

corridors along Pan-American axes means that Brazil is now better integrated into the Latin American transport network.

Brazil has an essential role to play in EU-Latin American-Caribbean co-operation. The EU places a high value on its active participation and contribution to the discussions on social cohesion and, in particular, the next EU-LAC Forum on Social Cohesion.

- *The EU will work in continued engagement with Brazil in implementing the recommendations of the EU-LAC Conference on Social Cohesion of March 2006 and in moving this agenda forward. Preparations for the EU-LAC Forum on Social cohesion will provide a good opportunity for dialogue. Both sides could also engage jointly in encouraging international organisations and civil society in promoting social cohesion.*
- *The EU would welcome Brazil's close involvement in the preparation of the next EU LAC summit in Lima in 2008.*

2.7. Advancing the Mercosur agenda

The importance and influence of Brazil and its vast market within Mercosur is evident. In 2005 Brazil represented nearly 80% of the entire Mercosur GDP¹². Further, Brazil is South America's economic engine and the direction of its economic policies will have an influence on the whole region's economic stability and economic integration.

Given Brazil's weight within Mercosur, reinforcing the EU's political relationship with a country of such critical importance will support intra-Mercosur integration as well as EU-Mercosur relations.

By sharing its knowledge of the EU and the experience acquired in negotiating a joint agenda with the EU, Brazil can better support Mercosur efforts to build up a common market and political union. This is of particular relevance at a time when Mercosur is going through a delicate phase. The group still has work to complete on several aspects of its economic integration, such as the completion of the customs union and the finalisation of the services common market. There is also an increasing sense among opinion makers in all Mercosur's developing countries that the group needs to boost its level of ambition and effectiveness including by developing its political and foreign policy dimension. The Brazilian government has repeatedly showed interest in the EU experience as a model for Mercosur integration, although Mercosur governments are generally very wary in transferring power to supranational institutions in their pursuit of economic and political integration. The EU is Mercosur's biggest supporter and a major donor.

The reinforced dialogue will also assist both parties in their objectives to finalise an EU-Mercosur Association agreement, the success of which is intricately linked to the progress of intra-Mercosur political and economic integration, a process in which Brazil should take an important lead.

¹² Source: World Bank.

- *We therefore look to Brazil to make a constructive contribution towards the conclusion of a balanced and comprehensive EU-Mercosur agreement.*
- *The EU and Brazil should explore together how to maximise co-operation and exchange of experiences in regional integration questions.*

2.8. Reinforcing trade and economic relations

Developing trade and investment: Brazil is the most important market for the EU in Latin America, accounting for one third of total EU trade with this region and with a two digit annual growth rate in recent years in bilateral trade flows. The EU is also Brazil's most important trading partner, accounting for 22% of Brazil's total trade. However, Brazil only accounts for 1,8% of total EU trade, ranking only number eleven of major EU trade partners (Eurostat, 2005). This demonstrates the significant potential this market represents for the EU. Of all the BRICS, Brazil has attracted the most EU foreign direct investment¹³, with an investment stock reaching € 80,1 billion. Brazil is also a significant investor in the EU¹⁴, in particular in sectors such as trade, mining and construction.

On market access, our objective is to increase our trade opportunities even further through the DDA and the EU-Mercosur negotiations, given the relatively high current level of protection in Brazil's goods and services markets. The EU therefore encourages Brazil to reduce tariff and non-tariff barriers, promote economic reform and good governance in the tax area and establish a stable regulatory environment for economic operators, including foreign investors. A more open trade and investment climate in Brazil would boost competitiveness in all sectors and create means for increasing prosperity.

