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International Leadership in a Shrinking World

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Brazil's Candidacy for Major Power Status

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With a reaction by Georges Landau

About the Contributors

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About the Project

The aim of the Stanley Foundation's project on **Powers and Principles: International Leadership in a Shrinking World** is to identify plausible actions and trends for the next ten years by which the international community could become more unified. The foundation asked contributing authors to describe the paths by which nine powerful nations, a regional union of 27 states, and a multinational corporation could all emerge as constructive stakeholders in a strengthened rules-based international order. For each case, the writers discuss how their given country might deal with the internal and external challenges posed by international norms for the global economy, domestic governance and society, and global and regional security.

Each essay in the series represents an assessment of what is politically possible (and impossible), supported by a description of the associated pressures and incentives. Unlike other future-oriented projects, there were no calculations of probability; we were interested in a particular global future—an international community with broad respect and support for norms—and how it might take shape. Authors were expected to address the particular challenges, pressures both for change and continuity, as well as natural leadership roles pertinent to their actor's geostrategic position, economy, society, history, and political system and culture.

The project did not apply a checklist or rating system to the question of stakeholdership. A responsible stakeholder can be an upholder, critic, and shaper of the rules-based order all at the same time. But while stakeholdership is not a matter of accepting the entire set of norms, if a powerful nation opts out of too many rules, it will undermine rather than uphold the order. To provide a perspective from the inside and counterweight to each essay, a commentator from the given country (or other actor) has been enlisted to provide critical reactions to the coauthors' piece.

Aspiring to Global Greatness

Brazil has long believed it was destined for greatness. This exalted sense of importance has been based on pride in the country's geographical size, its natural beauty and bounty, and its lineage from a once great seafaring empire (Portugal). At various points in its history, greatness seemed within Brazil's reach, only to flutter away—owing mostly to Brazil's own missteps. Now, once again, Brazil is presenting itself to the world as ready to assume its rightful place among the leading global stakeholders, and its case has never been stronger. The success of this bid depends in part on the international community's response, yet the onus still rests mainly on Brazil's governing elite.

Much to Brazil's consternation, the great powers have repeatedly rebuffed Brazil's many recent requests to join their ranks, in particular denying Brazil the holy grail of a permanent seat on the United Nations Security Council. The prevailing perception by world powers was that Brazil had little to offer to help resolve important issues on the world agenda. Even within Latin America, Brazil has not received deference commensurate with its size and economic clout. Spanish-speaking Latin America has largely been indifferent to its giant neighbor, perhaps kept at a distance by the language and geographical divide that effectively makes them two separate worlds. Undoubtedly, the large shadow that the U.S. casts over Latin America has also altered the dynamics of the region's natural relationships.

In rejecting Brasilia's overtures, the global powers simply judged that the country was unprepared to assume global leadership, given the chronic political and economic crises that plagued the country for much of the 20th century. Brazil is not a "serious" country, French President Charles De Gaulle is alleged to have once said, and he was probably not alone in that opinion. Its predicament was perhaps best captured in an oft-used quip: "Brazil is the country of the future and it will always be."

But by the dawn of 21st century, Brazil was no longer derided, while some skepticism lingered about Brazil's capacity to lead. In a 2004 National Intelligence Council report looking at the world in 2020, the authors stopped short of grouping Brazil with India and China as a future great power, instead hedging with the caveat that "perhaps" Brazil can rise to the ranks of the global elite. The American intelligence community even doubted that Brazil could assume regional leadership. "Brazil will likely have failed to deliver on its promised leadership in South America," the report read, "due as much to the skepticism of its neighbors as to its frequently overwhelming emphasis on its own interests."

Making a Grand Entrance

It appears that Brazil is proving the skeptics wrong. In the last year or two, Brazil has stepped onto the international stage, and has dazzled – prompting a euphoria about the country's prospects unseen since the 1970's and sparking new debate about Brazil's readiness for global leadership. Investors and the media have feted the country with great fanfare, the latter having recently christened the country "the awakened giant." The established global stakeholders have apparently taken notice as well, and have begun treating Brasilia to the diplomatic accolades and courtesies for which it has long yearned. In a 2007 speech, U.S. Secretary of State Condoleezza Rice referred to Brazil as a regional power and a global partner, a compliment not readily offered in the past. Since 2003, the global elite have even made arrangements to include Brazil in their G8 deliberations, along with other important emerging economies, such as China, India, Mexico and South Africa.

As a result, the discussion has shifted from the issue of whether Brazil will be a global stakeholder to the question of how it will play such a role. Indeed, in some areas—such as the

fight against hunger and the spread of pandemic diseases—Brazil is already exercising global leadership. The question of how to facilitate and maximize Brazil's contribution to a rules-based international order is squarely on the foreign policy agendas of the major global powers. The challenge is particularly great for Washington, which historically has had an awkward and testy relationship with Brasilia. The task is further complicated by Brazil's own peculiarities and challenges and the state of flux in which the world governance system finds itself.

For its part, Brasilia is struggling to come to grips with the political, financial, and diplomatic burdens that come with being a global stakeholder. As it is, Brazil's foreign policy bureaucracy, *Itamaraty*, appears overstretched in its international commitments and at times conflicted, if not bewildered, regarding which international objectives it is supposed to pursue. *Itamaraty*'s complex task has been magnified by the split of the decision-making process between the minister, the International Advisor of the Presidency (a pro-Cuba Party apparatchik), and the Secretary General of the Foreign Service, an old style nationalist, not to mention the activist diplomacy conducted directly by the President himself, inclined to assert his leadership credentials in the region and beyond. As to be expected, the pressure to toe the official line has had a detrimental effect on morale, the openness and vitality of internal debate, and ultimately, the soundness of policy. *Itamaraty*'s greater emphasis on third world 'solidarity' and periodic outbursts of anti-Americanism can be explained, in part, by these pressures. Beyond question, though, is the damage to *Itamaraty*'s long cherished reputation for professionalism and objectivity, raising doubts regarding Brasilia's ability to navigate the uncharted diplomatic waters that lay ahead.

Meanwhile, the Brazilian public has not even begun to debate the ramifications of Brazil's new prominence, not to mention examining the potential costs and commitments involved. For their part, Brazil's myopic political elite and media certainly have not encouraged such a debate. Neither have academic institutions and the few foreign policy-focused think tanks in the country stepped up to the plate to host and orchestrate the kind of national debate that their US counterparts generally take for granted.

Notwithstanding this lack of preparedness, the convergence between Brazil's and the world's interests is inevitable and offers, in addition to the costs and risks, great benefits. Consequently, it is incumbent upon Brazil and the international community to work in concert to assure that Brazil reaches its potential as a stakeholder—with the onus clearly on Brasilia in the near term to demonstrate initiative and commitment, which it is just starting to do. As with other world powers, the most difficult shift facing Brazilian leaders is to rethink their country's international role and begin expecting and encouraging Brazil to think and act as a global stakeholder, with all the requisite humility, gravity, and selflessness. It may not be exactly the sort of greatness that Brazil had in mind when it first dared to dream decades ago, but it is indeed the very opportunity to lead that lies, at last, within Brazil's reach.

Brazil's Strategic Fundamentals

It is hard not to think of Brazil as a full-fledged world power, given its sheer size. It is the world's fifth largest country geographically, the fifth largest population (nearly 190 million inhabitants), and tenth largest economy. Brazil is an urban, cosmopolitan society, home to world-class cities, like Sao Paulo, and many other mega-cities of which most Americans have never heard. It has almost as many mobile phones as people, and Internet connection rates are rising at a double digit pace. While a large percentage of the population lives in poverty, Brazil is a truly modern society, western in its orientation and without the religious or ethnic cleavages that are tearing other nations apart.

Like the United States, the country is a melting pot of different cultures and ethnic and racial groups. Brazil boasts the world's largest number of Afro-descendants outside of Africa and the largest population of Japanese origin outside of Japan. Between the late 19th century and early 20th century, it also welcomed hundreds of thousands of Italians, Germans, and other European emigrants who started off as small peasants and laborers in coffee farms and later led the country into the industrial age. Millions of Middle Easterners – mostly from Lebanon -- and hundreds of thousands of South Americans from across the continent have made Brazil their home as well. While Brazil has always celebrated its diversity, it has fallen short of its professed ideal of racial harmony, especially with regard to integrating the Afro-Brazilian population into the economic and social mainstream. Nonetheless, again much like the United States, Brazil has not stopped striving for the melting pot ideal and has made more progress towards that end in recent years than in its previous 500 years as a nation.

