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The EU-Brazil Partnership and the New Climate Geopolitics

Strategically Reconciling Decarbonisation and Competition

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The new EU Commission is promising to improve the bloc's geoeconomic resilience, make progress on decarbonisation and increase competitiveness. Achieving these aims will mean working with emerging economies like Brazil – where the EU's influence is waning as China's expands. The EU lacks a long-term strategy and is poorly positioned to engage with a newly assertive Brazil in an increasingly multipolar world. This is increasingly problematic for the EU's strategic agenda.

Climate and competitiveness have become progressively intertwined in discourse and policy. Donald Trump's election as US President and the outcome of the July 2024 European elections will inevitably exacerbate that trend. China has come to dominate whole swathes of production and supply chains for key technologies such as solar panels and electric vehicles (EVs). The EU is concerned about excessive dependency on Chinese imports, in particular with respect to security of supply, supply chain disruption and possible geopolitical tensions (including trade conflicts). European industry is in crisis, competitiveness is threatened. The EU – seeking to avoid falling further behind in the competition for technological leadership, green technology market share and access to critical raw materials – is working hard to diversify its supply chains while continuing to advance decarbonisation.

EU Commission President Ursula von der Leyen has promised to publish a Clean Industrial Deal within the new Commission's first hundred days in office. This move highlights the increasing focus on industrial policy as a complement to Europe's climate agenda. Climate policy was a high priority in the 2019–2024 term, which produced the European Green Deal (EGD). But the composition and programme of the new Commission suggest that competitiveness, economic security and strategic autonomy will shape the EU's agenda in the 2024–2029 political cycle. And the Commission will be navigating a much trickier geopolitical landscape than its predecessor. On top of Donald Trump's reelection as US President there are significant new conflicts and alliances to deal with.

In the 2019–2024 term the EU enacted concrete measures to improve competitiveness and resilience: the Net Zero Industry



Act and the Critical Raw Materials Act aim to reduce import dependency and promote Europe's green industries. The new Commission plans to expand the Global Gateway initiative in order to promote the EU's geoeconomic interests and strategic autonomy. Together with the proposed Clean Trade and Investment Partnerships, Global Gateway is designed to support decarbonisation and supply chain diversification by financing infrastructure projects in the Global South and securing Europe's supply of raw materials and green technologies.

The EU will need partners to implement its agenda. It intends to focus its growing engagement on emerging economies like Brazil, whose great influence and strategic importance give them a key role in the shifting constellations of global power – and also possess important raw materials for green technologies. But the EU's partnership strategy in Brazil and other countries in the Global South faces challenges associated with dependency on China and related security concerns. While China steadily expands its engagement in Brazil and other EU partner countries the EU's influence is steadily waning. That is the outcome of inadequate and indecisive efforts to shape partnerships strategically and adapt them to changing geopolitical realities.

Brazil manoeuvring in the global web of power

Brazil's combination of economic weight, regional leadership and decisive raw materials for decarbonisation makes it a much sought-after partner in the changing world order. Brazil currently also plays a central role in global climate cooperation: as host of COP30 in 2025 in Belém and holding the G20 Presidency in 2024 and the BRICS Presidency in 2025. The EU and China are both seeking to deepen their relations with Brazil. That has consequences for Brazil's strategic decisions and political priorities. Brazil is a confident and proactive player seeking to shape the global

order and using its strategic position and trade relationships to secure economic and technological benefits for its own green transformation.

Brazil values the EU as a dependable partner for foreign direct investment, for promoting democracy, human rights and other shared values, and for climate cooperation. The country is looking to looking to closer political cooperation with China for investment in infrastructure and industry, where the EU and United States have failed to fulfil expectations. Brazil also hopes that partnering with China will strengthen its own influence on global governance and increase the weight of the Global South in a multipolar world. The extent to which political closeness and economic dependency on China are strategically beneficial in the long term is a matter of heated debate in Brazil – including within the government. The foreign ministry fears that president's pro-Chinese rhetoric could endanger Brazil's non-alignment while the strong agricultural export lobby in particular supports closer ties with China.

