Brazil’s Rising Ambition in a Shifting Global Balance of Power

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Rooted in democracy and economic stability and propelled by President Lula’s extraordinary popularity and assertive foreign policy, Brazil’s recent rise has allowed the country to gain a new global pre-eminence despite its failure to achieve the stated goals of its international strategy. Consolidation of the nation’s place and influence will depend as much on its ability to tackle domestic vulnerabilities, such as low competitiveness and low savings and investment rates that limit potential economic growth, as on its capacity to calibrate ambition to its position in the redistribution of international power under way in the early twenty-first century.

Introduction

Brazil’s position and role in the redistribution of international power under way in the early twenty-first century is a topic of intense domestic debate in a nation that only recently embarked on the long-delayed transition from eternal ‘country of the future’ to emerging power not shy to assert its interests and advocate changes in the institutions of global governance. The return to civilian rule in 1985, following a 21-year military dictatorship, and the successful stabilisation of the economy in 1994, after decades of near hyperinflation, opened the way for the historically insular giant of South America to pursue its ambition to ‘become a prosperous and just world power, worthy of our continental size’, in the words of Fernando Henrique Cardoso (2007, p. 5), a sociology professor turned president, whose government (1995–2002) set the country on its current course.

Despite the impressive progress of recent years, there remain significant challenges to the realisation of Brazil’s considerable economic and political potential. One challenge is generating economic growth with social equity in a country that carries a heavy legacy of three-and-a-half centuries of slavery, came late to industrialisation, was notorious in the twentieth century for appalling levels of poverty and inequality, and is less competitive in most fields than other big emerging economies. The other major challenge facing Brazil is to calibrate its international ambitions to its position in the global distribution of power. The gradually changing international reality offers rising powers as many opportunities to overreach and lose credibility as it does to exercise leadership and gain legitimacy, prestige and influence, as illustrated by Brazil’s unsuccessful attempt to mediate a dispute between Iran and the international community over Tehran’s nuclear programme in 2010.

As Brazil moved closer to the presidential election of October 2010, the sixth since the reinstatement of democracy, the foreign policy path ahead was not clear. The
consensus that once existed in the formulation and execution of the country’s international strategy had been undermined by the Worker’s Party (PT) government’s politicisation and more ideological pursuit of foreign policy (Ricupero, 2010). More significantly, the three stated objectives of President Luiz Inácio Lula da Silva’s grand diplomatic strategy – concluding a substantive agreement in the Doha Round of negotiations at the World Trade Organization (WTO); securing a permanent seat in a reformed United Nations Security Council (UNSC); and consolidating a South American geopolitical space clearly led by Brazil – remained unaccomplished.

Despite these frustrations, the country has gained considerable political influence and visibility in global affairs. ‘The nation has exhibited a new international self-confidence, a determination to forge a bolder and more innovative foreign policy, and a clear sense that Brazil’s time has come’, according to Andrew Hurrell (2010, p. 60), a keen student of Brazilian foreign policy. ‘Building on Lula’s extraordinary personal popularity, the country’s continued economic stability and its increased international activism and assertiveness, Brazil has rapidly acquired a new global prominence’ (Hurrell, 2010, p. 60). In early 2010, Thomas A. Shannon, days before departing for Brasília as US Ambassador, acknowledged as much: ‘I would not use the word “emerging” [to describe] Brazil. It has emerged as a global player, a global power’ (quoted in Sotero, 2010a). In September 2009, then Chilean president Michelle Bachelet described Brazil as ‘the most articulate emerging power in the international system and a fundamental actor in the world order that is taking shape’ (Bachelet, 2009).

Indeed, in the final year of President Lula’s administration, Brazil took an active role in all major negotiations of global issues. The country’s presence in the G20, established as the new forum for global governance on economic matters in the aftermath of the 2008 financial meltdown, and its key participation in the Copenhagen Conference on Climate Change in 2009 underscored Brazil’s enhanced international standing.