- *The future EU-Brazil Partnership is an opportunity to address issues of specific bilateral relevance that complement the EU-Mercosur discussions, for example through dialogue on intellectual property issues, industrial policy and regulatory co-operation as well as consultations in the sanitary and phyto-sanitary (SPS) area, so increasing mutual understanding of the respective SPS conditions that may affect trade.*

Economic and financial issues: In view of Brazil's significant weight in the world economy and key international fora, such as the G20, the WTO and the G8 outreach group, the EU should also enhance dialogue with Brazil on financial and macro-economic issues. This could include macroeconomic and fiscal challenges, strategies for structural reforms to increase sustainable growth, and social cohesion issues.

¹³ While outward flows to Russia, China and India in 2003-2005 have been above those of Brazil, in overall the volume of EU stakes in Brazil is larger than the other BRIC countries together: 2005. Brazil € 80,1 billion; Russia € 31,3 billion; China € 31,3 billion; India € 13,7 billion.

¹⁴ € 5.2 billion Brazilian capital was invested in the EU in 2005 alone (source: Banco Central do Brasil).

- *The EU- Brazil strategic partnership should involve a regular macro-economic dialogue.*

The European Investment Bank's (EIB) loans have played an important role in reinforcing economic ties between Brazil and the EU and supported the development of the private sector. Brazil has been the largest recipient of EIB loans in Latin America and will remain an important recipient of EIB loans. EIB financing in Brazil will be in support of the EU objectives of focusing on environmental sustainability (including climate change mitigation), energy security, support of the FDI, and the transfer of technology and know-how.

Information society: The EU and Brazil share the understanding that Information and Communication Technologies (ICT) not only are essential to foster innovation, competitiveness and economic growth, to create jobs and to increase the efficiency of the public sector but also have an important social dimension in improving social cohesion, increasing the quality of life and reducing poverty.

- *The EU's priority is to expand further the bilateral dialogue and co-operation on ITC covering regulatory, policy and research aspects. This will contribute to guarantee a sound and stable regulatory framework in this sector, to make the best use of ICTs in support of public policies and social welfare, and to develop the exchanges in relevant scientific and technological areas.*

Air Transport: With about four million annual passengers on scheduled flights, the Brazil-EU air transport market is of crucial importance to link people and businesses between the EU and Brazil. For the sector to develop, air services between Brazil and the EU need a stable legal framework. The air transport agreements between Brazil and EU Member States therefore need to be modified to reflect the existence of the EU single aviation market. Once Brazil has recognised the existence of the EU in its bilateral air services agreements, Brazil has the potential to become an important partner in various aspects of aviation policy. A good example in air traffic management is the SESAR (Single European Sky ATM Research) project, which aims to increase the safety, efficiency and environmental sustainability of air transport by enhanced co-operation in the field of aviation safety, particularly with regard to recognition of airworthiness certification findings.

- *The EU's priority is to modify the air transport agreements between Brazil and EU Member States as a matter of urgency.*

Maritime transport and maritime governance: Brazil and the EU are both major players in world economy and maritime transport is of key importance to growth, trade and development. The recently established EU-Brazil maritime transport policy dialogue should be further developed with a view to improving the conditions for Brazilian and EU shipping companies, facilitating maritime transport in Brazil and the EU, developing enhanced co-operation between the two sides in all areas of mutual interest, including ports, inland waterway transport, infrastructure and maritime safety, as well as discussing convergence of approaches in international organisations.

- *Furthermore, parties might wish to consider the establishment of cross-sectoral cooperation regarding maritime governance matters covering a wide range of maritime aspects, from transport, fisheries, maritime research, the protection of the marine environment and the sustainable exploitation of natural resources, to relevant planning, governance and law enforcement.*
- *The recently established EU-Brazil maritime transport policy dialogue should be further developed.*

Science, Technology (S&T) and innovation is a declared priority area for the Brazilian government¹⁵. Bilateral co-operation is also significant, Brazil being one of the most important third country participants in the Sixth Research Framework Programme (FP6 2002-2006) with joint research activities at bilateral and bi-regional levels in all major thematic areas from environment, food and health to energy and surface transport. The recent entry into force of the EU/Brazil S&T Co-operation Agreement and the new possibilities for international participation in the EU's Seventh Research FP 2007-2013 provide a sound basis for increasing existing co-operation.

