

## **Brazil, the Entrepreneurial and Democratic BRIC\***

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*By most objective metrics, Brazil is the least imposing of the “BRICs countries”—less populous than China and India, slower-growing in recent years than China, India, or Russia, and the only member of the group lacking nuclear weapons. We argue that Brazil’s material capabilities are more significant than commonly supposed. Moreover, Brazil’s democratic transition in the mid-1980s, along with that of its neighbors, has for the first time enabled Brazil to realize its promise of becoming a regional leader in South America. On the basis of its democratic and regional prominence, Brazil has become an effective political entrepreneur at the global level, initiating and participating in multilateral fora as diverse as the trade G20, the financial G20, and now the BRICs club. On issues of style, inclusion, and distributive justice, Brazil reliably sides with the “South.” Yet its core public policy instincts embrace familiar “Northern” preferences: liberal, and mixed-capitalist, democracy. Polity (2010) 42, 14–37. doi:10.1057/pol.2009.15; published online 7 December 2009*

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Although there is an emerging consensus that China and Russia are major powers in the interstate system and India soon will be, the notion of Brazil as a country of global significance retains a sense of the exotic and the incredible. Travel changes this perception; even the briefest of trips to the Americas makes the regional importance of Brazil clear, be it through the profusion of Brazilian pop music in the cantinas of Peru, the ubiquitous oil exploration of Brazil's state-controlled oil-giant Petrobrás, or the constant reference made by the national media in each country to opinions from Brasília. Yet for the non-Latin Americanist, the description of Brazil as a notable player in world politics is new and controversial, and frankly owes much to Brazil's inclusion by Goldman Sachs in its analyses of investment opportunities in the "BRICs countries" of Brazil, Russia, India, and China. Building on initial contacts in 2006, Brazil has participated eagerly in BRICs summitry organized by the Russians. Does this mean that Brazil ought to be considered a significant player in the emerging global system? We argue yes, which raises the questions of what Brazil wants and what it brings to the BRICs club.

Brazilian President Luiz Inácio "Lula" da Silva recently characterized his country's international profile thus: "We are not important because of the amount of money we have, the number of atomic bombs that we have, or the quantity of scientific knowledge that we possess. We are important because of our deportment and, above all, our objectives."<sup>1</sup> As a large democracy determined to steer a course independent of the major advanced industrial states that have dominated global politics since the mid-twentieth century, Brazil perhaps calls to mind the India of Jawaharlal Nehru in the 1950s and early 1960s. Nehru sought through the Non-Aligned Movement (NAM) to claim the moral high ground between what he viewed as two equally imperialist camps of Soviet Communism and Western capitalism. But a more appropriate heuristic might be Brazil as the new Canada, a close ally of the United States, with whom it shares liberal democracy and a capitalist economy.<sup>2</sup> Brazil's recent assertiveness around South-South cooperation and rebalancing of representation in international organizations constitutes a bid for greater global influence, implicitly at the expense of

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1. Luiz Inácio Lula da Silva, "Discurso durante cerimônia em comemoração ao Dia do Diplomata," Palácio Itamaraty, Brasília (7 May 2009), authors' translation.

2. Andrew Cohen, *While Canada Slept: How We Lost Our Place in the World* (Toronto: McClelland and Stewart, 2004).

the traditional Western European powers, but does not threaten the values underpinning the liberal world political economy: Brazil is the quintessential “responsible stakeholder.”<sup>3</sup> Brazil pursues its aims of greater voice in global governance through active participation, following a conscious strategy of creating and joining international organizations, of which the BRICs club is but one example.

The essay begins with consideration of Brazil’s objective capabilities in the global system. The second section considers the quite recent emergence of Brazil as a regional leader, which we argue would not have come about but for the prior democratic transitions of Brazil and most of its continental neighbors. The following sections consider Brazil as an activist country at the global level and examine Brazil as a BRIC.

We conclude by suggesting that it is in the interests of the United States to welcome Brazil’s new global prominence.

### **Brazil as a Capable Middle Power**

“Power” in the global system may be defined in terms of either *capabilities*, that is, objectively measurable resources that might be deployed by the possessor to get its way, or realized *influence*, observable instances of subordinate countries changing their behavior in response to the preferences of dominant countries.<sup>4</sup> The relational definition of power as realized influence reminds us that states that are predominant in terms of capabilities do not always achieve their goals, often failing to persuade less capable states to join their preferred projects. Moreover, observers such as Hurrell and his colleagues or Frazier and Stewart-Ingersoll<sup>5</sup> suggest that identification as a “major power” is at least partially socially constructed, pointing as an example to the length of time it took for twentieth-century Japan to be widely accorded this status. Yet, conceptualizing power as a preponderance of objective capabilities is particularly appropriate for ascertaining which states could be systemically consequential.

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3. For a less sanguine view, see Mac Margolis, “Lula gets aggressive,” *Newsweek*, 27 June 2009.

4. Michael F Sullivan, *Power in Contemporary International Relations* (Columbia: University of South Carolina Press, 1990); Robert Dahl, “Power,” in *International Encyclopedia of Social Science*, Vol. 12, ed. David L. Sills (New York: Macmillan, 1968), 405–15; David A. Baldwin, *Paradoxes of Power* (New York: Basil Blackwell, 1989).

5. Andrew Hurrell, Andrew F Cooper, Guadalupe González González, Ricardo Ubiraci Sennes, and Srinii Sitaram, “Paths to Power: Foreign Policy Strategies of Intermediate States,” Working Paper #244, Latin America Program (Washington, DC: Woodrow Wilson International Center for Scholars, March 2000); Andrew Hurrell, “Brazil: What Kind of Rising State in What Kind of Institutional Order,” Paper prepared for GIR-Princeton Summer Workshop on “Rising States; Rising Institutions”, Princeton, NJ, 25–27 August 2008; Derrick V. Frazier and Robert Stewart-Ingersoll, “Power within Regions: Moving Toward a Conceptualization and Measurement of Regional Power Structures,” Paper presented at International Studies Association, Chicago, IL, 28 February – 3 March 2007.

There is reasonable consensus about which countries are “major powers” in terms of capabilities. Ikenberry, Mastanduno, and Wohlforth<sup>6</sup> include the following seven: the United States, China, Japan, Germany, Russia, France, and Britain. Their three tables of supporting data report on the size of the economy, the level of military expenditure, and technological sophistication, in both absolute and per capita terms. Similarly, the organizers of the University of Michigan’s Correlates of War (COW) project select the permanent members of the United Nations’ Security Council during 1945–1990, adding Germany and Japan from 1991 onwards, thus arriving at the same seven countries. The COW researchers explicitly decline to define “major power,” simply noting that their judgments have high “inter-coder reliability.”<sup>7</sup>

But the distribution of capabilities is not stable; redistribution along various component dimensions occurs constantly. We define a “middle power” as a state that few would consider a major power, yet whose total capabilities suggest it belongs among the top-ten-plus global powers. In contrast, a “regional power” is a state with sufficient capabilities to exercise significant or preponderant influence over a set of geographically contiguous states identified as a common region. Regional powers and middle powers are typically intersecting sets, but are not necessarily either equivalent or nested. Thus Nigeria is a regional power in West Africa, but not a middle power, while Canada, Mexico, Australia, and Indonesia are middle powers but not regional powers. Brazil, India, and South Africa qualify as both.