Brazil's bounty of natural riches is also second to none. Within its borders lie the planet's last major tropical rainforest, its largest renewable fresh water reserves, and its greatest biodiversity. The country has large deposits of precious metals, such as iron ore, gold, and aluminum. To top it off, Brazil has shown exquisite timing with the discovery of vast offshore reservoirs of oil deposits that could catapult Brazil to the top ranks of the world energy producers within a decade. (Brazil is also giving tremendous boost to its sugar-cane ethanol, which already fuels most of its hybrid cars.) And not to be minimized as an element of national identity, Brazil sees itself as being aesthetically gifted as well, claiming one of the world's most beautiful cities in Rio de Janeiro and scores of beautiful people who feel no discomfiture in spending more on cosmetic surgery per capita than any other country in the planet. Of course, Brazil is also an internationally acclaimed powerhouse in soccer, the only true world sport. Among Brazil's many "exports" these days, there are plenty of soccer players and fashion models. Its unique music has also gained significant popularity outside its borders.

Beyond these generally recognized attributes, the Brazilian government has been developing in key areas necessary for global leadership. Brazil is taking the right steps to ensure economic and political stability, as well as carrying out diplomatic outreach to raise its profile internationally and cement its reputation and commitment to multilateralism. All of these changes are taking place within a new global environment in which the pending issues—climate change, global health and pandemic diseases, nuclear nonproliferation, the potential for failed states, etc.—enhances Brazil's international relevance. Absent these issues, a major power like the United States could understandably continue to overlook Brazil's global position. Yet, given the emergence and urgency of this new agenda, and Brazil's centrality to them, Washington would be ill advised to overlook its giant hemispheric neighbor any longer.

Coming of Age as a Global Stakeholder

The prevailing opinion is that no single transformative episode propelled Brazil to international prominence, but rather a combination of internal and external developments converged to make an already uniquely gifted nation into an even more viable candidate for global leadership. Still, any explanation of Brazil's ascendance must begin with the 1985 return of democracy and the political and economic stabilization that has been achieved since. In just two decades, Brazil has gone from being a political and economic basket case – even by Latin American standards – to becoming one of the strongest democracies and most dynamic economies in the region, if not the world.

Economic Stabilization

This progress is probably easier to measure in economic terms. In less than 20 years, Brazil went from hyperinflation (with an astronomical 2,300% annual inflation rate in the early 1990's) and

regular cycles of debt default to the economic wonder that it is today—with single digit inflation, stable, if not robust, growth, and the accumulation of more than US\$200 billion in foreign exchange reserves (a sum now in excess of the country’s stock of foreign debt).

The current recovery differs from previous economic booms in several important ways. For starters, this time, the vast majority of Brazilians and not just a privileged few are benefiting. Brazil can now proudly claim to be the first country to have met its Millennium Challenge targets of reducing poverty by half. Thanks to the Fome Zero anti-hunger initiatives, which provides a minimum income for an estimated 45 million people, many poor Brazilians no longer go to bed hungry and are able to send their children to school. They now also receive a modicum of medical care when sick, and in confronting some diseases, Brazil has stood out. For instance, the government’s response to AIDS has been trend-setting, and contrasts sharply with the way other developing countries have handled the outbreak. Thanks mostly to the improved lot of those at the bottom of the economic ladder – according to the Rio-based Getulio Vargas Foundation, the income of the bottom 10% of the population has risen by 58% between 2001 and 2006—steady progress is also being made in narrowing the country’s embarrassingly wide income gap and in absorbing the historically marginalized black population into the economic mainstream.¹

The rich and powerful are also faring well, as evidence by data that shows that those at the top 10% income bracket have seen their income rise by 7% between 2001 and 2006.² Brazilians have now joined the ranks of Forbes’ wealthiest individuals, and Brazilian multinationals are thriving as never before, with many of its executives crisscrossing the world looking for acquisitions. In the fields of mining and commercial aviation equipment; Brazilian companies, like Vale, Usiminas, and Embraer are dominant players in their fields. And the highly regarded government-owned oil company, Petrobras, has become a major player in the energy field. Other large Brazilian companies, in steel, metal processing, footwear, meat and poultry, and textiles and apparel, are also acquiring global reach and are beginning to raise funds in the international capital markets.

Also setting Brazil’s economic recovery apart from others is the way it was achieved. The key was disciplined implementation of orthodox economic policies sustained across two consecutive presidencies, a rare feat in Brazilian history. Particularly remarkable was the decision of President Lula – a former labor union leader and longtime militant of the Left -- to stick to the liberal economic program put in place by his predecessor. Although discontinuing the privatization process initiated a decade earlier, Lula maintained the three pillars of his predecessor’s orthodox model: fiscal responsibility (with a primary budget surplus of about 4% of GDP), a free-floating exchange rate regime, and inflation targeting - the latter in the minds of many Brazilians being the bedrock of macro-economic stability. So diligent has been the government’s commitment to its inflation targeting policy that it can only be explained by a collective willful determination to do everything necessary to avoid a return to hyperinflationary chaos. To this day, the government’s inflation reports make the front pages. For the millions of Brazilians who lacked hope that life could be better for them and their children, there is now emerging Brazil’s own version of the American dream in which hard work, ingenuity, and playing by the established rules of the game can be counted upon to lead to prosperity.

Brazil has walked a fine line with its embrace of liberalization. Current policy is marked by its embrace of globalization, although not wholeheartedly, for by international standards, Brazil’s economy is still relatively closed, with the percentage of trade relative to GDP only about 25%.

¹ New York Times article quoting Marcelo Cortes Neri, Director of the Center for Social Policies at the Getulio Vargas Foundation in Rio de Janeiro.

² Ibid

Making up for this has been an increase in fiscal spending and an explosion in domestic consumption, fueled by job growth, a rise in real income, and expansion of credit. However, with a deteriorating international environment for exports, limited options for fiscal stimuli (Brazil's overall tax burden is already near OECD levels of 38% of GDP) and growing signs of consumer debt over-extension, the government is coming under pressure to undertake a second wave of reforms geared towards further privatization and deregulation to maintain the economic momentum.

The reform agenda before the government is indeed daunting and inevitably controversial. Brazil watchers are particularly looking to see if Brasilia follows up on its commitment to cut some of the legendary red tape that entrepreneurs encounter in starting a business and paying taxes. Economists would also like to see some progress in reducing the public debt burden and the size of government. Just in the last six years, the country's bureaucracy has grown from 900,000 to more than 1.1 million people, and more than 37 new state companies or public agencies have been created since 2003. Furthermore, a significant share of the economy is still conducted on an informal basis. By one estimate, some 40% of GDP and almost half of the work force operate in the informal economy. The public pension system is also long overdue for an overhaul. So with nearly 20% of Brazil's population still living in dire poverty, Brasilia certainly does not have the luxury of resting on its laurels.

With a clear reform agenda and generally favorable economic and political conditions, economic policy poses a test to the Lula administration. Clearly, the moment of truth has arrived for Lula to show whether he is truly a free market convert, or merely one when politically convenient. With the government still enjoying a high level of popularity -- mostly on account of the economic good times it has delivered, --the expectation is that Brasilia will pursue economic progress by buckling down and ploughing through the next phase of reforms.

Surely, investors, both local and foreign, share this sanguine view of the country and are voting with their capital. In 2007, nearly US\$37 billion in foreign direct investment flowed into the country--almost twice as much as in 2006, and second only to that of China --and the data thru the first six months of 2008 show a doubling of the amount relative to the same period in 2007. Meanwhile, the Bovespa stock market index continues its torrid, albeit erratic ascent since Lula came to office in 2002. If these positive economic trends continue, it could vault Brazil higher in the list of the world's largest economies. Goldman Sachs estimates that if Brazil were to grow on average by 3.6% in the next twenty years -- an ambitious, but plausible scenario -- Brazil's GDP will go from being the world's tenth largest presently to the sixth by 2050. If that holds true, Brazil would overtake Italy by 2025 and pass the economies of France, Germany and the United Kingdom by 2031.

In sum, the about-face in economic fortunes achieved by Brazil and its transformation into an economic powerhouse is truly remarkable. Although Brazil has stopped short of the deeper process of economic reforms undertaken by Chile, it has nevertheless laid much of the foundation needed for sustainable growth. As recently as 2002, many thought that Brazil would default on its debt, as its next-door neighbor, Argentina, eventually ended up doing. Instead, six years later, Brazil has been awarded an investment grade rating on its foreign currency debt by Standard and Poor's and other rating agencies.