- *The S&T sector dialogue should be strengthened and joint planning improved to focus and set priorities through appropriate thematic dialogues in areas of common interest.*
- *The Brazilian side is encouraged if and when appropriate to fund its own participants in FP7 activities. Both sides should facilitate researchers' mobility which the EU promotes through the specific People programme. The EU and Brazil should consolidate and improve the visibility of co-operation in this area.*
- *The establishment of an agreement between Euratom and Brazil should be considered, following the model of existing agreements with other countries. This could be either in the specific field of fusion, for example to promote Brazil's accession to the International Thermonuclear Experimental Reactor (ITER) project, or in broader areas of nuclear research.*

Satellite Navigation, Galileo: Co-operation on the European Satellite Navigation Programme, Galileo should be further intensified through a new co-operation agreement (on the basis of initial information exchanges and other contacts).

- *Brazil's participation in Galileo would provide a perfect opportunity to deepen high tech industrial and scientific co-operation between the EU and Brazil.*

2.9. Justice, Freedom and Security

The EU and Brazil should cooperate, including in international fora, on establishing international standards to combat organised crime and corruption, by promoting cooperation in criminal matters and in particular the full implementation of the UN

¹⁵ Current investment in research of 1% of GDP is set to double until end of President Lula's second mandate.

Conventions and Protocols on the fight against trans-national organised crime and against corruption. The EU and Brazil should also promote regional multidisciplinary law enforcement co-operation. Co-operation between the EU and Brazil in tackling illicit drug problems should be based on the principle of shared responsibility and support the development of policies and programmes that help enhance the Brazilian capacity to address the global drugs problem through an integrated and balanced approach.

The Commission is confident that a short stay visa waiver agreement between the European Community and Brazil will be successfully negotiated and concluded in the coming months. This agreement will put an end to a situation of unequal treatment by Brazil of some EU citizens, following the 2004 enlargement, and will ensure a full mutual visa free travel for both Brazilians and European citizens. The Commission is expected to adopt a draft negotiating mandate in late June.

In the context of these negotiations, it must be stressed that the fight against illegal immigration shall be discussed in order to favour closer cooperation between the EU and Brazil. Of particular relevance in the context of migration is the question of remittances from Europe to Brazil which have grown substantially in recent years. When well managed, they can contribute to economic growth and development. Ways to further facilitate remittances should also be part of the discussions, including in the macro-economic dialogue.

- *The EU and Brazil should promote regional multidisciplinary law enforcement co-operation.*

2.10. Bringing people together

There is, of course, much more to the EU-Brazil relationship than economic interests: historical links, strong cultural and linguistic affinities, co-operation between universities, sporting links, tourism in both directions, business-to-business relationships, common interest in health and much more.

As part of the process of strengthening and deepening the EU-Brazil relationship, there is a need for action to raise popular awareness and understanding of our partners' cultures and societies. We should take direct action to measure public opinion and understanding regarding the EU in Brazil, and vice-versa, and develop and implement strategies to raise visibility and awareness, strengthen understanding and correct misconceptions.

Higher education

There is considerable interest and scope in EU-Brazil co-operation in higher education, to broaden academic knowledge and bring future intellectual elites closer together. Brazil has been an active participant in the EU's higher education programme ALβAN¹⁶,

¹⁶ Some 2 500 Brazilian students have participated at the EC's "ALBAN" higher education programme for Latin America since 2003: this represents 30% of all Latin American participants.

Erasmus Mundus¹⁷ and in EU Member States' bilateral exchange programmes. Brazil also registered a strong participation in the EU's ALFA¹⁸ programme for EU-LA inter-university co-operation. Significantly, consideration is being given to the launch of a policy dialogue on education to exchange best practice.