Many scholars take economic resources as the best indicator of national capability, in that funds can be used for consumption, productive investment, or defense.<sup>8</sup> Others add population as a second essential category.<sup>9</sup> Table 1 thus includes all countries with economies larger than \$1 trillion in 2008, plus Australia, ordered by economic size within the advanced industrial and emerging/transitional categories. All of the large emerging powers should grow more rapidly in the near future than any of the advanced industrial economies. Goldman Sachs anticipates Brazil moving from the world’s tenth largest economy to ninth by 2025, and fourth by 2050.<sup>10</sup> Brazil currently is fifth in the world in population size.

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6. G. John Ikenberry, Michael Mastanduno and William C. Wohlforth, “Unipolarity, State Behavior, and Systemic Consequences,” *World Politics* 61 (January 2009): 1–27 at 7.

7. University of Michigan Correlates of War Project, “State System Membership List: Frequently Asked Questions,” 21 April 2003, [www.correlatesofwar.org](http://www.correlatesofwar.org) (accessed August 2009).

8. A.F.K. Organski and Jacek Kugler, *The War Ledger* (Chicago: University of Chicago Press, 1981); Daniel W. Drezner, *All Politics is Global: Explaining International Regulatory Regimes* (Princeton: Princeton University Press, 2008); Susan Strange, *States and Markets* (London: Pinter, 1994).

9. John J. Mearsheimer, *The Tragedy of Great Power Politics* (New York: W.W. Norton, 2001).

10. Dominic Wilson and Anna Stupnytska, “The Next 11: More than an Acronym,” Goldman Sachs Global Economics Paper #153, 28 March 2007.

**Table 1***Major powers and senior middle powers: Population and economic capabilities*

|   | <b>GDP market<br/>\$ billion,<br/>2008</b> | <b>Population<br/>millions,<br/>2008</b> | <b>GDP per<br/>capita<br/>\$</b> | <b>GDP growth<br/>mkt %,<br/>2004–2008</b> | <b>GDP growth<br/>mkt %,<br/>2009–2013*</b> |
|---|--|--|----------------------------------|--|---|
| <i>Advanced industrial democracies (G7+Spain+Australia)**</i>                       |  |  |                                  |  |   |
| U.S.  | 14,265                                     | 303.9                                    | 46,946                           | 1.8  | 0.6   |
| Japan   | 4,911                                      | 127.3                                    | 38,585                           | 1.7  | −0.5  |
| Germany   | 3,664                                      | 82.7                                     | 44,281                           | 1.7  | −0.5  |
| France  | 2,865                                      | 62.3                                     | 46,027                           | 1.8  | 0.3   |
| U.K.  | 2,679                                      | 61.4                                     | 43,615                           | 0.9  | −2.8  |
| Italy   | 2,311                                      | 58.1                                     | 39,744                           | 0.9  | −2.8  |
| Spain   | 1,611                                      | 45.5                                     | 35,373                           | 3.1  | −0.4  |
| Canada  | 1,501                                      | 33.4                                     | 45,010                           | 2.5  | 0.9   |
| Australia   | 991  | 20.6                                     | 48,070                           | 3.1  | 1.0   |
| <i>Emerging/transitional economies (all those with 2008 GDP above \$1 trillion)</i> |  |  |                                  |  |   |
| China   | 4,222                                      | 1,328.0                                  | 3,180                            | 10.8                                       | 8.1   |
| Russia  | 1,671                                      | 141.8                                    | 11,785                           | 7.0  | 1.7   |
| Brazil  | 1,575                                      | 191.9                                    | 8,209                            | 2.7  | 3.5   |
| India   | 1,226                                      | 1,148.0                                  | 1,070                            | 8.5  | 7.2   |
| Mexico  | 1,088                                      | 110.0                                    | 9,896                            | 3.4  | 2.5   |

Source: Data from [www.economist.com](http://www.economist.com), accessed 29 July 2009.

\*GDP growth 2009–2013 is the simple mean of annual forecasts.

\*\*Spain included on grounds of size, Australia due to membership in the financial G20.

The power-as-influence perspective alerts us to another reason why middle powers matter. We agree with Holmes that a middle power is autonomously powerless; it has the potential in coalition to restrain great powers, but can act effectively on the international scene only with at least the tacit acquiescence of major powers.<sup>11</sup> Yet we need not go so far as Cox, who identifies the middle powers' role as one limited to hegemony preservation, as they act, perhaps unconsciously, as the agents of the extant or declining great powers to maintain the existing democratic capitalist system by institutionalizing its rules and norms.<sup>12</sup> Given a mostly liberal and peaceful global political economy—apparently in the interests of today's hegemon and the major powers—middle

11. John W. Holmes, *The Better Part of Valour: Essays on Canadian Diplomacy* (Toronto: McClelland and Stewart, 1970).

12. Robert W. Cox, "Middlepowermanship, Japan, and Future World Order," in *Approaches to World Order*, ed. Robert Cox with Timothy Sinclair (Cambridge: Cambridge University Press, 1996), 241–76.

powers may act independently. In particular, incentives created by state-based international governmental organizations (IGOs) and the activities of non-state actors may allow scope for second tier or middle powers to achieve many of their international goals. In fact, provided there is a sufficient prior condition of major-power peace and stability leading to active international cooperation involving at least some major powers, middle powers may be especially well-suited to pursuing their objectives via IGOs. Active participation in international organizations offers middle powers a venue for exercising leadership and gently nudging the capability distribution in their direction. For example, middle powers can make reference to the values embodied in the rhetoric of IGOs to impose certain choices on major powers via a process Finnemore labels “norm entrapment.”<sup>13</sup> Middle powers also can draw on the procedures and legitimacy of major-power-dominated IGOs to create new IGOs that exclude the unipole or established major powers.<sup>14</sup>

Middle powers that potentially can lead their regions, even if they do not dominate them, will have more global influence than middle powers lacking regional sway. On some occasions perceived regional leaders will be asked to “represent” their regions in global fora. This does not mean that less-influential neighboring countries will welcome the international elevation of their dominant regional power. On the contrary, Argentina and Pakistan have been the strongest opponents of expansion of the UN Security Council to include Brazil and India, precisely because of fears that their inclusion would worsen already lop-sided regional power distributions. But sometimes it happens anyway. Whether or not Argentina or Venezuela approves, since 1990 Brazil has emerged as the unofficial representative of a modern and democratic Latin America in venues ranging from the World Economic Forum (WEF) at Davos to the India-Brazil-South Africa dialogue process and the negotiating rooms of the World Trade Organization (WTO). Similarly, U.S. Secretary of State Hillary Clinton recently emphasized the need to work with large emerging powers as “full partners,” mentioning the four BRICs countries, as well as South Africa, Indonesia, and Turkey.<sup>15</sup> Her intent to establish a global geographic balance, selecting these seven countries at least partly as unofficial regional and/or cultural representatives, was clear.

Finally, we propose that middle powers that also are *democratic* will be more likely to become globally consequential than those that are not, particularly if they are located in a region with democratic neighbors. Even if a regional power’s

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13. Martha Finnemore, “Legitimacy, Hypocrisy, and the Social Structure of Unipolarity,” *World Politics* 61 (January 2009): 58–85.