China's growing influence

China has massively expanded its presence in Brazil since the turn of the millennium and intends to consolidate its diplomatic, economic and military influence through "South-South cooperation". This effort includes increasingly employing soft power tactics, such as supplying vaccines during the Covid-19 pandemic. After a phase of restraint under presidents Michel Temer (2016 – 2018) and Jair Bolsonaro (2019 – 2022), Luiz Inácio Lula da Silva is noticeably more open to cooperation with China.

In the BRICS and other formats China and Brazil argue for reform of international institutions like the World Bank and seek to expand their influence and representation. Brazil and China proposed a six-point plan to end the Ukraine war, which drew sharp criticism from the United States and the EU. Lula has also floated a free trade agreement between the Mercosur states and

China. Brazil even appeared close to joining the Chinese Belt and Road Initiative (BRI) after rejecting it for years, partly out of concern that such a move would isolate it from partners like EU and United States. Although Lula unexpectedly declared that Brazil would not be joining – shortly before visit by China’s head of state Xi Jinping – his most recent statements on the BRI reflect a recognition of China’s growing influence and express support for its global vision. Overall Brazil’s position remains ambivalent, as evidenced by the strong opposition to joining the BRI within the Ministry of Foreign Affairs.

Increasingly close political relations between China and Brazil have been accompanied by an expansion of trade. Although the EU remains the largest source of cumulative foreign investment (stock) in many sectors of Brazil’s economy and its second largest trade partner, trade between Brazil and China has grown strongly of late, as has Chinese investment in Brazil (flow). China has also become a relevant lender, and was already Brazil’s most important trading partner by 2009. That development led to a reprimarisation of Brazil’s export sector, in other words an increase in the proportion of agricultural products and minerals. China accounts for 28 percent of Brazil’s trade and 31 percent of its exports (including 73 percent of its soybean exports). Brazil’s exports to China are mainly unprocessed raw materials and agricultural products such as soybeans and minerals, while it imports above all finished products such as EVs and electronics. Brazil has become China’s most important export market for EVs. In 2023 the value of Chinese EV exports to Brazil grew eighteenfold in the course of a single year, with Chinese products accounting for 92 percent of Brazil’s EV imports.

Brazil is currently the biggest Latin American recipient of Chinese foreign direct investment. The figure for 2023 was US\$1.73 billion, an increase of 33 percent over 2022. This makes Brazil the ninth biggest recipient of Chinese FDI globally. In recent years China has pursued an extensive investment

strategy to expand and consolidate its position as the leading technology supplier. In 2023 39 percent of Chinese investment in Brazil went into the electricity sector. China is increasingly investing in ventures in Brazil and other Latin American countries whose purpose is to meet rising demand for energy, diversify the energy supply and reduce dependency on fossil fuels. As the world’s largest investor in renewable energy generation China has been participating in Brazil’s energy transformation since 2010. After a fall in 2020 the share of renewable energy projects has increased from year to year, accounting for a record 72 percent of Chinese investment in 2023. In that year Lula and Xi signed a joint declaration on expanding, deepening and diversifying bilateral cooperation on green technologies such as renewable energy and electromobility. In early 2024 China’s State Grid Corporation won a thirty-year concession to build and operate 1,500 kilometres of power lines in north-eastern Brazil. The US\$3.6 billion project will integrate renewable sources like wind and solar into Brazilian grid.

These investments are integral to China’s geoeconomic strategy. Its objective is to forge economic networks and political alliances that support China’s vision of a multipolar world order aligned with its own interests.

