

KINGA BRUDZIŃSKA, BARTŁOMIEJ ZNOJEK*

Poland and Brazil: Narrowing the Distance, Exploring Mutual Potential**

With more than 90 years of diplomatic relations, Poland and Brazil remain friendly but still distant partners. A divergence of interests and the lack of traditionally close ties were among the main causes of the relatively low intensity of a bilateral dialogue. In an increasingly multipolar world, a favourable context for improvement in the countries' relations has appeared. Brazil's and Poland's economic and political transformation and their consequential growing roles in the Western hemisphere and Global South, and in Central and Eastern Europe, respectively, are a basis upon which to build bilateral cooperation. Brazil should gain the status of Poland's priority partner in Latin America. Poland ought to seek to earn the status of a key partner for Brazil amongst the new EU Member States since 2004. A visit by Polish Minister of Foreign Affairs Radosław Sikorski to Brazil at the end of November 2012 may provide an opportunity to explore the potential for cooperation between the two countries.

Poland and Brazil: Why Might They Be Attractive to Each Other?

Brazil, a resource-rich country, with more than 50% of South America's territory and population and 60% of the region's GDP, has naturally been considered a regional leader. Compared to Poland, Brazil has a population and an economy that is five times larger (it has 193 million people and its GDP was almost \$2.5 billion in 2011). In the last decade, it has risen as one of the world's key emerging powers and an increasingly active global player. At the same time, Poland is the 8th largest EU economy—top amongst countries that have gained EU membership since 2004—and has been striving position itself as an influential Member State.

* Analysts at the Polish Institute of International Affairs (PISM).

** Special acknowledgements for input go to Dr. Elena Lazarou and Ms. Carolina Taboada, Centre for International Relations, Fundação Getúlio Vargas (FGV).

Despite an obvious difference in scale and international positions, Poland and Brazil share a set of factors that favours the likelihood of greater mutual interests. Both have the experience of more than two decades of democratic transition and the modernisation of their socio-economic systems. They aspire to narrow the gap—in terms of development—between them and the most-industrialised economies. Historically, Brazil has been one of the main hosts for Polish migrants and now is estimated to have the second-largest community of Polish descendants in the world.¹ At present, what provides a good basis for more intense relations is the framework of the EU-Brazilian Strategic Partnership (launched in 2007).

Nevertheless, it was the latest global financial crisis that provided conditions for both countries to look at each other with more interest. In Europe, it will be hard to fully overcome the negative effects of the crisis in at least the medium term. So, there is a growing conviction that the emerging economies, including Brazil, will be the main poles of economic growth. Poland, which enjoys a strong internal market, is strongly linked in its external economic relations to the other EU markets—78% of Polish exports and 94% of Polish foreign direct investment (FDI) go to other Member States. Obviously, China has been acknowledged as a new important destination for Poland's business directions as it looks to diversify its interests. However, it should also pay attention to lesser-explored but not less-attractive markets, such as Brazil. For Brazil, Poland could be an alternative choice for establishing businesses in Europe, where most countries are struggling with the crisis. In the long term, a greater presence in Poland could help Brazilian companies expand to markets in Central and Eastern Europe (including non-EU states).

In this context, it is important to address the question of whether these countries have something to offer each other. Indeed, they have an array of assets that could make them mutually attractive. The chief driver of this should be their economic potential. During the latest crisis, Poland was the only economy in the EU to avoid recession and Brazil experienced a short decline in growth in 2009, and a 7.5% rise in 2010. In 2011, it reached 4.3% and 2.7% GDP growth, respectively. Prospects for their economies are optimistic, although this year and the next both countries are likely to register more moderate GDP growth rates due mainly to the persistent volatility in the global economy (2012: Poland—2.4%, Brazil—1.5%; 2013: Poland—2.1%, Brazil—4%).²

More importantly, they have distinguished themselves as attractive to investors. In the World Investment Report 2012, Brazil was first in Latin America and fourth in the world in terms of FDI inflow in 2011—it received \$66.7 billion (half of the South American

¹ The numbers differ. Wspólnota Polska (The Polish Commonwealth Association), which cooperates with Polish diasporas abroad, says there are about 1.8 million people (as of 2007). See: Wspólnota Polska, "Polonia w liczbach" ("Polish community abroad in numbers"), <http://archiwum.wspolnotapolska.org.pl/index.php?id=pwko00>.

² International Monetary Fund, "World Economic Outlook", October 2012, <http://www.imf.org/external/pubs/ft/weo/2012/02/pdf/text.pdf>.

