

OPINIÃO

Why did Brazil's ethanol diplomacy fail?

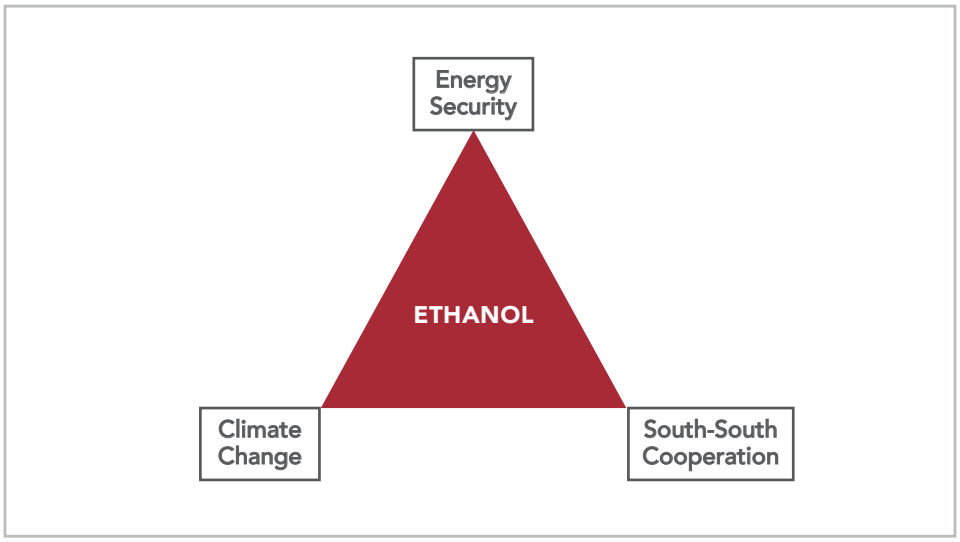
*Por Thomas M. Fröhlich**

For almost twenty years, Brazil has been working towards creating a global market for ethanol that would reduce Brazil's dependency on the internal market and position itself as global leader in this technology. Brazil has to broaden ethanol's consumer base and to increase the number of producers internationally. The lack of international standardization of ethanol plays another crucial role for the underdevelopment of the market.

Ethanol also gave Brazil the opportunity to insert itself into the climate change discourse and promote its global rise through new "South-South cooperation" that gained importance since the rise of the emerging markets and their turn to the "Global South" in the early 2000s.

Rising oil prices that coincided with insecurities in oil producing countries, allowed Brazil to connect ethanol with secure diversification of energy resources. The international environment at that time was welcoming towards biofuels, especially due to the rise in importance of climate change, energy security, and South-South cooperation.

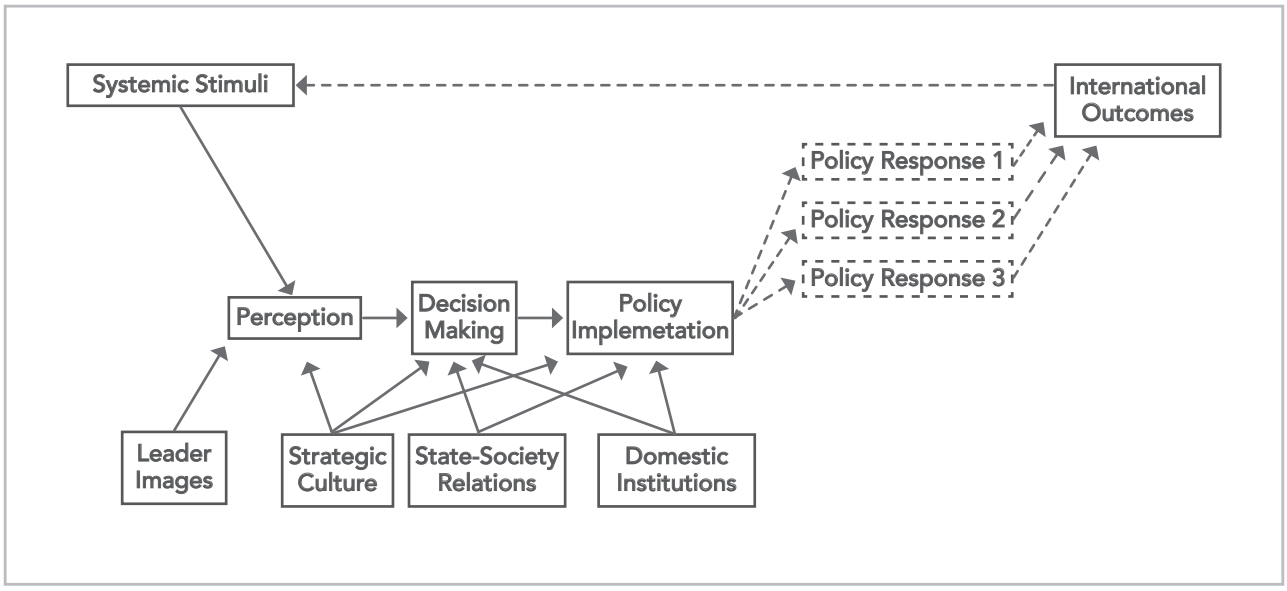
Figure 1: Three dominant discourses in OECD countries



Source: Author elaboration.