14. Ikenberry *et al.*, “Unipolarity,” 20.

15. See David Rothkopf, “It’s 3 am. Do you Know Where Hillary Clinton is?” *Washington Post*, 23 August 2009. [www.washingtonpost.com](http://www.washingtonpost.com).

neighbors are unlikely to support global power redistribution in its favor per se, regional hegemons can and do provide services of the same type as global hegemons. They are often the only leaders available to attempt to address regional collective action problems such as security, immigration, joint infrastructure construction, water rights, exchange rate management, and a variety of other foreign policy issues involving interaction with extra-regional actors. However, since regional powers cannot demand a leadership role (as they might were they genuinely capable of conquering their smaller neighbors), they must persuade their neighbors to cooperate. In this situation, being democratic helps inspire trust.<sup>16</sup>

Moreover, in the current international political economy, which was created and continues to be dominated by a small set of advanced industrial democracies, second tier powers that are securely democratic and mixed-capitalist will find it easier to work with the dominant powers, and vice versa. It is comparatively easy for democratic major powers to observe the domestic political processes and trust the contractual commitments of emerging democracies—at least once their political systems are recognized as consolidated. Also, experience with domestic political systems marked by partisan politics leading to mutual adjustment during policy implementation establishes patterns of thinking useful for successful navigation of democratically managed international organizations. If the norms and processes of an IGO are somewhat representative, then a democratic middle power may be best able to use the organization to influence the international system. Once again, we do not wish to overstate our case. The advanced industrial democracies that run today's major IGOs are not keen to share decisionmaking power. Such disquiet was evidenced by American reluctance to include even Japan as a co-manager of the global economy after the Asian financial crisis of 1997, and has been equally apparent in G7 responses to the global financial crisis of 2008.<sup>17</sup> Still, some redistribution toward democratic middle powers will occur anyway, and the dominant democracies will not feel strongly enough to stop this. In sum, all middle powers have potential systemic importance. Other factors equal, those that are also democratic and regional powers are particularly likely to be able to parley their objective capability endowments into enhanced systemic prominence.

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16. Fred Chernoff, "The Study of Democratic Peace and Progress in International Relations," *International Studies Review* 6 (May 2004): 49–78; Michael E. Brown, Sean M. Lynn-Jones and Steven E. Miller, eds., *Debating the Democratic Peace* (Cambridge, MA: MIT Press, 1996).

17. Henry Laurence, "Japan and the New Financial Order in East Asia: From Competition to Cooperation," in *Debating the Global Financial Architecture*, ed. Leslie Elliott Armijo (Albany: SUNY Press, 2002).

## Brazil as a Democratic Regional Leader

This section makes two arguments. First, Brazil has the capabilities to be a regional leader. Second, Brazil has only been able to realize that leadership role since both it and most of its neighbors became democracies in the 1980s.

### *Regional Capabilities*

If Brazil's region is defined as Latin America and the Caribbean, the definition employed by the postwar international organizations dominated by the United States, then Brazil accounts for fully one-third of regional population and output, while the next largest country, Mexico, accounts for barely one-fifth. More than that, if Brazil's region is taken instead to be South America alone, then the country's regional dominance becomes nearly overwhelming, as Table 2 makes clear.

Three additional points about Brazil's underlying capabilities concern its military challenges, natural resources, and trade profile. The key observation about Brazil's security threats is how comparatively few they are. Since continental democratization (and perhaps before, although military planners always must be cautious) neighboring states have not been a threat. We can make this categorical statement, despite the fact that Brazil has an enormously long coastline and a border touching nine neighbors (every South American country except Ecuador and Chile). Brazil's most significant security challenges come from guerrillas fleeing across the Colombian border in the remotest parts of the Amazon and cross-border drug traffickers. Presumably largely for reasons of international status, during the 1970s Brazil's military government pursued a secret program to develop nuclear weapons, which later was widely repudiated in democratic Brazil when it became known in the late 1980s. In the early 1990s then-President Fernando Collor invited the press to watch him inter a flower-bedecked coffin representing the nuclear bomb program. Despite the absence of threatening neighbors, Brazil is physically a large country, and its military takes its defense mission seriously. Brazil today ranks twelfth in military spending worldwide.<sup>18</sup> Some elements of the defunct nuclear weapons program have been reborn as an ambitious space satellite program, including collaboration with China on earth-imaging satellites, useful *inter alia* for both ecological and defense purposes in surveying the Brazilian Amazon.<sup>19</sup> And in 2009 Brazil's government ordered its first nuclear submarine from France, ostensibly to protect

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18. Stockholm International Peace Research Institute (SIPRI), "The 15 major spender countries in 2008." [www.sipri.org](http://www.sipri.org) (accessed July 2009).

19. See Wade Huntley, "Diversity and Convergence in Middle Powers' Space Programs," in *The Politics of Space*, ed. Eligar Sadeh (forthcoming).



**Table 2**  
*The South American distribution of capabilities*

|  | <b>GDP \$<br/>billions,<br/>2007</b> | <b>% GDP<br/>of South<br/>America</b> | <b>Population<br/>millions,<br/>2007</b> | <b>% Population<br/>of South<br/>America</b> |
|--|--------------------------------------|---------------------------------------|--|--|
| South America total                                | 2,379.2                              | 100                                   | 380.6                                    | 100  |
| Brazil   | 1,313.4                              | 55.2                                  | 191.6                                    | 50.3   |
| Argentina  | 262.5                                | 11.0                                  | 39.51                                    | 10.4   |
| Venezuela  | 228.1                                | 9.6                                   | 27.5                                     | 7.2  |
| Colombia   | 207.8                                | 8.7                                   | 44.0                                     | 11.6   |
| Chile  | 163.9                                | 6.9                                   | 16.6                                     | 4.4  |
| Peru   | 107.3                                | 4.5                                   | 27.9                                     | 7.3  |
| <i>Memo: Latin America and<br/>Caribbean total</i> | <i>3,615.9</i>                       |                                       | <i>560.6</i>                             |  |
| <i>Memo: Mexico</i>                                | <i>1,022.8</i>                       |                                       | <i>105.3</i>                             |  |

Source: World Development Indicators, available at [www.worldbank.org](http://www.worldbank.org); consulted 6 August 2009.

its offshore petroleum fields and installations, but perhaps also as an interstate signal of military capability, peaceful intentions notwithstanding. Overall, the broad outlines of Brazil's military strategy appear pragmatic and largely constrained by geography. But it is by no means a strategy of weakness.

Although all of South America is relatively fortunate in its natural resource inheritance, Brazil has been especially so. As a major agricultural exporter, Brazil can aspire to feed the world.<sup>20</sup> Brazil also contains the majority of the Amazon system within its borders. It has plenty of water, and gets an extraordinary 80 percent of its electricity from hydroelectric generators. The country is a global leader in biofuels technology, and 90 percent of cars manufactured in the past five years are equipped to run either on gasoline or ethanol. Finally, in 2007 Brazil discovered vast new petroleum deposits well below the ocean floor, the "sub-salt" deposits, which when fully verified will give it larger reserves than Venezuela. In 2008, Brazil became a net energy exporter, and it appears likely to remain so, even announcing plans to join OPEC. In fact, Brazil would like to see itself as an energy model for the world, and President Lula has offered free Brazilian biofuels technology to poor countries. Playing that role is not straightforward, of course, and Brazil has received widespread international criticism for forest destruction and its undoubted contribution to global climate change. Still, Brazil could even

20. Jonathan Wheatley, "The World's Unwanted Food Basket," *Financial Times*, 27 April 2008.

be fortunate in some of the net implications of its conflicting domestic interests. For example, recent research suggests deforestation may damage agro-industrial crop production, which could alter the domestic political equation so as to make environmental conservation more popular.<sup>21</sup> While it remains to be seen if recent oil discoveries will corrupt Brazil's fairly green energy profile, its status as an energy self-sufficient country should endure. In terms of resources and energy, Brazil has numerous potential cards to play.

