



Canning House

UK-Brazil

Conversa

— 2021 —

Summary

Background

The UK-Brazil Conversa is a dialogue between policy makers and influencers, business leaders, academics, diplomats and governments, to help build closer relations and contacts between Brazil and the UK.

This year's Conversa was due to be held at Worcester College, Oxford, but owing to ongoing travel restrictions caused by the Covid-19 pandemic, took place online instead. A full recording of the event is available on our website.

The following document is a summary of the main points of discussion for each session.

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Panel 1:

Collaboration between Brazil and the UK during the Covid-19 pandemic and beyond

The first panel of this year's Conversa took a closer look at the ways both countries have worked together to defeat the Covid-19 pandemic.

One of the strongest points to come out of the early discussion was that both countries have a strong belief in universal access to healthcare. This has been key for countries dealing with previous pandemics, which makes it unusual that both nations have handled the Covid-19 pandemic relatively badly. Political decision-making and communication has played a crucial role in each country's handling of the pandemic, as governments opted to ignore WHO guidance and forge their own paths. A potential solution to this problem is the concept of a pandemic treaty, containing a legal framework supported by political commitments to act uniformly and collaboratively in order to defeat global pandemics. The UK is pushing for this, however Brazil has not yet positioned itself on one side of the debate or the other. Along with a number of other countries, they are fully focused on overcoming the current pandemic before planning ahead for future outbreaks. But the UK and Brazil's combined authority in the global health policy arena could persuade other nations to avoid a self-centred, 'me first' health policy in favour of something more universal and coordinated.

One key aspect of health policy that the pandemic has brought to light is that social circumstance can greatly influence the health of individuals. The pandemic has not affected everyone equally, and it was remarked that the poorest, most vulnerable members of society are the ones that have been worst hit by Covid-19. For Brazil and the UK, countries whose health systems are rooted in concepts of the right to health and equality, it is vital that governments respond to these conditions by formulating policy to mitigate the inequality of the pandemic.

The panel went on to discuss the way that the Covid-19 pandemic has revealed the weaknesses and bottlenecks in healthcare systems. The lack of human and financial resources – particularly for low and middle-income countries – means that governments have to be incredibly efficient, and strategy, planning, and communication are key to a successful response. It is also essential to have real-time information, as decisions must be made immediately. In Brazil for example, it was suggested that the government did not do enough to prepare itself in the early stages of the pandemic, nor did it adapt well enough as the situation changed. The panel agreed that Brazil and the UK were no more prepared for a future pandemic than before the current Covid-19 outbreak, as governments have been

firefighting instead of planning ahead. Measures such as quarantine require more than a healthcare system; they require social security infrastructure, which must come from the government. It was noted that the UK and Brazil did excellent work collaborating to produce the AstraZeneca/Oxford University vaccine. However, the panellists highlighted the fact that in situations like these collaboration is rare, as every country is competing against

the other to get ahead in the fight against the pandemic. Greater collaboration will be required to combat future pandemics in a coordinated and fair way.

The panel concluded by warning against using the information of today to judge the past and that each government made decisions and took action based on the information available to them at the time.

Panel 2:

How can the UK and Brazil improve relations in bilateral trade and business?

The second panel of Conversa looked at ways in which Brazil and the UK can work closer together in bilateral trade and business. It was agreed from the beginning that diversification of markets is the key to resilience, and this is a priority for both countries. One key difference between the UK and Brazil is their integration within global value chains. This sets the narrative today and helps to shape it tomorrow. Brazil has a huge domestic market, and so international trade tends to retract when things are going well at home as businesses focus on internal opportunities. When times are not so good, businesses look outwards and there are more opportunistic exports. The size of Brazil's market is therefore actually a hindrance to trade. Brazil relies greatly on the export of primary goods, which can sometimes trade with relatively low tariffs. The objective for Brazil is to find ways to add value to that process, and create more value-added products. A trade deal between the UK and Brazil could certainly add value, but with added value might come increased tariffs, making the product in question more difficult to export. This tariff barrier can lock countries into a commodity trap, which is a potential problem for Brazil in terms of trade.

The challenges for the UK are no less serious. British businesses are very closely integrated

with EU value chains. Now the UK is no longer part of the EU, there are a large number of regulatory burdens that will hinder trade with the EU. While the UK has done well in securing rollover agreements with many trading partners, it must now seek to agree trade deals that play to its strengths, rather than simply maintaining the status quo.

