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CHAPTER NINE

Lula's Foreign Policy: Regional and Global Strategies

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Introduction

This essay presents the chief diplomatic initiatives of the Lula government since 2003, against an analytical background of the potentials – and limitations – of Brazil as a regional and global actor. Brazil is an important player at both levels, obviously possessing greater powers of “intervention” in South America. But Brazil also shows some degree of leadership in a few multilateral issues (such as trade negotiations), and is also acquiring growing leverage in special topics of global impact (such as renewable energy sources). Lately, the country has been seen as an important player in the evolution of the world economy, as one of the so-called BRIC countries, together with Russia, India, and China.¹

Brazil and the World Order: Changes and Continuities in Foreign Policy

In the same way (but perhaps not with the same rhythm or intensity) as the world has undergone profound political-economic transformations since the end of the Cold War, with a new order based on global markets and the progressive emergence of new players, Brazil has also been going through marked changes in its regional role and as a new global player. These changes in Brazil's relative position within the region and the world have taken place as a consequence both of objective processes in the regional and global domains, which affect the South American giant in diverse ways, and of decisions taken by the government of Luiz Inácio Lula da Silva, better known as Lula, who ended his first mandate (2003-2006) and began, in January of 2007, a second presidential term (until 2010).

The structural and systemic changes that have marked Brazil since the early 1990s require a brief examination. First, there was a huge effort toward an opening up of the economy, begun under president Fernando Collor (1990-1992), followed by the *Plano Real*, a successful macroeconomic stabilization plan, taken up by the minister of Economy Fernando Henrique Cardoso (FHC), under the administration of Itamar Franco (1992-1994). The *Plano Real* was then consolidated during the two presidential terms of FHC (1995-1998 and 1999-2002), despite successive financial crises that affected Brazil, leading to the negotiation of stand-by agreements with the IMF (1998, 2001, 2002).² The FHC years brought a complex process of regulatory and institutional changes that exerted their most significant impacts on the Brazilian domestic macroeconomic reality, but also with some relevant elements in the realm of foreign policy, most of them in the regional integration schemes, with Mercosur and the negotiations under the United States' proposal to create a "Free Trade Area of the Americas" (FTAA).

The stabilization process allowed for a new international projection of Brazil, thanks to the good relationship achieved by FHC vis-à-vis some world leaders (especially in the G-7). Regardless of the relative weight of Brazil in the regional and global power schemes of the 1990's, it is worth noting that due to its own economic mass, its diplomatic projection, its ability to regularly attract direct foreign investment, and to other factors, Brazil already held a certain degree of influence in the region, prior to the intense process of structural changes in the world economy during the last two decades.

Market operators feared that Lula's election could represent sweeping changes in economic policy, thus opening the way for a significant deterioration of the "Brazil risk" during the 2002 campaign, with a marked increase in interest rates, inflation and exchange rate parity, and the decline in the value of the Brazilian foreign debt bonds negotiated in the financial markets. In fact, Lula promised that he would not only preserve IMF agreements, but also maintain the core of the mechanisms put in place by the *Plano Real*: fiscal responsibility (that is, budgetary surplus in order to pay public debt), the inflation target regime, and the floating exchange rate. He also announced significant changes in foreign policy, starting by the regional integration process.

Brazilian leaders have always been aware of Brazil's outstanding position in the region – South America in the first place – but they have also aspired, at certain stages, to achieve for Brazil a position of greater importance at the world level. This is why, for example, starting with the Versailles peace conference (1919) and the creation of the League of Nations, Brazilian diplomats stated their aim to see Brazil promoted as a member of its directive body, an objective ultimately frustrated by the choice of Germany to enter it, which provoked Brazil's withdrawal from the League (1926). Along these same lines, at the end of the Second World War, Brazil hoped to assume one of the permanent seats in the new UN Security Council, an equally frustrated goal, due just as much to the opposition of some of the heavyweight

players (the UK and the USSR, for example), as to Brazil's lack of military or financial capacity.

This aspiration to a prominent status in the so-called *inner circle* of the world's political oligarchy is recurrent among Brazilian military and political leaders. Coinciding with a phase of rapid economic growth (1969-1979), during the military regime (1964-1985), those leaders hoped to consolidate Brazil's position as a new economic, and eventually also atomic, power, in order to enable the country to join the leading group at the head of global economy and politics. This objective was frustrated over and over again by the recurring economic crises endured by Brazil in the last three decades of the 20th century: oil crises in 1973 and 1979, external debt in 1982 and beyond, uncontrolled inflationary process in the following years, culminating with the financial crises of the late 1990s. The country was increasingly seen as a candidate lacking the real conditions for leadership, thus confirming the judgment of the Austrian writer Stefan Zweig in 1941, that Brazil was the eternal "country of the future."