Finally, and despite the U.S.'s economic dominance throughout the Western Hemisphere, Brazil's trade relations are remarkably diversified, another component of autonomy and thus capability. In 2005, Brazil's exports of goods and services were 50 percent manufacturers; 20 percent commodities (fuel and raw materials); 18 percent food, beverages, and tobacco, much of which was semi-processed ("value-added"); and 12 percent services. In 2007, a quarter of Brazilian exports went to Latin America and the Caribbean; approximately another quarter (24 percent) to the EU; about a third (28 percent) to Asia, including 10 percent to China; and only 15 percent to the U.S. By comparison, Mexico, Central America, and the Caribbean (except Cuba) each send about 70 percent of their exports to the U.S.<sup>22</sup>

#### *Democracy and Regional Integration*

The core claim of the "democratic peace theory" literature referenced above is that democratic policymakers—and the citizens to whom they ultimately are responsible—find it easier to trust their counterparts in fellow democracies, because policymaking processes are more transparent and sudden policy shifts (such as abrupt betrayals of international obligations) less likely in a system that by definition has multiple veto players.<sup>23</sup> So long as most of South America had military leaders, it was extremely difficult for them to cooperate; mutual distrust ran high and a number of countries—although not Brazil—had outstanding and unsettled territorial disputes. Democracies that recognize one another as such can form "security communities," or "transnational regions comprised of sovereign states whose people maintain dependable expectations of peaceful change."<sup>24</sup> This process is incomplete in South America, but we see incremental forward movement.

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21. Emilo Lèbre La Rovere and André Santos Pereira, "Brazil and Climate Change: A Country Profile," November 2005. [www.scidev.net](http://www.scidev.net) (accessed May 2006).

22. See data available at [www.cepal.org](http://www.cepal.org) and [www.indexmundi.com](http://www.indexmundi.com) (accessed July 2009).

23. See note 15. For an overview of the reasons that democratic policymaking tends to be incremental and moderate see Leslie Elliott Armijo and Carlos Gervasoni, "Two Dimensions of Democracy and the Economy," unpublished paper, 2009.

24. Emanuel Adler and Michael Barnett, *Security Communities* (Cambridge, MA: MIT Press, 1998), 30.

Brazil's desire to be a regional leader is not new. The first head of Brazil's modern foreign ministry, known as Itamaraty after the palace that once housed it in Rio de Janeiro, was Maria da Silva Paranhos Júnior, Baron of Rio Branco (foreign minister 1902–1912). Rio Branco fixed Brazil's contested national boundaries with a multiplicity of neighbors through a series of peaceful diplomatic processes rather than military adventures, a heritage of which contemporary policymakers and diplomats continue to be proud. Rio Branco was also forward-thinking, forecasting a shift in the locus of global power politics away from contending European capitals—indubitably the center of Latin America's nineteenth-century international relations—to Washington, DC. In effect, he proposed that Brazil wrap itself in the Monroe Doctrine, deferring to the U.S. on a global level in return for protection from potentially marauding European powers and relative autonomy to manage regional affairs in South America.<sup>25</sup>

Over the ensuing century, there have been several attempts at multilateral cooperation in Latin America and South America.<sup>26</sup> Summarizing rather crudely, those not led by the U.S. have floundered. As of the early 1980s, the strongest hemispheric institutions were the Organization of American States and the Inter-American Development Bank (IDB), both of which were U.S.-dominated and excluded Cuba, at American insistence. Various Latin American and subregional trade and economic integration organizations continued to exist, but were widely agreed to have been almost entirely ineffectual.

But something has altered since the late 1980s. Former foreign minister Luiz Felipe Lampreia characterizes the persistent themes of Brazilian foreign policy as being those common to most states: the preservation of national autonomy and the prevention of interference in domestic affairs.<sup>27</sup> Although this is true, Brazil's recent actions suggest in addition a fairly conscious aspiration to exercise regional leadership.

Since military/security issues have not been terribly pressing for Brazil, much of its de facto leadership has been exercised in the trade sphere, which clearly is

25. E. Bradford Burns, *The Unwritten Alliance: Rio Branco and Brazilian-American Relations* (New York: Columbia University Press, 1966); Joseph Smith, *Unequal Giants: Diplomatic Relations between the United States and Brazil, 1889–1930* (Pittsburgh: Pittsburgh University Press, 1991); Mônica Hirst, "Brazil," in *From Superpower to Besieged Global Power: Restoring World Order after the Failure of the Bush Doctrine*, ed. Edward A. Kolodziej and Roger E. Kanet (Athens: University of Georgia Press, 2008), 281–82; Mônica Hirst, *The United States and Brazil: A Long Road of Unmet Expectations* (New York: Routledge, 2005).

26. Gordon Mace, Jean-Philippe Thérien and Paul Haslam, eds., *Governing the Americas: Assessing Multilateral Institutions* (Boulder, CO: Lynne Rienner, 2007).

27. Luiz Felipe Lampreia and Ademar Seabra da Cruz, "Brazil: Coping with Structural Constraints," in *Diplomacy and Developing Nations: Post-Cold War Foreign Policy-Making Structures and Processes*, ed. Justin L. Robertson and Maurice A. East (London: Routledge, 2005).

about more than “mere” commercial relations.<sup>28</sup> While the ministry concerned with industrial promotion (in practice, import-substituting industrialization) oversaw trade negotiations during Brazil’s twenty-year military regime (1964–1985), since democratization the foreign ministry has been in charge, and in recent years Brazil’s foreign ministers personally have led their country’s delegations to international trade negotiations.<sup>29</sup> Most tellingly, the late 1980s bilateral Brazilian-Argentine negotiating process that eventually led to the Common Market of the South (MERCOSUR) began as an initiative of the two countries’ first post-authoritarian presidents, Brazil’s José Sarney and Argentina’s Raúl Alfonsín, to establish firm civilian control over their recently ruling generals by undercutting the idea in each country that its neighbor was a present threat.

The best way to understand the dynamics of Brazil’s various trade negotiations, including those directly or indirectly involving the U.S., is to see them as a proxy for its larger foreign policy goals, which include playing a leading (if sometimes coy) role in Latin America and the world. In the United States, Brazil does not have a reputation as a supporter of free trade. We suggest this reputation is not entirely accurate: Brazil’s initiatives in regional and global trade and economic talks are best seen as tactically dissonant with those of the U.S., yet strategically consonant with the major goals of the U.S. and EU.<sup>30</sup> More importantly, the United States would prefer to be the central player in a region defined as the Western Hemisphere, while Brazil’s preference is centrality in South America. There are thus *political* in addition to *commercial* reasons for Brazil’s unwillingness to embrace the American vision of the Free Trade Area of the Americas (FTAA), inaugurated in 1994.

With the FTAA, the U.S. advanced a model of regional economic relations whose details closely resembled those of the North American Free Trade Agreement (NAFTA), and included extremely liberal disciplines for such U.S. priorities as trade in financial and professional services, national legal treatment for multinational foreign direct investors, and government procurement, while deferring agricultural trade liberalization, of great importance to Brazil and Argentina, to other “more appropriate” venues. In Brazil’s view, the FTAA would have entrenched existing patterns of economic dependence by maintaining Latin America and the Caribbean as sources of primary materials and markets for U.S. goods and services. Of prime concern for Brazil was access to markets

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28. In fact Brazil’s business community frequently has expressed frustration to the extent that trade policy has focused on long-term political rather than immediate commercial goals.

29. Leslie Elliott Armijo and Christine A. Kearney, “Does Democratization Alter the Policy Process? Trade Policymaking in Brazil,” *Democratization* 15 (December 2008): 991–1017.