The potential for movement on a trade deal between Mercosur and the UK is encouraging, but it is important to remember that Mercosur is not just Brazil, and while Argentina remains unwilling to enter into negotiations with the UK, there will be little movement on the issue, unless Mercosur amends its policy to allow individual states to pursue trade deals bilaterally.

The panel emphasized that there were many ways to improve trade between two countries without a trade agreement. Working to improve regulatory convergence and customs facilitation are easy ways to do this, and can take place outside of Mercosur negotiations. Another important area to focus on is tax simplification, and the work being done to improve the business environment was touched upon by the panellists. It was noted that there are many government Working Groups, Trade Committees such as the Joint Economic Trade Committees (JETCO), and joint

dialogues taking place constantly between Brazil and the UK, as well as ongoing work to reach a double taxation agreement. The

ultimate desire is that any final agreement would be formalised in accordance with OECD guidelines.

Panel 3:

Who should decide in our countries? The executive, the legislature, or the judiciary?

The third panel examined the relationship between the executive, the legislature, and the judiciary in Brazil and the UK. The conversation began with the panel commenting on the fact that in Brazil at the moment, there are attempts to elevate the power of the executive, putting pressure on the judiciary. It was highlighted that in Brazil, the *Ministério Público* exists independently from all three branches of state power, in order to regulate and hold that power to account in the public interest. Created in 1988, it was formed in recognition of the fact that the three branches of power required regulation and must submit to a system of checks and balances, following a period in which the Executive held a disproportionate amount of power. Its primary role is to protect citizens against unconstitutional actions from the state, such as intervening to oppose legislature that would lead to the illegal invasion of indigenous territory in Brazil. The MP can also investigate, and request criminal investigations. Its independence is reinforced by the fact that it has its own budget, and its senior officials have the title of magistrates, guaranteeing life tenure and irreducibility of salary.

Conversation then turned to the UK equivalent, the Supreme Court. The Supreme Court was only created in 2009,

and before the 2005 law that authorised its formation was passed, the Judicial Committee of the House of Lords performed the role that the Supreme Court undertakes today. It has a slightly different role to the *Ministério Público*, intervening on legal questions relating to the relationship between the central UK government and its devolved governments. The UK's membership of the European Union in 1972, as well as its ratification of the Human Rights Act of 1988, introduced a new role to the House of Lords. The role became one of ensuring that all UK law corresponded completely with European law, and they were given the power to strike down legislation. With matters referring to the Human Rights Act, the Lords was not authorised to strike down legislation, but they could announce a Declaration of Incompatibility, which allowed parliament to review legislation and amend it.

The panel went on to discuss the current constitutional situation in the UK and Brazil. It was stressed that Brazil is at a critical moment constitutionally, as the Executive is putting pressure on the other branches of government for greater power and autonomy. While it was agreed that the current moment was a potential threat to democracy, it was highlighted that Brazilian institutions are standing firm, the judiciary is

performing its role, and on the whole Brazil is a more cohesive society than at the beginning of its democratic life, with a strong Constitution. That said, there are a number of social and environmental issues that need resolving, that can only be solved through collaboration and trust between disparate sectors of society. The topic of social media was brought up, as this area has become inextricably linked to politics and law in recent years. The problem of fake news and disinformation is one that besets both countries, and has had a direct effect on the

political landscape. All parties were in agreement that effective regulation is essential and urgently needed, but it seems that a way forward is a long way off, and greater international cooperation is the only way to make progress on such a transnational issue. One potentially positive aspect of the rise of social media in politics is its capacity to improve and broaden political participation. The Ministério Público uses this to its advantage, and promotes its own investigations through social media.

Panel 4:

Bilateral approaches to tackling inequality in the UK and Brazil

Panel 4 of the Conversa looked at inequality in the UK and Brazil, and the ways that both countries can work together to tackle such a large and all-encompassing problem. The panel looked first at Brazil, often cited as one of the most unequal countries in the world. Inequality in Brazil is heavily influenced by demographic, with women and black and brown-skinned (preto ou pardo, according to the Brazilian census terms) Brazilians being the worst affected sectors of society. This translates to the political arena; while women and black and brown people are a majority in Brazil, they are underrepresented in both local and national politics. There have been attempts to improve gender balance through law, but these policies have been inconsistent and narrow in design, leaving a large number of loopholes to allow political parties to avoid making major changes to their *modus operandi*. It was mentioned that there have even been some instances where parties have even run ‘phantom’ candidates – candidates registered with the electoral system but who in reality never spend a single day campaigning – in order to give the appearance that they are complying with gender laws. This is in contrast with the UK, where 32% of MPs are women, despite there being no legal requirement to adhere to a gender quota (the Labour and Liberal Democrat parties have their own voluntary