Implications of an increasingly close Sino-Brazilian relationship

The economic imbalance between China and Brazil – with what has become a very large trade dependency – is a problem for Brazil. The Brazilian government has responded to the enormous increase in imports from China in recent months with targeted measures to persuade Chinese businesses to produce in Brazil and increase local value creation. These have included investigations of Chinese manufactured goods and higher tariffs on EVs.

China’s growing engagement is a balancing act for Brazil, which traditionally seeks foreign policy autonomy and equidistance

to China and so-called Western countries. The deepening of Sino-Brazilian relations has far-reaching implications above and beyond the bilateral relationship. It reflects geopolitical shifts and increasingly calls into question the post-colonial world order, whose multilateral institutions have historically been dominated by the Western nations.

Waning EU influence

While China has steadily expanded its engagement in Brazil the EU has struggled to adapt to an increasingly multipolar world or to respond meaningfully to the growing assertiveness of Brazil and other countries in the Global South. For a long time Brazilian diplomats sought to build closer relations with the EU in order to counterbalance the US hegemony that lasted into the early 1990s. But despite strong cultural and historic ties and shared norms and values such as democracy and human rights, Brussels failed to grant relations with Brazil the requisite priority. Under the strategic partnership agreement of 2007 the EU says it regards Brazil as one of its most important partners in international forums. But any diplomatic efforts have been restricted to short-term and sporadic bursts around the summit meetings, and the EU's frequently Euro-centric stance has made it difficult to establish a sustainable and mutually beneficial partnership.

While China's trade with Brazil has flourished the EU has failed to fulfil Brazil's expectations. Neither did it contribute adequately to concluding the negotiations for a free trade agreement with Mercosur, nor has it succeeded in meaningfully deepening the political relationship. The lack of sustained progress on the interregional trade agenda has been one reason for Brazil to turn increasingly to China. The EU's persistent economic stagnation also plays a role here, as does the loss of its leading position in key technologies like renewable energy.

At the latest since the Russian invasion of Ukraine, the EU Commission under von

der Leyen has recognised the vital necessity of strong partnerships with countries in Global South. It is now actively seeking possibilities to deepen political and economic relations with Brazil in order to reduce its one-sided dependencies, increase its resilience and forge global alliances to tackle global crises like climate change. In 2023 von der Leyen was the first EU Commission President in ten years to visit Brazil. She announced that the EU would invest €2 billion under the Global Gateway initiative, which is presented as the EU's geoeconomic and geopolitical response to China's BRI, to support Brazilian green hydrogen production and to promote industrial energy efficiency. Von der Leyen also promised to provide the Brazilian government with €430 million to help it to end illegal deforestation by 2030.

Global Gateway: A merely discursive response to Chinese influence

There are tight limits to the potential of the Global Gateway initiative to reposition the EU in Brazil and other countries in the Global South, especially when it comes to funding and speed of implementation. With an announced budget of €300 billion (until 2027) the European infrastructure initiative appears rather modest against China's BRI (estimated to exceed US\$1 trillion). China invests systematically in major projects such as port expansion and electricity transmission. The EU has officially announced only a limited number of smaller projects. It remains unclear whether the private investments of around €135 billion envisaged for the initiative can be mobilised. Complex approval processes and bureaucratic obstacles hamper implementation, especially in comparison to competing programmes like the BRI. Chinese infrastructure investments generally come with prompt and unbureaucratic financing, while the EU's desire to set high standards of transparency, sustainability and human rights frequently causes delays and is often perceived in Brazil as overly complex.

The Global Gateway approach appears fragmented in Brazil, calling into question both the effectiveness of the projects and the geostrategic character of the initiative as a whole. It is especially problematic that the EU aligns its measures primarily on the objectives of its own political agenda, and tends to sideline Brazil's priorities and specific socioeconomic conditions. While China also looks to its own interests first, its strategy is more pragmatic, decidedly market-driven and characterised by a more comprehensive understanding of the partner country's needs and expectations. The EU's Euro-centric approach – which the stronger focus on European competitiveness could reinforce – risks undermining its credibility as a fair and attractive partner in the long term.