FDI inflow total). With \$15.1 billion, Poland was ninth amongst the EU countries. The same report lists Brazil and Poland amongst the most prospective FDI destinations, at fifth and 14th, respectively.³ Furthermore, according to an Ernst and Young survey, Poland was the second most-attractive investment market in the region after Germany.⁴

A significant advantage both countries have is that they can serve as valuable investment hubs and gateways to their regions. Poland offers access to the markets of the EU, and more broadly to the European Economic Area (the EU plus Iceland, Liechtenstein and Norway). It enjoys a valuable geographical location—at the crossroads of main European transportation routes and next to the eastern neighbours of the EU. Brazil's key asset is its membership to Mercosur (a regional cooperation organisation established in 1992 and currently a customs union), which potentially gives access to its member states, which include Argentina, Uruguay, Paraguay (though currently suspended) and Venezuela (recently joined) as well as to associate partners, such as Chile, Bolivia or Peru. Its geographical location is its advantage, as the country borders all but two of the countries in South America.

What could additionally motivate the countries to seek closer cooperation is that they could share their experience and best practices in some fields. For instance, Brazil has been one of the world leaders in producing and exporting bio-fuels (developed under programmes that date back to the mid-1970s). This could serve, therefore, as a model for the successful development of a green-energy industry for Poland. On the other hand, Poland could share its expertise with co-organising a large sporting event (with Ukraine)—the 2012 UEFA European Football Championship. Brazil, which will host the football Confederations Cup (2013) and World Cup (2014) as well as the Olympic Games (2016) could benefit from the Polish experience on such issues as logistics, security management and effective ways to provide information to visitors.⁵ Another sphere of cooperation may be in educational achievements. Poland has shown outstanding improvements in pupil performance, according to the Program for International Student Assessments (PISA) coordinated by the Organisation of Economic Cooperation and Development (OECD).⁶ Brazil

³ United Nations Conference for Trade and Development (UNCTAD), "The World Investment Report 2012," July 2012, *passim*, <http://www.unctad-docs.org/files/UNCTAD-WIR2012-Full-en.pdf>.

⁴ Ernst & Young, "2012 European Attractiveness Survey," <http://www.ey.com/GL/en/Issues/Business-environment/2012-European-attractiveness-survey>.

⁵ For example, Poland recently organised workshops and seminars for senior representatives from the regions and cities that will be hosting the FIFA World Cup in Russia. See: FIFA, "Host cities study Poland's EURO 2012 experience," 29 October 2012, <http://www.fifa.com/worldcup/russia2018/news/newsid=1798975/index.html>.

⁶ See: The World Bank, "Successful Education Reform: Lessons from Poland," *Knowledge Brief*, vol. 34, November 2010, http://siteresources.worldbank.org/INTECALEA/Resources/ECA_KB34_Education_Reform_in_Poland.pdf.

still struggles with improving domestic education and could benefit from Polish experience in this field.⁷

In Search of Polish-Brazilian Gravity Points

The sustainability of bilateral relations requires solid pillars that ensure mutual interest in developing cooperation. In the case of Brazil and Poland, trade and investment form such a base. Apart from being the best drivers for strengthening economic ties, they should also be seen as catalysts for enhanced cooperation in other areas.

Business Cooperation First!

Brazil remains the main trading partner for Poland in Latin America, and in the last decade has seen a rise in trade volume to a record level of \$1.4 billion in 2011 (a 20% increase from the previous year), but with a current-account surplus of \$657 million on the Brazilian side. Nevertheless, both positions in trade flows are modest (Brazil's share of Polish trade amounts to 0.35%, while Poland accounts for just 0.2% of Brazil's trade). Polish exports to Brazil have consisted of machinery, equipment, automotive and electronic parts, as well as electronics and chemical products (fertilisers mainly). Brazil's exports to Poland have included commodities (soy products, coffee, sugar) and automotive parts as well as Embraer airplanes bought by Polish airline LOT.⁸

As opposed to trade, bilateral investment to date has been limited, and with more cases of Polish engagement in Brazil. Some examples are the presence of FM Group (cosmetics) or Medcom (a high-tech power supply systems producer that is modernising the São Paulo Metro). One interesting example of Polish engagement is the Gremi Group's investment in northeast Brazil, which is based on the principles of sustainable development and engagement with local communities. The project consists of establishing three interlinked components: an ecological tourist resort, a housing complex and a technological park. As for Brazilian engagement in Poland, the Polish Agency for Investment Promotion (PAIIZ) in 2011 registered only one (finished) project, by Brazilian IT company Stefanini.