Despite the setbacks in the process of economic growth, the financial difficulties and the inflationary process of the 1980s, José Sarney, the president during the re-democratization period (1985-1990), announced, in 1989, that Brazil was ready to assume a permanent seat on the Security Council if and when the issue of UN Charter's reform was once again included in the agenda. At that moment, aware of the difficulties that could arise in the region (especially with Argentina), Sarney did not present Brazil as a "regional candidate," highlighting only the fact that it could accept the seat even without the veto power. Much more important than this claim, however, was the decision by Sarney to decisively engage Brazil in the process of regional integration, which began with sectoral deals and bilateral protocols with Argentina. In 1986, Brazil and Argentina started a bilateral program of integration and economic cooperation, followed by an integration treaty in 1988, having in sight a full common market in ten years' time.

After a decision taken in July 1990 by both countries – under President Fernando Collor de Mello (1990-1992) and Carlos Saul Menem (1989-2000) – to shorten the time frame and anticipate the common market to 1995, the negotiations were enlarged under the request of other neighbors, and the treaty creating the Southern Common Market, or Mercosur, was signed in Asunción in 1991, joining Paraguay and Uruguay to the two big South American countries. Yet, the methodology to achieve a common market was greatly modified: instead of a gradual and sectoral approach for the dismantling of reciprocal trade barriers, a process of free trade was begun, with a view to complete a full customs union by December 31, 1994.

Collor de Mello took decisive steps toward redirecting Brazil's foreign policy toward non-proliferation, the abandonment of a military nuclear program, the reduction of trade protectionism and of the slightly "third-worldist" stance of professional diplomacy, bringing Brazil a little closer to the economic philosophy of

the OECD countries. President Collor (impeached for reasons of corruption less than two years into his term) is said to have declared that he preferred to see Brazil take the “last place in the developed countries group” than as “the first of the developing countries.” This meant a significant change by the traditional standards of professional diplomats, who had always fought to maintain Brazil’s status as a “developing country” (with all of its implications in terms of the General Agreement on Tariffs and Trade [GATT], the Generalized System of Preferences [GSP], and other preferential trade schemes).

During the presidency of Itamar Franco, Brazilian diplomacy also began to operate a small but relevant conceptual change, toward the abandonment of the old adherence to the “Latin America” geographical dimension in exchange for new emphasis on the “South America” concept. This was put forward by repeated attempts to enter into association or trade liberalization agreements between Mercosur and all of its South American neighbors. Also, reacting to the U.S.-backed FTAA, Brazil responded by proposing a SAFTA, or a South American Free Trade Area (which aroused little enthusiasm in the region at that time, 1994).

Fernando Henrique Cardoso’s two consecutive terms are relevant in view of the notable economic reforms, with important constitutional amendments that opened the Brazilian economy to globalization. His presidential diplomacy aimed to secure a larger Brazilian presence on the international scene, in large part thanks to the ease with which FHC moved in international circles. The president also confirmed Brazil’s total de-nuclearization upon adhering to the Nuclear Non-Proliferation Treaty (NPT), the 1968 non-proliferation treaty, for three decades considered by diplomats and military officials as iniquitous and discriminatory. With the exclusive support of professional diplomats – and the indifference or light opposition of entrepreneurs – he took on the difficult issues raised by the remaining asymmetries within Mercosur, which hindered the consolidation of its customs union. His second term was plagued by problems created by huge and growing deficits in foreign transactions, seriously aggravated by the Asian, Russian and Argentinean crises and partially relieved through three successive financial deals with the IMF (1998, 2001, 2002) and the developed countries. Also relevant in the diplomatic agenda of the late 1990s and thereafter was the US-sponsored FTAA, not welcomed by industrial sectors, nor by diplomats or other government officials.

FHC never got to attend any of the G-7 meetings. In fact, as other leaders in some important emerging democracies, he was never invited to any of the closed G-7/8 meetings - at this stage involving post-Soviet Russia - but maintained very close contact with various social-democrat leaders of the group, such as Bill Clinton and Tony Blair. This approximation translated into a sort of informal partnership between FHC and the American president, who had true personal empathy for FHC and was inclined to see Brazil take on a role of greater importance in regional conflicts, such as that in Colombia and its fight against the narco-guerillas of the FARC. That kind of involvement was seen with some reluctance on the part of FHC,

who was aware of the limitations on Brazil's ability of foreign projection in terms of display of power. FHC also did not insist on Brazilian candidacy to a permanent seat on the Security Council, mindful of the objections which would be brought up, as a matter of principle, by neighboring Argentina, whose relations with Brazil in the Mercosur he had always considered to be so strategic in nature that they could not be endangered by some exhibition of Brazilian willingness to play alone in the tableau of great powers game.³

