Brazil's conquest of political and economic stability after the end of two decades of military rule in 1985 and the establishment of the democratic regime of the New Republic created the conditions that enabled the country to achieve a new high in international prestige over the past 25 years. Blessed by exceptionally favorable external and internal opportunities, we owe this ascent to the cumulative efforts of successive governments rather than the performance of a single leader.

President Luiz Inácio Lula da Silva (2003-2010) symbolized with his personal history the ascent of the country as a whole. His identification with the great social causes of combating hunger and poverty, the charisma of his self-confident personality and his vocation for negotiating, as a former labor union leader, reinforced foreigners’ recognition of Brazil’s emergence as a global player.

But Lula has become a victim of his own success. Universal adulation has led him to forget the contribution of objective conditions prevailing in the country and in the world, feeding what now may be called a cult of personality. Leaders of his government could not resist the temptation of claiming for themselves full credit for the country’s successes. They sought to persuade Brazil and the world that all that they did was new and unprecedented. Lula and his collaborators never acknowledged the gains inherited from previous governments.

Despite the president’s international success, his foreign policy commands much less approval and consensus at home than it enjoyed abroad until recently. The thrust of this policy is radicalized by ideological and partisan motives. As regards crucial values – human rights, democracy, nuclear nonproliferation, global warming – the government prefers short-term gains, with a calculated indifference toward violations committed by oppressive regimes. It prefers dubious alliances to the detriment of universal values. Examples abound: indulgence toward human rights violators; mistakes in mediating an aborted agreement on Iran’s uranium enrichment; describing relations with a regime that sentences women

Continued on page 4

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Bolivia and Brazil
Roberto Laserna

We cannot ignore the importance of Brazil to Bolivia. More than half of our territorial frontier is with Brazil and one-third of all Bolivian exports are natural gas destined for São Paulo. Bolivia’s only sovereign port for reaching oceanic trading routes is Puerto Aguirre, lying on our border with Brazil and giving us access to the international waterway of the Paraguay-Paraná river basin.

The discovery of enough gas in Bolivia’s Oriente to supply major markets on Brazil’s Atlantic coast was seen as an opportunity to strengthen the economic viability and modernization of both countries, leading to construction in the 1990s of a pipeline stretching from Santa Cruz to São Paulo. Many Bolivian leaders at the time doubted that the forces driving the two countries toward making this deal could avoid a collapse of the country’s foreign trade, owing to the decline of its traditional tin exports, placing at risk Bolivia’s political and economic stabilization of the 1980s and 1990s. Nevertheless, trade and development prospered over the next decade.

However, President Evo Morales shocked Bolivia’s main economic partners on May 1, 2006 by decreeing nationalization of the installments of foreign companies producing and exporting gas to Brazil and Argentina, the main sources of foreign currency for this poor, landlocked republic. Two days earlier, Morales joined Venezuelan President Hugo Chávez and Fidel Castro in Havana to receive promises of massive financial, technical and material support from Venezuela as he signed a new “Commercial Treaty of the Peoples.” Returning to Bolivia, he decreed nationalization at the new San Alberto gas field in the southern department of Tarija and sent troops to seize the installations of Petrobrás, Repsol and Total, the main foreign investors in Bolivia’s petroleum industry. Asset managers, subsidiaries of Spanish and Swiss banks administering Bolivian pension funds, were forced to transfer, without compensation, their holdings of private oil company stocks to Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), the Bolivian state petroleum company, which assumed payment of old-age pensions.

In recent years the Bolivian government has acted as if this relationship had the same degree of importance for Brazil, which is to overlook reality. All Bolivian exports, including natural gas, amount to less than 2% of all Brazilian imports, while Bolivia buys less than 0.5% of Brazil’s exports. Obviously, the energy content of Bolivian exports makes them more relevant, but this advantage diminishes because of the lack of diversified markets, which leaves Bolivia more vulnerable. None of these considerations have shaped
Bolivia’s relations with Brazil in recent years.

Brazil’s government tolerated Bolivia’s aggressive acts and rhetoric, including the “nationalization” of the gas industry and the military occupation of a Petrobras refinery. In reality, the nationalization did not expropriate foreign companies but forced them to renegotiate supply contracts and to provide extraordinary financing to Bolivian state companies. These were arbitrary acts driven more by political calculation than by legality and a long-term vision. They imposed a high cost on Brazil, obliging Petrobras to adjust its plans and more urgently seek gas inside its own country.

Brazil’s government also was impervious to the undemocratic actions of the Bolivian government. During election campaigns Lula made clear his support for President Evo Morales and helped to discredit the opposition. The convocation of a Constitutional Assembly and the extension of Morales’s term of office were forced political acts that violated legal limits. The opposition, with a majority in the Senate, failed in efforts to block them, although its leaders provided Brazilian envoys with information that would have enabled them to perform a more institutional role.

In those early years after 2005 Lula’s foreign policy advisor, Marco Aurelio Garcia, came to Bolivia frequently. President Lula himself visited the Chapare, the coca-growing region that was the main electoral bastion of Evo Morales. Lula joined Morales in a political rally with a garland of coca leaves around his neck. The political solidarity of Lula’s government with Morales was clear and firm but, according to the opposition, there was little economic solidarity between the two countries.

Brazil made that clear by reducing its dependence on Bolivia as a source of energy supplies. It avoided dialogue with Bolivia on its two hydroelectric projects on the Madeira River in the Amazon, close to its frontier with Bolivia, which has been unable to carry out studies of the environmental impact of the dams on its eastern lowlands.