quotas). Despite the UK appearing to have made more progress on gender equality in politics than in Brazil, it was acknowledged that there is still a lot of work that needs to be done in the UK before things can be considered truly equal. Nonetheless, in the face of such intransigence in Brazil, civil society has attempted to find solutions. Groups such as *Elas No Poder* and *Acredito* train and support women and other candidates from marginalised groups to improve their electability. However, there is still a great deal of work to be done. The panel argued that society must work to alter norms. It is only through making changes to seemingly innocuous parts of life we become used to new realities. An example of this is the fact that there were no female bathrooms in the Brazilian Senate until 2016; female senators had to cross to the other side of the building to use the cafe bathroom. It is important to make all groups of society feel welcome, and not to dissuade women from entering politics due to a lack of structure in place to create the right environment. Correcting the small inequalities in life can have a significant impact.

The conversation then moved on to look at inequality from an economic point of view. The UK and Brazil share several similarities in the geography of their inequality.

Southeast Brazil is the centre of wealth, while the rest of the country, particularly the north and northeast, are generally poorer and have less access to opportunity. This is broadly true in the UK too, where London and the southeast display much higher scores on the human development index than the rest of the country. The panel mentioned that although Brazil often takes the headlines with regard to inequality, the trend among OECD countries indicates that inequality is increasing among the world's wealthiest nations. Furthermore, while the UK's 'Levelling Up' agenda - aimed at decreasing the development gap between the wealthier southeast and the rest of the

country - has yet to bear much fruit, Brazil has been successful in creating policies to fight inequality. The conditional cash transfer program known as 'Bolsa Família', as well as mechanisms to help poor Brazilians buy property, are two prominent examples. However, policies directed at fighting inequality can be a double-edged sword. While these programs helped millions out of poverty, they also contributed to a swelling middle class with higher expectations of living standards and a newfound aspiration for social mobility. The inability to meet those expectations can lead to disillusionment, and makes populist leaders attractive.

Panel 5:

Collaborative solutions to the clean energy transition

The penultimate panel of Conversa focused on the energy transition and what the UK and Brazil can do to help the world adopt renewable energy sources. The panel agreed that this is the most pressing issue facing the world currently, and that both countries are very well positioned to adapt to the coming changes. It was stated that Brazil is fully committed to the energy transition, and intends to be a key actor in the upcoming COP26 discussions in Glasgow. New sources of energy are required to help reduce dependence on fossil fuels, and Brazil has long been a leader in this field – hydrogen and biofuels have been at the centre of Brazilian energy policy since the 1970s. Although Brazil is blessed with abundant natural resources and favourable weather, a great deal of this change has come through human endeavour and forward-thinking policymaking. Renewable energy sources are also becoming more important in Brazil. Wind power is responsible for 11% of the country's energy matrix, while solar power makes up 5%, which is a 63% increase on the previous year. This kind of investment creates jobs, reduces emissions, helps to develop rural areas and provides people with alternative energy sources. The Brazilian government has worked to strengthen the legal framework, improve regulation, and improve market design in order to speed up investment in these

renewable energy sources. It has also invested heavily in new technologies by guiding public and private investment in research and development in strategic areas. The result is that Brazil has one of the largest hydrogen markets in the world. The need for private investment to stimulate the growth of renewable energy markets was underlined, as was the importance of international collaboration to make the transition as smooth as possible.

Discussion then turned to what Brazil and the UK can do together to accelerate the clean energy transition. There has been a Memorandum of Understanding between both countries to help to build the relationship in this area, and the UK's Prosperity Fund has provided important funding to Brazilian projects. There are many areas that the UK and Brazil can work together on, such as carbon capture through the use of carbon markets, decarbonising mining, digitalising energy grids, and wind. It was noted that Aberdeen, once known as an 'oil town', has transitioned into a 'wind town', and that the Brazilian northeast has enormous potential in this regard, due to its high winds. Finance will be crucial to these transformations. Brazil is a global centre for Green Finance, and has had great success combining private sector capacity with public sector interests. Blended finance – the strategic use of development finance for the mobilisation of additional finance towards

sustainable development – will also be key. Panellists agreed that governments must work to reduce the risk for investment in new green technologies, and create the right investment environment. The RenovaBio and CBio initiatives – carbon market systems set up by the government in Brazil – were highlighted as good examples of this, with more than 200 biofuel producers having already registered with CBio.,

One of the key points made during the discussion was that if making the clean energy transition comes at the price of human development, for example hindering attempts to eradicate hunger and poverty, then we will have completely lost sight of the objective. A green transition must strike the balance, which is what makes it so politically complex.