- *The EU proposes to stimulate further the exchanges and dialogue between our cultures, by intensifying university exchanges in the near future, with funds from the EU's Country Strategy Paper 2007-2013: € 30,5 million are foreseen for additional Erasmus Mundus scholarships for Brazilian students.*

Culture: The EU and Brazil share converging views and common objectives on culture, in particular with regard to cultural diversity and intercultural dialogue. A recently agreed sector dialogue will provide the framework for fostering cultural diversity and promoting cultural industries. The dialogue will put particular emphasis on the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions and on fostering co-operation in international fora regarding its effective implementation. In the area of languages, the EU experience can provide best practices on promotion of linguistic diversity.

Civil society: Contacts between the peoples of Brazil and of the EU should be also enhanced via civil society: on both sides there is considerable common interest in issues of mutual concern, such as climate change, environment, poverty alleviation, social development, urbanisation, but also in more technical and economic issues such as science and technology and maritime transport questions.

- *Civil society contacts should be enhanced in a variety of fields.*
- *Youth exchanges and co-operation outside the formal education sector could be enhanced further via the "Youth in Action" programme.*

Business: The potential for business co-operation - reflected in impressive investment figures on both sides - is still far from fully exploited. Business contacts should be further encouraged and supported in the organisation of EU-Brazil Round Table.

- *The first EU-Brazil Business Round Table is scheduled to take place in parallel to the EU-Brazil Political Summit in Lisbon.*

¹⁷ Brazil is the most successful Latin American country participating in the Erasmus Mundus programme. 89 students and 28 scholars from Brazilian institutions have been awarded an Erasmus Mundus grant to study or work in Europe in the period 2004-2006. Seven Brazilian universities are involved in partnerships with Erasmus Mundus masters' courses.

¹⁸ ALFA II (América Latina Formação Académica) – around 70 different Brazilian HE institutions implemented some 136 projects, out of which 82 enabled some 1 300 LA-EU semester-mobility.

3. THE WAY FORWARD

The rapidly expanding EU-Brazil relationship is currently based on the 1992 Framework Co-operation agreement, and the 1995 EU-Mercosur Framework Co-operation Agreement. This inevitably restricts the scope and depth of our dialogue.

President Barroso's visit to Brazil in May 2006 gave a new momentum to our relations, with the recognition of the potential benefits of co-operation in a range of sectoral areas, defined in the Joint Committee meeting in April 2005¹⁹. A first round of political consultations with Brazil in Troika format has been held in Brasilia in May 2007.

These recent steps have demonstrated a growing enthusiasm on both sides for expansion and strengthening of our co-operation in many areas. Brazil has shown great interest in both the process and in developing a 'strategic partnership' with Europe.

The July Summit provides the Union an opportunity to give a strong new impetus to the overall EU-Brazil relationship. A strategic partnership with Brazil, a long standing friend and ally in a region of great importance to the EU, would imply building consensus and agreements on broader political co-operation to promote peace and stability in our respective continents and further afield, and would enable us to pool our efforts to tackle the global challenges that confront us. It would mean assuming a co-operative approach on economic and trade relations and making progress in the sectors identified for co-operation. It would also involve a strong commitment to regional integration, enhancing our co-operation with Mercosur and seeking successful conclusion of the EU-Mercosur Association Agreement. An EU-Brazil strategic partnership would, in conclusion, represent a very positive step forward for the EU, for Brazil and for the region as a whole.

In these circumstances, it is the Commission's view that at the Lisbon Summit, in July, will be the opportunity for the EU to take the first, crucial steps towards offering a strategic partnership to Brazil.