Lula’s government also avoided supporting the Brazilian mining company EBX, owned by the billionaire Eike Batista, in developing the huge Mutun iron deposit in southeastern Bolivia, near the border with Brazil, leaving the Bolivian government to issue a concession without competitive bidding to Jindal Steel and Power of India, which lacked capacity to carry out the project. Mutun remains in limbo, as it has for decades, with the Bolivian government unable to finance the port and railway infrastructure that it had promised to provide.

As a result of the frictions over Bolivia’s gas “nationalization,” investment in its petroleum industry has declined continuously, with loss of reserves and production capacity. Bolivia has lost important markets while lacking capacity to supply others, such as Argentina, Uruguay and Paraguay. Imports of diesel fuel have increased and Bolivia has been forced to import gasoline for the first time in 50 years. In some months it has been importing liquefied cooking gas from Peru, which some say is the same liquefied gas exported from Bolivia as contraband, on which smugglers earned profits due to the subsidized prices in its domestic market.

Lula gained an ideological ally in the Bolivian government whose grip on power he helped to stabilize despite flagrant illegalities in the political process and in the reorganization of Bolivia’s petroleum industry. Because of the difference in the size of the two countries, what Brazil has gained from these dealings is small compared to what Bolivia has lost. Yet the problems have not ended. Brazilian settlers in Bolivia’s frontier Pando region have been attacked and forced to flee.

The Brazilian press reports that 60% of the illegal drugs circulating in Brazil come from Bolivia. While frictions between the two countries have a long history, the latest phase could have been managed better.

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to death by stoning as a “strategic partnership”; likening protests against fraud in Iranian elections to a brawl between fans of Flamengo and Fluminense, traditional football rivals in Rio de Janeiro; the limitless praise of Venezuelan dictator Hugo Chavez’s personality-centered authoritarian rule. This is why The Washington Post called Lula, “the best friend of tyrants in the democratic world.”

In a 1984 speech, Tancredo Neves, the venerated president-elect who died of complications of surgery before he could be inaugurated, said that “if there is one aspect of Brazilian foreign policy that has met with the consensus of all currents of thought, this is the foreign policy carried out by Itamaraty.” (Itamaraty Palace is the headquarters of Brazil’s foreign ministry.) After 25 years, the press and debates in Congress make it clear that this consensus no longer exists.

The “parallel diplomacy” of the Workers Party (PT/Partido dos Trabalhadores) toward ideologically kindred governments or movements caused many complications, using contacts outside diplomatic channels by emissaries such as the President’s foreign policy advisor, Marco Aurélio Garcia, a kind of shadow foreign minister for Latin America. This diplomacy involved interference in Venezuela’s internal politics at moments of tension; the lack of ideological impartiality toward election campaigns in neighboring countries; the partisan response to Colombia’s military agreement with the United States; the contrast between the reaction to the Honduran coup in 2009 and the indifference toward human rights violations in Cuba and Iran.

After Lula, Brazilian foreign policy must become less personalized, less grandiose, less ideological and more focused on Brazil’s specific interests in a complex world. On the eve of the inauguration of the new government early in 2011, we must pursue policies best suited to Brazil as a whole and not only to personal or party ambitions for power.

Virtue and fortune
The clearest expression of the chances for success of a prince or a ruler is still Machiavelli’s formula of virtù and fortuna. Virtù as the ensemble of the intrinsic character of a statesman and his policy: coherence, logic, conceptual attunement to reality, the relationship between means and ends, clarity and feasibility of goals, their alignment with collective interests, and a sense of balance and proportion. Fortuna as the sum of the more or less favorable circumstances of the international environment: a positive climate of peace and prosperity or a negative climate of wars and deprivation. To this we should add a peaceful yet stimulating domestic environment owing to internal stability and cohesion of the population or, on the contrary, an environment torn by division and confrontation between factions. Finally, there are the advantages of an expanding economy or the problems of a country in decline.

No foreign policy, regardless of how well conceived, escapes these contingencies. In the turbulent first decade of the Old Republic (1890-1930), diplomacy stalled in the disarray of the economy in Encilhamento, the financial and inflationary speculation of 1889-91 that followed the abolition of slavery and the monarchy; the Navy Revolt of 1893-94; the Federalist Revolution in Rio Grande do Sul (1893-95), and the Canudos massacre by the army of religious zealots in the back country of Bahia (1896-97). The country had to await the political stabilization and economic recovery carried out by Presidents Prudente de Morais (1894-98) and Manoel Campos Sales (1898-1902), which paved the way for peace and prosperity under Presidents Francisco Rodrigues Alves (1902-06) and Afonso Pena (1906-09). These improved conditions enabled the Baron of Rio Branco, Brazil’s great foreign minister, to launch an extraordinarily successful diplomacy between 1902 and 1912.

More recently, our experience with the so-called Independent Foreign Policy shows how adverse internal and external factors may wreck intelligent, well-conceived initiatives. This policy was announced in 1961 by President Jânio Quadros, who resigned abruptly after only seven months in office, and then pursued under João Goulart (1961-64) by São Tiago Dantas and João Augusto Araújo Castro as foreign ministers. The Independent Foreign Policy was a victim of Cold War tensions, intensified by economic crisis and the radicalization of Brazilian politics, leading to the 1964 military coup. A decade later, many of its premises were revived under more promising circumstances by President Ernesto Geisel (1974-79) under the stewardship of Foreign Minister Antonio Francisco Azeredo da Silveira.

These experiences illustrate a core truth at all times and in all nations: voluntarism is not enough to ensure the success of even the most intelligent and inspired policies in the absence of the external and internal conditions needed to carry them out. In assessing Lula’s foreign policy, deciding what results are due to the fortuna or the virtù of the leader, we should begin by considering the differences between this century’s first decade and the preceding period.