The most significant changes in Brazil's foreign economic and political position and in some lines of its external policies happened during President Lula's first term (2003-2006). His diplomacy, backed by his Partido dos Trabalhadores (PT-Workers' Party) brought new emphases and preferential alliances. Among these was a marked change in the discourse of foreign relations, with some corrections in style and also of priorities in the beginning of his second term (2007). Although a large part of the diplomatic agenda has shown more elements of continuity than of rupture with prior policies, some innovative elements should be highlighted as identifiers of the new emphases and priorities. Besides a strong emphasis on political multilateralism, traditional to Brazilian diplomacy (but now with an evident "anti-hegemonic" leaning, i.e., against American unilateralism), the focus fell sharply onto South-South diplomacy, as well as in a great effort to see Mercosur reinforced and broadened, as the basis for political integration and of consolidation of a unified economic space in South America. Together with the very intense lobbying for a permanent seat on the Security Council and the election of some privileged partners as "strategic allies" – namely South Africa, India, and China, with the eventual inclusion of Russia, on some topics – the reappearance of a "Third World" stance and the reaffirmed integrationist vocation in South America clearly make up the main axes of Lula's new diplomacy.⁴

Although the rhetoric about Brazilian leadership in South America abated substantially throughout the first mandate, the intention was clear at the start and was affirmed even if in an indirect manner. President Lula talked about a "diplomacy of generosity," based on the size and industrial might of Brazil on the continent, recommending that domestic importers buy more from neighboring countries, even at relatively disadvantageous prices, as a way of balancing the flux of commerce and contributing to common prosperity in the region. However, promises made to neighbor countries for direct financing by the National Bank of Social and Economic Development (BNDES) did not materialize, and only the engineering projects of Brazilian companies working in these countries were approved. Diplomatic activism in South America, preferably with an expanded Mercosur, and the setting up of a coordinated policy as the background for diverse initiatives undertaken in the region, may, paradoxically, have resulted in adverse reactions to an expansion of Brazil's influence. Even in Mercosur, the worries about Brazil's "excessive weight" may have influenced the decision of the smaller

countries to support the “political admission” of Venezuela into the integration scheme of the Southern Cone.

In a broader sense, what the diplomatic authorities and Brazilian leaders had to propose, to regional partners and other developing countries outside the region, was a “Southern coalition” to “change the power relationships in the world.” Other proposals, included in the diplomatic speeches by president and the foreign minister, concerned the capacity of Southern countries to open the way for a “new world trade geography,” based much more on South-South exchanges than on the supposed “dependence” on “unequal” trade with the North. Countries which Brazil courted could have realized that what was, in fact, at stake, was that Brazil gave priority, on the one hand, to its objective of a permanent seat on the Security Council, and on the other, to its desire to imprint the mark of Brazilian economic interests on South America, that is to say, two national objectives presented as being the expression of a new multilateral order supposedly taking everyone’s interests into consideration. On both sides, the results were fairly modest, despite the large diplomatic (and financial) investments that were made in South America, Africa and elsewhere. Special attention was given to lusophone countries in Africa – Angola, Mozambique, Guinea Bissau, Cape Verde and São Tomé e Príncipe – to which programs of technical cooperation, professional training, and scholarships were directed.

To explain the gap between the objectives and the achievements realized, some observers argued that the problem was not the operation of Brazil’s diplomatic service, but the flawed idea at the very heart of Brazil’s new diplomacy. This new foreign policy draws from various political elements from the party diplomacy of the Workers’ Party (formulated while it was still an opposition party), such as “solidarity among developing countries,” and “national liberation movements,” the reform of economic institutions (presumably dominated by the great powers), the “essential identity of the South” (of course, against “hegemonic countries”) and so on. Partner countries designated as the selected target of Brazilian priorities do not necessarily share those assumptions. Those presumptions have, as a matter of fact, much more to do with the political idea within the dominant party in the governmental coalition – that is, the PT – than with the traditional ideas and diplomatic concepts of the Foreign Ministry, known as Itamaraty,

Summing up, the changes that effectively took place were much less significant or important than the suggested agenda of “sovereign integration” into the world economy, with the consequent redefinition of the international political and economic order. This is probably due to the fact that Brazil’s weight in the relevant flow of goods, services, technology, and capital, as well as in the provision of technical assistance and cooperation on a world scale, is relatively modest in relation to its more vocal and quite visible role in some of the main world forums. Based on the modest harvest of results achieved so far, the practical implementation of regional diplomacy and the South-South orientation (reaffirmed, nevertheless, at the

start of the second term) seems to be moving toward greater pragmatism than was the case during the first term.

Main Priorities in Brazil's New Foreign Policy

The new priorities of Brazilian foreign policy were explicitly stated on several occasions, starting with President Lula's inaugural address in January of 2003. They were reaffirmed in Lula's trips abroad, also through an intense schedule of diplomatic contacts kept through regional and multilateral meetings, as well as through the reaffirmation of these same priorities during the second inauguration. Indeed, on 1 January 2007, Lula stated that Brazil had changed for the better "in monetary stability; fiscal consistency; the quality of its debt; the access to new markets and technologies; and in diminished foreign vulnerability." As the President noted, Brazil's foreign economic situation had improved considerably.