30. Pedro da Motta Viegas, “Política Comercial no Brasil: Características, Condicionantes Domésticos e Policy-Making,” in *Políticas Comerciais Comparadas: Desempenho e Modelos Organizacionais*, ed. Marcos Sawaya Jank and Simão Silber (São Paulo: Singular, 2007).

for “value-added products,” including manufactures and semi-processed agricultural products such as frozen orange juice, frozen chickens, and soy meal. Both Brazil and the U.S. have viewed one another’s stances as somewhat hypocritical. The U.S. notes that Brazil has higher average tariffs than the U.S., while Brazil objects to the American tariff structure, which features peaks in the products in which Brazil is most competitive.<sup>31</sup>

Rather than outright rejecting U.S. proposals as inadequate, Itamaraty’s tactic repeatedly has been to propose alternate language that previously has been carefully co-authored with the other South American countries in order to ensure a coherent negotiating front. By the late 1990s it was becoming apparent to Brazilian negotiators that the FTAA would fail (as it de facto did in 2003). Meanwhile, Brazil’s political and commercial agendas have been advanced by a quiet process of South American continental trade integration, formally inaugurated in 1991 with MERCOSUR’s four founding members (Brazil, Argentina, Paraguay, and Uruguay). Although ostensibly aiming to create a common market or perhaps more, MERCOSUR currently is only a customs union, and as such posts a common external tariff, though with relatively free trade within the bloc. Chile and Bolivia are associate members, and Venezuela a candidate-member, whose full accession was still being blocked as of August 2009 by the Brazilian and Paraguayan Senates over concerns about Venezuelan President Hugo Chávez’s democratic credentials and frequently incautious statements about his neighbors.

Crucially, Brazil also has employed the trade issue arena to organize its neighbors politically. Since the turn of the millennium, and in cooperation with the Andean Community (CAN, comprised of Bolivia, Peru, Ecuador, and Colombia), Brazil has led its MERCOSUR partners in the 2003 creation of the South American Union (UNASUR, briefly the South American Community of Nations, CSN), envisaged as combining trade liberalization with regional political and security coordination. This is as much a political as an economic project. Brazil quietly but willingly has taken on the role of mitigating the nationalistic excesses of regional economic policies mooted by Chávez through a third, and explicitly ideologically focused, alternative regional integration process known as the Bolivarian Alliance for the Americas (ALBA, until 2009 the Bolivarian Alternative). Most notable in this respect has been Brazil’s backroom work to transform the proposed Bank of the South from an opaque *Chavista* slush fund to a business-minded South American version of the IDB supporting sober and traditional projects of regional infrastructure integration.

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31. Fernando Simas Magalhães, *Cúpula das Américas de 1994: Papel Negociador do Brasil, em busca de uma agenda hemisférica* (Brasília: IRBr/FUNAG/Centro de Estudos Estratégicos, 1999); Richard E. Feinberg, *Summitry in the Americas: A Progress Report* (Washington, DC: Institute for International Economics, 1997).

In the end there is not a great deal of difference between the United States' approach and Brazil's essentially pro-globalization stance, despite Lula's predilection for framing the importance of liberal economics in terms of poverty reduction and hunger eradication. Where difference emerges is in how the doctrine of the liberal economic agenda is to be advanced and who is to lead and manage it.

For example, Brazil demonstrated striking middle power-like policy entrepreneurship by providing concrete alternatives for its South American partners during the long FTAA negotiation process. A summit of South American presidents held in Brasília in 2000 witnessed the launching of the Regional Initiative for the Integration of South American Infrastructure (IIRSA). The initiative was very much Brazil's, but the headquarters was sited in Buenos Aires.<sup>32</sup> The plan, which has been taken up with varying levels of enthusiasm by Brazil's South American neighbors, involves the construction of a series of "corridors" of energy, transportation, and communications infrastructure between key continental nodes.<sup>33</sup> Although a map of the infrastructure axes resembles a spider web overlaying the continent with Brazil at the center, the plan seeks to address crucial transportation and logistical lacunae that currently make regional integration, be it continental or hemispheric, exceptionally difficult in practical terms. Throughout, the public face Itamaraty officials have put on intra-continental and intra-hemispheric relations has been one of assuming regional responsibilities to promote economic growth and political security. Although not inaccurate, this is slightly disingenuous. Active exclusion of the U.S. from intra-regional planning began under President Fernando Henrique Cardoso (1995–2001) and President Lula da Silva has maintained the practice. In December 2008, Brazil hosted a summit of Latin American and Caribbean presidents, to which representatives from Canada and the U.S. were flatly told that they were not welcome.

Moreover, Brazil has taken on the role of regional peacemaker and conciliator, though with a style of intermediation that is assiduously indirect. Regional democratic disruptions over the last ten years have rarely seen a direct response from Brazil alone. The reaction has instead usually taken a Brazilian-led collective form through an organization such as the Rio Group, originally formed in December 1986 by eight Latin American countries to mediate and help end ongoing conflicts in Central America. In part, the imperative here is Itamaraty's desire not to be seen to be imposing ideas and solutions on other countries.

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32. In fact, IIRSA is administered by genial and experienced international technocrats in office space shared with the Argentina headquarters of the Inter-American Development Bank. Much of the actual work is done by contract employees.

33. Sean W. Burges, *Brazilian Foreign Policy After the Cold War* (Gainesville: University Press of Florida, 2009), 120–23.

The other aspect is a staunchly multilateralist approach to a rules-based international order, which Brazil sees as the best way that it can have a voice in international affairs. High-ranking Brazilian officials closely linked to Lula regularly consult and “advise” neighboring leaders, but do so quietly and far from the public eye, allowing Brazil to set a public example of respecting sovereignty. But Brazilian leadership has been expressed via its comparatively greater willingness than many of its neighbors to get involved. It has employed both multilateral fora and quiet diplomacy to settle regional conflicts such as the 1998 Ecuador–Peru border war and the potential 2008 conflict between Colombia on one side and Ecuador and Venezuela on the other. Despite unease with the Cold War history of the Organization of American States, Brazil went out of its way at the 2009 OAS General Assembly to broker a potential re-entry for Cuba into hemispheric affairs.

Particularly under the Lula administration, Brazil has even made not-insignificant international concessions in the name of neighborly harmony, arguably the hallmark of international “leadership.”<sup>34</sup> Rather than reacting precipitously to Bolivian nationalization of Brazilian gas production assets, Ecuador’s refusal to repay loans from Brazil’s national development bank, a raft of unilateral trade restrictions by MERCOSUR-partner Argentina, attempts by Venezuela’s Chávez to undermine Brazil’s regional relations, or Paraguay’s persistent calls for renegotiation of a critical hydroelectric treaty, Brazil has consistently and forcefully suggested that a conversation was appropriate. Some have seen this as a sign of weakness, in that Brazil in each case easily had the material resources to take a much harder line toward a difficult neighbor. To take only one example, Brazil is Bolivia’s major customer for natural gas. These extended processes of dialogue frequently have resulted in the submission of the other country, but sometimes yield apparent Brazilian capitulation—often to the fury of more nationalist political commentators within Brazil. In July 2009, for example, Brazil agreed to triple the price it pays to Paraguay to purchase 90 percent of Paraguay’s share of electricity from the bi-national Itaipú dam and energy project. This represents a significant concession to Paraguay, albeit one arguably not materially harmful to Brazilian interests.<sup>35</sup> Brazil has consistently absorbed high profile but nevertheless minor irritations from neighbors as the price of advancing its hemispheric agenda.

We close this section by returning to the subject of national security, presumably the touchstone of any nation’s foreign policy, despite its relative absence from Brazilian priorities for reasons discussed above. In May 2008 the

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34. Charles P. Kindleberger, *The World in Depression, 1929–1933* (Harmondsworth, U.K.: Penguin Books, 1973); Charles P. Kindleberger, “Dominance and Leadership in the International Economy: Exploitation, Public Goods, and Free Rides,” *International Studies Quarterly* 25 (June 1981): 242–54.