Globally, a new space has been created for the emergence of a new polycentrism. Intermediate powers (Brazil, India, South Africa, Turkey) now may be able to undertake autonomous initiatives previously reserved for the dominant powers (the five permanent members of the UN Security Council: the United States, Russia, China, the
United Kingdom, and France). The prospects for polycentrism became greater as the unilateral strategy of President George W. Bush in response to the terrorist attacks of 2001, and particularly the invasion of Iraq in 2003, led to a prolonged and debilitating military engagement of the United States in Iraq and Afghanistan. The relative weakening of U.S. power and prestige was aggravated by the wastage caused by the economic and financial crisis. The government of President Barack Obama acknowledged this changed international reality.

Economically, the first six years of Lula's administration (from 2003 until late 2008) coincided with an unprecedented expansion of the world economy (high commodity prices, financial liquidity, low interest rates). The financial crisis that followed disorganized and weakened the West's advanced capitalist economies, thereby reinforcing the effects of China's economic rise and leading to the replacement of the G-7 by the G-20 as the global economy's coordinating venue.

In Latin America, a leadership vacuum was created as the attention of the United States turned to security priorities in other regions, particularly the Middle East and Asia, and as the internal problems of Mexico and Argentina reduced their diplomatic role, at least for the time being. Meanwhile, the radical experiments of “refounding” the political regimes in Chavez's Venezuela, Evo Morales's Bolivia and Rafael Correa's Ecuador produced new divergences and heterogeneity, marring the prospects for economic integration and political cooperation.

Over the past decade, tendencies toward polycentrism and economic expansion reinforced each other. After 2003, once the initial economic jolts were overcome and confidence restored, Lula's government became the fortunate heir of a New Republic that had consolidated mass democracy, internal social cohesion and economic stability. Lula had the merit of knowing how to take advantage of favorable circumstances for conducting an ambitious foreign policy to propel Brazil onto the world stage.

**Lula's foreign policy**

Inspired by new opportunities, particularly at the global level, Lula's foreign policy unfolded along four main lines:
1. Win recognition of Brazil as a global political actor in the polycentric international system. This meant pursuit of a permanent seat on the UN Security Council and other forms of self-assertion, such as participation in the recently created G-20 and BRIC groupings and the IBAS Forum (India, Brazil, and South Africa), as well as the recent agreement with Iran and Turkey on Iran's nuclear program.
2. Consolidate world economic conditions favorable to development based on Brazil's comparative advantages in agriculture, above all by the effort to conclude the World Trade Organization's Doha Round of multilateral negotiations.
3. Attach more importance to South-South relations, owing to the emergence of China, India, and South Africa, and revived African growth. This led to proliferation of contact forums such as IBAS, BRICs, AFRAS (Africa-South America Summit), ASPA (South America-Arab Countries Summit) and Brazil-CARICOM (Caribbean Community).
4. Construct an exclusively South American political-strategic and economic-trade space (in which Brazil implicitly, even if not intentionally, dominates), starting with MERCOSUR's gradual expansion.

These goals have not been fully achieved, with the possible exception of the easiest, namely, South-South relations. However, frustration has not been due mainly to Brazil's failures or deficiencies. With the U.N. Security Council and world trade, to put it simply, Brazil wants a solution but can't make it happen. Regarding South America, Brazil can lead but doesn't want to.

**United Nations Security Council**

At the United Nations and the World Trade Organization, even if Brazil does everything right, its capacity to influence what happens is not enough to solve impasses as we would wish. Despite all our efforts, no consensus has yet been reached on reforming the Security Council. Nor has the Doha Round been concluded, despite Brazil's enthusiasm.

With regard to the Security Council, the current government's policy clearly differs from that of its predecessor, which attached less importance to the issue. Brazil has achieved a different status from that of other Latin-American aspirants, such as Mexico and Argentina, being far ahead of the rest as the favorite to occupy a seat, should one be assigned to Latin America, in recognition of Brazil's economic growth and stability. This distinction also should be credited to the current foreign policy's activism and sense of opportunity.

These advances were compromised recently by Brazil's sudden change of attitude toward the Iranian regime, a target of numerous Security Council sanctions. This change in Brazil's policy was dramatized by the closeness, at the presidential level, to a nation that defies those sanctions, violates democracy and human rights, denies the Holocaust and insists on acquiring atomic weapons, in opposition to the Nuclear Non-Proliferation Treaty. The negative implications of Brazil's gesture as seen by potential partners and world public opinion surely will carry weight whenever the Security Council is restructured.

The agreement with Iran might
have been a significant and perhaps decisive step toward enhancing the Brazilian (and Turkish) position if it had been coordinated and agreed with the 5+1 group (the five Security Council members plus Germany). To this end, these countries should have been consulted beforehand, as implementing the accord at the Security Council would depend on them.

This flurry of activity was punctuated by an exchange of letters between Presidents Lula and Obama, leaked to the press but never fully-published, that led to further misunderstanding. The reaction of the 5+1 group showed that the Tehran accord was seen as a fait accompli to be imposed on the other parties, who quickly pointed out that the negotiated solution failed to cover critical points. The air of a sporting triumph that pervaded the signing of the agreement in the Iranian capital, with the sponsors raising their arms in victory, dramatized not conciliation but defiance. This, of course, was not appreciated by the targets of the maneuver.

The episode reveals both the potential and the limitations of intermediary players. The lesson is that this potential will have better chances of bearing fruit if initiatives are of a more constructive, consensual nature. The next government will have to choose opportunities for action carefully, weighing without delusions the potential benefits against the costs and endeavoring to act, whenever circumstances so indicate, in cooperation with the other players, with discretion and without any boastfulness liable to elicit resistance and hostile reactions.

