

CNI- BUSINESSEUROPE JOINT STATEMENT ON BRAZIL-EU BILATERAL TRADE, ECONOMIC, AND POLITICAL RELATIONS

June 2023

On the occasion of the visit of the European Union's (EU) Commission President, Ursula von der Leyen, to Brasilia on 12 June 2023, the Brazilian National Confederation of Industry (CNI) and BusinessEurope welcome this high-level meeting and take the opportunity to reiterate their firm support to the EU-Mercosur Agreement.

Forging one of the largest free trading areas in the world covering nearly a quarter of global economy and 31% of the world's goods exports, the Agreement will yield concrete benefits for both blocs including for the transformation towards climate neutrality.

The EU and Brazil have traditionally been important trading partners. Their bilateral trade reached a record high value of nearly € 90.5 billion last year. Investment ties have also acted as strong bonds, with the EU investing over € 277 billion in Brazil and welcoming nearly € 132 billion in Brazilian foreign direct investment, which makes the country the largest Latin American investor into the EU.

While bilateral trade and investment relations are solid, they are also far below their full potential. We worry that existing and potential prosperous ties are being increasingly exposed to major global challenges such as energy prices spikes, supply chains disruptions, and geopolitical frictions which nudge the world to the brink of a new, economically harmful wave of protectionism and fragmentation.

We are concerned that these circumstances have exacerbated the unfortunate decline of the relevance of the EU-Brazil commercial relationship in favour of other major competitors – in which case the EU-Mercosur Agreement would help bring the commercial relationship back on track. The European Union, once Brazil's main trading partner, now accounts for only 16% of the country's global imports being only Brazil's third main supplier. A case in point are the EU's exports of machinery & equipment goods, which have shrunk from 21% of all EU's sales to Brazil in 2003 to less than 16% twenty years later. In turn, Brazil has been overtaken by countries like India and South Korea in the EU's rank of main extra-bloc trading partners. Also, between 2003 and 2022, Brazil's manufacturing industry exports to the EU have fallen from 68% to nearly 49% of all value sold to the European Union.

In the face of these concerning trends, the EU-Mercosur Agreement becomes more important than ever as a strategic, comprehensive, and sustained response. We are confident that the balanced commitments agreed upon in 2019 allow both sides to foster bilateral trade and investments, diversify supply chains, support well-paid jobs on both sides of the Atlantic while effectively protecting the environment and living up to the highest standards of sustainable development. Furthermore, the agreement will forge stronger ties between two major democratic blocs of the world.

CNI and BusinessEurope will continue monitoring both the trade-related impacts of upcoming EU environmental legislation, and the concrete efforts deployed on both sides to effectively protect the environment and counter climate change. As we reaffirm our unwavering support to the Agreement, BusinessEurope and CNI call on leaders to seize the window of opportunity open throughout 2023 to deliver meaningful progress paving the way for its ratification during the Presidency of the Council of the EU held by Sweden and Spain, and Brazil's pro-tempore presidency of Mercosur.

Deepening the existing EU-Brazil Strategic Partnership and sealing the EU-Mercosur deal as soon as possible shall remain the parties' top policy priority as they seek to intensify their bilateral commercial, economic, and political cooperation. To this end, in the ongoing talks regarding an additional instrument, we encourage negotiators to allow for the appropriate flexibility to reach a balanced, time-sensitive agreement that delivers for both societies.

BusinessEurope and CNI call on both sides to commit to the necessary efforts to celebrate the long-awaited Agreement between EU and Mercosur – a key deliverable to bring our bilateral relationship to the next level.
