



Executive Summary

Untapped potential

Reimagining Europe's partnerships with Indonesia
and Brazil

Claire Kumar, Karen Hargrave and Amanda Gray

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ODI Europe
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1000 Brussels
Belgium

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About the authors

Claire Kumar is Head of Policy and a Senior Research Fellow for ODI Europe.

Karen Hargrave is a Research Associate for ODI Europe.

Amanda Gray is a Research Fellow for ODI Europe.

Executive summary

In her State of the Union address in September 2026, European Commission President Ursula von der Leyen called for Europe to urgently reimagine its partnerships. With its emphasis on greater economic security, more resilient supply chains and stronger alliances – as well as the need for the European Union (EU) to go beyond its traditional relationships – the address underlines why countries such as Indonesia and Brazil merit greater attention. As influential middle powers with large populations, fast-growing economies, sizeable critical minerals deposits, industrial capabilities and geopolitical weight, both have significant potential as partners for the EU. However, the scale and strategic depth of these partnerships do not yet reflect this potential.

The paper explores how Europe can build partnerships that are fit for the geopolitical and economic realities ahead. It provides insights for Brussels-based policy-makers and European diplomats into how two key middle powers view the EU's role and desirability as a global partner in four critical areas: climate, trade, digital and security. Findings are primarily based on a stakeholder consultation with experts in Brazil and Indonesia,¹ and stakeholder views are extensively cited throughout the report. The interests and concerns set out here are structural rather than tied to any one government. Stakeholders in Brazil pointed to uncertainty around the October 2026 election, but the issues they raised cut across Brazil's political divide.

Europe already has substantial economic and institutional relationships with both Brazil and Indonesia. Both have longstanding partnership agreements with the EU, political dialogue is deepening and trade agreements have recently been concluded, though neither is yet fully in force; the EU-Mercosur agreement ratification is suspended and the EU-Indonesia Comprehensive Economic Partnership Agreement (CEPA) awaits signature. Global Gateway initiatives are notable in Brazil, with several large-scale investments announced including in green hydrogen and digital connectivity. In Indonesia, the Just Energy Transition Partnership (JETP) is a flagship Global Gateway investment.

¹ Experts from think tanks, non-governmental organisations (NGOs), academia and government were interviewed. In total 21 interviews were conducted (with 25 experts consulted).

Key findings

1. The EU is trusted in Brazil and Indonesia, but the partnerships are not fully delivering.

Experts in both countries describe the EU as a reliable, predictable and stable partner, and public opinion is favourable. In Brazil, they see vast untapped potential. In Indonesia, they see a secondary partner, valued issue by issue and far less visible than the US or China.

2. There is a strong appetite for the EU to play a more decisive role on the global stage.

Stakeholders advised the EU to more deliberately cultivate strategic partnerships with middle powers for global influence.

3. The EU is seen as demanding and inflexible: a regulator before an ally. This relates to the imposition of onerous standards and requirements, including under the EU's Deforestation Regulation. In Brazil frustration was particularly acute: stakeholders pointed to the country's strict environmental laws and long experience with satellite monitoring, and the perception that the EU had not engaged with either when designing the regulation. This approach risks crowding out exploration of strategic opportunities, including for industrial and technological cooperation.

4. The EU's trade tools and its partnership goals are pulling in different directions.

Ratification of the EU-Mercosur agreement is suspended. The EU's World Trade Organisation (WTO) case against Indonesia's nickel export ban remains open, even though the Critical Raw Materials Act commits Europe to promoting value addition in partner countries.

5. The strongest opportunities lie in building new industries together. Partners welcome Global Gateway's vision and want more European investment and technology transfer, but few have seen results. Green fertiliser, green iron, sustainable fuels and critical minerals processing offer gains on both sides. There are also opportunities to scale up digital cooperation and to advance security dialogues, especially in relation to maritime security in Indonesia and drug trafficking in Brazil.

6. Narratives shape the partnership. Partners do not want to hear that Europe is courting them to reduce dependence on China and terms like 'trusted partners' for an inner circle of non-EU nations reads as a judgement on others. Growth, jobs and industrial opportunity resonate most.