Nevertheless, both countries offer substantial business opportunities that could provide for closer cooperation. Brazil's plans for large development of infrastructure attracts the most attention, thus also possibilities for Polish suppliers of relevant machinery and equipment, construction materials and components. Especially notable are Brazil's large programmes to improve transport, communication and energy infrastructure, among others. Specific endeavours include preparatory works for the sporting events that will take place in

⁷ B. Bruns, D. Evans, J. Luque, "Achieving World-Class Education in Brazil: The Next Agenda," The World Bank, Washington D.C., 2012, p. 20, http://siteresources.worldbank.org/BRAZILINPOREXTN/Resources/3817166-1293020543041/FReport_Achieving_World_Class_Education_Brazil_Dec2010.pdf.

⁸ Wydział Promocji Handlu i Inwestycji São Paulo (Trade and Investment Promotion Department, São Paulo), "Współpraca gospodarcza Polska-Brazylia w 2011 roku" ("Polish-Brazilian Economic Cooperation in 2011"), 3 April 2012, http://saopaulo.trade.gov.pl/pl/brasil/article/detail,1844,Wspolpraca_gospodarcza_Polska-Brazylia_w_2011_roku.html.

Brazil, but in the long term it could be more beneficial for Polish businesses to become involved in exploration projects for large off-shore petroleum deposits in pre-salt layers (commonly known in Brazil as Pré-sal).

The need to safeguard Pré-sal exploration infrastructure as well as general plans to modernise the Brazilian army (Brazil is the top military spender in Latin America) bring added possibilities for the Polish defence industry. Another sphere of potential business cooperation includes the renewable energy sector, in which Brazil in 2011 was the fifth largest investor.⁹ Brazil may be interested in the Green Evo initiative (managed by the Polish Ministry of the Environment), aimed at the promotion of Polish green-technology companies.

Opportunities also may be found in agriculture, especially as there is a widespread perception of Brazil as a strong competitor and a threat to European farmers (Poland is among the EU countries reluctant to open the agricultural market to Mercosur). Indeed, as one of the world's main exporters of agricultural goods and the main supplier to the EU, Brazil has a vast offer (e.g. chicken and beef, cereals, sugar). However, complementarities in Polish–Brazilian agricultural exchanges should be duly analysed. Certainly, while Brazil provides their unique goods (coffee, soybean products, exotic fruits and juices), Polish companies could attempt to enter the Brazilian market with products not produced there, which was the case with Polish spirits (e.g., Wyborowa vodka), and could potentially be the same for specific fruits and their products, sweets and beverages (especially specialty beers, such as flavoured brands).

Despite modest results in bilateral investment, both countries hold significant possibilities for increases. In Brazil, the areas promoted by the government, apart from the petroleum sector and infrastructure development projects, include semiconductors, the life sciences industry (health innovation, biotechnology, pharmaceuticals) as well as information technology and business process outsourcing (BPO), venture capital and the private equity sector. Given the quick development of the IT sector in Poland there certainly are added opportunities for large software companies (e.g., Asseco), and game developers (e.g., CD Project). There also are possibilities for Polish pharmaceutical companies (e.g., Bioton, Polpharma).

The Polish government wants to attract investors in Brazil in such strategic sectors as the automotive industry, electronics, aircraft, biotechnology (for industrial and healthcare purposes), BPO, and research and development. The Brazilian aircraft industry, with Embraer as a flagship company, could find Poland an attractive market in which to invest. Companies from the vibrant biotechnology sector (e.g., Aché, Biommm) could also benefit from Poland's investment opportunities.

⁹ UNCTAD, "Technology and Innovation Report 2011: Powering Development with Renewable Energy Technologies," 2011, p. 53, http://unctad.org/en/Docs/tir2011_en.pdf.

Beyond Business...

Stronger business links will be crucial to fostering greater interest in other areas of bilateral cooperation. First of all, collaboration in education and science needs to be duly explored. Here, it mainly could include cooperation among academic and research institutions (such as student and scholar exchanges). A perfect basis for that is “Science without Borders” (*Ciência sem Fronteiras*), launched by the Brazilian government in June 2011. Its primary goal is to qualify about 100,000 Brazilian students and researchers in disciplines related to science and technology in top universities worldwide by 2014.¹⁰ Poland may be an attractive destination for Brazilian students, in particular for would-be-engineers, given the good quality-cost combination of studies offered by Polish technology universities. By participating in the programme Polish universities would take a crucial step in enhancing its education profile among Brazilian students, which could continue to pay dividends long after the programme ends.

