

# BULLETIN

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## Brazil's Global Aspirations: Challenges after Lula

by Bartłomiej Znojek

*During the last several years, Brazil has consolidated its international position as an emerging power able to have a significant influence on regional and global issues. New Brazilian president Dilma Rousseff will build upon this heritage, but it is uncertain if she will be able to sustain Lula's policy directions. Economic performance and leadership in Latin America will remain a vital basis from which to carry out Brazil's global ambitions. In the face of the traditionally dominant position of the U.S. and the growing economic presence of China in Latin America, Brazil may be more willing to intensify relations with the EU.*

In January, Dilma Rousseff is going to succeed President Luiz Inácio Lula da Silva after his eight years in office. She has declared a continuity of her predecessor's policies; however, it is likely she may face difficulties in meeting her electoral commitments. Internal problems, volatility in global financial markets and regional dynamics are among factors that can affect Rousseff's decisions. The new president will have to deal with the high expectations of voters while building her own position in front of political allies. It also is uncertain if she will be able to adhere to the strong presidential role Lula has been playing in Brazilian foreign Policy.

**Brazil as an Emerging Economy.** The beginning of the Lula da Silva presidency in 2003 coincided with international acknowledgement of Brazil as one of the four leading emerging markets, together called BRIC (Brazil, Russia, India and China). This status has been confirmed by significant economic and social changes during president Lula's two terms. Actually, fast economic growth goes back to decisions in the mid-1990s by then finance minister Fernando Henrique Cardoso, who also served as Brazil's president from 1995 to 2002. For the last fifteen years, succeeding governments have been adhering to macroeconomic policies that have resulted in an average 4.2% GDP growth for the period 2003-2008. Although the Brazilian economy was affected by the global financial crisis with a 0.2% decrease in GDP in 2009, there is a forecast of 7.5% growth for 2010. Brazil is a top FDI destination and a leading Latin American trading country. With recently discovered offshore petroleum resources (the so-called "Pré-Sal" oil fields), Brazil will be a key energy player in the region and will be able to boost investment in national development. Economic success has been a driver of significant social change. During the last decade, about 20 million Brazilians (from a population of 190 million) surpassed the line of poverty, and there has been a significant expansion of the country's middle class. International acknowledgement of Brazil's socio-economical improvements fuelled the Lula government's quest for leading regional and global positions.

**Lula's Foreign Policy.** The main component of the Lula government's international strategy was to consolidate Brazil's regional leadership. This consisted mainly of aspirations to be a stabilizing force in the region and a counterweight to the traditional influence of the United States in Latin America. The Brazilian government intended to build good relations with all regional partners. However, while Lula was praising democracy in his own country, he did not hesitate to intensify dialogue with authoritarian and anti-American countries such as Venezuela and Cuba. The Brazilian position on regional integration reflected resistance to a stronger U.S. presence in Latin America. Brazil was instrumental in the meltdown of the Free Trade Area of Americas (ALCA) initiative, opting instead for the Union of South American Nations (Unasur), which was established in 2008 and excluded the United States. At the same time, Lula's government failed to break the deadlock

within Mercosur and backed the controversial decision to accept Venezuela as a member in the organization.

The other significant basis for strengthening Brazil's international position was its relations with developing countries (the so-called "South-South" dimension). This included contributing to institutionalized dialogue with leading emerging economies (China, India, Russia and South Africa), taking part in peacekeeping missions (including Haiti) and increasing trade and aid to African countries (mainly Portuguese-speaking ones). The "South-South" dimension was an important instrument for strengthening Brazil's identity as an independent player and a leading representative of the developing world. Simultaneously, when negotiating global financial or climate issues, Lula's government had been using the "South-South" concept to build opposition to developed countries in favour of its own national interests. Brazil didn't avoid a negative reaction when it intensified dialogue with undemocratic African regimes. It was criticised mostly, however, because of its close cooperation with Iran concerning mainly the Brazilian nuclear energy programme and nuclear fuel exchange arrangements. Brazil's aspirations to be an independent mediator in the case of the Iranian nuclear programme met with a negative reaction from the United States and European countries. Lula's desire to mediate the Middle East conflict with Brazil as a neutral broker also was overambitious and unsuccessful.

Finally, an increase in Brazil's activity in multilateral forums during Lula's presidency contributed to the transformation of the country into a key player in global issues such as world trade liberalization talks. As one of the top contributors to global greenhouse gases if deforestation is included, Brazil gained importance during international climate change negotiations. Moreover, since 2008, Brazil has been actively involved in debates on global financial issues through the G20.

**Challenges for Dilma Rousseff.** The most important internal challenges for the new president will be to sustain economic growth, to improve market attractiveness and to continue to tackle social issues. Urgent problems to manage include an overvalued national currency and overstretched public spending. Despite significant improvements, the social area will be of major concern. There still are 20 million people who live below the poverty line, not to mention the high level of income inequality that places Brazil below the Latin American average. Public security and corruption are serious issues that need to be addressed.

The key objective of Dilma Rousseff's foreign policy probably would be in strengthening regional leadership. This may be facilitated by success in the exploration of the Pré-Sal oil fields and by the relative political decline of other countries such as Venezuela and Cuba. Furthermore, the Brazilian socio-economic model—democracy with a market-friendly approach and certain redistribution policies—may be seen by some Latin American countries as an interesting alternative to the development models of Chávez or Castro. As a main guarantor of regional stability, Brazil will be a highly attractive partner for the U.S. However, a stronger regional role may lead Brazil to be even more assertive towards the U.S. administration. Nevertheless, Rousseff will need to find a balance between contributing to the political independence of Latin America and close cooperation with the U.S., which is crucial for Brazil to achieve recognition for its global status. The United States certainly will expect Rousseff to reconsider the level of Brazil's relations with anti-American governments in Latin America and its close cooperation with partners such as Iran, although it is rather doubtful the new government will give up its close ties with those countries.

Lula's international achievements make it easier for Rousseff to follow the process of consolidating Brazil's global status. Key to that consolidation will be the performance of the economy and an improvement in regional leadership, but it also requires a proper balance between Brazil's aspiration to play an independent role and its still-needed close cooperation with leading global actors such as the U.S. and the EU. The real challenge for Brazil is coming from China's increasing commercial presence in Latin America. Brazil has systematically been losing its dominant position in intraregional trade. As a consequence, Rousseff may be more willing to strengthen regional economic integration and to intensify extra-regional trade ties. European countries could be important commercial partners and act as a counterbalance to the high dependence of the Latin American region on the U.S. and China. This could be the chance to advance the Brazil-EU strategic partnership and the EU-Mercosur negotiations, which were recently restarted.