Brazil's international ethanol strategy cannot be understood without the national experience of ProÁlcool, nor without the international context. Apart from Itamaraty, the Presidency and other government agencies, industrial corporations and NGOs are active in Brazil's foreign policy. I summarize these actors as the Brazilian Foreign Policy Complex (FPC). All international ethanol activities by the FPC will be called "ethanol diplomacy". This definition suggests a neoclassical realist framework of international politics, as suggested by Ripsman et al. (2016).

Figure 2: Neoclassical Realist Model of International Politics



Source: Ripsman et al. (2016: 34)

To explain the failure of Brazil's ethanol diplomacy, I examined three crucial cases - the US case, the Mozambique case, Brazil's multilateral approaches - and applied the approach of Neoclassical Realism to understand how foreign policy decisions came to play.

IMPLEMENTATION: THREE CRUCIAL CASES

Two publications by Brazilian diplomats outline Brazil's official ethanol strategy. Antônio José Ferreira Simões (2007) explains the background and strategic importance of Brazil's initiative towards a global ethanol market. During his career, he was central to developing Brazil's international ethanol strategy.

The second account is by Emerson Coraiola Kloss (2012), who was similarly close to decision making as the head of division for renewable energy and during his time at the Brazilian Embassy in Washington, D.C., when the 2007 MoU on biofuels was negotiated.

While Simões focuses on the multi-layered approach and emphasizes that the target needs to be tackled from several angles, Kloss seems more realistic in his assessment of Brazil's capabilities, particularly in influencing US policy, and recommends a multilateral approach.

These accounts give coherent outlines of a promising international ethanol strategy. It seems fair to ask what role they saw for industry and civil society in Brazil's ethanol diplomacy; and why these strategies did not lead to the desired success.

BRAZIL - US ETHANOL DIPLOMACY

Expanding the ethanol market with the US was important to Brazil and at the same time, it did not receive the attention that such an important economic issue deserved. Organizationally, Brazil could not follow suit with the strongly structured US State Department and had instead several government entities involved in the negotiations. The lack of a single focal point for the Northern interlocutors led to significant confusion on their part. This suggests that already during Lula's presidency ethanol was not of highest priority for Brazil in their US relations and even less so after the discovery of pre-salt oil.

Promising approaches such as several MoUs on Biofuels and tariff reductions did not have the desired effects. This is partly due to the bad harvests that hampered Brazil's ability to deliver the necessary output for export. Support for the domestic oil industry further depleted Brazil's ethanol industry of its competitive advantage over gasoline, resulted in significantly lower sales and cut off finance supply, which in turn lowered yields in the following years. The industry therefore prioritized domestic support over international expansion. The resulting lack of firm industry support hampered crucial momentum in the exchange with the US.

Neither Lula nor Dilma attributed high priority to ethanol in the bilateral relations with the US, and all efforts lacked coherence and streamlined processes. The domestic focus on fossil fuels and the downfall of bilateral relations after the NSA scandal, finally spoiled the success of the MoUs at the stage of implementation.

BRAZIL - MOZAMBIQUE ETHANOL DIPLOMACY

Two particular events can be taken as symbols to understand Brazil's ethanol diplomacy towards Mozambique: the 2007 Memorandum of Understanding on Biofuels and the ProSavana project. Both reflect two conflicting narratives of Brazilian engagement in Africa (Afionis et al. 2016): the official discourse of South-South solidarity and a more

critical one about a Brazilian form of neo-colonialism. The argument that Brazilian development cooperation is purely demand-driven has been widely disregarded in the literature.

Mozambique did not seem to be high on the political agenda, but it is important to remember that politics followed investment, which aimed at supporting further investment in the case of Mozambique. As Rossi (2015:36) points out, there were barely any Brazilian business interests in Mozambique at the beginning of the Lula administration, with the exception of Vale. Once politics secured the status of Mozambique, more investment was supposed to follow.

Corporate interests were not, however, reflected in the rhetoric of solidarity that many Brazilian political leaders chose to use. The ethanol partnership also failed in the sense of the goal to significantly enlarge the consumer or producer base of ethanol. While a 10% ethanol blend was introduced in Mozambique, this policy did not have a significant impact as the quantities used in Mozambique are very small compared to industrialized countries.

It is clear that Brazil was able to dominate the terms and conditions of the 2007 Biofuels MoU. The influence over Mozambique was large enough that the Brazilian FPC was able to recalibrate and influence Mozambican politics in the short-term when initial progress was lacking.

ProSavana was a project to develop a region of the size of Germany into agriculturally usable land. The failure of the project can be attributed the Brazilian FPC's miscalculation of Mozambican preferences and the lack of understanding of the domestic structure, particularly with respect to the efficiency of local administration but also the organizing strength of smallholder farmers. Uncertainty and customary land--laws in Mozambique led to delays and resistance against the project. Additionally, lack of transparency sparked protests that might have been avoidable with proper community engagement (Rossi 2015).