Finally, the logic of geopolitical rivalry and narrative framing of Global Gateway as a counterweight to China hardly resonates in Brazil. Brazil has a clear preference for a multipolar global order and is diversifying its partnerships. So far, Global Gateway appears more as a discursive response to Europe's competition with China, with the EU seeking to set ambitious standards but providing neither the necessary funding nor efficient and coherent implementation.

Complex funding structures

The complexity of the European financing instruments and actors remains opaque to partner countries like Brazil. The Team Europe Initiative, which was actually supposed to improve coordination, has not yet resolved this issue. Complex financing structures frequently make decision-making and implementation processes very cumbersome, especially in comparison to the Chinese alternatives. Within the Global Gateway, there is still no comprehensive overview of the scope of the financial commitments made by the EU and its member states in Brazil. Information about financial ambition and the status of implementation at the project level is available for individual cases, but not in any standardised aggregate form. The fragmented reporting on Euro-

pean investment in Brazil and other Latin American states makes it harder to assess the overall impact.

One would expect the EU to provide transparent data on project funding in a consolidated manner even if China does not. The lack of aggregate data also impairs strategic communication. Without a clear account of the volume and impact of European investment in Brazil, it is hard to argue convincingly that it has any advantage over Chinese initiatives. This weakens the EU's argument that it is a strong partner for global investment and narrows the possibilities for highlighting its principles of sustainability, transparency and value-based cooperation as an attractive distinguishing feature. The potential to enhance the credibility and impact of European cooperation through strategic communication is not currently being fully exploited.

Inadequate foreign policy backing for the EGD

Brazil and other partners currently perceive the EU's climate diplomacy as uncooperative. Brazil criticises the EU for relying on coercion and "unilateral trade measures" rather than sharing know-how and climate-friendly technologies. The EU has to date largely neglected the external dimension of the European Green Deal. Consequently, the international repercussions of European climate instruments like the Carbon Border Adjustment Mechanism (CBAM) have caused diplomatic ructions with far reaching consequences for the EU's global standing and soft power. Brazil is one of the harshest critics of CBAM, which it is resisting in unison with its BRICS+ partners. They regard CBAM as "discriminatory" and argue that without flexibility and financial support it endangers economic development outside the EU and hinders rather than promotes global efforts to reduce greenhouse gases.

The EU Regulation on Deforestation-free Products (EUDR) has also caused diplomatic tensions with Brazil. It could affect almost one-third of Brazil's exports to the EU and was one of the main bones of contention in

the negotiations on the Mercosur Agreement. Brazil and other partner countries criticise the EUDR as a protectionist measure that ignores their own national anti-deforestation laws and disadvantages countries with forestry resources. Brazil officially called on the EU to delay implementation of the EUDR, and in November the European Parliament insisted that changes be made and that implementation be put back to 2025.

The lack of foreign policy backing for the EGD and the resulting resistance against individual measures like the CBAM and the EUDR hinder its realisation. They also undermine trust in the EU as climate leader and honest broker. If Trump pulls the United States out of the Paris Climate Agreement as expected, that could expose the EU to even more criticism in multilateral and plurilateral forums. That would worsen the conditions for EU climate diplomacy and altogether weaken the EU's external policy.

Lack of strategic vision for cooperation

The EU's announcements of intention to step up its engagement in Brazil appear to be primarily motivated by geopolitical considerations and can be understood as an attempt to counter China's growing influence. The partnership approach, which requires an adequately funded and proactive long-term strategy rather than short-term reactivity, is not enough. Europe's strategic vision for cooperation with Brazil remains vague and inadequately communicated – aside from competition with China. That strongly restricts the effectiveness and credibility of the EU's engagement. To make matters worse, the EU member states' formats of cooperation with Brazil are diverse and their interests are not always identical. The added value of cooperation with the EU often remains unclear to Brazil, whose interest therefore turns primarily towards bilateral relations with the EU member states and their individual cooperation offers, which are generally felt to be more promising.

