



DELEGATION FOR RELATIONS WITH MERCOSUR

Report by Chairman Sérgio Sousa Pinto

on the

Working Group to Brazil

24-28 November 2008

(Brasília, Salvador)

INTRODUCTION

A working group from the Delegation for relations with Mercosur visited Brazil from 24 to 28 November 2008.

The group was led by Mr Sérgio SOUSA PINTO (PES Portugal), Chair of the Delegation. It included Mr Gérard ONESTA, Vice-President of the EP (Greens/EFA France), Mrs Malgorzata HANDZLIK (EPP-ED Poland), Mrs Amalia SARTORI (EPP-ED Italy), Mr Wolfgang KREISSL-DÖRFLER (PSE Germany), Mrs María Isabel SALINAS GARCÍA (PSE Spain), Mrs Nathalie GRIESBECK (ALDE, France), Mr Donato VERALDI (ALDE Italy), Mr Leopold Józef RUTOWICZ (UEN Poland) and Mrs Ilda FIGUEIREDO (GUE/NGL Portugal).

It met with both Chambers of the Brazilian Congress, the Vice-Minister for Foreign Affairs, the Counsellor for Foreign Affairs of the President of the Republic, the Central Bank, representatives of renewable fuel industry, environmentalist groups, as well as a number of civil society organisations, academics and columnists.

Besides the Federal Capital Brasília, the group visited Salvador de Bahia, where he met with local and state authorities and ONGs dealing with development and social projects.

Unlike with other important countries of the world, the European Parliament has had limited relations with Brazil in the past.

Except for a themed visit by the Agriculture Committee early 2008, and despite various contacts in multilateral occasions (EP/IPU-sponsored "Parliamentary Dimension to WTO", Parliament of Mercosur, Eurolat assembly), the last visit by an EP Delegation to Brazil dated back 2005, and no official Delegation from the Brazilian Congress has visited the EP for over ten years.

The purpose of this visit was therefore first and foremost to give impetus to a closer relationship with this important emerging country and its Parliament.

This is in line with the confirmation of Brazil as a strategic partner with the EU, and the adoption of a Joint Action Plan which specifically mentions contacts at parliamentary level at the 2nd EU-Brazil Summit of 22 December 2008.

MAIN CONCLUSIONS

The relations with the EU are excellent, despite such irritants as the immigration policy (we could notice how sensitive the issue of the "return directive" was with our political counterparts), agricultural and agro fuel protectionism. It should be noted that the heated issue of Brazilian meat exports, which was one of the major concerns last March, when EP Agriculture Committee visited Brazil, is now considered as a settled issue in the principle, the technical implementation being on its way.

Despite the outbreak of the world financial and economic crisis, our interlocutors, both in the political and economic fields were confident in the ability of Brazil to take advantage of its assets to address the global challenge: a strong internal market, which has benefited from the poverty-reduction policies of President Luis Inácio da Silva ("Lula")'s government (6% GDP growth in 2007 and in the first half of 2008), a diversified portfolio of export markets, making it less dependent from given outlets than other Latin American countries (in particular Mexico vs. the USA), a stable political situation.

The political situation is indeed currently extremely stable. The image of President "Lula" and the success of his policies in fighting poverty (over 20 million people have been brought out of poverty into middle-class range over the past six years) are the glue that holds together the heterogeneous ruling coalition of PT, PMDB and minor partners.

However, the personal image of the President does not automatically transfer onto his party. The state and local elections which were held a few weeks before our visit witnessed far better results of the PMDB than of the PT itself, and the PSDB opposition party was able to stay in power in the city of São Paulo and win the position of Governor in the major industrialised states of São Paulo and Minas Gerais.

The succession of President Lula after his second and last term might therefore mean turbulent political times ahead.

In foreign policy, the first striking thing is that the key geopolitical horizon is clearly the South American continent. This was true with all our Brazilian interlocutors, both political and in the civil society.

The emergence of Unasur as a political continental entity with its influence on the Bolivian crisis at the extraordinary Santiago Summit in September 2008 was given as an example

This perception questions EP's structure with its Mercosur Delegation and its involvement in Eurolat.