The Commission therefore recommends the following:

- *bearing in mind the priorities set out in this communication and, in particular the substantive elements defined under Chapter 2, and*
- *in order to intensify ties between the European Union and Brazil by widening the political dialogue to include all issues of common interest and global significance, strengthening bilateral co-operation and contributing to the conclusion of an EU-Mercosur Association Agreement,*

¹⁹ Energy, environment, science and technology, maritime transport, social policy, regional policy.

the EU should:

- *engage with Brazil to launch a strategic partnership at the EU-Brazil Summit in Lisbon;*
- *invite Brazil to submit its own views on the scope of the strategic partnership.*

Brazil at a glance

Political and geographical data	
Official Name :	Federative Republic of Brazil
Current President of the Republic :	Mr. Luiz Inácio Lula da Silva (since January 2003, reelected in October 2006)
Surface area:	8.512 million sq km
Land boundaries:	<i>total:</i> 14,691 km <i>Border countries:</i> Argentina 1,224 km, Bolivia 3,400 km, Colombia 1,643 km, French Guyana 673 km, Guyana 1,119 km, Paraguay 1,290 km, Peru 1,560 km, Suriname 597 km, Uruguay 985 km, Venezuela 2,200 km
Population:	189 million (2007)
Population growth:	1.3% p.a.
Urbanisation:	84% (2005)
Main cities:	São Paulo (10.8m), Rio de Janeiro (6m), Salvador (2.6m), Belo Horizonte (2.3m), Fortaleza (2.3m)
Economic indicators	
GDP:	€ 710 billion (2006, Eurostat)
GDP/capita :	€ 3,820 (2006, Eurostat)
GDP growth:	0.5% (2003), 4.9% (2004), 3.3% (2005), 3.5% (2006)
Inflation:	14.8% (2003), 6.6% (2004), 6.8% (2005), 4.6% (2006)

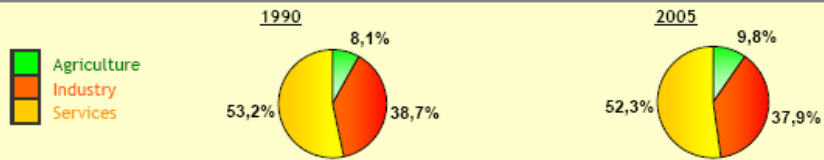
Current Account Balance:	0.8% (2003), 1.9% (2004), 1.7% (2005), 0.7% (2006)
Exports to EU:	€26.2 billion (2006) = 22% total exports; 1.9% of EU imports
Imports from EU:	€17.7 billion (2004) = 22% total imports; 1.5% of EU exports
EU investment stock in Brazil :	€59,2 billion (2002), €76,3 billion (2005)
Selected social indicators	
Illiteracy:	11,5%
Life expectancy at birth:	71 years (2005)
Net school attendance rate of people aged 7-24:	Elementary (7-14): 96 % (2005) Secondary (15-17): 46% (2005) Higher (18-24): 22% (2003)
Poverty :	36.3% (2005); (Indigence: 10.6%)
Child mortality rate:	20 per 1000 live births (2005)
Gini coefficient:	0.61 = high (0 is equivalent to absolute equality/ 1 to absolute inequality)

Sources: Eurostat, Banco do Brasil, Worldbank, IBGE, IMF, UN-ECLAC.

BRAZIL - TRADE AND INVESTMENT FIGURES

Population	188,8 Mio inhabitants (IBGE 2007)					
Area	8.512 (1000qkm)					
Gross domestic product	2006	710 Bn euros	Exports-to-GDP ratio:	14,9	% in 2005	
GDP per capita	2006	3.820 Euros				
(IMF, World Economic Outlook)			2003	2004	2005	2006
Real GDP (% growth)			0,5	4,9	3,3	3,5
Inflation rate (%)			14,8	6,6	6,8	4,6
Current account balance (% of GDP)			0,8	1,9	1,7	0,7

GDP BY SECTOR



Source: World Bank (WDI)

BRAZIL MERCHANDISE TRADE WITH THE WORLD



Source: IMF (Direction of Trade Statistics)