Supplementary steps in this direction would include offers of internships or scholarships by Polish and Brazilian companies in relevant sectors. In addition, both countries could explore the possibilities to exchange expertise in science and innovation development in environmental projects. The Polish experience in improving pre-higher education quality, could also be an interesting topic for the Brazilian government.

The development of cooperation in culture is an indispensable condition for better mutual understanding and would contribute to successful dialogue in various sectors, so both Brazil and Poland could engage more in spreading knowledge about their cultures and achievements. This could include such activities as artist exchanges, technical assistance programmes and informational programmes through mass media. Also advisable is to promote such events as a “Polish season in Brazil” and vice-versa. Apart from traditional events such as concerts, art exhibitions and film showings, both countries could encourage exchanges in such modern fields as industrial design, architecture, fashion and other creative arts.

In another area, the Polish–Brazilian defence agreement in 2010 introduced a good basis for defence cooperation. Dialogue in this area should be further developed, which could be favoured by the fact that Brazil is the only Latin American country to host a Polish military attaché office. Opportunities for army trainings, officer exchanges, cooperation of the special forces as well as assessing opportunities for the military industry ought to be considered by both countries.

¹⁰ ‘Science without Borders’ Program, “Priority Areas,” <http://www.cienciasemfronteiras.gov.br/web/csf-eng/faq>.

Challenges to Overcome

Nevertheless, even with these opportunities one has to be aware of several constraints¹¹ that have been present in the past and will condition the development of Polish–Brazilian cooperation. The challenges begin with the very limited knowledge of each other and a lack of sufficient incentives to boost genuine mutual interest. For example, there still exists some level of distrust towards Poland among Brazilian businesses because of the so called “polonetas” debt scandal, an affair which goes back to the 1970s and 1980s when Brazil conceded to credit lines for Polish exports. Long unrecovered, the debts were restructured at the beginning of Poland’s democratic transition in the 1990s and repaid only in 2001. Nevertheless, they could still negatively affect the perception in Brazil of the reliability of Polish firms. Furthermore, Brazil has been diversifying its business ties without necessarily considering the EU (which struggles with the crisis), as its main partner. In addition, the Brazilian government view the EU as a whole (Germany and France being exceptions), so it is hard for most Member States, including Poland, to distinguish themselves as attractive individual, bilateral partners for Brazil.

On the other hand, Brazil is still a relatively closed economy with a number of protectionist measures in place as well as an excessive bureaucracy and complex tax system and regulations. That said, the country, naturally, criticises the protectionist policies of the EU, especially, in the agricultural sector. The actual platform for facilitating business cooperation with Brazil would be an eventual EU–Mercosur Association Agreement, but its conclusion is unlikely while market access opposition and internal disputes persist. There is no option of an individual EU–Brazil preferential accord, as Mercosur’s members are not allowed to negotiate such arrangements individually. Bilaterally, in Polish–Brazilian relations there is still a lack of useful instruments, such as a double-taxation agreement that could facilitate direct business engagement. Consequently, overcoming limitations to trade should be an important part of the Polish–Brazilian political dialogue.

Towards Increasing Bilateral Cooperation

Poland and Brazil enjoy a relatively well-developed framework for bilateral relations, and the existing interest and knowledge gap could be tackled through six steps:

Building a Strong Political Dialogue Under a Privileged Partnership. The Polish government seems not yet to duly acknowledge the rising global status of Brazil. Despite being the main business partner for Poland in Latin America, the country is still seen as

¹¹ For more about the limitations, see: B. Znojek, “Stosunki Polska–Brazylia. Stan i perspektywy” (“Poland-Brazil Relationship: Its Status and Perspectives,” in: A. Gradziuk, P. Kugiel (eds), *Polska w wielobiegunowym świecie. Szanse i perspektywy rozwoju stosunków Polski z głównymi mocarstwami wschodzącymi* (“Poland in the Multipolar World. Opportunities and Prospects for Developing Poland’s Relations with the Main Emerging Powers”), *Raport PISM (PISM Report)*, Warsaw, July 2012, pp. 9–14, http://www.pism.pl/files/?id_plik=11059.

rather one of several prospective markets in the region.¹² However, the largest EU Member States have established strategic partnerships with Brazil, and even the Hungarian government has made efforts this year to intensify cooperation. Consequently, Poland too should formally distinguish Brazil as a priority partner in Latin America. A “strategic partnership” is not necessarily the proper format, but some form of privileged relations could be sought. Such a step should come with efforts to elaborate regular political dialogue at the highest level. The upcoming visit of the Polish foreign minister to Brazil could be used to find proper mechanisms to strengthen the institutionalisation of the bilateral dialogue.