Lula reaffirmed "[Brazil's] clear choice of multilateralism," the "excellent political, economic, and trade relations [maintained] with the great world powers," but he also confirmed that the "ties with the Southern world" were a priority, especially with Africa, which he described as "one of the cradles of Brazilian civilization." Lula also remarked that "surrounding South-America" was the "center" of his foreign policy, adding that Brazil "associates its political, economic, and social destiny with the continent, Mercosur, and the South-American Community of Nations" (later renamed Unasur, the Union of South American Nations, at a meeting in Venezuela, in April of 2007).

These are Brazil's foreign policy priorities. They are based on a world vision that corresponds to traditional priorities of the establishment, i.e., professional diplomats – the Foreign Minister is still a career diplomat – as much as with the views of the political left, the Workers' Party in particular. In fact, it is in foreign policy that the Lula government's emphases are most similar to original orientation of the Workers' Party. Those policies are faithfully followed in many trends of the new external policy – in particular in the South-South diplomacy and in the strategic alliances with some of the large, non-hegemonic, players.

Those priorities have been advanced by a variety of means, some of them traditional (that is, through Itamaraty's diplomacy, reputed for the excellence of its diplomatic staff), or by an active presidential diplomacy. Yet, this diplomacy is not called "presidential," in an effort to distinguish it from the diplomatic style of President FHC. There is also a brand-new kind of external action, which could be described as "party diplomacy," made up of privileged links and alliances between the progressive and leftist movements which were formerly in the opposition, i.e., Latin American Marxist parties (grouped together in the Forum of Sao Paulo⁵), as well as the so-called social movements, whose political agenda and focus are

obviously much closer to those of the World Social Forum than to the World Economic Forum of Davos.

These new objectives represent a combination of factors linked to national and sectoral policies, such as, for example, the emphasis upon a progressive or social agenda (in order to compensate for the uneasy acceptance of a conservative economic policy). They also are linked to some very old traditions of Brazilian diplomacy, like the so-called “independent foreign policy,” put in place by the progressive governments that preceded the military regime that took power in 1964. This latest agenda may be seen as an affirmation of autonomy (with regard to the United States, obviously) in the fields of politics and the international economy or in matters of security. It also gives emphasis to national economic development and on “policy spaces” for sectoral measures aimed at developmental programs. Besides, Lula has reaffirmed the priority of South American regional integration, through the enlargement of Mercosur.

Given these objectives, Brazil has thrown itself into several diplomatic initiatives that have engaged not only professional diplomats, but also the President himself, who has become a major proponent of the new Brazilian activism. This activism has been in motion since the very first day of the new administration, when, taking advantage of the presence of the Foreign Ministers of India and South Africa in Brasilia at Lula’s inauguration, Brazil proposed the creation of a G-3, consisting of India, Brazil, and South Africa, which has held two summits to date. The same activism was present at the inception of the G-20, created at the ministerial meeting of the WTO in Cancun (September, 2003), and it is seen as an essential instrument for achieving a “change in world power relationships” and establishing a “new international geography of trade.” The government also seeks to transform the BRIC concept into a truly diplomatic endeavor, by proposing regular meetings of the four foreign ministers and, if possible, the heads of their respective governments. In fact, all kinds of diplomatic activities are being developed, with the aim of reinforcing Brazil’s capacity to influence politics at the regional and global levels. Those areas that have a direct interface with civil society – such as those involved with the environment, peasant groups or the fight against Aids – are increasingly part of an activist and “progressive diplomacy.”⁶

The players or political agents that participate in the formulation and implementation of current Brazilian foreign policy are many and are found at different levels. Sometimes, they move through apparently uncoordinated actions or have different kinds of discourses, which could give the impression that the decision-making process is fragmented. Foreign policy therefore stems from the convergence of distinct vectors, in contrast to the relative organizational and conceptual unity found in previous administrations. Traditionally, diplomacy was the monopoly of Itamaraty, which also “offered” presidential advisors and international advisors for other public agencies. In Lula’s government, beyond the a priori positions taken by the Workers’ Party on international policy, Professor Marco

Aurélio Garcia, the PT's former Secretary for International Relations, has chaired the presidential foreign advisory staff.⁷ Trade unions and social movements have also rallied around their favorite topics, be it in support or in opposition to certain issues on the international agenda: most important have been the FTAA hemispherical trade negotiations, South American integration and the so-called "South-South diplomacy."

The various foreign policy actors are, however, taking a political-diplomatic route different from the old patterns of Itamaraty. Also, some of the new "strategic alliances" can, in principle, influence or even determine Brazil's position in multilateral forums of special interest: this could be the case, for example, in human rights issues (in relation to China or Cuba, among others), or in environmental or ecological matters, with the unheard of involvement of pressure groups – against GMOs or agribusiness, for instance – have sympathizers in the government. This issue is especially relevant in the case of the "peasant" or "landless" movements that are openly against agribusiness and liberalized trade in farm products, weakening Brazil's negotiating position, while it attempts to "merge" irreconcilable demands in the same agenda.