Brazil’s role in the Security Council should be to make itself heard through a diplomacy seen as a force of moderation and equilibrium, conciliation and approximation with adversaries, in consonance with the situation of a country such as ours, which is neither a nuclear or a military power, has no hegemonic pretensions and is not a party to rivalries in regional conflicts.

The new diplomatic clusters

The efforts at coordinating novel diplomatic groupings with Russia, India, and China (BRICs) or with India and South Africa (IBAS) have the advantage of being an accomplished fact. Because of its size and weight, without needing endorsement by others, Brazil has become Latin America’s representative in these groups. Not by chance, these groups bring together permanent members of the Security Council (China and Russia) and the aspirants to this role. None is an ally of the United States in the North Atlantic Treaty Organization (NATO). IBAS might be seen as a club of ‘natural candidates’ to higher international status in each of three continents: India (in Asia, Japan’s candidacy being left to the United States), South Africa (in Africa), and Brazil (in Latin America).

The challenge for the future lies in creating a platform for joint action that would endow these groups with a real value beyond what is being done already by the G-20. Thus countries as heterogeneous as the members of these two groups must adopt a common international stance. Both groups, just as the G-20, represent the same phenomenon: the search for institutions and mechanisms of global coordination and governance. Yet these groups so far are unable to go beyond declaratory documents expressing generalities, with no perceptible impact toward accomplishing their natural purpose: to have their members act in unison under a common program to improve global governance.

This task has been left to the G-20, whose emergence as the highest political instance of macroeconomic coordination was one of the most impressive changes in the international order in recent years. The sudden incorporation of new players into a decision-making process heretofore exclusively reserved for the big advanced economies represented a need created by the world financial crisis. It also signaled a change already under way in the correlation of economic forces. For Brazil, this jump was even more significant because it allowed us to enter the circle where the great financial and monetary decisions are made, where previously we appeared only as recidivist culprits of moratoriums and payment defaults. It also
amplified our country’s presence and influence in a new and decisive area in the sphere of trade, where we always have been active.

The gravest moment of the 2008 crisis coincided with the rotating presidency of Finance Minister Guido Mantega in the G-20. This was a fortuitous circumstance that aided the Brazilian effort to prevent the convening of the G-20 from being limited to emergency situations, with no continuity. Both the Finance Minister and President Lula exercised considerable influence in endowing the process with greater consistency and permanence, converting the G-20 into the highest forum of world leadership. In close coordination with the other BRIC countries, Brazil endeavored to reform the international financial architecture so as to give emerging countries more power and responsibilities in all international forums deliberating monetary and financial policy, not only at the Bretton Woods institutions (the World Bank and International Monetary Fund), but also in organizations such as the Financial Stability Forum (FSF), converted into a Financial Stability Council with the incorporation of the emerging countries.

An initiative with relevant implications in coming years was the BRICs’ decision to obtain virtual veto power as a blocking minority by giving US$92 billion between them (US$50 billion from China and US$14 billion each from Brazil, India, and Russia), more than 15 percent of the total, to a newly created facility to assist economies in crisis, the so-called New Arrangements to Borrow (NAB) at the IMF. The power thus acquired is all the more relevant since the new facility’s volume (US$590 billion) is more than twice the IMF’s US$250 billion in regular capital quotas.

The next Brazilian government must help ensure the G-20’s continued relevance as the central focus of decisions at moments such as the current crisis, concentrated in Europe, that require greater urgency. This means that Brazil must be prepared to contribute intellectual and technical competence to the task of building a new world economy less susceptible to periodic, preventable crises. To this end, it will not be enough to resist the larger economies’ tendency to reverse the democratization of the decision-making process, after conditions normalize. Beyond this vigilance, the government must acquire the ability to make a real, assertive contribution to the debate on the world economy and at regulatory and supervisory institutions.

Based on my own experience as Finance Minister, I feel that we must increase the number of qualified technical staff in the ministry’s international area, notwithstanding excellent professionals such as the current International Affairs Secretary, Ambassador Marcos Galvão, who is Brazil’s main representative at G-20 meetings. We must have an installed capacity equivalent to that of the Finance Ministries of the world’s major economies, with which Brazil negotiates. Also in need of strengthening are the Central Bank’s international area, the Planning Ministry (which represents Brazil at the regional banks), and Itamaraty’s economic and financial sector. Until recently, economic and financial diplomacy was a virgin area for the government, which now must give it attention commensurate with its importance for the future of our economy.

The World Trade Organization

Undeniable differences emerged between the the previous government and the Lula government emphasis placed on both the Security Council and the new opportunities created by the formation of groups such as the G-20 and the BRICs. But there has been more continuity than change in the policies of Brazilian governments at trade negotiations, first at the General Agreement on Tariffs and Trade (GATT), then at its successor, the World Trade Organization (WTO).

An exemplary use of the WTO’s dispute settlement procedure is Brazil’s case against the cotton subsidies of the United States (and later against the European Union’s sugar subsidies), illustrating the continuity of a State policy that began under the Fernando Henrique Cardoso government. It involved rare coordination between the ministry of agriculture and private producers’ associations whose collaboration, including financial support for the litigation, proved decisive. Foreign Minister Celso Lafer added to Itamaraty’s bureaucracy a new unit specializing in dispute settlement procedures and endowed it with human resources capable of an undertaking of such technical and juridical complexity, leading to a clear victory of Brazilian trade diplomacy.