Improving the Framework for Business Cooperation. The private sector is the main driver for increasing the mutual interest of the countries, so it will be vital to develop the networks of the Brazilian and Polish business sectors. For that, fostering knowledge and an awareness of opportunities amongst companies of both countries will be an important task. Businesses should be encouraged to make greater use of the information provided by and the support of their embassies, as the very first points of contact, as well as to use the expertise of the main trade-and-investment promotion agencies, such as Poland’s PAIiZ and Brazil’s Apex Brasil. Any plans for business missions should be disclosed to firms well in advance so they may have sufficient time to prepare their promotional strategies and offers. There need to be more government–business interactions to debate the ways to improve the possibilities for foreign engagement as well as more events for presenting business opportunities and success stories of cooperation. The Polish and Brazilian governments should eventually launch an interministerial economic dialogue, which would regularly assess opportunities for cooperation and seek ways to overcome obstacles to trade and investment, for example, by signing a double-taxation agreement.

Fostering Cooperation on Regional and Local Levels. Poland and Brazil could benefit more greatly if cooperation were to develop at lower levels of public administration (regions, local communities) as it could be easier to identify opportunities and facilitate engagement with governors or local elites. A good example of that is the cooperation of the Wielkopolska Voivodship in Poland with the State of Paraná in Brazil. It is important that business promotion is not limited to a few metropolitan centres. Firms should be presented directly with offers in other prospective localities of the country, for example, an invitation to firms from the Brazilian aircraft sector to visit “Aviation Valley” in Podkarpackie Voivodship (southeastern Poland).

Enhancing Cultural Relations and People-to-People Contacts. Fostering mutual interest requires adequate promotion of the country, and culture is the best vehicle for carrying out such efforts. The Polish government could consider organising a “Polish season,” which would include a selection of outstanding cultural events and artists, and be addressed to groups that would include influential Brazilian opinion-makers. The

¹² See: B. Znojek, “Emerging Latin America: A Case for Increasing Poland’s Interest in the Region”, *PISM Strategic Files*, no. 25, October 2012, http://www.pism.pl/files/?id_plik=12049.

government could also cooperate with one of the largest cultural festivals in Poland (e.g., the Malta Festival in Poznań) to invite Brazil as an honoured guest. Certainly, there should be more focus on fostering people-to-people contacts through some form of cooperation under the “Science without Borders” programme and other student exchange or scholarship initiatives. This could also include encouraging contacts between think tanks and academic institutions able to produce policy-oriented analysis.

Engaging with the Brazilian-Polish Community. The Polish government needs to combine two sets of logic in addressing Brazilians of Polish ancestry. On one hand, there still is a need for support for cultivating Polish traditions, and historical interests. On the other, young Brazilians of Polish origin should have greater access to knowledge about Poland as an attractive and modern country that is not only the land of their ancestors but also a place to visit, study or work. A good example of how to foster knowledge about contemporary Poland has been the project financed by the Polish Senate called the “School for Leaders for the Polish Community Abroad.” The initiative was aimed at inviting young and active representatives of various Polish diasporas to Poland so they could later transfer their first-hand knowledge of the country to their home communities.

Getting the best of multilateral forums. Poland should be more visible in the EU as Brazil’s partner of choice amongst the new EU Member States. On the EU level it is able to shape Union policy towards Brazil, especially through the assessment of proposed documents and policies. The impact on EU–Brazil relations requires the proper engagement of all relevant ministries to elaborate feasible proposals. The forthcoming EU–CELAC summit in January 2013 will be an important opportunity for the Polish government to be more active in debating the future shape of EU–Latin American relations, including the potential of an EU–Brazilian Strategic Partnership. Poland should also assess the potential of the Visegrad Group as a more attractive partner for Brazil than its individual members (Czech Republic, Hungary, Poland, Slovakia). In addition, the Polish government should also see Brazil as an important ally when Poland seeks support for prestigious posts in international organisations, e.g., non-permanent membership of the UN Security Council.