The irony was not lost on the Brazilians when their Finance Minister recently chastised the developed countries at the annual spring IMF meeting for the lack of transparency and regulatory oversight that allowed the U.S. sub-prime crisis to explode into a global economic crisis. Less than ten years earlier, the IMF chided Brazil for similar imbalances and regulatory lapses and forced the country to take bitter medicine as a remedy. As far as Brazilians are concerned, Brazil has come full circle, has learned its lessons well, and is now teaching its former teachers.

Brazil's Political Renaissance

It was not a given that democracy would blossom in Brazil over the last 20 years. Indeed, the 1985 return to democracy got off to a rough start with the death of the first elected president a few days before his inauguration and the second elected president forced from office on grounds of corruption. It was not until 1994 that Brazil's democracy finally found its footing with the election of Fernando Henrique Cardoso. A former sociology professor and political activist who lived in exile during the years of military rule, Cardoso came to national and international prominence as the Foreign Minister in the Itamar Franco government. However, it was as Finance Minister in the same administration where he made his mark by authoring and executing an economic plan that halted hyperinflation in its tracks.

Riding a wave of popular acclaim for slaying the dragon of inflation, Cardoso was elected president the first time in an easy race against Luis Ignacio Lula da Silva and re-elected again four years later, with an even wider margin of victory. And although his countrymen will probably remember him for his economic management, his political legacy will probably have an even more enduring effect on his country. Easy-going, understated, and consensus-seeking by nature, Cardoso brought much-needed civility to Brasilia. Moreover, his personal reputation for probity helped restore the public's faith in government. The esteem he brought to public service, in turn, helped draw talented people to his administration. Probably the most positive thing that can be said about the Cardoso years is that governing became a relatively mundane affair, in contrast to the high drama to which the world had grown accustomed. In short, Brazil at last became a normal country.

And if that was not enough, Cardoso passed the ultimate test of a true democrat – knowing when to walk away from power. This was an exceptional move in Brazilian history. Having raised eyebrows by amending the constitution to allow for a second consecutive term – which, as noted, he easily won – he resisted pleas from his supporters to support another constitutional amendment to clear the way for a third term. Instead, he in effect boosted the election prospects of Lula, by, among other things, keeping his distance from the contest and reaching out to Lula and his supporters to present the merits of his economic policies. The message must have gotten through, as Lula gave the necessary signals to avoid the feared stampede to the exits by investors.

President Lula's election has been beneficial for Brazil's democracy on a number of levels. First of all, it vindicated the Left's decision to play by the rules of the democratic game. Indeed, a number of high-ranking officials in Lula's administration, though not Lula himself, were former guerrillas. It also affirmed the political evolution of Brazil's Left to accommodate market friendly policies. Lula's uplifting personal story also inspired millions of men and women who share his modest origins to have faith in the democratic process and get involved. The result is an active civil society movement that is beginning to make its mark on the country.

Diplomatic Overdrive

The rise in Brazil's international stature can also be attributed to the diplomatic offensive waged by the country's highly regarded foreign diplomatic service, *Itamaraty*. Prodded and assisted by two presidents who enjoyed and excelled at hobnobbing with the world elite, *Itamaraty* has worked hyperactively in the last five years, entangling Brazil in a thicket of coalitions, organizations, and initiatives. And when circumstances highlighted the need for new networks to be created, Brazil has taken the lead in creating them. Brazil's predisposition to work through multilateral coalitions was prominent once again when Brasilia reportedly gave a positive response to Russia's Vladimir Putin's suggestion recently of a G13. At Russia's previous invitation (and together with China and India) Brazil helped to transform the BRICS from being merely an analytical exercise by Goldman Sachs into an actual multilateral concert of rising

powers, one poised to challenge G8 dominance of the global political agenda—as well as G7 dominance of the global economic agenda.

Making sense of this blitzkrieg of diplomatic activity has strained the analytical powers of Brazil watchers, and the full verdict is yet to be rendered. Even so, a hazy logic at least can be discerned among the diplomatic entanglements. For one, the agreements show a clear proclivity to coalesce with similarly promising emerging powers, such as India, South Africa, and China to ostensibly present a common front against traditional powers, notwithstanding the divergence of positions and interests among them. One particularly high-profile example was Brasilia's leadership in the constitution of the G20 at the 2003 WTO ministerial meeting in Cancun, despite clear trade policy differences within its ranks that in the end were readily apparent in the August 2008 collapse of the WTO Geneva talks. Nonetheless, the agreements have served to deepen relations between the large emerging economic powers, and the setback at the WTO will probably not derail this trend. Trade between the four countries has expanded dramatically in recent years, and represents an increasingly important source of global economic growth. In other words, Brazil may not be too happy with Beijing and India scuttling the WTO talks in Geneva, but it fully understands the benefit and the promise that both of these two markets represents for Brazil.

And it is not as if Brasilia has neglected relations with the traditional powers, only that it has cultivated them selectively and on a strategic basis. During Lula's first term, for example, Brazil joined with France in a global campaign against the spread of AIDS, tuberculosis, and malaria, and with Japan to collaborate to arrest climate change. And of course, there is the much-publicized multiyear commitment to cooperate with the United States on expanding the use of biofuels. All in all, Brazil is in the envious position of having lots of friends in all corners of the world, and no enemies to speak of, although it may be friendlier to some more than others.

As we end the first decade of the 21st Century, Brazil has made impressive strides in harnessing its natural resources and developing its human capital. Moreover, Brazil's government has made a quantum leap in achieving social, economic and political stability compared to its turbulent past. As a result, Brazil has reached a higher economic plane that minimizes the danger of a return to its past chaos. Brazil has also made great strides to develop global diplomatic outreach, which, while still perhaps needing some refinement, indicates that Brazil has started to put its domestic challenges in a global context.

The Times Are Changing

A change in the international constellation of power has also factored into Brazil's ascendance. Most importantly, the loss of America's hegemonic influence in Latin America (and elsewhere) has enabled a once-tentative Brazil to assert itself, irrespective of Washington's views. In effect, Brasilia has finally felt liberated to play the rightful role that its size, resources, and diplomatic persona portended, but felt it lacked the latitude to exercise. In particular, Brasilia more and more plays the role of convener and peacemaker—for instance, in mediating a standoff between Venezuela and Colombia over the latter's March 2008 military action in Ecuador.

The change in the world's agenda has also made Brazil's participation indispensable. The emergence of global warming as a top tier issue, for example, has changed the world's calculus on the importance of getting Brazil's buy-in to deal with this major global challenge. The same applies to a similar degree to the world's efforts to grapple with the food crisis, for Brazil is one of the few countries with arable land to spare and the technology to utilize it. At the same time, Brazil's own priorities are beginning to coincide more with those of the rest of the world. For example, Brazil is now giving the issue of narcotics trafficking higher priority, having developed a

drug consumption problem domestically that is second in the hemisphere only to that of the U.S., and suffered the associated consequences of rising crime, loss of productivity, and higher health costs.

Brazil's Track Record of Leadership

Now that Brazil has emerged as a new global leader, it has started to exercise its newfound power and global influence on a range of regional and global issues such as climate change, trade, and the fight against poverty. The results have been mixed – Brazil is showing itself highly capable in some areas and is struggling in others. Undoubtedly, it will take a while for Brazil and the world to discover the competitive advantages that Brazil has to offer to the construction of a rules-based global order. This section briefly outlines how Brazil is managing its newfound role on a regional level, then investigates those areas where Brazil has distinguished itself beyond regional boundaries, including climate change, world hunger, peacekeeping and nation-building.

Latin America

Brazil has emerged as South America's clear leader and is now waging an offensive to extend its influence throughout Latin America – an effort that is beginning to achieve results. This is not a surprise, given Brazil's size and economic clout. It has only helped matters that Venezuela – the latest rival claimant to regional leadership – has seen its star wane, mostly because of self-inflicted wounds. What is surprising are the means Brazil used in pursuit of this objective, and the obstacles it has confronted and is overcoming to cement its position of leadership.

Brasilia's gains in regional leadership were attained in a piecemeal fashion. The outreach began with President Jose Sarney (1985-90), who in an attempt to improve ties to Argentina after years of friction, forged a customs union between the two countries that soon expanded to include Uruguay and Paraguay. The Common Market of the South agreement (referred to as Mercosur in Spanish-speaking Latin America and Mercosul in Brazil) was formally inaugurated in March 1991. Despite its economic pretensions – which the agreements have yet to live up to – the real and immediate benefit was in strengthening the political ties between the state parties: the operative assumption being that the member countries are compelled to work through their disagreements peacefully.