Specific findings by area

Trade and investment: Trade agreements with the EU were highlighted as foundational, with expectations particularly high in Indonesia for job creation, export growth and investment in critical minerals. In Brazil, the EU-Mercosur agreement was described as a landmark, but the delays in ratification, the EUDR and the ban on Brazilian animal products, including beef and poultry, have overshadowed it. Stakeholders in both countries preferred tariff incentives to a compliance-led approach, which the sustainable development chapters in both agreements would allow. The potential for greater knowledge exchange and technology transfer was seen as an important advantage of EU partnership. In Brazil, experts highlighted that, compared to China, the EU is more aligned in terms of a vision to establish green trade corridors (which China lacks).

In both countries Global Gateway was not especially well-known, perhaps surprising in light of the Commission's branding efforts, the profile of the experts consulted for this study and the stage Global Gateway has reached. This was particularly the case in Indonesia, where many of the experts interviewed were not aware of it. Familiarity was greater in Brazil, but the consensus was that Global Gateway has not delivered significant or visible results. In both countries, stakeholders remarked on the gap between the EU's discourse and the reality in terms of industrial partnerships and technology cooperation.

Climate: Climate cooperation was widely seen as a high point of both partnerships. In Indonesia, the EU's role in the JETP and its technical assistance on carbon pricing were valued, although slow progress on coal retirement has led some to question whether the JETP is delivering. In Brazil, stakeholders saw shared ambitions on climate and global environmental governance; the new Open Coalition on Compliance Carbon Markets with Brazil, the EU and China is a notable advance. In some cases, priorities differ: Indonesian stakeholders put poverty, infrastructure and energy security ahead of mitigation, and pointed to adaptation as an area of opportunity that is not yet a focus of bilateral cooperation.

Industrialisation priorities: Brazil and Indonesia's industrialisation priorities – and how these are reflected in the partnership with the EU – raise some challenges. An example relates to the potential for Brazil to supply hydrogen-based green iron to European steelmakers. Political sensitivities in Europe – driven by fears of job losses and the impact on Europe's steel industry – mean progress securing offtake agreements has been slow. Brazilian stakeholders raised concerns around green certification criteria that do not make sense outside of the European context and that Brazil's use of bioenergy to produce hydrogen, iron and steel is considered a green solution in Brazil, but not by the EU. Inflexibility on standards was seen as unhelpful in efforts to create pathways to a greener economy.

In Indonesia there was a desire for a green industrialisation policy that goes beyond the JETP and the power sector. The EU's WTO dispute over Indonesia's nickel export ban was seen as at

odds with its stated support for industrialisation. In Brazil, stakeholders felt that the tendency to mimic the EU's own framing, around the need to decarbonise high emitting sectors of industry and energy, is ill-suited to Brazil where land-use and agriculture account for the lion's share of emissions. An ideal narrative is that Brazil is '*part of the solution for the decarbonisation of the EU*', with industrial decarbonisation framed as a domestic growth and wealth distribution strategy rather than the traditional rhetoric that is linked to climate targets.

New opportunities were identified, from green fertiliser production and polysilicon in Brazil to sustainable aviation and maritime fuel production (for both countries). Green fertiliser production was viewed as strongly in the EU's interest given the need to diversify away from Russian sources and reduce exposure to supply chain disruptions. For Indonesia, the potential for cooperation in defence industry manufacturing was noted, though with some uncertainty given the EU may not see Indonesia as '*like-minded enough*' for this cooperation.

Critical minerals: Indonesian stakeholders expressed a high degree of interest in European investment in the critical minerals sector, in part to reduce dependence on China. However, the EU delegation in Indonesia is not yet actively pursuing a critical minerals partnership. In Brazil, the EU has a designated Strategic Project under the Critical Raw Materials Act (CRMA), with the aim of supplying refined nickel and cobalt to European and Brazilian markets. The EU and Brazil have also formalised a critical minerals task force. While the EU was largely seen as an '*invisible player*' compared to the US and China, the Brazilian government's commitment to domestic value addition means the EU may well prove a preferential partner. Expectations are growing that Global Gateway financing will flow to the sector, though there is concern about slow progress given the complexity of European financial infrastructure.