Mercosur was seen as a limited, provincial reference, where the excessive relative weight of Brazil limits the scope for substantial progress as much as the lack of political will for free-trade and customs union aspects on the Argentinean side. The lack of any substantial progress was perceived as irritating, but not critical enough to justify a priority commitment into overcoming the organisation's deadlock. This attitude explains also why the name of our Delegation could be

misleading for Brazilian counterparts expecting more focus on the individual member states (first and foremost their own) rather than on the organisation itself.

The accession of Venezuela to the organisation was perceived as a potentially constructive evolution in the principle, but concern was equally strong that the attitude of President Hugo Chavez might prove disruptive for the organisation. We couldn't spur any eagerness for a speedy ratification of Venezuela's accession to Mercosur in the Brazilian Congress.

Alternatively, Latin America was never mentioned spontaneously by our Brazilian counterparts. When asked, the connotations were to a cultural concept, not a political one: the wider geographic extension did not bring any added value at the political level, given the irrelevance of the small Central American and Caribbean states, and the dependence of Mexico from the USA already mentioned earlier with respect to the trade structure of that country. Mexico was not so much seen as a potential partner with whom to pool interests and resources, but rather as a competitor, and an opponent in the sensitive priority objective for the Brazilian diplomacy of securing a permanent seat at the UN Security Council.

Another key focus for the Brazilian side, and an important subject of attention for our delegation was the promotion of agro fuels, be it in the form of sugar cane ethanol or palm (and possibly other crops) oil diesel, both as a vector for energetic independence for the country and at local level for rural communities, source of export revenues and tool for influence towards other states in the South potentially interested in the relevant technologies.

The concerns regarding the various threats to the environment (Amazonia, "cerrado" (savannah) areas, was admitted, but in most cases attributed to other causes than fuel production. Environmentalists did not share this view, which appears however to be widespread throughout the entire political spectrum.

ACCOUNT OF THE MEETINGS

Contacts with both Chambers of the Brazilian Congress proved excellent, with meetings with both Presidents and Foreign Affairs Committees as well as the Environment Committee of the Chamber of Representatives and with the Brazilian Members of the Parliament of Mercosur, and we can expect that the objective of having more frequent and deeper contacts will be reached in the next legislature, based on contacts developed on the occasion of this visit.

However, a preliminary step was to disambiguate the very name of our "Delegation for relations with Mercosur", as our interlocutors needed repeatedly time and explanations to become aware that we were not a body specialised in Mercosur as an organisation only but that there is an official EP body in charge of bilateral relations with Brazil and that this delegation is it!

Contacts with the Executive branch were positive in the planning of the visit, including a meeting with President Inácio da Silva, but the schedule was disrupted by the natural disaster caused by heavy rains in the South of the country, which disrupted the President's and ministers' agendas.

Interparliamentary meetings with the Committees for External Relations and National Security of the Federal Senate and of the Chamber of Deputies, with the Committee on Environment and Sustainable Development of the Chamber of Deputies and with the Brazilian representatives in the Mercosur Parliament

Chairman Sousa Pinto exposed the strategic importance of Brazil for the EU, as a key component of the emerging multi-polar world". He praised Brazil's commitment to open markets, especially in these times of economic crisis with its protectionist temptations. He regretted that the EU-Mercosur FTA did not progress sufficiently, mentioning that the FTA would bring impetus to the regional integration process.

The Chairman of the Committee, Senator Heráclito Fortes (PI) recalled that Brazil was enjoying the longest period of democratic rule since the beginning of the Republic and recalled the importance of the historical links uniting Brazil and the European countries. He stated that despite the feeling of unfairness regarding the "**return directive**", over 100 000 Brazilians live in the EU as legal long-term residents. In a limited number of cases, some Brazilians have faced problems, but the rate of 60 weekly flights between Brazil and Portugal only shows that the circulation of persons is alive and well.

On a question by Mrs Griesbeck whether President Lula would try and stay in power after the end of his second term, the Chairman answered that a **revision of the Constitution**, which would be necessary to make this possible, is not considered in Congress, even if some supporters of the President would like to see it. He added that President Lula himself has neither called for such a constitutional change nor indicated that he would like to seek an extension of his mandate.

