

# **Brazil and Germany in a Multipolar World: Global and Regional Challenges**

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## **Concept Paper**

Since 2002, Brazil and Germany call their relationship a *strategic partnership*. In the framework of this partnership, Brazil and Germany updated in 2008 their Action Plan so as to strengthen dialogue and cooperation in the United Nations, as well in multilateral fora, promote the reform of the Security Council and advocate the strengthening of the multilateral system to ensure a more equitable and fair international order. In 2015, the first meeting of the High-level Intergovernmental Consultations between the two countries was held by then-President Dilma Rousseff and, and on the German side, by Federal Chancellor Angela Merkel. Moreover, the bilateral Joint Commission on Economic Co-operation has been meeting regularly for the last 45 years, and in 2016 the two governments established a Mechanism for Consultations on Multilateral Issues, which also meets on an annual basis.

Brazil and Germany have the largest populations and the largest economies in their respective regions and have a deep commitment to regional integration, as well as to the EU-Mercosur negotiations.

The two countries are also strongly committed to multilateralism and are key players in the most important fora, such as the United Nations and its specialised agencies, the Bretton Woods Institutions, the World Trade Organisation and the G20.

Fundação Alexandre de Gusmão (FUNAG) and the German Institute for Global and Area Studies (GIGA) are among the leading think tanks in their respective countries. In this context, and bearing in mind the importance of the bilateral relationship, as well as the similar roles played by the two countries at the global and regional levels, the two institutions are very glad to host this first joint Conference focused on the global and regional roles of Brazil and Germany, and look forward to pursuing this partnership into future.

## **Panel 1: Brazil and Germany in Global Perspective**

Germany is an important player in key multilateral political fora in areas such as climate change, peace and security, disarmament, human rights, refugee and migrations. In addition to its strong links within the EU, Germany has an open and stable foreign policy, with a dense network of bilateral political relationships with other key partners such as the United States, Russia, China, India and Brazil.

Germany is a strong promoter of the WTO rules-based multilateral trade regime. Third largest exporting and importing country in the world (US\$ 2.5 trillion, 2017), it is the biggest trade partner of most of its neighbours, and the leading European nation in commercial exchanges with the rest of the world. It is also a key player in global finance, being the fourth largest shareholder of the IMF and the World Bank. It is also an important source of foreign direct investment (FDI), having established one of the most important networks of bilateral investment protection agreements (BITs) in the world. Germany is also the world's third largest provider of official development assistance (ODA).

Like Germany, Brazil is a strong promoter of political multilateralism and a prominent actor in international regimes in areas such as sustainable development, biodiversity, climate change, disarmament, human rights, migrations, food and agriculture, and public health. In addition to strong and friendly relationships with most of its neighbours, particularly Argentina, Brazil stands out for its balanced and well-distributed network of bilateral relationships with key partners such as the United States, the UK, Germany, France, Russia, China, Japan, India and South Africa.

Brazil is also a staunch advocate of trade multilateralism, with the WTO at its centre and special attention to agricultural trade and the linkages between trade and development. It is one of the leading exporters of agricultural and mineral products, and the world's third largest exporter of aircraft. Together with its partners in the BRICS group, Brazil played an important role in the reform of the IMF and the World Bank, resulting in a significant redistribution of voting power in favour of emerging economies in both institutions. Brazil is also an important recipient of FDI, with an impressive share of this investment coming from Germany.

Since the turning of the century, we seem to be heading towards a multipolar world order. In the last few years, developments have become more complex and uncertain as a consequence of internal disputes, nationalism, isolationism and protectionist policies on the part of some of the world's most important countries.

In a context of decline and introspection of traditional leaderships, and great need for new ones, Brazil and Germany have been playing an increasingly important part in world politics and governance. As indicated earlier, the two countries have significant, if different assets. But they also have important predicaments, such as their limited military power and legal constraints for the deployment of its forces overseas, particularly in the case of Germany. In the last few years, Brazil has also been facing significant fiscal difficulties. Going forward, and all things considered, what role can Brazil and Germany play in the global scene?

## **Panel 2: Brazil and Germany as Regional Powers**

Germany is one of the founders of European integration, and remains one of the most committed and influential members of the European Union. With a stable and open-minded foreign policy, it played a key role in the eastward enlargement in the last decade, which changed the face of the EU. It is also a key player in the main debates about current and future prospects for European policies in areas such as defence, rule of law, refugees, energy, climate change and innovation.

As the leading trading partner of most EU member states, Germany is at the centre of several European industrial value chains. As the largest and one of the most dynamic economies in the continent, it also played a key role in the efforts to overcome the 2008-2011 global financial crisis and its aftermath in other EU member States. Berlin is also a leading player in debates about economic issues within the EU, such as trade, public finance and monetary policy.

Brazil has been one of the most active participants in discussions and negotiations concerning Latin American integration schemes since the 1950's, and regional integration was inscribed in the 1988 Constitution as one of its main foreign policy goals. It has consistently supported all efforts aimed at integration and co-ordination of national regulatory policies towards that objective. It is one of the founders of MERCOSUR in 1991 and an early supporter of UNASUR, formally established in Brasilia in 2008. It is also an active participant in CELAC since its

inception. Initially driven by economic considerations, co-operation at Latin American and especially South American level has moved into several political and technical domains, such as defence, energy, environment, healthcare and human rights, always with an active support of Brazil.

As the largest and most diversified economy in the continent, Brazil maintains intense trade in goods and services, as well as financial exchanges with its Latin American partners. Based on a network of agreements signed between MERCOSUR and all other countries in the subcontinent, there will be free trade in goods within the whole of South America starting in 2019. At the first joint Summit between MERCOSUR and the Pacific Alliance last July, leaders of the two blocs committed to the signing of a Trade Facilitation Framework Agreement, and also to aim for the future signing of a Free Trade Framework Agreement.

After significant achievements between the 1950's and the 2000's, regional integration processes have suffered some important setbacks in recent years. The British decision to leave the EU has had an impact that is certainly very significant, if not yet fully known. In Latin America, the political and institutional crisis in Venezuela has led to the unfortunate though necessary suspension of that country from MERCOSUR, consistent with its democratic clause. The Venezuelan crisis, together with political polarisation among other South American countries, have also led to a paralysis in the decision-making process within UNASUR.

In a potentially positive note, there is significant political will among MERCOSUR and the EU to conclude a trade agreement which has been under negotiation between the two blocs for well over a decade.

As the leading countries in their respective regions, Brazil and Germany have an important role to play in helping reignite regional integration processes within Latin America and Europe, consistent with the rule of law and market economy, and in pushing for the conclusion of the EU-MERCOSUR agreement. Can they do it? If so, how?