Cardoso's administration also distinguished itself as an international peacemaker when it mediated -- along with Argentina, Chile, and the United States – a peace agreement between Peru and Ecuador in 1995 and also in helping prevent a military coup in Paraguay. Confident that Brazil was ready to exercise South American regional leadership in the waning years of his administration, Cardoso successfully convened the first-ever summit of the region's heads of state in Brasilia in 2000. The summit was an unambiguous success; the final product of the gathering was the South American Regional Integration Initiative (IRSA), aimed at building better overland lines of communication and transportation to connect the countries.

Brazil's incremental progress to gain regional influence has continued to the present day. President Luis Ignacio Lula da Silva's well known political history has given him a unique advantage as a leader in the region. As the icon of the left for decades, Lula commanded the respect and admiration of the new class of leftist politicians who were having electoral success in their countries—including Michele Bachelet of Chile and Tabare Vazquez in Uruguay. Even borderline democrats like Hugo Chavez and Evo Morales had little choice but to give Lula his due deference as a man of the Left. At the same time, Lula's orthodox economic policies won him new admirers among center-right governments in the region, like Colombia's, who were taking heat from their own political Left for sticking to the path of economic orthodoxy.

Lula's string of regional diplomatic accomplishments grew in May 2008 when the much-heralded Union of South American Nations (Unasur) came into being. The agreement sets targets for the

integration of energy and transportation infrastructure and establishes a South American Parliament and a Unasur Secretariat. (Plans were also made to create a South American Defense Council, under Unasur umbrella.) *Itamaraty* may be expecting that Unasur, like Mercosur, is will not achieve its ambitious goals— such as a free trade area for non-sensitive goods by 2014 and of sensitive goods by 2019 – but could nevertheless provide another framework for South American nations to work out their disagreements peacefully, under the tutelage of Brasilia of course. More recently, Brazil played a leading role in convening South American heads of states in Santiago, Chile to address the growing political polarization in Bolivia.

Confident that it has gone as far as it can in South America, at least for the time being, Brazil has recently sought to extend its influence elsewhere in Latin America, where the political soil seems fertile for change. This push is already showing promising results. Brazil has taken a leadership position in Haiti as the head of the United Nations Stabilization Mission in Haiti (MINUSTAH) - a role that has won Brasilia new esteem in the Caribbean. In a second move, Brazil has won kudos in Central America with its decision to include El Salvador in the global ethanol initiative on which it has been collaborating with Washington. Region-to-region summits have been another outlet for Brazil's international leadership, including two that it organized since 2005 between South American and the Arab and African world leaders. There is no doubt that Brazil has become an able spokesman for South America.

Even so, regional leadership, as Brazil has learned, is neither cheap nor trouble-free and cannot be taken for granted. There is no shortage of competition for the mantle of leadership, the latest and most prominent being Venezuela's Hugo Chavez, who is hoping to take advantage of his country's oil windfall to enhance the regional appeal of his Bolivarian project. Truly, he has taken every opportunity to try to cut Brazil down to size. Painting Brasilia as a lackey of the United States appears to be his latest tactic. For example, in 2007, Chavez and his Cuban, Nicaraguan, and Bolivian allies lambasted Brasilia for its collaboration with the "empire" on biofuels, contending that it is the principal cause of the current food crisis. Brazil's neighbors, such as Paraguay and Suriname, regularly take it to task for failing to deliver on its many promises of aid – complaints that are only bound to increase as Brazil's coffers fill with newfound oil wealth.

Nevertheless, it is hard to bet against Brazil's long-term prospects for regional leadership. The political stars are clearly aligned in its favor, with its economy pointed in the right direction and steady inroads being made in addressing the country's huge social deficit. A healthy economy seems Brasilia's most effective calling card, as is indicated by the increasing number of fellow Latin Americans who are flocking to Brazil – legally and illegally – to work and the number of Brazilian companies expanding their presence all throughout Latin America. According to recent government figures, remittances from fellow South Americans working in Brazil have now surpassed US\$1 billion and are growing at a healthy clip.

Brazil seems to harbor no false illusions about the need for ongoing care and maintenance to retain its leadership position. Lula is already urging his countrymen to show greater generosity towards their neighbors, going as far as suggesting to Brazilian businesses to buy from within the region, even if not economically optimal. The government has set the example by making concessions to Bolivia's government, even after the latter nationalized significant Petrobras' oil and gas resources, and is similarly expected to accommodate the new leftist government in Paraguay by paying higher royalties for the electricity it receives from the Itaipu hydroelectric dam. (Some quibbles have appeared with Ecuador over activities of Brazilian enterprises, including Petrobras, in that country.) At the same time, Brasilia is expected to increasingly

challenge Chavez's antics, and not simply absorb his criticism. Brasilia recently, for instance, decided to opt out of Chavez's grandiose regional gas line project.

In sum, a new political and economic geography has clearly emerged in Latin America, with Brazil playing a starring role. In Latin America at least, Brazil's place as a stakeholder has been assured. No other country can replace it. It is an indispensable piece of the puzzle to any Latin America-wide initiative, and for a number of regional challenges, the only country that can provide effective leadership. At some point in the future, even Brazil's two historical competitors for regional leadership, Argentina and Mexico, will resign themselves to this new reality and accept, albeit grudgingly, that Brazil is the natural choice to represent Latin America before the world.

Climate Change

Brazil is a major contributor to global warming, but also a potentially significant contributor to its resolution. Brazil ranks as the world's seventh largest emitter of greenhouse gases --behind China, the U.S., the E.U., India, Russia, and Indonesia -- mostly due to deforestation (70%) and changes in land use. Indeed, according to the World Wildlife Federation, the burning of the Amazon (about 70% of which lies in Brazilian territory) makes up about half of the world's annual greenhouse emissions from deforestation, which, in turn, contributes about 20% of world greenhouse emissions.

On the other hand, Brazil is a leader in the use of alternative fuels and is likely to remain so for decades to come. With oil prices reaching new highs in 2008, Brazil's energy matrix is the envy of the world—drawing 47% from renewable resources, such as sugar cane and hydroelectric plants, and ethanol now making up 40% of the fuel used by light vehicles.

And then there is pride of place that goes with having hosted the first world environment summit in Rio de Janeiro in 1992. Brazil has been a signatory to all the important environmental treaties, including the Kyoto Protocol, and is a mainstay at all the important environment deliberations, including the ongoing United Nations-sponsored negotiations to construct a post-Kyoto protocol. President Lula campaigned on the promise to be an environmental president and has spearheaded the forming of alliances with the key global leaders on the issue, such as Japan. According to John Ashton, the United Kingdom's Special Representative for Climate Change, the importance of Brazil on the issue of climate change can no longer be denied. He stated “[it] is unthinkable to have an (environment) agreement without Brazil playing a significant role in it.”

Notwithstanding these important advances, Brazil's domestic environmental policies continue to disappoint. Under the Lula government, deforestation, after having come down for two years in a row, has surged upward in the last year. In total, 15% of the surface of the rain forest has been cleared since 1970. The culprit appears to be the government's inability to clamp down on illegal loggers in some Amazonian states, who often collude with local authorities. The government is also being assailed by radical environmentalists for permitting genetically modified soybeans to be sown in the south of the country and for violating the Cartagena Protocol for Biosafety by approving the cultivation of transgenic maize.

For many environmentalists the last straw was the resignation in May 2008 of the Minister of the Environment, Marina Silva, an icon in Brazil's environmental movement. Frustrated after losing one environmental battle after another, she claims to have had no other alternative but to resign in protest. Despite the Lula administration's effort to contain the political fallout, the damage has been done and in the view a growing number, Brazil is clearly not yet ready for leadership on environmental issues. One area in which Brasilia has been found lacking is its failure to influence the two fastest growing polluters of the world, China and India. These are two countries that

Brasilia has tended to bend over backwards not to displease in the past and with which it has tied its diplomatic future. Yet, Brazil's honored place at the table is assured, and the hope is that Brasilia will soon live up to its rhetoric of being a leader in the global effort to combat climate change.

Fight Against Hunger

In contrast to its stumbling approach to leadership on environmental issues, Brazil has become a true leader in the fight against world hunger, both by its example and diplomatic deeds. Although not without its critics, the government Fome Zero anti-hunger initiative, in which poor families receive a direct cash transfer to buy food, is seen as an effective model worth replicating. Most recently, India has turned to Brazil for advice in establishing a similar program. President Lula's professed objective is to eliminate hunger in Brazil by the end of his term in 2010.