In view of the persisting impasse in the Doha Round negotiations, our next government must consider rearranging the priorities of Brazil’s trade diplomacy. This reexamination would not belittle the WTO’s irreplaceable value as the forum for making further advances on systemic issues such as farm subsidies or for the quasi-judicial settlement of disputes. However, we should question up to what point we should concentrate on the expectations created by the Doha Round. Brazilian industry, suffering from chronic competitiveness problems, shows scarce enthusiasm for potential gains from the Doha Round, fearing that the benefits of a reduction in the tariff peaks regarding sensitive products (textiles, footwear, and leather items) might be monopolized by the Chinese and other Asians.
Industrialists fear that a further tariff reduction might increase Asian penetration into Brazil's domestic market.

We also should review the kind of compensation we can expect to obtain in agricultural negotiations. Agricultural subsidies will be reduced only through multilateral negotiations. This is the main reason for our continued engagement. However, as the National Agricultural Confederation and the World Bank point out, the problem lies not so much with subsidies as with barriers to market access. Should gains in access prove more substantial than reduction in subsidies, we should resort to bilateral agreements, which in general seem to be more effective for obtaining access than protracted, complicated negotiations at the WTO.

More time and effort should be devoted to less ambitious initiatives, through which Brazil can achieve immediate, tangible results. Instead of betting all on Doha in the last eight years, we might have devoted more effort to obtaining elimination or reduction of sanitary barriers to Brazilian meat and fresh fruits and vegetables to specific markets, which might have produced more encouraging results. A similar reasoning applies to bilateral agreements. A more systematic and intense effort on our part might have brought more significant free trade agreements than the meager current yield, restricted to agreements with Peru, the Andean Group and Israel.

**Foreign trade problems**

Brazil’s foreign trade is in the throes of a severe crisis of competitiveness, as shown by the rapid decline of our trade balance and our alarming current account deficit. This weakening is worsened by the apparently irreversible erosion of the comparative advantages of our manufactures and by the increasing concentration of exports on a decreasing variety of commodities and items derived from natural resources, after little processing. Serious macroeconomic disequilibria lie at the root of the problem: growth driven almost exclusively by government and individual consumption; low savings; insufficient investment, and thus more dependence on foreign savings and financial flows from abroad. The exchange rate plays a fundamental role in the deterioration of external accounts, leaving us without a lasting solution to foreign trade problems until our exchange rate becomes more competitive.

Besides the exchange rate, other structural deficiencies weaken Brazil’s capacity to compete with Asian countries on world markets. The extremely high cost of capital, the suffocating tax burden, bureaucratization and the poor quality of government regulation, the precariousness of the transport and port infrastructure – in sum, the combination of factors that compound the ‘Brazil cost’ that is responsible for high transaction costs in our country. Without partial or complete solutions to deal with these permanent causes of Brazil’s low competitiveness, there is not much that trade diplomacy can accomplish on its own.

We delude ourselves about the capacity of trade negotiations and bilateral or regional agreements to remedy this painful lack of competitiveness. We do not see that
negotiations and agreements, even if successful and fully implemented, can at the most create exporting opportunities. Taking advantage of these opportunities will depend, as it always does, on the capacity to place on the market quality products at competitive prices, which requires a favorable exchange rate.

The next government will have to seek solutions to the problems that affect the exchange rate and on other components of competitiveness. The complexity of this challenge and the conflicts that solutions may provoke will demand the personal, unrelenting involvement of the President of the Republic to secure an efficient mechanism for coordinating all the agencies responsible for the conduct of foreign trade. We are still crawling in this area, as shown by the astounding episode of the decision (fortunately not implemented) in late 2007 to impose specific duties on footwear, textiles and other products. How could it be possible for the Federal Revenue Agency to secure the promulgation of such a measure without prior consultation with the Ministry for Development, Industry, and Commerce (MDIC), and Itamaraty, not to speak of the Foreign Trade Chamber (CAMEX)? How could such a decision pass through the filter of the President’s office? This dramatically exposed our pathetic lack of coordination and our institutional frailty.

Assuming that the next government will be competent enough to find effective solutions for most of these deficiencies, we will be able to implement a less defensive trade policy – legitimate under present circumstances, but leaving us no room to maneuver on offensive initiatives, given our inability to offer compensations. We thus might start negotiations with players of a medium stature – such as Mexico, Australia, Canada and the Persian Gulf countries– to prepare for more ambitious efforts to open major markets, such as the European Union, the United States, Japan, India, South Korea and ASEAN.

Without neglecting our national interest, we might review our positions in the “new agenda” of free trade agreements: intellectual property, investment protection, government procurement and environmental and labor issues. We don’t like to discuss these issues, justifiably, because nearly always this agenda has little to do with Brazilian interests. But we should not deny from the start that there is room for flexibility, within limits, particularly when the growth and maturing of the Brazilian economy begin to change our perspective, as is the case of the protection of our greater investments abroad owing to the transnationalization of some of our corporations.

We become seriously constrained by our summary refusal to discuss issues of this kind. On intellectual property, we should never agree to commitments that keep us from producing generic medicines. But is there no room – and would it not be in our own interest – to protect certain patents in the area of agribusiness or to combat piracy?

**MERCOSUR**

The next government will be forced to review the convenience of maintaining the Customs Union and/or the Common External Tariff (CET) of MERCOSUR. A decision should be based on wide-ranging consultation with the industrial sectors that benefit from the CET (vehicles, auto parts, electronic items, machinery, chemicals) or that could benefit from a CET without so many loopholes (capital goods, computer items, and telecommunications), owing to the preferences granted for the Argentine market. Should the current perception be reconfirmed, that these sectors depend on preference margins to preserve their exports to neighboring markets in the face of competition from outside the zone, this would argue strongly in favor of continuing to bear the costs of a common trade policy toward third parties. This is all the more so because the widespread view that, without its MERCOSUR partners, Brazil would be better able to negotiate bilateral agreements. That view is probably mistaken, since many of the obstacles to these negotiations stem from the understandable resistance of Brazil’s manufacturers.