A new standing in global affairs

Brazil’s rise in the international arena is, however, a consequence of more than just its proven capacity for diplomatic action. At the root of its rise is 15 years of continuity of sound macroeconomic policies and, in particular, the 1999 decision to float its currency, the real, which exposed Brazilian companies to the global market forces at a moment when they were prepared to engage an expanding world economy. Exports almost tripled from mid-2003 ($66 billion) to mid-2010 ($169 billion) and were projected to reach the pre-financial crisis high mark of $180 billion by the end of 2010 (Ministério do Desenvolvimento, Indústria e Comércio, 2010). Brazil’s international reserves soared from $37.6 billion in January 2003 to $252.5 billion in June 2010 (Banco Central do Brasil, 2010). Meanwhile, foreign debt, which was at 45 per cent of gross domestic product (GDP) when Lula took office, in 2010 represents a mere 15 per cent of the national economy (Meirelles, 2010, p. 11). The discovery of huge new oil reserves offshore in 2007 added to the sense of confidence underpinned by the country’s promising economic outlook.
Equally important, for the first time in decades, Brazil’s economic success is being shared by tens of millions of Brazilians who have left the ranks of poverty and joined an expanding domestic market. Marcelo Neri predicts that the number of Brazilians living in absolute poverty (per capita family income below $80 per year), which have fallen from 50 million to 29 million since 2003, will be cut in half by 2014, to 14.5 million people, or 8.5 per cent of the population, assuming the average annual GDP per capita expands at 5.3 per cent (Canzian, 2010). This reduction in poverty is driven by a combination of policies made possible by economic stability, including conditional cash transfer programmes, real increases in lower wages and expansion of credit. This expansion of the domestic economy and markets is an increasingly important driver of Brazil’s economic growth.

The 2008 financial crisis, which began in the US, was seen by Brazil’s foreign policy strategists as confirmation of their central belief that ‘the post-Cold War Western-dominated global order was too narrow, too unstable, and too illegitimate to last ... and that power was shifting away from the core Western world and toward the East and South’ (Hurrell, 2010, p. 61). Consequently, it weighed heavily in the Lula government’s calculation to push the envelope and forcefully assert Brazil’s presence among the shapers of international relations in the twenty-first century. As a result of these internal and external developments, by mid-2010, as the Lula administration entered its final months, the question was no longer whether Brazil had risen to a position of international pre-eminence, but how the country would assert and promote its interests as a newly recognised global actor.

A stark indicator of Brazil’s more assertive role was its May 2010 attempt, alongside Turkey to broker a nuclear deal between Tehran and the international community. This involved the exchange of part of the Iranian stock of low-enriched uranium for fuel rods for use in a reactor to produce medical isotopes. Brazil’s surprising venture in an area of the world where it has not been present and has little to no influence signalled a significant departure in what had been until then an increasingly active but predictable foreign policy. Although unsuccessful, the initiative suggested that Brazil might move more aggressively and with greater urgency in the years ahead to broaden the global order and, in that sense, fundamentally challenge the established powers to accept and live with the consequences of a changing international reality. The country’s influential foreign minister, Celso Amorim, stated as much as President Lula was preparing for his May trip to Iran: ‘You have a new configuration of power appearing in the world ... We can’t be conditioned by the views coming from the United States and the EU. We have to look from our own perspective’ (quoted in Keating, 2010). In early July, Amorim elaborated on those comments as he tried to justify Brazil’s and Turkey’s opposition to the decision of the five permanent members of the UNSC to impose a new set of sanctions on Iran: ‘Until recently all global decisions were made by a handful of traditional powers’, he wrote in the *International Herald Tribune* (Amorim, 2010), adding:

‘Countries like Brazil, China, India, South Africa and a few others are the “new kids on the block” among global players that shape international relations. They legitimately aspire to greater participation in international institutions, which still suffer from a “democratic deficit”. Global decisions can no longer be made without listening to their voices’.
Absent from Amorim’s statement was a recognition that Brazil’s UNSC vote contrary to new sanctions against Iran was a net diplomatic loss for the country and the government. Nor was the vote in line with the sentiment expressed by most Brazilians; 85 per cent opposed Iran acquiring nuclear weapons, 65 per cent favoured tougher sanctions against Iran and 54 per cent would support military action (Pew Research Center, 2010, pp. 45, 47, 48). It was a break not only with the traditional American and European powers but also with the new ones, such as China, the biggest new kid on the block, and Russia, which supported the sanctions. To critics, it was the decision of a president who overestimated his and his country’s powers of persuasion and took it on a path unlikely to be followed by his successor, regardless of who that might be.

The outcome of Brazil’s risky move in the Middle East was predictable and fuelled strong criticism domestically among those who fear that the country, a thriving democracy that complies with its international obligations, has badly miscalculated and risks losing precious international credibility and stature by associating itself with a regime accused of stealing an election, brutally repressing dissidents and defying the UNSC on a pressing security issue (Sotero, 2010b). This concern is compounded by Lula’s uncritical support of Castro’s and Chavez’s regimes and his government’s silence about massive human rights violations in Darfur. Former foreign minister Luis Felipe Lampreia predicts that the Iranian episode ‘will cause incalculable material and political losses’ and could raise suspicions about Brazil’s own nuclear programme – all in pursuit of a ‘completely unnecessary’ initiative (Lampreia, 2010, p. A3). Former ambassador to Washington Ricupero described Brazil’s engagement with the Islamic regime as a manifestation of a foreign policy driven by ‘the constant search for the spotlight’ (Spuldar, 2010).

Unfazed by his critics, the highly popular Lula celebrated his government’s actions as ‘a triumph of diplomacy’ (Werz and Chen, 2010). The limited impact of foreign policy events in Brazilian society probably spared the president from paying a political price at home for the failure of his Iranian initiative. Even some critics abroad acknowledged that the move had made a difference (Werz and Chen, 2010):

‘Lula has used the Iran nuclear crisis to take yet another step in creating a new, alternative paradigm of developing or medium-power countries in world affairs, and the United States should pay particular attention to Brazil’s rise on the world stage and what this means for global power structures’.

The ambition to make the established powers, particularly the United States, pay attention to Brazil was clearly in Lula’s mind from the moment he became president. In his inaugural speech, on 1 January 2003, he stated that ‘the democratization of international relations without hegemonies’ would be a top priority (Presidência da República, 2003). In September 2003 Brazil achieved a significant diplomatic victory at the Cancun ministerial meeting of the WTO by resisting, along with India and Argentina, the broadening of the Doha Round agenda, despite the advocacy of the United States, the European Union, Japan and Canada the ‘quad’ that had previously been the key players in multilateral trade negotiations. The episode confirmed Brazil and India as key players in the WTO, and was seen in Brasília as an early vindication of the government’s emphasis on closer ties with the emerging countries of the South. In the immediate wake of Cancun, the president
told the graduating class of the Instituto Rio Branco, Brazil’s diplomacy academy, that their government would no longer be afraid of challenging established notions of real power. It would, instead, be guided by a renewed sense of self-respect and a new determination to proclaim and pursue national interests abroad (Da Silva, 2003):

‘Brazil is an important enough country, but many times we were not seen as important because we did not see ourselves as important. That is about to change ... The government has made the decision to use all of its potential for daring in order to insert Brazil in the world as a major country, a country that likes to respect others but at the same time wants to be respected. We no longer accept to participate in international politics as if we were the “poor little thing” of Latin America, a “little country” of the Third World that has street children, knows only how to play football and to dance at carnival. This country does have street children, has carnival and football. But this country has much more. This country has greatness ... This country has everything to become an equal of any other country in the world. And we will not give up on this goal’.