Brazil has also done a remarkable job in elevating the issue of hunger in the international agenda, and could not have had a more effective champion than President Lula. Born poor and having suffered the pangs of hunger himself, he has brought an urgency and legitimacy that few world leaders can match. A diplomatic high point in his global anti-hunger campaign was a speech he gave at the 58th Session of the General Assembly of the United Nations in September 2003 in which he referred to the "eradication of hunger in the world as a moral and political imperative."³ The following year, Brazil took the lead in organizing a world summit on World Hunger in the United Nations in which more than 100 countries committed to contribute to a fund to eradicate hunger. The U.S. was one of the few countries that opted out of the commitment, on the pretext that economic growth is the long-term solution to hunger and poverty. But Brazil is not only doing its diplomatic share, it is also contributing directly to assist countries hit by emergency food crises, such as Haiti in the spring of 2008. In sum, unlike many other countries, where the rhetoric outstrips actions, Brazil has matched its rhetoric with substantial financial commitments – and the world has recognized its leadership in this area, particularly the many grateful recipients of Brazil's largess.

Peacekeeping and Nation-building

Brazil has limited military capabilities, with a standing army of just 200,000 and a budget of 1.5% of GDP or \$15.3 billion in 2007⁴ (about 2.65% that of the United States). But Brazil has put the military capability it does have to good effect in the important work of peacekeeping and nation-building. In recent years, under the United Nations umbrella, Brazil has sent troops or observers to fellow Portuguese-speaking African countries such as Angola and Mozambique, and as already noted, taken a leadership position in the United Nations pacification and stabilization mission in Haiti. More recently, the UN has asked Brazil to lead a peace building mission to bring about political reconciliation and economic consolidation in another war-ravaged Portuguese-speaking African country: Guinea-Bissau.

This new role for Brazil has not been without its costs. The lives of Brazilian troops have been lost in the service of their peacekeeping/nation-building mission, and large sums of money spent as well. But Brasilia is driven by the conviction that it is incumbent for Brazil, as a good global citizen, to provide this kind of contribution. Suffice it to say, Brazil has played the role of

³ Speech by President Luis Ignacio Silvas de Lula's at the 58th session of the UN General Assembly, September 23, 2003, available in Portuguese at:http://www.mre.gov.br/portugues/politica_externa/discursos_detalhe3.asp?ID_DISCURSO=2153 (access on July 1, 2008)

⁴ Military Expenditure Database of the Stockholm International Peace Research Institute, 2008, available at :<http://milexdata.sipri.or/result.php4> (access on July 1, 2008)

peacekeeper and nation-builder with distinction, an accomplishment made easier thanks to Brazil's non-partisan reputation.

Moreover, Brazil is leading the effort to get other developing countries to collaborate to fill similarly needed security gaps worldwide. In May 2008 Brazil's armed forces joined those of its IBSA partners (South Africa and India) to conduct a military exercise off the coast of Capetown aimed at combating the growing problem of piracy and terrorism in the high seas. Similar military exercises are being planned with other emerging powers.

Paradoxically, Brasilia has had greater difficulty in expanding military cooperation with its Andean neighbors, as evidenced by the fate of the proposal for a South American Defense Council submitted by Brasilia at the Unasur summit. After contentious debate, the proposal that would have established a consultation forum for security affairs was remanded to a committee for further study. Further complicating the prospects for Brazil leading the region in cooperating militarily has been the incipient arms race in Latin America that seems to exceed the periodic need to replace outdated hardware. Much of the blame for this situation is being directed at Hugo Chavez, who under the guise of preparing for an imminent U.S. attack, ostensibly in concert with Colombia, is on a military spending spree of late. Whether he is doing so to prepare for war or merely to solidify his control of the military is a subject of debate. The fear of many, especially among Brazil's military brass, is that Chavez will take the next step and join the nuclear club. Certainly, he has the financial means and friends who know the technology.

In short, Brazil may not be a military superpower, but it is not militarily irrelevant, either—using what it has to good effect in response to 21st century global security challenges. After having cut its teeth in Haiti, one can assume that Brazil's military will be undaunted by whatever its mission. Brazil is willing and able to engage militarily on a global basis if it believes in the mission. World War II was one such campaign. Iraq is not. The litmus test that Brasilia will likely continue to use in deciding to deploy troops is whether it is sanctioned by the United Nations.

World Trade

Trade is a high priority for *Itamaraty*, which historically has managed the issue—and, increasingly, for other interested constituencies such as agro-industrial leaders, state agencies, and labor unions who are demanding more input in policymaking. It is easy to see why. Trade has fueled much of Brazil's recent economic growth, rising from US\$58 billion in 2001 to almost US\$200 billion in 2008, about half of which was raw material goods. Brazil currently ranks first in the world in the export of coffee, sugar, soybeans, and oranges. Brazil's principal trading partners are the EU, China, the United States, and its South American neighbors with important growth in trade in recent years with India, Africa, and Asian countries.

On world trade issues, Brazil is generally perceived as punching above its weight, given that its share of world trade is a miniscule 1% of total trade, which puts it in the 25th position in the world. Moreover, the country has a relatively skimpy track record of trade agreements, all of which it has undertaken as part of Mercosur. Most noteworthy are the preferential trade agreements that Mercosur has signed with Mexico and the Andean countries, and outside the region with India, South Africa, and as of December 2007, with Israel.

Nonetheless, Brazil was a key player in the Doha trade round, operating on the same plane with the major trading powers. Its high standing came about on account of having joined India in organizing the G20 (a group of 20 countries collectively representing 60% of the world's population and 22% of agricultural output) in the run-up to the 2003 Trade Ministerial in Cancun. Although the G20 is more consensual in its offensive agenda (the lowering of trade barriers in

industrialized countries) than in its defensive agenda (the retention of tariffs on industrial and farm goods) it has become a real protagonist in multilateral trade negotiations.

That was the case, at least, until the collapse of the WTO talks in Geneva in the summer of 2008. As of this writing, there is a fair amount of soul-searching going on in Brasilia as to who is to blame for the debacle in Geneva and whether it could have played its card differently. Ultimately, the G20's success will hinge on its ability to reconcile the interests of agricultural systems whose consolidation enable them to compete internationally (e.g. Brazil and Argentina) with systems based on small, landholders that need protection from the global market (read China and India).

Brazil's Past and Future Commitment to the Rules-Based Order

As we can see from the previous review of Brazil's response to the full range of 21st century challenges, few countries can match its commitment to a rules-based international order. Moreover, Brazil has come to rely on global principles to support its own agenda. For starters, Brazil has eschewed the acquisition of a nuclear capability and, beyond that, has no designs on its neighbors as a military hegemon. Instead, Brazil is looking towards a rules-based order as the best means available to gain stature. Since its participation in the Second International Peace Conference at The Hague (1907), Brazil has endeavored to base its foreign policy on a set of values and assumptions rooted in the principles of international law (especially non-interference in internal affairs) and the practice of true multilateralism and collective action dating to the very inception of the United Nations.

Brazil's commitment to a rules-based international order also draws from a longstanding outlook that views progress as closely associated with order. For Brazilians, the last decade of political stability and growth is merely the latest affirmation of this widely perceived link. Indeed, Brazil wears the mantra of order and progress literally on its flag and believes that a multilateral system can provide the orderly framework for the most broadly shared progress possible.

Multilateralism also plays to Brazil's cultural strengths and prejudices. Unlike many of its neighbors in Latin America, Brazil inclines toward a gradual approach to change. Its culture emphasizes compromise and give-and-take, which is indeed woven into the fabric of daily life. This has been its secret in avoiding the bloodshed and bedlam that has marked the political history of most of its neighbors.

Last but not least, Brazil has relied on multilateral solidarity to check the other, more militarily potent, giant in the hemisphere -- the United States. As to be expected, Brasilia is quite wary of the U.S. penchant for imposing its will on others, particularly in Latin America. These concerns have been heightened by the Bush Administration's adoption of a doctrine of preemption and its decision to go to war in Iraq. Given this precedent, many find it highly ironic that Brazil must prove its bona fides to join the UN Security Council or other august international bodies; as far as most of the world is concerned, Brazil has long ago passed the multilateralist test.

Stability, Stability, Stability

Brazil must remain stable politically and economically if it is to remain engaged in the construction and management of a rules-based international system. Fortunately for Brazil, there does not appear to be any imminent political threat to its essential stability. For the most part, the economy's fundamentals also look to be in fine shape, or at least investors – both domestic and abroad – appear to think so.

Also heartening is the fact that the usual causes of institutional crises are under control, principally hyperinflation and the military. In the case of the former, the dozen years of low inflation, coupled with the economic reforms that have been instituted – such as a fiscal responsibility system and a free floating exchange rate regime – have insulated the country against a return to its history of chronic high inflation. Meanwhile, Brazil's military is safely ensconced in the barracks, making due with limited resources and trying to recover from its legacy of misrule. Nowadays, the military has been kept busy with policing and peacekeeping duties, although it is safe to assume that the threat posed by a militarized Venezuela is increasingly drawing the attention of the military top brass.