It may be feasible to work out a compromise formula: a formal or informal Tariff Union (voluntary alignment as in ASEAN), with flexibility for separate external negotiations, free of the bureaucratic burden of the requirements for an actual Customs Union. It would not be unduly complicated to negotiate more flexible criteria similar to ASEAN’S rules using Brazil’s preponderant weight within the bloc and the very likely support from Uruguay and Paraguay, which have similar interests.

Brazil’s support of Venezuela’s entry in MERCOSUR is one example of a decision with serious long-term implications for our country and for Latin America that has never been satisfactorily explained to the Brazilian public. A careful assessment would have shown the senselessness of promoting the entry of a country that could only sharpen the serious problems MERCOSUR already faces, such as the lack of compatibility among the various macroeconomic policies. It adds an ideological complication, 21st-century socialism, for the other members’ market economies. Amid growing impatience with the customs union’s heavy decision-making machinery, which gives rise to further difficulties for the negotiation of trade agreements with third countries, the entry of a government such as Venezuela’s,
which is involved in various disputes, would only make the impasses even more intractable.

These issues will not be solved without presidential involvement and political leadership at the highest level. Regrettably, MERCOSUR summits have become empty media shows with the unwarranted presence of foreign invitees, long speeches and lack of any substantive discussion of the difficult items on the work agenda.

**Trade preferences**

It is presumptuous to wish that a neighboring country from which the U.S. market absorbs 50% or more of its exports would choose between Brazil and the United States on trade issues. Brazil is in no position to rival the United States as an import market or source of investment, as we have for years accumulated growing trade surpluses with nearly all South American countries. Not even within MERCOSUR has Brazil managed to play the role of a market force capable of driving the growth of Uruguay and Paraguay.

So it is not surprising that even in South America, three mid-sized countries with the best economic foundations and performance—Chile, Peru, and Colombia—have chosen to enter free trade agreements with the United States. This precludes the possibility of a strictly South American trade zone and implies a risk of discriminatory treatment against Brazilian exports vis-à-vis exports from the United States.

**Latin America**

In South America, Brazil can’t do everything but might have accomplished something. Brazilian diplomacy could have done more or acted differently. For example, as a mediator, it could have helped Uruguay and Argentina, two priority neighbors and signatories of the same economic integration agreement, to overcome the conflict about the installation of pulp plants on Uruguayan soil. Before the sentence handed down in April 2010 by the International Court of Justice in The Hague, the two governments experienced years of tension and misunderstanding, adversely affecting other areas, such as Uruguay’s veto against Nestor Kirchner, which held up for months the election of a Secretary-General of the Union of South American Nations (UNASUR).

In Uruguay and the River Plate region, Brazil has a long tradition of involvement, direct knowledge of local situations and numerous and legitimate reasons for wanting peaceful development. Now that the worst of the Argentine-Uruguayan crisis is over, the next government should seek to play a constructive role in the strengthening of relations between two of our closest neighbors. There is no need to encourage the proliferation of bureaucratic, redundant organizations. It would be enough to revive the unjustly forgotten River Plate Basin treaty, which could deal with frontier problems such as those of the Uruguay River. A wealth of projects could be revived to revitalize border areas and conduct common research on agribusiness, environmental protection and the basin’s water resources. With Uruguay, one might resume feasibility studies for joint projects to develop the border zone of the Lake Mirim basin. While unspectacular, these actions could greatly help enhance the feeling of solidarity and cooperation between neighbors, overcoming the frustration over the unfulfilled promises of MERCOSUR.

The next government could apply the same approach to return to a position of strict noninterference in the elections or internal political processes of neighbors, a stance less and less frequent in these times of a partisan and ideological diplomacy.

**Diplomacy of gestures**

Paradoxically, Brazil has gotten better results in terms of prestige in global theaters like the G-20 and the BRICs than in Latin America, the immediate neighborhood where Brazilian influence should be greater but where the yields have been more modest. There has been no lack of initiatives stemming from the inexhaustible talent for dreaming up new forums (the Defense Council) or renaming existing ones (such as the Community of South American Nations, or CASA, rebaptized as UNASUR). An OAS (Organization of American States) without the United States or Canada was created, strangely on an initiative by Mexico, the first Latin country to join the two developed giants in the hemisphere under the North American Free Trade Agreement (NAFTA) and perhaps worried about its isolation from the Ibero-Americans.

This diplomacy of gestures, carried out by Brazil and others, shows that the lack of objective conditions or tangible results is less important than the gesture itself. The gesture
is like an increased dosage of a medicine that is not working, akin to the marginal note scribbled by a Peruvian speaker on the text of his speech – *argumento débil, reforzar el enfasis*.

Until recently, the difference of styles and results between the global and regional approaches gave rise to the idea of a duality of diplomatic commands, a division of areas of influence between the Ministry of Foreign Affairs and the president’s foreign affairs adviser. Over the past year, these gestures have escalated to ignore or override realities through voluntarism or media-hyped rhetoric spreading to more distant areas, as suggested by the search for improbable theaters for diplomatic spectacles such as President Lula’s gestures to mediate peace between Israelis and Palestinians or on Iran’s nuclear dispute.