On questions by Mr Sousa Pinto, Mr Veraldi and Mrs Handzlik concerning Brazil's **international relations**, several Senators expressed convergent views that these relations were primarily bilateral with the main actors of the multi-polar world. Despite a positive political appraisal, the election of Barack Obama is not perceived with unmitigated enthusiasm, as it raises fears of increased protectionism.

In the **regional perspective**, the ambition of Brazil was to stimulate regional political cooperation, rather than formal institutional integration, on the South American continental level. (Brazil has common borders with all South American countries except for Chile and Ecuador). The existence throughout the continent of democratic regimes has given an impetus to closer links, especially with social-democratic governments like Chile but also with more liberal ones, while Lula's Brazil is also a credible partner for countries like Bolivia and Ecuador (despite the recent disputes over oil field nationalisations).

Mercosur, however, being limited to the South Cone, and suffering from the imbalance between Brazil and its other partners, was not in the limelight. It was considered mostly as an instrument for economic integration, and while the lack of substantial progress in the customs union or in the Mercosur-EU FTA negotiations was mentioned as a cause for disappointment, it was not presented as a deeply worrying crisis.

The Chairman of the **Environment** Committee congratulated EU and the European Parliament for being at the forefront of climate change policies. He expressed his personal regret that Brazil, together with China, resisted EU's post-Kyôto initiatives and asked whether the EU would come to the Poznan Conference with ambitious proposals. He mentioned the concept of

"environmental goods", suggesting that "biofuels" be considered as such under WTO agreements and considered as non-taxable.

Mr Onesta reminded that the introduction of high environmental standards was a constant policy of the EU, with a steady trend to raising the standard. This was not an opportunist protectionist measure, but a long-term policy, with a cost for the EU economy that could be estimated at 2% of the GIP (including climate change policies, and not taking into account the economic advantages in health costs savings, and competitiveness resulting from "green" products and environment). Progress in international offers was not to be expected in Poznan, more a discussion and observation round, but most likely later in Copenhagen.

Finally he warned against the hidden adverse consequences of "agro-fuels" (as he condemned the abusive use of the phrase "bio-fuels") on the use of land (by chain reaction if not directly), bio-diversity, autonomy of the producers, social rights. He wondered why Brazil was investing so much in "first-generation agro-fuels" based on specialised crops, rather than developing the second generation, based on cellulose, which would rather take advantage of the leftover biomass and complement rather than compete with food production.

Mr Samuel Pinheiro Guimaraes Neto, Vice-Minister of State of External Relations

The Vice-Minister opened the meeting with a reference to the importance of EU-Brazil relations, not only the historical links but above all the investments by European firms, the financial, scientific and technological cooperation. He insisted that the development of cooperation would require readiness to invest more funds in actions and programmes.

He criticised the "Return Directive", insisting that Brazilian immigrants were peaceful and good workers. Cases of unlawful behaviour remained marginal; there aren't mafias among the Brazilian communities abroad.

On Chairman Sousa Pinto's remarks that this very positive period in EU-Brazil relations should be used to impulse more results in the EU-Mercosur FTA, he pointed out to the interaction between these negotiations and the wider framework of the Doha round, where Brazil expected to get satisfactory answers from the EU on its priority requests for trade opening.

He expressed his agreement that the risk of protectionist temptations is very strong in times of economic downturn, not just in Mercosur. For him, the roots of the crisis arose from speculation, not from ignorance from the major actors. At present times, the Brazilian economy is open, multilateral (the USA account only for 15% of exports). Brazil's foreign reserves amount to 20% of its GNP

Brazil is self-reliant in energy: not only oil and renewable crops, but also a enormous hydro-electric potential beyond the currently used resources (on a question by Mr Onesta, he declared that other renewable energies such as wind or solar were not competitive in Brazil's context).

Mr Marco Aurélio de Almeida Garcia, Head of the diplomatic Unit of the Presidency

For Mr Marco Aurélio Garcia, a multi-polar world demands strong regional blocks. Mercosur in its present shaping and limitations cannot provide this framework. EU overestimates its importance.