This does not mean that Brazil is home free and invulnerable to democratic backsliding – no country in Latin America can claim that. Ironically, the more politically and economically stable Brazil becomes, the higher the public's expectations for its leaders. To say the least, though, Brazil has faced far more difficult challenges--and unlike in other periods, Brazilians can now use democratic mechanisms such as a free press, the right to strike and, ultimately, elections to express their dissatisfaction.

Its current political and economic stability notwithstanding, Brazil faces other domestic challenges that, if not addressed, could spark an institutional crisis. Of these, rampant crime (mostly in metropolitan areas) and corruption are by far the most serious. Also of continuing concern are: the narrowing yet still too-wide gap between rich and poor, the health crisis associated with a rising rate of drug abuse, and the degradation of the environment.

2010 Elections

Given the relatively short history of Brazil's political stability, the international spotlight will no doubt be on its 2010 presidential elections. It will just be the sixth election since the return to democracy and is the next major milestone of the country's democratic maturity. How smoothly the elections are run, the quality of the campaign debates, and ultimately who gets elected will be the main benchmarks to watch.

At first glance, there is nothing in the horizon that gives cause for worry. The two leading political groupings are preparing themselves for the contest, and none of the candidates that are being paraded prompts a major concern. They are known figures whose democratic credentials are beyond dispute and who have submitted themselves at one time or another to the judgment of the electorate.

Yet a number of questions loom ominously in the background, many of them relating to Lula personally. Here at the end of his second term, President Lula should not, by law, be engaged in a third run for the job. It is not clear, however, if he will imitate other populist leaders in the region and seek a change in the constitution to allow for another term. While Lula himself has repeatedly discounted this rumor, it continues to have currency, and many in his party are actively working on it. Probably a more serious concern is what would happen to the PT party once Lula departs from the political stage. Will Lula's departure divide the party into a centrist and militant wing? And if that happens, how committed to the democratic process will the latter be?

Who Matters

One cannot underestimate that damage to a country's international reputation that can result from a poor choice for president, nor the potential benefits associated with the election of a leader of high quality. In President Lula and President Cardoso, Brazil was fortunate in that they were both already seasoned and wise in international matters when they assumed the presidential sash. In reviewing Brazilian history, though, statesmen such as Cardoso and Lula don't come by too often, and a cursory look at the discernable contenders reflect the dearth of international exposure

that is typical of Brazil's political elite. Undoubtedly, whoever will be the next president of Brazil will find him or herself in stewardship of a highly evolved foreign policy, and with relative little time to get up to speed.

Which points toward the need for a support network of institutions to help Brazilian presidents think through, and ultimately implement, a comprehensive foreign policy strategy. Save for *Itamaraty*, the next Brazilian leader has little to work with, and *Itamaraty* itself has been somewhat hemmed in by political guidelines that often espouse some old PT's beliefs.

Moreover, the media, the political parties, and the intellectual class do a relatively poor job in developing their own views on Brazil's international posture or even in vetting candidates for their views on foreign policy. There is no equivalent in Brazil, for example, of a *Foreign Affairs* magazine or a Council on Foreign Relations—with the possible exception of a still emergent Rio de Janeiro-based Cebri, Brazilian Center for International Relations, which works closely with many practitioners. The founding in 2006 of the academic Brazilian Association of International Relations (ABRI) is certainly a welcome development, but the progress is gradual and uneven. So there has been some progress in the development of institutions that can serve as national foreign policy sounding boards.

Economic Milestones

On the economic front, the expectation now is that the government has to deliver more than just macroeconomic stability, i.e. low inflation. Foremost, the imperative is to improve the condition of the 20% of the population who still live on less than \$2 per day and who are anxious to reap some of the benefits that their fellow citizens have been enjoying. Strongly interlinked with that objective is the maintenance of government social service programs, particularly those that provide direct, cash support to those at the bottom of the economic ladder.

Meanwhile, the growing and newly empowered middle class are also now pressing their own set of demands. Many of them, having enjoyed for the first time the benefits of credit, would like to see further progress in the democratization of access to capital. By world standards, interest rates on mortgages, credit cards, and other loans are still extraordinarily high, some would say usurious. The middle class have also grown accustomed to their own set of subsidies – some in the form of free public universities, for instance, or high pensions – and are keen to defend them in the streets if any are threatened.

And then there is always the preoccupation that Brazil will again be contaminated by a foreign crisis. The sense of economic vulnerability to outside forces runs very deep in Brazil and will undoubtedly take a long time to heal. The upside, however, is that it has impelled the government toward extraordinary measures to protect itself—the accumulation of over US\$200 billion in foreign exchange reserves is a good example—from contagion. Given how well Brazil fared, relative to other countries, during the latest sub-prime scare, the preventive efforts seem to be paying off. However, the real test for Brazil will be the inevitable correction in the prices of commodities, still a major component of Brazilian exports, and the impending (as of this writing) shock waves from the severe financial crises in major markets.

Crime

Like elsewhere in Latin America, the issue of crime, will be uppermost in the electorate's mind in the upcoming elections, and for good reason. The latest statistics are shocking, with per capita murder rates spiking from already high levels essentially on a par with countries at war. The

government and the media claim that much of the violence is drug related, but even setting aside drug-related murders, the problem is still critical.

The deeper challenges posed by runaway crime come in various forms. It can open the doors to fringe candidates, for example former military leaders calling for a return to the 'order' that prevailed under their reign, even if that entails a cost to human rights and political freedoms. No such political faction has yet emerged in Brazil, but they have certainly been prominent in neighboring countries with similar crime problems. There is also the risk that crime syndicates – already rampant in the poor neighborhoods of the large cities -- can grow to pose a challenge to the authority of the State, as in Mexico. In many shantytowns throughout the country, for example, the drug gangs are already so dominant, and violent, that they effectively imprison the local inhabitants in their own homes.

Thus far, the federal government is clearly losing the battle against crime, and has yet to show that it is even beginning to get its hands around the problem. Previous hopes that economic growth and the reduction in income inequality would take care of the problem have fizzled out. The Lula government is now pinning its hopes on a US\$3.9 billion, five-year program focused on the training and the elimination of corruption within the police to do the trick. The early results of this latest approach are inconclusive.

Corruption

Corruption is another scourge that, if not addressed systematically, could potentially threaten Brazil's stability if it provoked virulent populism (a la Venezuela) at a cost to the basic legitimacy of the state. The corruption charges against members of Lula's inner circle showed very clearly that no party is immune to temptation and should put an end to the sanctimonious posturing that the PT has used in past electoral campaigns. Corruption is a problem that permeates all aspect of life in Brazil today and unfortunately still colors international perceptions of the country. According to the Transparency International 2006 rankings, Brazil rates 70 out of 133 globally.

What is also clear, though, is that the Brazilian people have become less tolerant of corruption. The days have now passed when a former governor of a prominent state could get away with boasting "he stole, but still delivered." Moreover, it is important to note the enduring impact of having a sitting president – for that matter the first popularly elected president after the return to democracy at that – hounded out of office because of corruption charges. Even so, little has been done to systematically address the problem. For example, members of Congress facing corruption charges are prosecuted not in the regular judicial system, but in special courts not known for their transparency and efficiency. Meanwhile, the legal system remains overburdened and still highly susceptible to external influences. Brasilia may have signed its share of anti-corruption treaties, but on the ground, the problem remains as grave as ever.

Delivering on Leadership

Before it can assume new prominence on the world stage, Brazil will have to make good on the responsibilities it has already assumed. To begin with, the international community is counting on Brazil to play a particularly constructive role – if not a decisive one – in bringing the global trade and environment negotiations to a successful conclusion. It may be a heavy burden, but it is a role that Brazil has played successfully in the past – particularly in 1997 in helping break the political logjam that led to the Kyoto agreement – and one it embraces as part of the effort to become a major global stakeholder. Unfortunately, Brazil has taken on two of the thorniest items on the international agenda, and it is not clear that even the most masterful rising power could drive them toward a successful conclusion.