Foreign policy is increasingly important in Brazil's domestic politics. The mass media, academia (generally in line with the left), and businessmen and union leaders in industrial and agricultural sectors have mobilized around the central issues of the Lula government's foreign policy. For the first time, Brazilian diplomacy seems to have lost the unanimity that it long enjoyed in mainstream society, due, in large part, to the PT's original ideology.⁸

Brazil's Foreign Policy Strategies and Their Main Focus of Interest

Lula's administration put in motion all kinds of tools and all forms of foreign policy – multilateralism, bilateral relations and informal mechanisms of cooperation – in order to promote its new diplomatic priorities. The multilateral forums are naturally in a good position to handle global issues, especially trade policy, the environment, technical and financial cooperation for development, human rights and disarmament. In the area of regional integration, there is a combination of bilateral tools, most of all with Argentina, and of multilateral coordination efforts toward creating favorable conditions for the advance of physical integration in South America: infra-structure, energy, transports, and communications in general.

One of the main priorities of Lula's diplomacy is the quest for a permanent seat in the United Nations Security Council, an objective on behalf of which a variety of strategies and instruments are used by diplomats and the President himself. This topic has been inserted in all bilateral agendas and appears in practically all talks and bilateral statements agreed upon between Brazil's president and other leaders during

state visits or even communiqués arising from working meetings. In order to obtain support for this cause, financial compensations or the canceling of old bilateral debts were offered in some cases – that was the case for various African and Latin American countries –, as well as promised increases in bilateral technical cooperation for the least-developed countries. This objective was probably the underlying element in the Brazilian decision to lead the UN stabilization mission in Haiti, with the mobilization of important resources at the military, diplomatic, humanitarian, technical and financial levels. It has furthermore provided the opportunity for a high-level debate and coordination efforts with other declared Security Council candidates. From these talks the G-4 arose, uniting Brazil with Germany, India, and Japan. The group aims to establish a common position for the enlargement of the Security Council, to include them and a representative from Africa. Brazil received support from at least two of the current permanent members, France and the UK, plus the ambiguous support of a third, Russia. But it faces the much more ambiguous “non-opposition” from the USA. (In fact, the latter supports Japan and “one another country,” which is probably India). Brazil also sought the support of China.

Despite open opposition in the region from Argentina, and the lack of enthusiasm of the U.S. for an “exaggerated” expansion, Brazil considers its efforts worthwhile. Brazil’s diplomatic and military establishment sees winning a permanent chair in the Security Council, even without veto power, as a desirable symbol of the country’s status as a major world player. Although the issue is being debated in terms of regional representation, Brazil does not consider its candidacy as necessarily emanating from any mandate arising from its geographic region. Rather, it sees a Security Council seat as an acknowledgement of the country’s important global role in achieving peace and development.

Although the costs and compensations of obtaining a Security Council seat have been little debated outside the elite, there is establishment consensus that there is “support” in every layer of society for this objective. The same consensus does not exist regarding another aspiration, accession to the OECD. Adherence to the Paris-based organization is seen as an unsought “graduation” into the “rich countries club,” a shift that could create “obstacles” to the coordination of positions with neighbors and developing countries as a whole.

Despite its firm engagement in nuclear non-proliferation, its adherence to the entire range of instruments of control of weapons of mass destruction of all types, as well as to the regimes to control sensitive equipment and dual use materials, Brazil does not consider acceptable schemes that perpetuate the currently existing discriminatory systems, as shown by the NPT. Conventional disarmament is not emphasized as such, by diplomats or the military establishment, but Brazil is one of the countries with the lowest per capita spending on the military, in the region and in the world; this fact has worked as an element of reassurance and political stabilization in the region. Brazil aspires to play the same role on a wider scale.

The focus of Brazil's political, economic, and diplomatic strategy is obviously centered on South America, an idea that has been emphasized by Brazilian diplomacy since the beginning of the 1990s, as a replacement for the politically vague and geographically diffuse notion of Latin America. After the US advanced its idea of a FTAA for the entire hemisphere, Brazilian diplomats tried to regain the initiative, and proposed a SAFTA (see above), conceived as a network of trade deals between Mercosur and the South American countries. It did not succeed at the time, but reappeared later, first in the form of President Cardoso's idea for a South American Initiative for Regional Integration, to be focused on infrastructure projects –, and appeared afterward under Lula's more ambitious proposition for a South American Community of Nations, for which Brazil offered to supply the secretariat (declined by the neighbors). Lately, the same idea gained the support of more activist countries in the region and is now transformed in a political organization known as South American Nations Union (Unasur), with a formal secretariat established in Quito. The proper functioning of those political arrangements is, however, complicated by the political instability of many countries of the region, by their inconsistent or erratic diplomatic actions. At the economic and financial level, the U.S. can outbid Brazil in market access, financing, trade in services, and investments, areas in which Brazil has notoriously less competitive resources and capabilities.