Unasur raises more enthusiasm. South America has a lot of assets: it is an area of peace, democracy, without any nuclear weapons. Local frontier disputes are resolved diplomatically. It has huge reserves of energy, water, territory and a common cultural ground. It also has severe problems, such as social inequalities, lack of proper infrastructure and financial liquidities, but these can and should be tackled together in the regional framework rather than bilaterally with the rest of the world. The objectives should be a better coordination and efficiency to create virtuous circles, not to emerge as a competing power against the USA and Europe. When the organisation becomes more structured, and over 9 countries have ratified its creation, it might expand to all of Latin America (Central America is going more and more the South American way, while Mexico is dependent on the USA for over 85% of its exports).

However, beyond political cooperation, integration can only succeed on an economic base. Almost 50% of Brazil's exports today are directed towards South America, and over half of these are value-added products. Argentina is not as well prepared as Brazil to face the economic crisis: this makes further progress for Mercosur in 2009 unlikely. Hence the need to integrate Venezuela to harness its impetus towards reinforcing the political ambition of Mercosur.

Regarding **EU-Brazil relations**, he criticised strongly EU's protectionism in products (biofuels discriminated against fossil fuels) and people (the "return Directive" betrays confusion between migration and security themes; but Brazil has found good solutions bilaterally with Spain and Portugal), but lauded the EU for being the champion of a multi-polar, rule-of-law based world order.



**DELEGATION FOR RELATIONS WITH MERCOSUR
WORKING PARTY TO BRAZIL
24-28 November 2008**

PROGRAMME

*All times local
Brasilia & Sao Paulo GMT -2 / Salvador de Bahia GMT -3
12:00 in Brussels = 9:00 in Brasilia & Sao Paulo and = 8:00 in Salvador de Bahia*

Saturday 22 November 2008

BRASILIA

15h30 **Updating of programme and documents with the EC Delegation in Brazil (Secretariat)**
EC Delegation Brasilia

Saturday 22 November 2008

Sunday, 23 November 2008

BRASILIA

Individual arrival of the members of the European Parliament delegation
*Transfer to the Brasilia Palace Hotel
SHT Norte, Trecho 01, Lote 01
Phone: (55 61) 3306.9100
Fax: (55 61) 3306.9090*

Monday, 24 November 2008

BRASILIA

09h10 **Transfer from the Brasilia Palace Hotel to the EC Delegation**

09h40 **Briefing of the EP Delegation by Mr Joao PACHECO, Head of the EC Delegation in Brazil**
EC Delegation

10h30 **Interview of MP Sergio Souza Pinto, Chairman of the EP Delegation for Relations with Mercosur, with CORREIO BRAZILIENSE at the premises of the EC Delegation**
Journalist Silvio Queiroz (Deputy Senior Editor – Foreign Affairs)

11h00 **Round table on renewable energy/ethanol-biofuels and sustainability with representatives of civil society (environmentalists and agribusiness organizations) at the premises of the EC Delegation**
Speakers: Mr Paulo Moutinho - Instituto de Pesquisa Ambiental da Amazônia (IPAM) ; Mr Sergio Guimaraes - Instituto Centro de Vida ;

Mr Claudio Maretti - WWF Brasil ; Mr Marcio Santilli - Instituto Socio-Ambiental (ISA) ; MM Rodrigo Lima and Daniel Furlan do Amaral - Instituto do Agronegócio Responsavel (ARES)

- 13h20** **Working lunch with EU Member States Ambassadors to Brazil hosted by the EP Delegation**
Churrascaria Fogo de Chão
- 16h00** **Meeting with HE Ambassador Samuel Pinheiro Guimaraes Neto, Vice-Minister of State of External Relations**
*Ministry of External Relations –Office of the Secretary General
Palacio Itamaraty*
- 18h00** **Meeting with Mrs Maria Celina Berardinelli Arraes, Director for International affairs of the Brazilian Central Bank**
Banco Central do Brasil
- 19h30** **Transfer to the Brasilia Palace Hotel – Dinner Free**