Although Brazil has begun to assert itself on the global stage in the twenty-first century, historically the nation’s world perspective has been heavily conditioned by geography. From the early years of the republic, in the late nineteenth century, the key foreign policy objectives were the consolidation of the national territory through the peaceful resolution of all border disputes and the pursuit of closer ties with a then emerging United States. One hundred years later, President Cardoso set Brazil in a new direction in regional affairs, in order to assert the country’s autonomy while pushing for integration with its immediate neighbours. With the nation’s position strengthened by the legitimacy of its democratic regime and successful economic stabilisation policies, Cardoso sought to define Brazil’s sphere of influence by engaging its South American neighbours in a strategy of economic integration independent of the US. In September 2000, he convened in Brasília the first-ever summit of South American presidents (OEI, 2000). Six months later, speaking at the Third Summit of the Americas in Quebec City, Cardoso made clear Brazil’s scepticism of the continent-wide integration project the United States was promoting by way of the proposed Free Trade Area of the Americas (Cardoso, 2001, p. 3):

‘the FTAA will be welcome if its creation is a step towards access to the most dynamic markets; if it is an effective way to shared rules on anti-dumping; if it reduces non-tariff barriers; if it avoids the protectionist distortions of the good sanitary rules; if, while protecting intellectual property, it fosters our peoples technological capacity; and, furthermore, if it goes beyond the Uruguay Round and correct the asymmetries it enshrined in agricultural trade. If it does not do so, [FTAA] would be irrelevant or, in the worse hypothesis, undesirable’.

Lula stayed the course on regional affairs. In the first year of his government, Brazil blocked further negotiations of the FTAA. The new president, however, substantially changed Brazil’s style of diplomacy, in favour of a more vocal foreign policy, reflective of his talent as a charismatic leader who loves the limelight and does well on the stump. In his first trip abroad as president, he said in Quito, Ecuador, that his
country’s diplomacy would ‘blossom’. Lula described Brazil as the region’s ‘natural leader’ and proclaimed that the country was ‘ready to assume its greatness’ (Veja, 2003, p. 68).

Brazil sought to expand existing regional mechanisms, such as Mercosur, by proposing the accession of Venezuela, and promoted the creation of new ones, such as the Union of South American Nations, the South American Defence Council and the Community of Latin America and Caribbean States in order to promote faster integration. In mid-2004, Brazil assumed the military command of the UN stabilisation mission in Haiti, a bold move calculated to enhance Brazil’s credentials as a candidate to a permanent seat on the UNSC, according to Clovis Brigagão (Osava, 2006). The regional activism of the Lula administration led his government to act to defuse the internal crisis in Bolivia, after forgiving the country’s president, Evo Morales, for unceremoniously nationalising Petrobras assets in Bolivia. Brazil expanded staffs of its embassies in the region and established a total of 35 new ones, mostly in the developing world. The powerful Brazilian National Bank for Development (BNDES) became an instrument of the regional policy. By 2009, the bank had more than $15.7 billion in lines of credit extended to countries interested in contracting Brazilian companies’ services (BIC, 2009).

Surprisingly, Brazil’s activism in regional affairs did not extend to efforts to settle disputes between neighbours – a point not lost on critics of Lula’s Iran initiative. ‘The Iranian adventure is incomprehensible, especially since there are various conflicts closer to us which we haven’t tried, or haven’t managed, to mediate’, noted Sérgio Amaral (The Economist, 17 June 2010). In contrast with the Cardoso government, which had, with the US, Chile and Argentina, successfully mediated the 1995 border dispute between Peru and Ecuador, the Lula administration did not get involved in a dispute between Argentina and Uruguay, both Brazil’s partners in Mercosur, over the operation of a cellulose plant on the Uruguayan side of the Uruguay River. Brasília also showed no interest in helping to lower tensions and avoid a possible military confrontation between Venezuela and Colombia, which border Brazil. Lula’s attempt to bring Caracas and Bogota closer together in August 2010, after Chávez severed diplomatic relations with Colombia, reacting to accusations of harbouring FARC rebel groups in Venezuela, had little impact and did not alter the mismatch between Brazil’s assertions of leadership at the global level and its modest interest in assuming the risks of leadership closer to home, where it should have a better chance of success.