Disagreements among countries in the region regarding a common list of priorities, their respective, and not always coincident, national interests, and their historical mistrust vis-à-vis Brazil's specific weight – together with Brazilian protectionism – have made it very difficult for Brazil to exercise what many observers consider to be a natural leadership in the region. Besides, the continent is still not well integrated physically – geographical obstacles are very considerable in some areas – and great economic and social disparities, the so-called asymmetries, combine to limit the integration drive sought by Brazil. The very notion of a regional leadership was never an aspiration of traditional Brazilian diplomacy, because “old” diplomats were aware of the problems and suspicions that such a declaration would cause in the region. Lula's display nevertheless flirted with demands of the smaller countries, which were probably eager to get Brazil's technical, financial, and economic cooperation. The same requests – and the apparent “acceptance” of a Brazilian prominence – were made by African lusophone countries, with which Brazil's current government engaged in very ambitious cooperative programs, only limited by the scarcity of financial resources.

Indeed, despite the impressive magnitude of its GDP and the advancement of its industry and agriculture, Brazil has insufficient means to provide assistance and technical cooperation at the same levels as DAC-OECD countries. In South America, the country has voluntarily advanced infrastructure and economic capacity in the smaller countries. Brazil agreed to put up 70% of the financing for a compensatory mechanism within Mercosur called Focem, a fund for the “correction

of asymmetries.” Even adopting for itself much more cautious, and orthodox, economic policy principles, than those in force in many other countries in South America (with the exception of Chile), Brazil participates in discussions and negotiations with an aim of creating financing schemes for regional development using public resources. Meanwhile, in October 2007, Venezuela’s President Hugo Chavez proposed a Banco del Sur, with norms and rules perhaps looser than those followed in the IADB (Inter-American Development Bank) or the CAF (Andean Financial Development Corporation).

Some disagreements arose between Brazil and some countries in the region, mostly oil and gas exporters, concerning energy cooperation and the relative weight of fossil fuels and the renewable energies. Brazil is a major producer and exporter of ethanol made from sugarcane. It has already proposed technological cooperation schemes with the USA to stimulate its use internationally, something that has not stopped the latter country from protecting its own corn-based ethanol by imposing high duties on the Brazilian product. Brazil, as it continues to seek a possible understanding for a full physical integration of the continent, has pursued a cautious strategy in the energy integration sector. This is much more complicated than was initially predicted, since it includes the net supplier countries of oil and gas, most notably Venezuela and Bolivia, but also Peru and Ecuador, and the net consumer countries of Brazil, Argentina and Chile, whose interests are not necessarily conflicting or contradictory, but do not exactly coincide on all points. Bolivia has difficulties in fulfilling its treaties and gas exploration accords signed with Brazil in the 1990s, and in 2006 unilaterally modified them. (In fact, Bolivia expropriated some Petrobras assets in that country). In addition, the Venezuelan proposal for an enormous gas pipeline to Brazil and Argentina must be carefully analyzed, as it implies enormous costs, environmental barriers, and as yet unspecified tariffs.

Lula’s second term diplomacy in South America is being carried out under much more cautious, and realistic, assumptions and procedures than during its first term. Indeed, the enthusiasm for the cause of integration, and the political initiatives adopted in a relatively impetuous manner in the initial phase, soon came up against the distinct political realities in each sub-regional case. Lula’s most ambitious project was to ensure the expansion of Mercosur as the basis for regional leadership, both for its own sake and as a kind of continental resistance against the U.S.-sponsored FTAA. But his government was unable to overcome the difficulties that had paralyzed the trade group in the exchange crisis of 1999: competition among members countries, a defensive posture against foreign competition and the non-integrated and nearly non-complementary national industrial structures. All these factors continue to impede the operation of the customs union via a common external tariff.

The FTAA negotiating process was blocked at the presidential summit meeting of Mar del Plata (November, 2005), at the instigation of Lula, Kirchner and Chávez, only to come back in the form of a series of bilateral trade agreements drawn up by

the USA for like-minded countries (including some partners in Mercosur, such as Peru). In 2006, Mercosur was expanded as to include Venezuela, but its adhesion was an essentially political decision, still leaving unresolved whether the deadlines for its full incorporation into the customs union.

On the bilateral level for example, Brazil had to accommodate Argentinean complaints, accepting various unilateral restrictions to free trade before agreeing to consolidate the new regime of trade exceptions in a protocol of safeguards, euphemistically called the "Competitive Adaptation Mechanism." In the South American integration plan, the "burden of leadership" was never taken on, since the South American Community of Nations remained a project that was still being put into place when Brazil was rebuffed in its intension to acquire the secretariat; during its inception, for example, in a regional meeting held in Peru (December, 2004), none of the three other Mercosur presidents showed up for the ceremony. The new Community has taken the name Unasur, proposed by Hugo Chávez, with a secretariat in Quito. But it is far from obvious that the new entity can overcome the differences in vision and objectives among the region's leaders.