35. Jonathan Wheatley, “Brazil Signs ‘Historic’ Power Deal,” *Financial Times*, 26 July 2009.

still loose Union of South American Nations (UNASUR) created a South American Defense Council (CDS), a particular priority of Brazil's, for regional military consultation. Along with Brazil, Venezuela was an eager initial signatory, causing Colombia, along with Peru the most right-leaning country in South America, to pull out at the last moment.<sup>36</sup> Thus far, the CDS is mostly a paper organization, but some policymakers aspire to see it become a South American NATO—which would, of course, presumably exclude the U.S., or at least downgrade military ties between it and South America. Just a year later, citing economic troubles, Buenos Aires in August 2009 announced a planned 65 percent cut in military spending to be implemented over only six months, a choice that would have been unimaginable when South America's Southern Cone bristled with mutually suspicious military regimes.<sup>37</sup> At the same time, Brazil's attitude toward a U.S. military presence in the region may be hardening. President Lula was indirect yet uncharacteristically blunt in his reaction to the July 2009 announcement that the Colombian government would allow the U.S. military to use five of its military bases: "I don't like the idea of a new American base in Colombia, but that is a personal opinion and I have no wish to create conflict with [Colombian President] Uribe or the U.S."<sup>38</sup> Uribe's response to this non-statement was a flurry of diplomatic activity, including a personal trip to meet with the Brazilian president. One North American observer concluded that Colombia's decision to sign the ten-year base lease agreement with the U.S. (and the Obama administration's decision to pursue the lease, ostensibly principally as an aid to joint anti-narcotics and anti-terrorist efforts) was a miscalculation that "may have inadvertently accelerated the growing Brazilian presence in the region."<sup>39</sup>

In sum, Rio Branco's original intention was that the United States would vouchsafe the hemisphere from external intervention and Brazil would manage South America. The change that we see today is that Brazil is increasingly able and willing to fulfill this role, providing regional security goods that are independent but consistent with U.S. priorities of fighting insurgency and narco-trafficking. This makes Brazil a "friendly" dissenter along the lines of Canada. Brazil can forcefully voice objection to American policies and initiatives not only because its core interests align with those of the U.S., but also because it can act on these interests in a direct manner that would bring charges of imperialism if

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36. Jared Ritvo, "Brazil Spearheads UNASUR Defense Council," Council on Hemispheric Affairs (COHA), 28 May 2008; Ministerio da Defesa, *Estrategia Nacional de Defesa*, www.defesa.gov.br, 2008; "BRAZIL: Defence Strategy Raises Practical Doubts," *Oxford Analytica*, 23 February 2009.

37. "Geopolitical Diary: Coming to Terms with Argentina's Economic Problems," 13 August, 2009. www.stratfor.com.

38. Marie Delcas, "Le Venezuela et l'Equateur protestent contre un accord militaire américano-colombien," *Le Monde* (3 August 2009): online edition.

39. Felipe Matsunaga, "Amid UNASUR Summit, Brazil Likely to Emerge a Winner, with Colombia a Questionable Beneficiary," *Council on Hemispheric Affairs*, 2 September 2009. www.coha.org.



pursued by Washington. None of this would have been possible had Brazil and virtually all of its neighbors not made democratic transitions. Brazil's public mostly supports democracy, despite doubts about incumbent politicians and deep skepticism of political parties in general. Luckily, the idea of a return to military rule is even less popular than political parties, and similar opinions hold in the rest of the continent.<sup>40</sup> Brazil gains international influence simply by being securely democratic, and increasingly also by being recognized as such throughout Latin America.

### **Brazil as Global Activist in the Public and Private Sectors**

The previous section argued that Brazil's democratic transition, and that of its neighbors, was essential to enabling substantial continental cooperation in South America from the early 1990s onwards. The general thesis is that, where military conquest by the regionally dominant power is neither desired nor possible, only democratic cooperation can build a viable region. In this section we suggest that Brazil's successful experience of regional leadership has been critical to its effective recent emergence on the world stage. At the global level, not all of its partners are democratic, most particularly within the trade G20 and BRICs groupings. For this reason we suspect that cooperation, despite some genuine common interests, in many of the South-South venues will remain partial.

Brazil's emergence as a significant player in global governance came in 2003 with the formation of the IBSA (India, Brazil, and South Africa) grouping, which in turn became the core of the trade G20 that evolved to negotiate with the G7 and Organization of Economic Cooperation and Development (OECD, or the wealthy democracies' IGO) on behalf of developing countries. Both the IBSA and trade G20 have sought to liberalize rich countries' high barriers to agricultural trade, until then excluded from the agenda of the main global trade negotiations in the WTO. The IBSA grouping is a pragmatic trilateral club of large, emerging democracies working to advance a common agenda on the basis of similarities in their domestic political processes, but recognizing limited hard interest congruence. South Africa, a smaller economy, is quite open; Brazil

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40. In the 2006 World Values Survey, 87 percent of Brazilian respondents thought having a democratic political system was "very good" or "fairly good," compared to only 34 percent with similar positive feelings about having the army rule. Citizens polled had "a great deal" or "quite a lot" of confidence in these institutions: the current (Lula) government (46 percent), political parties (21 percent), major companies (57 percent), and the armed forces (69 percent). See [www.worldvaluessurvey.org](http://www.worldvaluessurvey.org). According to a 2006 Latinobarometer survey, 46 percent of Brazilians thought democracy was "preferable to any other system of government," up from only 30 percent in 2001. But in both years, only 18 percent agreed that "in certain circumstances, an authoritarian government [could be] preferable to a democratic one." <http://worldpublicopinion.org> (accessed August 2009).

wanted free agricultural trade, but without giving up MERCOSUR's common tariff on manufactures; and India's main concern was preferential trade access for poor countries. Nevertheless, the IBSA group provided a foundation for the trade G20, which held firm on including agricultural issues in the Doha Round negotiations, contributing to the breakdown of the Cancún ministerial meeting later in 2003.<sup>41</sup>

Subsequent WTO negotiations between the U.S., EU, Brazil, and India have failed to get the WTO Doha Round back on track—largely because India would not accept the Brazil-brokered deal with the U.S. and EU. Nonetheless, IBSA has remained an important part of the Lula administration's South-South diplomatic strategy. In a 2007 interview in New Delhi, foreign minister Celso Amorim asserted that “cooperation among developing countries has the potential to change not just commercial geography, but the entire geography of the planet.” He cited similarities among the IBSA group in terms of positions on climate change (the rich countries should cut their consumption first), respect for human rights, disarmament (beginning with the major nuclear powers), expansion of the UN Security Council, and reducing agricultural subsidies in the wealthy democracies.<sup>42</sup> No doubt the model of MERCOSUR evolving into UNASUR was at the back of his mind.

Brazil's participation in the financial G20 founded in 1997 during the Asian financial crisis has been similarly idealistic, and geared toward broad political goals rather than the narrow and specific goals that are the ostensible purpose of the IGO. The financial G20 (briefly G22, then G33) includes the G7 plus Australia, along with most of the larger emerging and transitional economies. There was resistance in Western Europe, where leaders desired more European and fewer emerging economy members. In February 1999 Bundesbank President Hans Tietmeyer organized a competing IGO: the Financial Stability Forum (FSF), with membership to include central bankers and finance ministers from the G7, representatives from the World Bank, the International Monetary Fund, the Bank for International Settlements, and other international private bodies of national regulators—for a total of 35 members, but none from emerging market countries. Both groups have continued to function. The financial G20 has had no permanent staff, but through early 2008 managed annual meetings, each hosted by a different country, featuring earnest reports by mid-level bureaucrats and academics. The technical staff seconded by the major capitalist powers did their

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41. Chris Alden and Marco Antônio Vieira, “The New Diplomacy of the South: South Africa, Brazil, India and Trilateralism,” *Third World Quarterly* 26.7 (2005): 1077–95; Amrita Narlikar and Diana Tussie, “The G20 at the Cancun Ministerial: Developing Countries and Their Evolving Coalitions in the WTO,” *The World Economy* 27.7 (2004): 947–66.