There are various possible reasons for the Lula government’s lack of appetite to mediate in regional conflicts. Such disputes generate little interest and no political dividends in Brazil. An amalgamation of African descendants indigenous peoples and European and Asian immigrants who speak Portuguese, Brazilians do not see themselves as Latin Americans. Historically, they have been quite distant from their immediate neighbours (Bethell, 2009). Moreover, the region is seen more as a source of potential problems than as presenting opportunities for Brazil. A survey of senior diplomats, business executives, scholars and opinion-makers conducted in 2001 and 2008 indicated decreased support for pursuing relations with the region (De Souza, 2008). This finding suggests that South America and Latin America are generally perceived by Brazilian elites as a poor platform for Brazil to project itself as a global power.
Nonetheless, there are a few indications that suggest that the Lula government has come to see the region as valuable to the exercise of leadership in so far as it helps to project Brazil’s opposition to US dominance. From the early days of the republic, there has been an anti-American strand among Brazilian elites. This strand is likely to be manifest in the foreign policy of any government of an ascendant Brazil, the only country emerging in the United States’s so-called ‘back yard’.

The US recession and a general disappointment with US President Barack Obama’s timid policies for the hemisphere – on Cuba, trade and regional security – strengthened the hand of key figures in Lula’s foreign policy known for their lack of sympathy to the US, and reinforced a tendency to distance Brazil from Washington. In the reverberations of the Wall Street collapse, in December 2008 Brazil convened a summit to launch the Latin America and Caribbean Community of Nations – an event planned to highlight Brazilian leadership in regional affairs and underline the US’s loss of influence. ‘There is no question that this is about exclusion, about excluding the United States’ (Peter Hakim, quoted in the Barrionuevo, 2008). There was also the ill-disguised confrontation between Brasília and Washington over how to respond to the June 2009 constitutional crisis in Honduras, precipitated by a coup against President Manuel Zelaya. The Lula government’s unexpected and ultimately unsuccessful intervention in the Honduras crisis showed again that while Brazil has not generally sought to assert its regional leadership, it has been more than willing to stand up to the United States.

Challenges at home to consolidating power abroad

Brazil’s greater assertiveness at the global level faces serious domestic challenges. In particular, it remains far behind China, India and other emerging markets on most measures of international competitiveness. Despite impressive progress achieved in the past two decades, Brazil’s educational system is a particularly challenging problem as it has been unable to satisfy the growing demand for skilled workers. According to a recent report on Brazil’s competitiveness (Mia et al., 2009, p. vii), ‘a number of shortcomings continue to affect Brazil’s competitiveness landscape and prevent the country from fully leveraging its large potential and realizing higher growth and prosperity’. The report ranked Brazil 64th out of 134 countries, behind China (30th), South Africa (45th), India (50th) and Russia (51st). More specifically, it states (Mia et al., 2009, p. vii):

‘Important imbalances are still present in the macroeconomic environment, no doubt caused by the challenges to achieving a prompt fiscal adjustment brought about by large unmet social needs, as well as by widespread rigidities in the tax system, regulatory system, and goods and labor markets, among other factors. Moreover, despite the government’s greater focus on education in recent years, the country has failed to upgrade its basic and higher educational standards to the level of best practices. Also a large part of the population has not been lifted out of poverty, and the country continues to display one of the most unequal income distributions in the world’.

Other structural problems are reflected by the country’s low rate of domestic savings, which has averaged 17 per cent of GDP in the past decade (Fraga, 2010).
This compares with China’s 45 to 50 per cent and remains well below the levels experts consider necessary for Brazil to elevate the national investment rate from an average of 16.5 per cent in the past 15 years and sustain economic growth above 5 per cent (Fraga, 2010). These structural problems have prevented Brazil from achieving faster progress to date and may limit its potential in the future.