Tuesday, 25 November 2008

BRASILIA

- 09h30** **Transfer from the Brasilia Palace Hotel to the Federal Senate**
- 10h00** **Meeting with members of the Parliamentarian Committee for External Relations and National Security of the Federal Senate**
*Comissão de Relações Exteriores e Defesa Nacional (CREDN)
Senado Federal - Ala Senador Alexandre Costa – Sala 5B*
- 13h00** **Working lunch hosted by HE Arlindo Chinaglia, Speaker of the Chamber of Deputies**
Presidência da Câmara dos Deputados – Residência Oficial
- 15h00** **Meeting with members of the Brazilian Delegation to the Mercosur Parliament**
*Parlamento Mercosur – Representação Brasileira
Câmara dos Deputados – Anexo II / Sala T28*
- 17h00** **Meeting with members of the Parliamentarian Committee for External Relations and National Security of the Chamber of Deputies**
*Chairman: Deputy Marcondes Gadelha (PSB-PB)
Comissão de Relações Exteriores e Defesa Nacional (CREDN)
Câmara dos Deputados – Anexo II / Pavimento Superior – Ala A/Sala 125*
- 18h00** **Ceremonial welcome of the EP Delegation at the Plenary sitting of the Chamber of Deputies**
- 19h00** **Cocktail hosted by Mr João Pacheco, Head of the EC Delegation, at the EC Residence**

- 09h00** **Transfer from the Brasilia Palace Hotel to the EC Delegation**
- 09h30** **Round table on human rights/civil rights with representatives of civil society (human rights, women's rights, indigenous people, landless farmers organizations) at the premises of the EC Delegation**
Speakers: Mrs Azelene Kaigang – Instituto WARA (indigenous people); Mrs Natalia Cruz – Centro Feminista de Estudos e Assessoria (gender rights); Mr Luiz Antonio Pasquetti – Movimento dos Trabalhadores Sem Terra (landless workers rights); Mrs Elizette Fabbri – Comissão Católica de Justiça e Paz (indigenous people); Mr Luiz Fabbri – Grupo Tortura Nunca Mais (human rights)
- 11h00** **Meeting with HE Senator Garibaldi Alves Filho, President of the Federal Senate**
*Senado Federal – Presidency Office
 Edificio Sede – Térreo*
- 12h30** **Working lunch with academics and columnists hosted by the EP Delegation**
Academics: Professors Eiiti Sato – Institute of Political Science and International Relations – UNB/IREL (Dean), Alcides Costa Vaz - Institute of Political Science and International Relations – UNB/IREL (Senior Research Scholar), Paulo Roberto Almeida – Department of Government/International Relations – CEUB (Senior Fellow on International Relations) - Eliane Castanhede, columnist, Folha de São Paulo

Restaurante Bier Fass – Pontão do Lago Sul
- 15h30** **Meeting with Mr Marco Aurélio de Almeida Garcia, Special Adviser of HE Luiz Inacio Lula da Silva, President of the Federal Republic of Brazil, Head of the diplomatic Unit of the Presidency**
Palacio do Planalto – Presidential Office
- 17h30** **Transfer to the Brasilia airport**
- 19h30** **Departure from Brasília/Juscelino Kubsticheck International Airport to Salvador/Luis Eduardo Magalhães International Airport Flight JJ 3305 (TAM)**

*Transfer to the Hotel Blue Tree Premium
 Rua Monte Conselho, 505 – Rio Vermelho
 Phone: (55 71) 2103.2233
 Fax: (55 71) 2103.2200*

- 09h00** **Attendance to the EC/KAF Seminar “Regional integration and local development: the impact of Mercosur at sub-national levels”**
Hotel Blue Tree Premium
Rua Monte Conselho, 505 – Rio Vermelho
- 11h30** **Meeting with HE Joao Henrique Carneiro, Mayor of Salvador**
Palácio Thomé de Souza – Mayor Office
Praça Municipal – Centro
- 13h00** **Working lunch with NGOs hosted by the EP Delegation**
Antonio Bunchaft - Director ONG PANGEA, Simona Isidori - Italian coordinator ONG OIKOS, Giuseppe Vozza - local coordinator ONG PANGEA, Vanda Reis, teaching coordinator ONG PANGEA