Digital: Respondents in Indonesia made clear that the EU is lagging behind the US, with the EU perceived as '*the model*' (admired for its experience with GDPR) '*but not the market*' (with little profile as a potential commercial partner). For Brazilian stakeholders, cooperation on digital was very clearly highlighted as an area of mutual interest, with '*considerable convergence*' and benefiting from a constructive bilateral digital dialogue. The EU was considered a natural ally in the regulation of big tech, social networks and platforms; the vision of convergence of interests was directly connected to shared values of protecting democracy.

Security: In Indonesia, maritime security was highlighted; the EU is seen as well-placed to support on the security of subsea cables and maritime security governance. With Brazil, security cooperation around organised crime and drug trafficking is increasing; police cooperation in this area is viewed as highly effective and clearly of mutual interest. The most notable divergence concerns Ukraine and differing positions on Russia. Both countries follow non-aligned foreign policies that emphasise multilateralism, sovereignty and respect for international law, and neither is positioned to act as an operational security ally to the EU. Stakeholders felt that European engagement on Ukraine has not always taken partners' own concerns and security priorities into account. In Indonesia, they pointed to a lack of dialogue around the EU's sanctions on the Karimun oil terminal.

Recommendations

The study revealed a strong appetite for the EU to play a more decisive role on the global stage. Stakeholders advised the EU to more deliberately cultivate strategic partnerships with middle powers for global influence. These efforts require a foreign policy approach that is proactive, coherent and builds trust, alongside tailored and mutually beneficial partnerships. They also require awareness of critical problems, such as the imposition of regulations designed according to domestic requirements. Based on stakeholder feedback, recommendations for the European Commission are as follows:

1. Build strategic partnerships through bilateral dialogues that anticipate problems and start from mutual interest

Partners often feel treated as subjects of environmental compliance or suppliers of raw materials. Brazilian stakeholders in particular want a peer that takes its strategic weight seriously. This means co-designing global governance priorities (multilateralism, digital regulation, climate diplomacy) and backing tailored partnership strategies with dedicated staff and the full EU toolkit.

2. Separate the call for principled solidarity on Ukraine from operational asks

Brazil and Indonesia both uphold the UN Charter, and neither is ready to act as an operational security ally. The EU should distinguish between the two and link its security requests to partners' own priorities, such as maritime security in Indonesia and organised crime in Brazil. This will build more cooperation than continued pressure would.

3. Develop mutual recognition instruments with key strategic partners, starting with environmental standards

The EUDR offers valuable lessons. Brazil has strict deforestation laws and sophisticated satellite monitoring systems, yet the regulation was designed without taking either into account. Where partners can demonstrate equivalent outcomes, the EU should recognise them.

4. Join the Global Green Industrialisation Agenda (GGIA)

Launched in November 2025 following the Belém Declaration, with UNIDO as the secretariat, the GGIA is backed by Indonesia and several EU Member States and institutions, but not by the EU itself. Joining would align Europe with middle powers in climate negotiations and give it a role in co-creating standards for green industrial pathways.

5. Use the EU's market weight to anchor buyer coalitions for new green supply chains.

Green fertiliser, green iron and steel and sustainable aviation and maritime fuels need guaranteed demand to attract investment. Aggregating that demand via buyer alliances reduces uncertainty, supports partners' industrialisation and leaves the EU less isolated in its stance as buyer and standard setter.

6. Introduce a strategic partner coherence check before initiating trade enforcement actions.

The Indonesian nickel dispute shows how the EU's trade tools can conflict with its partnership goals now that the CRMA commits the EU to promoting value addition in partner countries. More resource-rich countries are likely to adopt processing requirements and export restrictions. An early-stage coherence check could help ensure that prospective trade enforcement action is assessed against the EU's wider strategic partnership aims before escalation.



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ODI Europe

35 Square de Meeûs
1000 Brussels
Belgium

EU transparency register:
051479091677-17

odieurope@odi.org

Website: odi.org
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ODI Europe
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