Assuming that Brazil can overcome these structural problems, it seems well positioned to consolidate its rise as a regional and global power and confirm the Goldman Sachs (2003) long-term forecast placing it as the world’s fifth largest economy in 2050. According to the latest official demographic projections, Brazil’s population will stop growing in 2039 just shy of 220 million (IBGE, 2008). If forecasts of continued GDP expansion are correct, the growth of the country’s per capita income will accelerate. This trend points to a demographic bonus that offers a major opportunity and a huge challenge for Brazil in the next three decades, when it will have the largest cohort of working-age people in its population. To benefit from this unique transition, the country will have to tackle a series of difficult domestic challenges; improve the quality of its human and physical capital through continued investments in education and infrastructure; resume and deepen efforts to reform its social security, health care and tax systems; and address other serious vulnerabilities that limit its potential, such as public safety, political corruption and rule of law issues.

Conclusion

Under any realistic scenario for economic growth, the consolidation of Brazil’s space and role in post-Cold War global governance will be complex and challenging. One major unresolved issue is whether the country will be able to act sustainably as a consequential global player without fully embracing the risks and responsibilities of regional leadership. More broadly, another open question is how Brazil will position itself vis-à-vis the United States, Japan and traditional European allies, as well as major new actors such as China and India, the two heavyweights of the emerging world. Brazil’s engagement with China, Russia and India in the BRIC process has led to a surprising level of consultation on issues related to reforming the multilateral financial institutions after the 2008 collapse of the global markets.

‘While in itself the result of a new world that is currently taking shape, BRIC has become an important force for change in the construction of that new global reality; change, to begin with, in international institutions and their decision-making’, argues Brazilian Deputy Finance Minister for International Affairs Marcos Galvão (Galvão, 2010, p. 14). Convergence of interests among BRIC countries, however, has been limited to one aspect of global governance and absent in two others that are relevant for Brazil. Russia and China did not support Brazil’s attempt to gain space in international security decision-making in the Iranian nuclear case and voted with the United States and other UNSC P5 members to impose new sanctions against Tehran. China and India have frustrated the achievement of two of the three principal objectives of Lula’s foreign strategy: reform of the UNSC was blocked by Beijing in 2005 and the Doha Round has been undermined in large measure by New Delhi’s resistance to reducing agricultural trade barriers. China, which has
surpassed the United States as Brazil’s most important trading partner, poses a particularly difficult set of challenges. China’s exports of manufactured goods have displaced Brazil’s in Latin America. Moreover, China imports commodities from Brazil and exports industrial goods, creating what some see as an unhealthy pattern or even a ‘neo-colonial’ relationship (Ricupero, 2009). In addition, eventual economic recovery in the United States will inevitably generate internal pressures for a closer relationship with Washington. Thus much remains to be resolved about how Brazil reconciles its ambitions for great power status with its place in the evolving global distribution of power.

More immediately, the end of the Lula government in January 2011 will test Brazil’s staying power in international affairs. Although rooted in the strength of its economy and democracy and the success of social policies, the country’s recent pre-eminence was certainly enhanced by Lula’s personal charisma and international celebrity status, which suited him particularly well for the exercise of presidential diplomacy introduced by his predecessor (Cason and Power, 2009, p. 4). Neither of the two leading candidates to replace him – former presidential chief of staff, Dilma Rousseff, and former governor of São Paulo, José Serra – have the temperament and leadership qualities that helped Lula and Cardoso project Brazil’s international presence in world affairs. One likely scenario is that the next occupant of the Palacio do Planalto will opt for quieter, more measured and selective international strategy, based on a sober assessment of the country’s real rather than its potential or imagined power, and recognition of the need to rebuild a national consensus on foreign policy, which has disappeared under Lula but remains a condition for Brazil to navigate successfully the uncharted waters of a changing international reality.

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