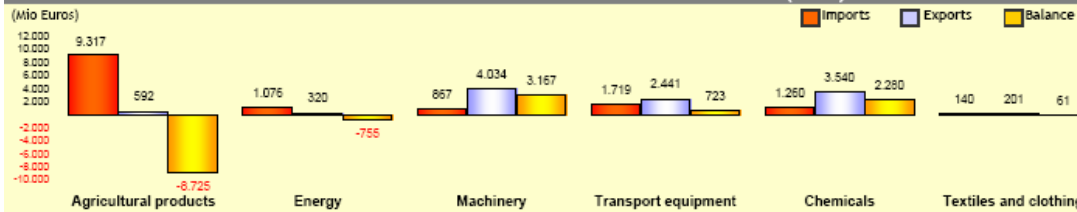
EU25 MERCHANDISE TRADE WITH BRAZIL



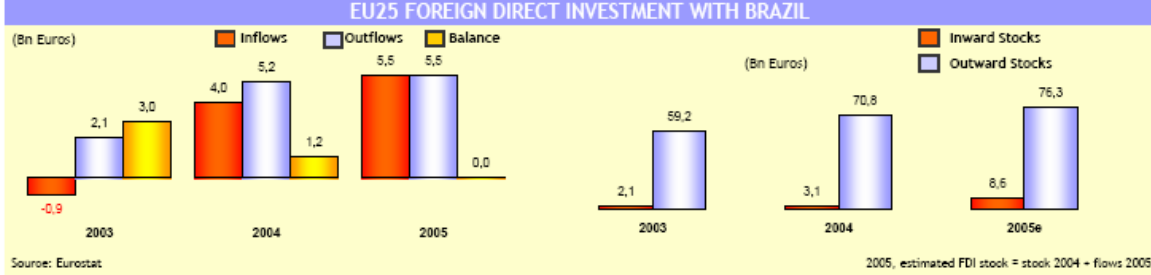
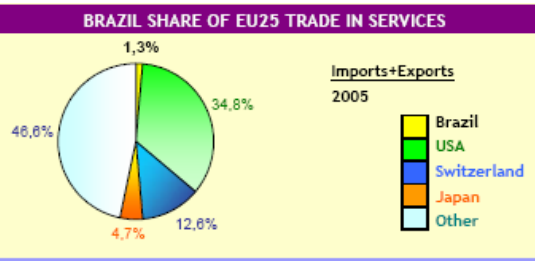
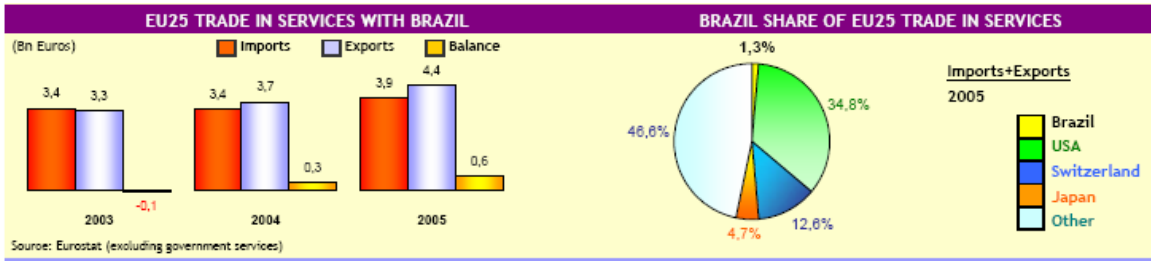
Source: Eurostat, statistical regime 4

% OF THE WORLD *	2001			2003			2005		
	Imports	Exports	Balance	Imports	Exports	Balance	Imports	Exports	Balance
Imports	1,23	0,90	0,97	1,23	0,90	0,97	1,23	0,90	0,97
Exports	1,29	1,34	1,52	1,29	1,34	1,52	1,29	1,34	1,52

EU25 MERCHANDISE TRADE WITH BRAZIL BY PRODUCT (2006)



Source: Eurostat, statistical regime 4



DG TRADE-H3 SLG/CG/DS
12 March 2007