42. Paranjoy Guha Thakurta, “Interview with Brazil's Foreign Minister Celso Amorim,” Inter-Press Service (IPS), 10 August 2007. <http://doha-round.blogspot.com>.

detailed work on global financial reform at the FSF, which like the Basel banking committee was housed by and enjoyed the facilities of the BIS. The emerging economies had been cut out.

However, this time an on-going IGO had been established, taking advantage of more propitious conditions than during the eras of the NAM of the 1960s, the New International Economic Order (NIEO) of the 1970s, or the attempted Cartagena Group debtors' cartel of the 1980s.<sup>43</sup> When the 2008–2009 U.S. financial crisis became global, the G7 countries realized that they needed the financial (and just possibly the political) resources controlled by emerging powers. All four of the BRICs are among the top ten holders of international reserves, while only Japan and Germany among the advanced industrial countries are.<sup>44</sup> As shown in Table 1 above, projections suggest that the bulk of global demand growth in 2009–2014 should come from emerging economies, especially the BRICs. President Bush phoned Brazilian President Lula da Silva, then titular head of the G20, and invited him to convene the first G20 heads of state summit in Washington, DC in November 2008. President Obama attended a second G20 summit in the U.K. in April 2009, causing the global press—and Brazilian foreign minister Amorim, imprudently—to speculate that perhaps the G20 had replaced the G7/G8 as the locus of global economic governance. One concrete result seldom noted is that all of the emerging economy members of the financial G20 are now members of the FSF, renamed the Financial Stability Board. Brazil, at least, can be expected to take full advantage of this expanded organizational access.

We may also compare Brazil with Mexico and South Korea, both now democratic but neither a regional power. In the late 1990s, the latter two became the first non-European emerging economies accepted into the OECD, a move widely reported as a quid pro quo for their cooperation in the peso and East Asian financial crises. When informal OECD feelers were extended to the Brazilians in early 2009, Brazil politely declined. Former Brazilian finance minister Rubens Ricupero caustically observed that Mexico had “committed political suicide,” isolating itself by joining a group in which it would have neither influence nor real respect.<sup>45</sup>

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43. On the NAM and NIEO see Jaqueline-Anne Braveboy Wagner, *Institutions of the Global South* (London: Routledge, 2008). The “Cartagena Consensus” was signed in May 1984 by Argentina, Brazil, Colombia, and Mexico in the ultimately unrealized hope of jointly renegotiating their sovereign debt with wealthy country commercial banks.

44. Figures available in early August 2009 show China, Russia, India, and Brazil as first, third, sixth, and eighth worldwide, respectively, in their international reserve holdings. Japan is second and Germany ninth. *Source*: <http://www.imf.org/external/np/sta/ir/colist.htm>.

45. “Interview: Rubens Ricupero, former Brazilian finance minister,” “Brazil Political and Business Comment,” 8 June 2009. [www.brazilpoliticalcomment.com.br](http://www.brazilpoliticalcomment.com.br).

We also note a different aspect of Brazil's emerging international profile, if not precisely its foreign policy: transnational relations. As a now firmly democratic and mixed-capitalist country, Brazil has a vibrant, even rambunctious, civil society and a self-confident business community. The desire to extend Brazilian influence abroad and if possible to do good extends to the private sector. For example, Brazil's commitment to provide treatment to all AIDS victims, irrespective of ability to pay, has been a policy pushed by Brazilian non-governmental organizations (NGOs), first on its own government and subsequently abroad.<sup>46</sup> Brazil's environmental and landless workers' movements each contributed organizational skills to the grass-roots campaign against the FTAA throughout Latin America.<sup>47</sup>

Perhaps most interesting have been the transnational links of Brazil's business community. For example, businessman-activist Oded Grajew began educating fellow entrepreneurs about the benefits of democracy and social welfare in the 1980s, created an anti-child labor NGO in the 1990s, and organized the first World Social Forum (WSF) in Porto Alegre in 2001 as a counter-event to the annual WEF of global corporate and political leaders based in Davos, Switzerland.<sup>48</sup> The corporate social responsibility NGO he co-founded, the Ethos Institute, has had a deep impact on the Brazilian business scene, prompting major enterprises such as McDonald's and the São Paulo Stock Exchange (Bovespa) to advance social welfare programming. These shifts in attitudes have resulted in Brazil emerging as a global leader in the area of corporate social responsibility. In 2008, President Lula skipped the WEF to attend the WSF, being held once again in Brazil, where he appeared before adoring crowds alongside leftist Latin American leaders including Venezuela's Chávez.

Brazil's financial sector offers further examples of crusading enthusiasm in both the public and private sectors. Brazil's finance minister, Guido Mantega, proudly noted in June 2009 that in each of the four BRICs countries public banks accounted for 40 percent or more of total financial assets.<sup>49</sup> In Mantega's opinion, a major reason for Brazil's late entry to and quick recovery from the global financial crisis of 2008–2009 was the counter-cyclical lending that easily could be provided by public sector banks. Brazil's industrial development bank, the BNDES, which in the 1990s ran the country's massive privatization program, has focused since the millennium on supporting Brazilian exports of goods and services, especially construction services associated with the IIRSA project, as

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46. Armijo and Kearney, "Does Democratization Alter the Policy Process?"

47. Kathryn Hochstetler, "Organized Civil Society in Lula's Brazil," in *Democratic Brazil Revisited*, ed. Kingstone and Powers, 33–56.

48. See Gilberto Nascimento's interview with Grajew in *Isto E*, 12 December 2000.

49. Guido Mantega, "Bancos públicos e desenvolvimento," Seminário *Valor Econômico* e Caixa Econômica Federal, São Paulo, June 2009.

well as on promoting Brazilian direct investment abroad. In recent years the BNDES' loan portfolio to Brazilian firms, many of whom operate abroad, has matched or exceeded that of the IDB as well as the Western Hemisphere portfolio of the World Bank.

Brazil's stock markets and their regulators also brim with missionary zeal. The São Paulo Stock Exchange (Bovespa) has been perhaps the most active of any emerging market exchange in promoting transparency in corporate statements and boardrooms, and has played a leading organizational role in the Global Corporate Governance Forum (GCCF), a World Bank/OECD funded project to undermine crony capitalism and spread "modern" business practices throughout the developing world. Bovespa's clean and energetic image, of course, has not hurt business. In 2007 Bovespa went public, as did Brazil's Commodities and Futures Exchange (BM&F), providing Brazil's two largest initial public offerings ever. Their merger in 2008 resulted in a combined exchange, BM&FBovespa, that in mid-2009 ranked fourth worldwide in market capitalization. Brazil's exchanges have been active participants in technical cooperation programs throughout Latin America and the developing world. Meanwhile Brazil's private banks compete with Spanish banks to become the dominant institutions in Latin America. In 2008 Brazil had two of the top twenty-five banks worldwide by market capitalization, compared to five for China and none for any other emerging economy. Brazil also had one in the top twenty-five global banks by pretax profits, compared to five Chinese banks, one Russian bank, and no others from emerging economies.<sup>50</sup>

Brazil's political leaders are well aware of their country's financial strength and have actively sought greater participation in global financial governance, through office-holding in a variety of transnational public and public-private financial industry organizations. This has now extended to the coveted membership in the Financial Stability Board (née Forum), once effectively a technical arm of the OECD. And like its fellow BRICs, Brazil ardently desires greater representation in the international lending institutions and UNSC.