Panel 6:

How can Brazil and the UK build back better and what are the key areas for cooperation?

The final panel of this year's Conversa stepped back slightly to take a broader look at the ways the UK and Brazil can work together to 'build back better'. It was noted from the outset that both countries place great importance on a rules-based international order, and that both countries are prominent voices within international institutions. The UK is actively supporting Brazil's accession to the OECD, and is engaging in an ongoing project to help Brazil align with OECD standards in a number of areas. The trade and business relationship between both countries has gone from strength to strength in recent years, with the Joint Economic and Trade Committee (JETCO) taking place every year, along with a number of other official Dialogues between both governments. The UK now has an autonomous trade policy, while Brazil is committed to a policy of trade liberalization. The obvious areas for trade, such as Brazilian primary commodities and UK services, are clear. However, there is the potential and need to go beyond this, deepening our economic and trade links. For example, it was mentioned that there is no reason why the UK shouldn't be able to export salmon to Brazil, while at the same time import Brazilian Fintech services. While the trade and business relationship between the UK and Brazil is healthy, the panel highlighted three separate key areas for

cooperation. The first is science, innovation and health. Research and collaboration in this area pays dividends, and helps fund ground breaking university-level research. The many parallels between the NHS and the Sistema Universal de Saúde (SUS) in Brazil, both universal healthcare systems rooted in the human right to healthcare, were discussed. The fruits of collaboration in this area were seen during the Covid-19 pandemic, when joint research between the UK and Brazil led to the creation of the AstraZeneca vaccine.

The second key area for collaboration that was discussed is digital development and skills. The UK is heavily invested in digital innovation, having invested more in tech in the first half of 2021 than France, Germany and Israel combined. The UK and Brazil governments have created the UK-Brazil Tech Hub to build tech skills, with a particular focus on giving women and girls more opportunities. English language skills are a key element of this, as poor English can be a significant, yet easily-overcome, barrier to success.

The third key area for collaboration is sustainable infrastructure. The creation of green infrastructure must be equitable and spread evenly to provide opportunity to deprived regions. But this cannot be achieved without significant funding. . The

UK has created an infrastructure bank to help it achieve its goal of Net Zero by 2050, but it was emphasised that the private sector must be incentivised to invest, and to reward those investors who help finance green technology and ESG assets. In this regard, it was mentioned that investors around the world, not just the UK, are watching the deforestation situation in Brazil keenly, as this has the potential to seriously undermine any potential investments made.

However, credit was paid to Brazil for the excellent progress it has made in certain areas in recent decades in preserving its natural habitat, while still pushing for overall development. Its agricultural policy is highly technology-driven: between 1990–2020 crop production increased by 240% while the land used for agricultural production increased by 80%. Furthermore, 60% of Brazilian territory is covered by native vegetation, the vast majority of which is federally protected or conserved. The problem is that Brazil is an incredibly large country, and so enforcement is often difficult. As was mentioned in previous panels, it is vital to strike a balance between preserving livelihoods and preserving the environment. Brazil is working with DEFRA on the Cadastro Ambiental Rural, a programme to reward farmers financially for engaging in sustainable activities. This is a way to ensure livelihoods and economic activity are protected, while also working to protect the environment. Brazil also gets 40% of its energy from renewable sources, and can

share its expertise in biofuels, while learning from the UK's experience in offshore wind.

The conversation ended with a discussion of how to improve the relationship going forward. It was pointed out that a recent British Council survey of Brazilian business leaders found that they do not know the strengths and weaknesses of UK markets as well as they know the intricacies of other European markets. Both countries should therefore focus on improving knowledge and understanding among the business community. University partnerships, including mutual recognition of postgraduate qualifications, are a great way to exchange knowledge and improve familiarity with one another. This will help each side know the other's strengths, and improve the business relationship.