Thus the next government should be less concerned with multiplying new structures and forums than with making existing ones more effective and operational, particularly if their existence is justified by reality and purpose. Such a one is the Initiative for the Integration of Regional Infrastructure in South America (IIRSA) launched by the preceding government, which is moving forward without bombastic publicity and remains as vital as ever, as the lack of integrated transport networks in South America remains one of the greatest obstacles to the effective integration of the region’s economies. This also applies to the River Plate Basin and the Amazon Basin treaties.

**Polemical questions**

The next administration’s priorities and the effectiveness of its diplomacy should be viewed in light of its capacity for finding solutions to these problems: (a) the persistent inability to solve recurrent friction and disputes in trade with Argentina; (b) the passivity and lack of corrective initiatives to remedy MERCOSUR’s weakness; (c) the incomprehensible refusal to set in motion peaceful processes under international law to defend Brazilian rights trodden underfoot in Bolivia’s violation of treaties and contracts pertaining to gas; (d) the partiality in the campaign against Colombia’s military agreement with the United States, in contrast with omission vis-à-vis the FARC guerillas’ initiative of purchasing arms from Chavez, or their frequent provocations against the Colombian government; (e) the lack of a sense of measure and equilibrium regarding the coup in Honduras, while smiling upon controversial regimes in Cuba and Iran; (f) the reckless intervention in the Bolivian and Paraguayan elections, impelled by ideological affinities. In a theatrical show of his foreign policy of gestures, Lula spoke at an election rally in support of Bolivian President Evo Morales in the Chapare, Bolivia’s main coca-growing region, with a garland of coca leaves draping his shoulders.

Many of these difficulties stem from adverse developments in the Americas in recent years. They contrast sharply to the convergence of values and models of political and economic organization that has taken place in Europe and in the world since the end of communism. In South America, on the contrary, integration and even cordial coexistence are undermined by processes of “refounding” of republics under leaderships that polarize tensions and conflicts, both internal and external. A realistic assessment of the situation would recognize the limits of what it is possible to do with diplomatic initiatives directed at such governments. It would also create space for an alternative diplomacy attuned to countries that adopt centrist policies closer to ours. Given their size and economic performance, Mexico, Chile, Colombia, Peru and Uruguay would thus be the countries to offer more promising opportunities for cooperation.

**UNASUR and the Defense Council**

The current government’s diplomacy has tried to create a political and economic space based not on the concept of Latin America but of South America, which may be justifiable in projects of a territorial nature, such as the regional infrastructure plans of IIRSA. But it is more difficult to extend this view to more complex areas such as trade and defense, which depend on compatibility of political and economic views rather than contiguous territories. Amid widening divergence of models and
heightened mistrust and animosity, projects such as UNASUR and the Defense Council run the risk of entering history as more examples of the diplomacy of gestures, whose potential is exhausted in meetings that are an end in themselves and have no major consequences.

The least that should be asked of these groups is that they achieve what Argentina, Brazil, and Chile accomplished with the ABC Agreement more than a century ago: reaffirmation of the strictest observance of the principle of non-intervention in the internal affairs of neighbors and the commitment not to permit the presence or activities of armed movements in border zones.

Non-intervention seems beyond the reach of an organization that pretentiously calls itself “Union of South American Nations.” What is the purpose of a Defense Council if we are not even capable of adopting a common stance toward the FARC guerrillas? Without this minimum condition, how could Colombia, a country that has been fighting guerrillas and drug traffickers for half a century, forgo military assistance from the United States? As desirable as it might be to avoid U.S. military presence on the continent, no clear alternative exists for Bogotá to obtain the resources and know-how it needs. Brazil, powerless before the control exerted by the drug traffic in Rio de Janeiro’s favelas, has little moral authority to berate the Colombians for seeking outside help.

**Relations with the United States**

Brazil continues to suffer from an inability to achieve a mature, constructive relationship with the United States, based, among other things, on increasing mutual advantages in trade and on complementary production and export systems. Under George W. Bush, an attempt was made to strengthen relations, overcoming the impasse created by the refusal of several countries to join the proposed Free Trade Area of the Americas (FTAA). There was talk of cooperation on ethanol policy. Beyond being too narrow to serve as the foundation for a more wide-ranging relationship, that effort was not able to overcome the protectionism covering U.S. corn-based ethanol.

Paradoxically, with Obama conducting a multilateral foreign policy, Brazil’s relations with Washington show signs of widening divergence in an expanding negative agenda: the handling of the Honduras coup and of the post-election in that country; Colombia’s military cooperation agreement with the United States; the U.S. share of responsibility for the Doha Round impasse; and lately the complex of issues related to Iran, its nuclear program, and the way to deal with the Iranian regime.

The tension caused by the multiplication of these disagreements, especially regarding Iran, begins to find expression in the U.S. Congress and the media and is only disguised by the official recognition of Brazil’s moderating role in a South America agitated by more abrasive and provocative personalities than those of our leaders. Leaving aside the applause of sectors hostile to the United States, it is worth asking what Brazil stands to gain from attitudes little conducive to the solution of those thorny issues of contention.

**Rupture, not consensus**

In current diplomacy, there are honest differences of evaluation and judgment eroding the multiparty consensus that existed on the eve of the founding of the New Republic in 1985. Beyond substantive differences over foreign policy proper, disagreement is also fueled by the crisis of consensus about diplomacy’s “internal policy” problems, i.e., the way it is formulated and presented to the public and the way it is perceived. Thus major responsibility lies with behavior that hinders the building of a foreign policy consensus: emphasis on rupture instead of continuity; Lula’s excessive posturing as a protagonist for the glorification of his personal leadership; lack of dialogue and consultation in formulating and conducting foreign policy, and the partisan politicization and ideologizing of foreign policy.