Restaurant Escola Cenac – Pelourinho
- 14h30** **Visit to the Waste Recycling Cooperative Project (CAEC) co-financed by EC funds**
Local coordinator: Antonio Bunchaft
Rua Mauritiânia, 04 - Bairro Pirajá
- 16h30** **Visit to Centro de Estudos Socioambientais (PANGEA) - social project focusing on social rehabilitation/anti-poverty fighting action in low income communities in Salvador metropolitan area**
Local coordinator: Antonio Bunchaft
Rua dos Radioamadores, s/n - Parque de Pituaçu
- 18h00** **Meeting with NGOs and other civil society organizations**
Local coordinator: Antonio Bunchaft
Rua dos Radioamadores, s/n - Parque de Pituaçu
- 19h30** **Transfer to the Hotel Blue Tree Premium – Dinner Free**

- 10h15** **Transfer from the Blue Tree Premium Hotel to the Governor's Office**
- 11h00** **Meeting with HE Jacques Wagner, Governor of the State of Bahia**
Centro Administrativo da Bahia
Predio da Governadoria – Gubernatorial Office
- 14h30** **Secretariat wrap-up meetings with EC Delegation (Political counsellor; Development counsellor)**
Blue Tree Premium Hotel

Individual departure of the members of the European Parliament delegation to Europe



DELEGATION FOR RELATIONS WITH MERCOSUR

Working Party to Brazil

24 - 28 November 2008

Brasilia & Salvador

List of Participants

<u>MEMBERS</u>	<u>Political Groups Nationality</u>	<u>Committees/Delegations</u>
Mr Sérgio SOUSA PINTO <i>Chairperson</i>	PSE Portugal	Committee on Constitutional Affairs Delegation to the Euro-Latin American Parliamentary Assembly
Mr Gérard ONESTA <i>Vice-President of the EP</i>	Greens/EFA France	Committee on Budgets
Mrs Malgorzata HANDZLIK	EPP-ED Poland	Committee on the Internal Market and Consumer Protection Delegation to the Euro-Latin American Parliamentary Assembly
Mrs Amalia SARTORI	EPP-ED Italy	Committee on the Environment, Public Health and Food Safety Committee on Industry, Research and Energy Temporary Committee on Climate Change Delegation to the Euro-Latin American Parliamentary Assembly
Mr Wolfgang KREISSL-DÖRFLER	PSE Germany	Committee on Civil Liberties, Justice and Home Affairs
Mrs María Isabel SALINAS GARCÍA	PSE Spain	Committee on Agriculture and Rural Development
Mrs Nathalie GRIESBECK	ALDE France	Committee on budgets Delegation to the Euro-Latin American Parliamentary Assembly
Mr Donato VERALDI	ALDE Italy	Committee on Agriculture and Rural Development
Mr Leopold Józef RUTOWICZ	UEN Poland	Committee on the Internal Market and Consumer Protection
Mrs Ilda FIGUEIREDO	GUE/NGL Portugal	Committee on Employment and Social Affairs Committee on Women's Rights and Gender Equality Delegation to the Euro-Latin American Parliamentary Assembly

EPP-ED	Group of the European People's Party (Christian Democrats) and European Democrats
PSE	Socialist Group in the European Parliament
ALDE	Group of the Alliance of Liberals and Democrats for Europe
The Greens/EFA	Group of the Greens/European Free Alliance
UEN	Group of the Union for Europe of the Nations
GUE-NLG	Group of the European United Left / Nordic Green Left

STAFF

<u>Secretariat</u>		
Mr Thierry JACOB	France	Administrator
Mrs Françoise VERGNES	France	Assistant
Ms Nekane AZPIRI LEJARDI	Spain	Assistant

<u>Interpreters</u>		
Mr Pascal PIGNOT	France	Interpreter FR, Team leader
Mrs Meei-Huey WANG	France	Interpreter FR
Mr Enrico VARESCO	Italy	Interpreter IT
Mrs Rosaria STOPPANI-PIGNOT	Italy	Interpreter IT
Mr Euclides LAZZAROTTO	Italy	Interpreter PT
Mrs Sofia CASTANHEIRA	Portugal	Interpreter PT
Mrs Dagmara WROBEL	Poland	Interpreter PL
Mrs Lucyna ZUBRZYCKA-PEREZ	Poland	Interpreter PL

<u>Political Groups</u>		
Mrs Miriam ORSAGOVA	EPP-ED Slovakia	Political Group Advisor
Mrs Maria Odilia HENRIQUES	PSE Portugal	Political Group Advisor