If nothing else, the metrics of success in this area is clear and simple: there will either be agreement or no agreement; there is no middle option. In that light, the failure of the WTO talks in the summer of 2008 obviously was a major setback for Brasilia, leaving the question of when, if ever, negotiations will resume. The good news – to the degree that there is any – is that the global environmental discussions are still very much alive and indeed are entering the critical stage. The stated aim of the participants is to present a fully vetted proposal at the December 2009 Copenhagen summit, so as to have enough time to make a transition to the post Kyoto era. On the other hand, the ideological position that Brasilia has staked out for itself leaves little room for compromise—with Brazil being among the most persistent and vociferous in placing the onus of environmental rectification squarely, and solely, on the developed world. In addition, Brasilia has shown little interest in really pressing China and India (not only the two fastest growing polluters, but also important markets for Brazil’s exports) to make economic sacrifices for the sake of the global environment. Suffice to say that Brazil’s professed prowess in intermediation and compromise is facing its most daunting test ever, on the biggest stage possible.

Even if Brazil somehow manages to succeed, though, the legacy from past work as an international consensus-builder bears a cautionary note. Clearly Brazil cannot rest on its laurels as past accomplishments are quickly forgotten. The diplomatic accolades, for example, that Brazil won for its efforts to improve the transparency and inclusiveness of the WTO’s decision-making process has given way instead to recriminations, and even to Brazil being made a scapegoat. Most disconcerting to *Itamaraty*, Brazil has acquired a reputation among many of the developing countries that it claims to represent in the G20 of being uncooperative, unreliable, and worse, self-serving. For a country that prides itself in being in good terms with everyone, it must be particularly discomfiting to be blamed by many small and poor developing countries for not trying hard enough to persuade the trade giants (i.e. the U.S., EU, Japan as well as China and India) to find common ground to deliver a trade deal. Brazil may be able to afford the perpetuation of the status quo, many of these developing country leaders complain, but they cannot.

Brazil also faces a challenge in giving its foreign policy greater strategic coherence. If there any strategic logic to the many foreign policy initiatives undertaken by the Lula Administration – in particular the thicket of agreements, coalitions, and initiatives that Brasilia has signed on to in the last few years – it is hard to decipher, and even harder to do a cost-benefit analysis of them. Currently, the government gives the impression that it is trying to straddle the many political and ideological fences that divide the world, at times literally, as when Lula has shuttled between Davos and the World Social Forum. The diplomatic acrobatics may help preserve the country’s good graces all around, but it does generate confusion as well as to what are the country’s core values. This is especially notable in the way Brasilia has flipped flopped on a number of international issues, for instance on the merits (or failings) of some global institutions, where the government’s position seems contingent upon the selection of Brazilians for leadership posts. In looking at the recent diplomatic record, the best that can be construed from the cacophony of declarations coming out of Planalto (Brazil’s presidential palace) is that we know more about what Brazil stands against, rather than what it stands for.

Building Domestic Consensus

Moving forward, Brasilia not only must project a better sense of direction of where it wants to go internationally, but it also needs to get the public’s support for that policy. This will be new, as Brazil has never had much need to muster a consensus for any foreign ventures, except perhaps its involvement in WWII. The assumption was that foreign policy was better left to the professionals, a view that no doubt *Itamaraty* was only happy to let stand. Not even Congress stuck its nose in international matters, since foreign policy rarely, if ever, required budgetary

action - Congress's only real leverage. Otherwise, its function was limited to ratifying the few agreements and treaties that came its way.

If there is one villain for the lack of consensus on foreign policy, however, the blame falls on the Brazilian electorate itself. Uninterested in the subject, they never have demanded that politicians show competence in the subject. Rarely has a foreign policy question ever featured prominently in a presidential election and never in congressional or state elections. Politicians have only been too happy to oblige, until now. Moving forward, Brazil's political class must make a better effort to build consensus for its foreign policy. The increasing financial and personnel commitments that will be associated with the responsibilities of stakeholder will require it. Certainly, the Brazilian congress – which has the ultimate word on fiscal spending and sending troops abroad – will naturally be drawn to the subject.

To its credit, the Lula government is already doing a good job of engaging the increasingly important civil society sector, particularly on the environment, many elements of which have links with international affiliates. One would hope that Brasilia would be able to take advantage of the public's current favorable disposition towards globalization to put other foreign policy questions on the domestic political agenda. Indeed there are important questions for the public regarding what it means to be a global stakeholder. The associated issues of sovereignty and responsibility have been difficult for a number of current and potential stakeholders, but Brazil probably more than most. A key question that Brazil will have to answer sooner or later is what would be the right trade off between the new global priorities (e.g. the imperative to confront climate change) and the country's single-minded focus on development.

Two related issues appear to be causing Brazil particular trouble. One is how to reconcile its historical commitment to noninterference in other countries affairs with the demands of being a global stakeholder, which by definition connotes a willingness on the part of the global powers to intervene in the affairs of others, stakeholders or not. Brasilia's reticence to speak out on recent events in Zimbabwe, Myanmar, or in Sudan, has underscored the point. A second, related issue deals with Brazil's historical phobia with respect to the Amazon, most recently displayed by the government's legislative proposal to limit who gets into and out of the rainforest. In the past, Brazil's baffling insecurity about foreign intervention in the Amazon has risen to the level of defining its national defense policy. It is a phobia that defies any simple explanation, but that has raised doubts about Brazil's ability to see its place in the world through a new paradigm in which traditional national demarcations have less relevance.

Brazil's Bright Prospects

By now, Brazil may finally be ready to overcome the old adage of forever being the land of the future and able to say that Brazil's moment is at hand, though this depends in great part on Brazil fulfilling its promise as a global stakeholder. The world, and the U.S. in particular as the perceived gatekeeper to the world's most exclusive governing bodies, have an important role to play in facilitating Brazil's emergence. Fortunately, the starting point for the new U.S. Administration in January 2009 is a good relationship with Brasilia.

Nonetheless, the onus is clearly on Brazil's political elite, and the new administration that will be assuming power in January 2011, to take Brazil the last leg of the diplomatic marathon to join the elite ranks of major powers. Whoever leads Brazil next will also have a solid footing to build upon thanks to the transformative policies carried out first by Cardoso and more recently by Lula—assuming, that is, that Lula takes advantage of his remaining time, and the current favorable political environment, to deepen free market economic reforms and orchestrate a smooth handoff of power.

Ultimately, the burden rests with the Brazilian public to shift from thinking of their country in strictly nationalistic terms to that of a global citizen. Only such a shift of mindset will enable Brazil to make the tradeoffs and sacrifices that are expected of a stakeholder, with Brasilia's management of the Amazon being perhaps the most important litmus test. Brazilians are not alone in struggling with this adjustment; other current and other aspiring stakeholders are grappling with similar issues. What sets Brazil apart—and gives hope for its success—is its longstanding self-image as a world leader. Brazil has long believed that it was destined for greatness and belonged at the table of great powers. It is a vision that has sustained the country through difficult times, driven the dramatic turnaround of the last twenty years, and fortifies Brazilians with the confidence to take on the challenges that lie ahead.

Georges D. Landau's Reaction

Assessing President Lula – Substance v. Style

The Almeida-Diaz essay takes a quite laudatory view of Brazil under Lula's stewardship, ascribing to his presidency many of the successes that more properly belong to his predecessor, Fernando Henrique Cardoso: economic stability, the fight against inflation, liberalizing policies including the extinction of state monopolies, and privatization of state enterprises. It is undeniable that Brazil is today in much better shape than it was when Lula took office in 2003—given the widespread domestic and international fear that the leader of the Workers' Party (PT) would reverse the achievements of his predecessor and institute a socialist regime with the full PT platform developed during 23 years in militant opposition. Some of the successes of Lula's administration, it should be noted, are also due to the exceptionally high growth rates in the global economy during most of the 2000s. Brazil was fortunate to be on the "right" side of the commodity supply chain.

Instead, Lula, ever the pragmatist, had the singular good sense to follow the essential features of Cardoso's economic program, and Brazil blossomed. However, that program has run its course. Inflation has been brought under control (thanks to the Central Bank's austere monetary policy), and new policies are now needed. But the government does not seem to have any in store. No structural reforms have been implemented, and they are vitally needed. What is worse, in Lula's second term (2007-2010), there is a distinct statist and nationalist slant, as evidenced by its handling of the energy sector. Lula has not only stopped the privatization program initiated in the early nineties; he has reverted to the creation of new state enterprises. He has also shackled operational independence of the regulatory agencies. The only area in which, from day one, Lula's policies differed from those of the preceding administration is that of foreign policy—where the president has been consistently pursuing a South-South approach that is ideological rather than pragmatic, and this policy has yet to yield dividends.

The paper does mention these issues, but as a matter of emphasis does not highlight them. Lula is a highly charismatic politician adept at captivating the masses and charming the elite, but he has little appetite or concern for the dreary task of governing this complex country. And it shows.