### **Brazil as a BRIC**

Naturally Brazil's leaders have participated enthusiastically in the BRICs process initiated by the Russians, which had its first heads of state summit in June 2009. Like the Chinese and the Russians, although in contrast to the Indians, Brazil's normal situation is that of a structural trade surplus, providing the country with at least modest financial security. Brazil made its first ever symbolic loan of ten billion dollars to the IMF a week prior to the 2009 summit (a gesture quickly

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50. "Top 1000 world banks 2009," *The Banker*, 24 July 2009, accessed online.

echoed by the Chinese and Russians) and also has been happy to sign agreements to denominate intra-BRIC trade in local currency and to offer its rhetorical support for movement toward use of global reserve currencies other than the U.S. dollar.<sup>51</sup> Brazil will happily join the other BRICs in initiatives obliging the G7 countries to open up participation in global economic governance. As President Lula explained to Brazil's major business-oriented news daily from the BRICs summit at Yekaterinburg,

The world faces challenges of great complexity. . . . Yet we live in the midst of superseded paradigms and discredited multilateral institutions . . . . Are the rich countries prepared to accept supranational supervision of the international financial system? . . . Are they prepared to cover the costs of technological modernization so that people in developing countries can benefit from scientific advances without menacing the global environment? . . . These are the questions that the BRICs want to have answered.<sup>52</sup>

These are ringing and presumably heartfelt sentiments. At the same time, though, in this long opinion piece explicitly focused on the BRICs summit, Lula hedged his bets with frequent mention of the financial G20 and other multilateral initiatives through the UN or around the WTO. A long article in the same newspaper on the same day pessimistically focused on policy differences among the BRICs, noting that even their production profiles were different, with Brazil specialized in agriculture, Russia in natural resources, India in services, and China in manufactures.<sup>53</sup> The Brazilian press also reported Lula's opinions that invoicing bilateral trade among the BRICs in local currency was a good idea but could take years to develop, while the major concrete short-term virtue of the summit had been to enable the four countries to coordinate strategy for the G20 summits. In general, informed Brazilian opinion was positive about the BRICs process, but expected little in the near term.<sup>54</sup>

Brazil's leaders are quite aware that they share deep democratic commitments only with the Indians, although neither President Lula nor his diplomats would be so gauche as to point this out to the Russians or Chinese. The surprisingly rapid progress toward South American economic and political integration since the turn of the millennium in our view has been possible only because

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51. The 2009 Brazilian IMF loan is a purchase of SDR-denominated IMF bonds.

52. Luiz Inácio Lula da Silva, "Em Ecaterimburgo, os Brics atingem sua maioria," Opinion piece, *Valor Econômico*, 16 June 2009. <http://www.valoronline.com.br> [Our translation.]

53. "Diferenças dificultam um acordo entre os BRIC," *Valor Econômico*, 16 June 2009. <http://www.valoronline.com.br> [Our translation.]

54. Paulo Nogueira Batista Jr., "BRICS, G20 e FMI," *Folha de São Paulo*, 18 June 2009. [www.folha.com.br](http://www.folha.com.br).

most of the governments increasingly trust one another's internal processes, ongoing suspicions between right-leaning Colombia and its left-leaning neighbors Venezuela and Ecuador notwithstanding. Brazil, which makes a great show of being a friend to all, slowly pushes the regional integration process forward. The Brazilian style is non-confrontational and consistent, making it unlikely any administration will join in public initiatives to lecture its fellow BRICs or other developing countries about human rights or liberal freedoms. But as a genuine democracy, the elected chief executive does not control Brazil's legislature, press, business community, or civil society. When Brazilian businesspersons become fearful over Chinese penetration of Latin American markets, they pressure their elected representatives, go on nightly talk shows, and withhold campaign funds. Moreover Brazilians elect a new president in late 2010. If the winner is José Serra, São Paulo governor and member of Cardoso's center-right PSDB party, foreign policy may shift slightly away from its South-South orientation under Lula and back toward a somewhat more explicitly collaborative policy with the U.S.

### **Conclusions: The Entrepreneurial and Democratic Middle Power**

We began this essay with a reference to Brazil's modest ambition to be both a world moral leader and a global political player, quoting from Luiz Inácio "Lula" da Silva, former poor country boy, tough union organizer in the Lech Walesa mode, and, as of this writing, lame duck but still wildly popular two-term Brazilian president. Lula's outspokenness frequently embarrasses Brazilian elites, but like some of his fellow BRIC leaders (Vladimir Putin comes to mind) or fellow Latin American presidents (including leaders as different as Venezuela's Hugo Chávez and Colombia's Alvaro Uribe), Lula expresses some of his fellow citizens' widely felt views. The constructivist approach to understanding Brazilian foreign policy takes note of Brazilian democracy, inclusive culture, and collaborative social and diplomatic traditions.

Whether Brazil's foreign policy matters outside its immediate neighborhood, however, is largely determined by the interstate distribution of capabilities. The world today is unipolar, but the direction of change favors the larger emerging economies. Brazil belongs in this group. Nonetheless, a significant component of Brazil's total effective capabilities comes from its relational power, if we may be permitted to mix neorealist, institutionalist, and constructivist approaches. Being neither a military nor an economic hegemon capable of coercing its neighbors, Brazil only became a regional power following near universal democratic transitions in the region. Since the early 1990s regional multilateral organizations have proliferated, including the recent UNASUR, which includes a military

consultation arm that some term a proto-South American NATO. The broad lines of Brazil's extra-regional policy goals increasingly are shared by political and policy elites throughout the continent.<sup>55</sup> Brazil is also active and entrepreneurial in global IGOs, including but not limited to the new BRICs grouping. Finally, Brazilian civil society is dense and heavily engaged in transnational networks, and both its pro-business and leftist activists have influential friends in government.

So what does this mean for the international system? Bluntly put, if leaders in the major democratic powers with entrenched seats at the major global governance institutions have any sense they will welcome the greater participation of Brazil, as well as that of other emerging democracies such as India, Mexico, South Korea, Turkey, Indonesia, and South Africa (all G20 members) in the global system—along with the necessary accommodation to include those major powers that are authoritarian or semi-authoritarian states, China and Russia. While there remains a great deal of tactical maneuvering for short-term relative position, the early signs are that this is taking place. There is already talk in the G7 capitals of replacing that aging talking-shop with the G20.<sup>56</sup> Major powers such as the U.S., China, and the U.K. now hold regular and substantive bilateral policy consultations with Brazil at the deputy minister level. This marks a dramatic but unpublicized departure from the attitude that was taken toward emerging areas as recently as the East Asian financial crisis in the late 1990s. From the viewpoint of the unipole and today's *status quo* great powers, greater inclusion of Brazil should be a congenial option.

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55. A recent interview with a former Argentine Vice President makes clear the increasingly political objectives of MERCOSUR and UNASUR. See Laura Carlsen, "Perspectives and Challenges in Mercosur: An Interview with Carlos Alvarez of Mercosur," Americas Program Special Report (Washington, DC: Center for International Policy, 14 August 2009). <http://americas.irc-online.org/am/6324>.

56. Both French President Nicolas Sarkozy and British Prime Minister Gordon Brown recently have promoted their G20 initiatives on financial reform as a way of shoring up their *domestic* political popularity. See Lionel Barber and Philip Stephens, "[Brown's] Three-part prescription to take to G20," *Financial Times*, 31 August 2009.