**Rights and values**

One of the worst aspects of Lula’s diplomacy is the subordination of human rights, the environment and the combat against weapons of mass destruction to narrow, selfish short-term interests. Some instances of this behavior are well known, such as the excuses presented for the Cuban government’s repression of dissidents, comparing hunger strikes staged by desperate protestors against electoral fraud.

Less publicized is the behavior of the Brazilian delegation at the U.N. Human Rights Council in Geneva, which gained notoriety for its complicity with the sinister alliance blocking attempts to investigate or pressure against massive violation of the most elementary human rights. In this respect, Brazil distances itself from its proclaimed identification with Latin-American values. In contrast to Argentina, Chile and Mexico, which better honor the best traditions of Latin America’s democracy, the Brazilian government aligns itself in the Human Rights Council with the most notorious violators, such as Cuba and Pakistan.
By absenteeism or blocking action, the Brazilian government collaborated in the shameful task of obstructing the proper functioning of the Human Rights Council. It also helps protect and favor the authors of the worst assaults against human values today in North Korea, Sri Lanka, the Congo, Iran, and in the Sudan of the Darfur genocide.

By preferring immediate diplomatic gains to universal values, the Brazilian government falls into a dual contradiction. It raises doubts about the sincerity of the causes it claims to support internally. It also weakens and demoralizes the very foundation of its recently-won international prestige, which derives from the joining of two images – of Brazil and Lula, both associated with human values, such as peace and the combat against hunger, injustice and poverty.

This breeds a deeper contradiction born out of the lack of clarity about the ultimate objectives and values that inspire the government’s effort to win international recognition and respect. Current diplomacy is characterized by the unrelenting pursuit of opportunities to accumulate prestige. Prestige is one of the components of power, known today as soft or smart power, which is the capacity to persuade by example and arguments, as opposed to the forceful power of weapons and economic coercion.

Brazil’s peculiarity lies precisely in the fact that it is the only large country that, strictly speaking, has only soft power at its disposal. Of the four BRICs, for instance, Brazil is the only one that is not an atomic or conventional military power. This is due to a set of geographical and historical reasons that have benefited us with a unique security. On March 1, 2010, the anniversary of the end of the Paraguayan War, we celebrated 140 years of uninterrupted peace with ten neighbor countries, an unparalleled achievement among countries of similar dimensions and with a number of neighbors comparable to ours.

What has allowed Brazil to win greater international prestige has been its culture of peace, the fact that it is neither a nuclear nor a military power. Why then destroy this reputation by conspiring with the enemies of the worldwide endeavor to reinforce human rights?

Why contribute to the weakening of the nuclear nonproliferation regime by refusing, with no convincing argument, to adhere to the Additional Protocol to the Nuclear Nonproliferation Treaty (NPT)? If the government is sincere in concurring with the previous government’s accession to the NPT, if it does not intend to violate the constitutional prohibition of nuclear weapons, why then adopt a comfortable posture criticizing the NPT’s flaws without using its recognized capacity for diplomatic proposals to suggest ways to strengthen it?

Brazil seems to vacillate between the peaceful course that has ensured its prestige until now and acting as those it has censored in the past. The ambiguity about proliferation may mask a mental reserve for a possible about-face in the future. This turnaround would be in line with the program calling for costly armaments, such as a nuclear submarine, jet fighters and other recent projects that evoke the ghost of the return of the dreams of Brazil as a Great Power nourished by the military dictatorship that ended in 1985. Incidentally, the argument of respect for sovereignty to explain Brazil’s votes at the Human Rights Council is the same one raised by the military in the past.

The myopia of a false ‘realism’ concentrated on gains of prestige without substance leads to a waste of opportunities to build something of much greater value. This is obvious in an area in which Brazil would be in a better position to claim the status of a great power – an environmental power. In view of its energy matrix, featuring hydropower and ethanol, and the potentially low cost of emissions reduction, Brazil could become the symbol of a proactive policy as the first large developing country to accept reduction targets without causing economic damage to itself. Instead of serving China and India as a tool of resistance to advances in the climate change negotiations, Brazil should return to the role it played during the great 1992 Rio de Janeiro conference, of intermediary and facilitator of a historic agreement between advanced nations and developing countries, which would mean a resounding victory not only for Brazil but for all of mankind.

Epilogue

Without being exhaustive, this analysis of Brazilian diplomacy’s main areas of action served to show that the problem is not a lack of alternatives to the questionable policies that are being pursued. The consideration and possible adoption of the alternatives suggested here are subject to what I stressed at the beginning of this essay: *fortuna* and *virtù*, the internal conditions, including those of a partisan and political nature, the quality and competence of the government leadership and the circumstances of the external environment.

These conditions are continuously changing in ways that may drastically alter the current picture. It is enough to say that
Lula’s charisma and vocation for protagonism, until now inseparable from the government’s foreign policy, will no longer be on the scene. Another uncertainty has to do with the economic recovery in the United States, Europe, and Japan, as well as the effect the different scenarios will have in terms of the demand for imports and of the availability of the huge financial inflows Brazil will need, given the current account deficit and the ambitious investment program already announced.

Brazilian prospects are subject to external conditions, especially by what will happen in China and the United States, and internally, to the outcome of elections. We can do little to affect what happens in China or the United States. As to the fulfillment of the promise of stability and growth in our own country, which constitutes the basic condition for the consolidation of Brazil’s international prestige, it will depend as always from the virtù of all of us, on our wisdom, discernment and political choices.

Translation by João Moreira Coelho.