The paper refers to a number of highly appealing programs that Lula has launched with great fanfare. Yet it fails to mention that he never followed through. Zero Hunger is an example, environmental protection another, education, public security – there are plenty of illustrations. Dilma Rousseff, his chief of staff, is charged with managing the administration, but her views are stuck in the 1960s. The real issue is that the Brazilian economy and its entrepreneurs seem ready for a new engagement with the world economy, but the country's political leadership, especially

the PT political program, are clinging to the same old nationalistic assumptions about North and South the pseudo-dichotomy between developed and developing economies, us vs. them, and so on, and so forth.

Lula, the former trade union boss, is forever a candidate and forgets that, as an elected leader, he must get down to brass tacks. They simply don't interest him. He attends the conclaves of world leaders, but doesn't do his homework. Appearances are everything. It is enough just that he is there and speechifies. Domestically, too, he seems to think that to solve a problem you merely have to make a speech about it. But Brazil is more than Lula. It has a role to fulfill as a responsible global stakeholder. The question is whether the current government is up to this task. The paper answers mostly in the affirmative, but serious misgivings are warranted.

Brazilian Political Culture's Deeper Roots

The paper does a fine job of analyzing the historical context of modern Brazil and how it got where it is. Similarly, it is insightful regarding the critical differences between Brazil and the other Latin American nations. What the Almeida and Diaz miss is a critical socio-cultural difference between Brazil and the United States that explains essential aspects of Brazilian political culture. Whereas the United States began as a nation and became a state—with residual powers granted by its components—Brazil is heir to the Iberian centralist-monarchic tradition, in which the sovereign state is the great provider, an end unto itself, around which everything else gravitates. Hence its ponderous, stifling, bloated public bureaucracy. The distinction is fundamental, and the authors, for instance, do not give sufficient credit to the private sector for overcoming the obstacles put in its path by the government and securing for Brazil the status of a major player in the global economy.

Almeida and Diaz frequently use the word *consensus*. However, in the Brazilian system of government, no consensus is needed, the president has imperial powers; consequently the crucial concept of *accountability* simply does not exist. In fact, the Portuguese language does not have an equivalent for the word. To be sure, there is an elaborate collection of agencies and mechanisms to control public accounts, but the government can still do what it wishes, and the Congress, more often than not, meekly follows. In practice, in the political realm, consensus means the acquiescence of the Legislative to the Executive branch. And therein lies another Brazilian idiosyncrasy: form matters more than content. Everything is permissible provided the outward formalities are preserved.

Brazilian International Leadership – Achievement or Prospect?

The authors ascribe a role of leadership to Brazil. Potentially, the country may indeed be doomed to lead. That leadership, though, should be an expression of internal strengths. And they do exist: an extraordinary, if not unique, endowment of natural resources (enough to make Brazil a granary for the world); strong democratic institutions; a high degree of social tolerance; economic stability; a dynamic industrial and services sector and a sophisticated financial sector; an orderly, ethnically-integrated population that will stabilize at 220 million within three decades; and an enormous consumer market. But there are intrinsic weaknesses as well: staggering income inequality; backward rural areas; a deplorable educational standard that is a mortgage on the country's future; a dilapidated infrastructure; a still fairly closed economy with a high degree of state interventionism; exorbitant taxation to finance snowballing public expenditures (without corresponding services to the population); and a “diplomacy of generosity” that the country can ill afford. So, the record is mixed. Brazil will eventually emerge as a strong leader, but it will require a colossal effort and synergy, which are not yet in sight.

Meanwhile, Brazil's earnest endeavors—such as its participation in peace-keeping efforts in Haiti and East Timor—have not secured it a permanent seat either on the UN Security Council, or on a G-8 expanded to a G-13, nor indeed to grant it success in the Doha Round, where its friends in the G-20 pulled the rug from under it. Brazil would be welcome as a member of OECD, but it would rather not, for fear of alienating its developing country friends. Moreover, the government is unwilling to undertake the requisite incremental next steps in economic opening and trade liberalization. Within South America, Brazil's leadership is consistently challenged by Venezuela's Hugo Chávez and his petrodollar diplomacy, and, for emotional reasons, by Argentina.

Of all these challenges, the most serious setback – for the time being, because it could be reversed – occurred at Doha, which is much more than a round of trade negotiations. The global trade talks symbolize the principle of rules-based multilateralism in the WTO, to which Brazil is deeply committed. Thus, if the country's proactive participation (what the authors call “diplomatic overdrive”) under Lula as a stakeholder in international affairs, enabled it to score some gains, there are as many instances where attempts at leadership were less successful. Proactivity is not with the same thing as leadership.

Another caveat is that there are certain issues of global concern in which Brazil has indeed participated, but has so far failed to make a significant contribution. For instance, Brazil's status as a big polluter – not due to fossil fuel consumption but rather to widespread de-forestation in the Amazon region, which it can't control – would seem to spur an obligation to act. Yet Brazil has confined itself mainly to: (1) requesting funds for the conservation of the tropical forest it so jealously guards and (2) proclaiming the benefits of sugarcane-based ethanol, whose production does not impinge on that of edible crops. Brazil suffers from paranoia in respect of Amazonia, but does virtually nothing to protect or preserve it. On the question of human rights, Brazil has often chosen for ideological reasons to ignore gross violations in such countries as Cuba, the Sudan, Zimbabwe and China, and indeed has been ineffectual in controlling similar violations on its own territory. The paper refers to *Itamaraty's* (the foreign ministry) perplexity on these issues, but stops short of insisting that, as a responsible international stakeholder with aspirations to regional and global leadership, Brazil should have a principled rather than an ideological code of conduct.

The Unfulfilled Reform Agenda

Summing up, Almeida and Diaz make a convincing case for the growing solidity of Brazil's economy—even if the rhythm of the country's, imports is now twice that of the growth of its exports, and has a steadily increasing deficit in current account, as well as a swiftly rising fiscal deficit. On social issues, the authors highlight the pervasive criminality and public insecurity with which the underprivileged classes must contend, though the government is powerless in the face of these realities. The essay also refers to the issue of corruption, that is an endemic cancer in Brazilian society, yet this will only be overcome through sweeping reforms in the political culture and system. Moreover, the authors rightly underline the importance of institutional stability, but downplay the critical need to ensure accountability. There has been little more than lip service by the Lula Government or Brazil's other political parties to indicate a serious reform agenda.

Nor do the authors analyze the increasingly nationalistic, indeed xenophobic stance of the present administration, which is reflected in the nature of the bilateral relationship with the US – it is not that it is poisonous, but neither is it constructive. And the paper gives perhaps too rosy a view of Brazil's participation in international governance, when in fact it is more show than substance.

The essay invokes the well-worn joke about “Brazil, the country of the eternal future”, but does not really delve into the underpinnings for such a future. Since the public sector does not have the abundant revenues it would take to (simultaneously): improve education, restore physical

infrastructure, finance job-creating programs, add technological value to exports, etc., then public-private partnerships (PPP) would seem absolutely critical for any progress. However, perhaps as a corollary to PT's fundamental distrust of private enterprise, the federal PPP program has not a single project to show for itself three years after it was launched, while a number of states across the country have successfully embarked on similar programs.

A related issue is that of Brazil's international competitiveness, especially in the face of the overwhelming capacity of China and India. Brazilian entrepreneurs are aggressive and successful in penetrating foreign markets for goods and services, but these businessmen pray that the bungling federal bureaucracy stays well out of the way of their creative strategies. To be sure, the government has policies (such as the Program for Industrial Policy, PDP) aimed at helping the overseas expansion of Brazil's private sector and a very capable financial agency (BNDES, the national development bank) to assist it. But the agency's purview is confined to Latin America, when entrepreneurs' real challenge is the conquest of the North American, European and Asian markets. The government thinks too small.

This brings us to the possibility that—thanks to Petrobras' recent discovery of enormous oil & gas deposits in the offshore pre-salt layer—Brazil may become one of the world's leading producers (and exporters) of hydrocarbons. This will generate an unprecedented wealth, and the government is perplexed as to how it should be handled. While no final decisions have yet been taken, President Lula is on record as favoring the creation of a 100% state-owned public enterprise that would be parallel to Petrobras, yet unencumbered by private, let alone foreign, capital. This represents a significant retrogression to the government's erstwhile nationalist-monopolistic stance, which had been superseded by the Petroleum Law of 1997 that enabled Petrobras to partner with foreign enterprise and achieve Brazil's self-sufficiency in petroleum production. The pre-salt could serve as a bridge to Brazil's future, but not if encumbered with a philosophy rooted in the past.

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