Interactions between Brazil's New Diplomacy and the International Order

Brazil occupies a singular position, not necessarily unique, but specific in its own way within the contemporary system of international relations. Together with Russia, India and China, who are emerging or are already categorized as large powers, Brazil is presumably destined to play a future role of prominence in the changing scenarios of global governance, but probably as a "raw economy" rather than as a strategic-military power. As the first worldwide producer of a long list of raw materials that are mostly agricultural, Brazil is blessed with immense reserves of biodiversity and natural resources.

For a long time, in its first three or four centuries as a nation, Brazil, quite efficiently, offered up to the world basically dessert products: sugar, coffee, cocoa, and a few others. Currently a wide range of other raw goods – grains, meat, orange juice, minerals – complements this line of raw materials, besides manufactured goods of low technological intensity (textiles, shoes, some appliances). Today, Brazil continues to be a competitive commodities supplier – and it will certainly remain so, with more value-added primary products – but is also on the front line of state-of-the-art technology, like the civil aircraft of Embraer. In the future, and for the first time in its economic history, Brazil will become a major supplier of renewable energy products, from sugarcane ethanol to biofuels in general, not only because of its raw products, but also because of its technological and scientific achievements.

For the first time in world economic history, Brazil also will have the chance to put its imprint on something really valuable at the world level, that is, the energy matrix emerging from the gradual depletion of petroleum: this prospect is still distant, but it offers the opportunity to define a new strategic industry that has truly geopolitical dimensions. Properly managed, the Brazilian know-how and technology of sugarcane plantation, its transformation into ethanol and the associated farms and plants for many kinds of biofuels, can in the near future be transferred to lagging developing countries, like those in Africa – starting by lusophone Angola and Mozambique, which have plenty of arable lands.

Historically Brazil has been penalized for its lack of abundant sources of energy – coal and petroleum in the first and second industrial revolution, which, together with the population's low educational level, has hampered its entry into the modern industrial economy. Today, fully industrialized but still dragging the heavy baggage of a lagging educational system and low standards of technology (despite a notable rise in academic and scientific output), Brazil is preparing to take on a more prominent role in globalization. The low economic growth rates of the last two decades followed a sustained and impressive rise in GDP during the first eighty years of the 20th century. Sluggish growth could persist long into the future, taking into account Brazil's high fiscal burden, compared to the rest of the emerging countries: public expenditures make up around 38% of the GDP, similar to OECD's average, compared with an average of 28% for emerging countries and an even lower rate for the most dynamic among these (17 and 18% for China and Chile, for instance).

Indeed, an analysis of the BRIC countries by two Goldman Sachs economists confirmed that Brazil is the least dynamic country relative to this group, only managing to surpass France and Germany after 2030.⁹ But, even maintaining just the average, fairly modest rate of 3.5% GDP annual growth, up to 2050, this would be enough to place Brazil into a new G-6 of the world economy, predicted in this study. Of all BRICs, Brazil is the country with the best market structures, the fruit of capitalism that has developed in a relatively orthodox manner throughout the twentieth century (in comparison to the diverse socialist experiments in the other three).

Despite overall dysfunctions generated by an intrusive government and by the heavy tax burden, in large part responsible for the high costs of transactions and the high rate of informality in the economy, in general, the fact is that modern Brazil has a relatively developed and functional state and corporate institutions, allowing for its smooth entrance into the circuits of a globalized economy. If the country is able to put forward a new social pact that could reduce the weight of over-taxation and excessive regulation, Brazil could break into the virtuous circle of sustainable growth (although at more modest rates than those of a few other emerging countries), while still preserving macroeconomic stability. Brazil will retain, for one or two generations more, a significantly skewed pattern of its income distribution,

with a higher Gini coefficient than the world average. Yet the trend seems to be gradually downward, because of macroeconomic stability, investment in education, and government transfers.

The overall orientation of the Brazilian elite is to seek out alliances of a pragmatic rather than ideological character, and to develop the country's potential according to a combination of political elements, including diplomatic and economic factors. Obviously, a favorable evolution toward the desired sovereign integration into the world economy and the assumption by Brazil of a larger economic and political presence in the world depend on the country's successfully carrying out domestic reforms to allow for faster economic growth. Brazil also has to consolidate the process of structural transformations necessary to place it among the fully developed nations. Although much of this complex process depends on objective conditions--most of all on capital accumulation and technological capabilities--policy measures and elite attitudes are also crucial.