The EU's strategic interests are at risk

The EU's loss of reputation and influence in a multipolar world increasingly limits its options in emerging economies like Brazil. In the longer term this threatens to undermine the EU's claim to shape global norms and standards. This is already a question in Brazil today, where the EU is increasingly seen as waning and crisis-prone. Without a strong presence and robust partnerships with key states like Brazil, the EU will find it increasingly hard to improve its geo-economic resilience, to fast-track decarbonisation and to keep up in the race for market share and technological leadership.

Recommendations for the EU's 2024–2029 term

The EU needs to step up its diplomatic efforts towards Brazil. That means attentive and continuous diplomacy and a clear definition and prioritisation of its strategic interests in Brazil and other countries in the Global South. Rather than simply reacting to China's growing presence, the EU should pursue a coherent and proactive partnership strategy built around the relationship with Brazil and based on mutual trust and equal cooperation. That will demand a comprehensive understanding and greater consideration of the partner country's specific political, economic and social priorities and interests. In the case of Brazil that means above all orientating climate and energy cooperation primarily on socioeconomic aspects such as eliminating hunger, poverty and social inequality, and promoting local value creation.

While the EU continues to claim normative leadership, partners like Brazil often have their own interpretations of similar norms. Openness for mutual learning and heightened awareness of differences are therefore key to successful dialogue. The horizontal approach is crucial: developing the principles of cooperation jointly in order to create mutually beneficial partner-

ships. That includes acknowledging the partner countries' strengths and successes, for example Brazil's leading position in biofuels.

If the new Commission's political agenda is to be successfully implemented it will be essential to provide foreign policy backing for the EGD. The external dimension of the EGD should be expanded systematically and strategically to ensure implementation and avoid further diplomatic trouble with important partners like Brazil. The challenge for the new Commission will be to align all the existing international climate instruments more strongly with the goals of the EGD.

Given the Commission's increased focus on competition policy, Global Gateway could be employed more strategically to reduce resistance to the CBAM and the EUDR. That would mean integrating Global Gateway more meaningfully into the EU's emerging industrial and economic security strategy and ensuring that it serves an agenda that is beneficial for both Brazil and the EU. A Global Gateway initiative that better connects the EU's development, climate, trade and investment agendas to Brazil's interests and priorities could restore confidence in the EU as climate leader and honest broker.

The EU should also coordinate its financing channels and structures more effectively and reduce their complexity. It would be helpful to create a country platform that brings together the Brazilian government with relevant EU actors. Such a platform could provide a comprehensive overview of the various financing channels, identify gaps and synergies, and facilitate access to funding. For Brazil this could be trialled in the field of energy cooperation.

To accompany these measures, the overall impact of European financing should be communicated more strategically. A publicly accessible database of investments by the EU and its member states in relevant sectors in Brazil and other partner countries would provide a suitable means to make

positive European contributions visible and comparable with the overall impact of other investments through initiatives like the Chinese BRI. This is especially important in the context of emerging trade and diplomatic conflicts over measures like the CBAM, in order to enhance the EU's credibility and attractiveness as a partner in Brazil and to underline the EU's desired climate leadership role. China's growing efforts to claim the narrative of global climate leadership since Trump's election represent another factor accentuating the importance of strategic communication. The future struggle over that narrative was already visible at COP29 in Baku.

A new political cycle is beginning in Europe, with new terms for the European Parliament and the European Commission. That creates an opportunity to formulate an integrated agenda that connects climate targets with geoeconomic resilience and trade interests, without losing sight of national objectives and development implications in partner countries like Brazil. The needs are: clearly communicated priorities and offers, continuous political engagement on equal terms, additional financial resources and stronger foreign policy backing for the EGD. Otherwise the EU's influence in an increasingly multipolar world will continue to slip away.

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