Brazil's strategy of South-South cooperation claimed to help developing countries progress without interest. At the time, Brazil was aiming for autonomy through diversification and autonomy through participation (Vigevani and Cepaluni 2007), and as such, ProSavana can be understood as an effort to sway a potential ally through direct support but also by means of politics of prestige. Brazil aimed to present itself as a problem-solver. The failure of ProSavana shows, however, how Brazil's South-South initiative collapsed. While the structural environment was very permissive to successfully implementing those projects, Brazil's strategic culture as well as its institutional set-up prevented the projects from succeeding. Brazil's strong rhetoric of South-South solidarity, particularly of the Lula government, does not hold true.

In terms of ethanol diplomacy, it is noteworthy that Rossi (2015: 96) identified three main Brazilian interests in Mozambique: (1) Vale, (2) the construction of a FIOCRUZ production site for HIV drugs, and (3) gaining support for a Brazilian permanent seat in the UNSC.

Ethanol on the other hand, was a prominent project that was highly talked about, but only little political investment was made. This raises the question whether ethanol diplomacy was just a means to an end, for example garnering international support in international organizations.

In the political arena, Brazil was able to secure Mozambique's support in international organiza-

tions but did not achieve a significant impact on a technical level. This can be attributed to the deficiencies of the Mozambican political system, its lack of technical experience and, most importantly, to the Brazilian FPC's lack of understanding of this predictable situation. Despite intensive diplomacy and attempts at business investments in Mozambique over the past decade, the 2007 MoU and ProSavana were unsuccessful in establishing a new partner for a global ethanol market.

THE CASE OF BRAZIL'S MULTILATERAL ETHANOL DIPLOMACY

Since the 1990s, Brazil has been a proponent of multilateral organizations. With its strategy of autonomy through participation, Brazil aimed at shaping the global governance framework and the international structure to its benefit.

One central issue is the lack of a single global energy governance regime. When examining Brazil's multilateral ethanol diplomacy, the first conspicuity is high complexity. Looking at the WTO, it is Brazil's explicit interest to create a situation of multipolarity (Amorim 2016: 230), a goal that Brazil has achieved to a certain extent. Brazil's leadership position in the G-20 increased its clout (Brands 2011: 35). Brazil was also successful at its double-play in the WTO as it continuously pursued trade liberalization while maintaining the support of developing countries through South-South solidarity.

An assessment of Brazil's activities within the WTO must consider two different aspects, the organization and negotiation processes. Within the organization, Brazil successfully used the conflict resolution mechanism to its advantage, e.g. in the Sugar Case against the EU. It also showed that its nationals are qualified and trusted to be leaders within the organization. This assessment however, is different from the negotiation perspective. Apart from forming veto-coalitions at ministerial meetings, Brazil was not able to actively push forward its agenda to facilitate ethanol trade.

One of the most important aspects of creating a global ethanol market is standardization. The Global Bioenergy Partnership (GBEP) was initiated by the G8 and Brazil joined later. Its focus was sustainability and GHG emissions. The work of GBEP has been successful and Brazil was able to influence the discussion, as well as gain significant institutional support in the promotion of ethanol through GBEP.

Brazil's initial outsider status at the GBEP led to the creation of the International Biofuels Forum (IBF). It explored possibilities of harmonizing technical properties of ethanol but could not change the status-quo. It is not surprising that the plan to separately discuss technical questions in the IBF, sustainability questions in GBEP, and trade questions in the WTO was not fruitful.

Equally, Brazil entered the active group of climate change negotiations too late. In the early stages, Brazil was suspicious regarding potential sovereignty issues. The slow progress of Brazil's ethanol diplomacy, paired with societal pressure to engage in climate change talks, brought climate change onto the agenda. As a late comer, Brazil never gained the influence it had in the Doha Round, and its unique properties with a legacy of green energy and the Amazon rainforest as a device for cost-effective GHG reduction impeded Brazil from presenting itself as a credible partner for the developing world. It therefore could not repeat the coalition building efforts that yielded so much prestige in the WTO.

WHAT WENT WRONG WITH BRAZIL'S ETHANOL DIPLOMACY?

As Ricupero (2010: 29) states, "progress varies just as the distance between Brazil's pretensions and reality." Brazil failed to create a global market for ethanol for a number of reasons. A lack of strategy was not the problem, instead three main threads continue through my findings:

- Ethanol was not of highest priority and subordinate to other policies.
- The heterogeneity and lack of coordination within Brazil's FPC impeded effective foreign policy making.
- The Brazilian FPC overestimated its problem-solving ability (soft power), which was particularly detrimental in the relation with the US and the multilateral arena.

With the advent of electric vehicles in the industrialized world, the window of opportunity for a global ethanol market is closing. Though ethanol still offers a development model for tropical belt countries. This prospect for new attempts at ethanol diplomacy in the South-South context should be taken seriously by Brazilian leadership. To succeed, Brazil will need to align its domestic interests and focus on understanding the interests and constraints of its developing partners. This way, ethanol has still a chance to be the fuel of the future.

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