This path to full development cannot be guaranteed. In a pessimistic scenario, reflected in a study by the National Intelligence Council, an entity affiliated with the CIA, which saw in *Project 2020* perspectives for Brazil and Latin America, there was an attempt to visualize trends for Brazilian and regional evolution. According to this study,

Brazil will likely have failed to deliver on its promised leadership in South America, due as much to the skepticism of its neighbors as to its frequently overwhelming emphasis on its own interests. It will, nevertheless, continue to be the dominant voice on the continent and a key market for its Mercosur partners. Brazil will still not have won a permanent seat on the Security Council, but it will continue to consider itself a global player. Although Brazil's economic improvements are not likely to be spectacular, the size of its economy, along with its lively democracy, will continue to have a stabilizing effect on the entire region. Trade arrangements with Europe, the USA, and large developing economies, mainly China and India, will help to keep its exports growing steadily enough to offset its overall lack of economic dynamism. Even after twenty years, efforts to pass vital reforms to Brazilian institutions will still be underway. Though the situation is bound to improve somewhat, the so-called 'Brazil cost', itself a governance issue, will continue to thwart efforts to modernize the economy thoroughly. Brazil's complex and burdensome taxation system, fiscal wars between its states, and the limits of its internal transportation infrastructure, will persist. Taking advantage of Asia's hunger and improved ties with Europe, Brazil will endeavor to offset its structural limitations through its robust agribusiness sector. Brazil's sizeable debt and vulnerability to inflation will also remain matters of concern.¹⁰

Conclusion

Summing up, Brazil will continue to advance, but apparently not at a rhythm that will put it at the head of the world economy in the near future, provided, of course, that no big economic or social problem disturbs the relatively optimistic prospective scenario laid out in the Goldman Sachs study. In any case, its presence in this hypothetical G-6 brings economic implications, but nothing is said about the consequences for Brazil on the strategic or military levels, areas not at all covered by the study. It is predictable that Brazil will continue to show features similar to those currently seen in the actual implementation of its very cautious and at the same time participative diplomacy: a leading position in trade forums, a strong presence in the regional context, a relatively small importance in the financial and technological areas, and the continuity of its active engagement in multilateral bodies. The Southern alliances, especially those in the South American region, will continue to have a great emphasis in its foreign policy, at the same time that the dialogue with the leading powers will continue to intensify, not to exclude its eventual entrance into the OECD and in an expanded G-8.

The preferred scenario for diplomatic action will continue to be in South America and possibly in some African countries – especially the big Lusophone ones, Angola and Mozambique – but the quality of diplomatic interaction with developing partners will also presumably be improved. The United States and the great European countries that have a strong corporate and cultural presence in Brazil, like Germany, will continue to have an outstanding role in this complex web of economic, financial and technologic relationships. In 2007 the European Union and Brazil decided to open a high-level dialogue about a strategic partnership, which should have implications for Mercosur. Such a scheme might allow Brazil to offset the weighty presence of the USA in South America.

In conclusion, it may be said that the emergence of Brazil as a major regional and global player depends much more on continuity of its internal economic reforms and policies than its ability to project itself abroad, a process that seems guaranteed.

Notes

1. Wilson and Purushothaman (2003).
2. For a global view of the reform era in Brazil, see: Giambiagi, Reis and Urani (2004); Font and Spanakos (2004); Purcell and Roett (1997).
3. On FHC's presidential diplomacy and the main international relations issues of his term, see Almeida (2004: 203-228); the argument about UNSC and Argentinean reaction about it was carried in an interview with FHC himself.
4. There is not yet a detailed or complete study of Lula's diplomacy. For a brief analysis of foreign policy during Lula's first term, see Almeida (2007: 3-10); available at: http://www.usp.br/cartainternacional/modx/assets/docs/CartaInter_2007-01.pdf; accessed in January 2008.

5. This is a conference of left-wing parties and social movements in Latin America. It was organized by the PT, and the first meeting was held in Sao Paulo in 1990. Since that time, it has met in other Latin American cities, but the organization retains the name Forum of Sao Paulo.
6. See Almeida (2004: 162-184).
7. On the PT's foreign policy positions, see Almeida (2003: 87-102); available at: http://www.scielo.br/scielo.php?script=sci_arttext&pid=S0104-44782003000100008&lng=en&nrm=iso&tlng=pt; accessed in January 2008. French version: "La politique internationale du Parti des Travailleurs, de la fondation du parti à la diplomatie du gouvernement Lula". In Denis Rolland et Joëlle Chassin eds. *Pour Comprendre le Brésil de Lula*, Paris: L'Harmattan, 2004, p. 221-238.
8. See Almeida (2006: 95-116).
9. See Wilson and Purushothaman (2003); available at <http://www2.goldmansachs.com/insight/research/reports/99.pdf>. accessed in January 2008.
10. See "Latin America in 2020: Two Steps Forward, One and a Half Back," in National Intelligence Council, part of the project *Mapping the Global Future: 2020 Project*, Washington: Government Printing Office, 2004; link: http://www.dni.gov/nic/NIC_2020_project.html; accessed in January 2008 cited in: Almeida (2004: 157-190, cf. p. 189).

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