

BRAZILIAN FOREIGN POLICY
Present and Future

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Brazilian Foreign Policy: Present and Future

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Introduction

This volume contains texts by Ambassadors Luiz Felipe Lampreia, Rubens Ricupero, Sérgio Amaral, Sebastião do Rego Barros, Marcos Azambuja, and Roberto Abdenur and by Antonio Carlos Pereira, a journalist on the staff of O Estado de São Paulo. Their texts are a summary of their lectures at the Conference on Brazilian Foreign Policy: Diagnosis and Prospects convened on August 31, 2009 by the Freedom and Citizenship Foundation, in partnership with the São Paulo Trade Association and with the support of the Teotônio Vilela Institute and the Astrojildo Pereira Foundation. Of the seven invited lecturers, only Ambassador Roberto Abdenur was not able to attend but was willing to contribute to this publication.

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The encounter, which was attended by 600 hundred people most of them university students of the state of São Paulo, and included politicians, members of the intelligentsia, and journalists, who undertook a careful, highly technical analysis of the conduct of Brazilian diplomacy under the Lula government. The main conclusion reached is that the Brazilian foreign policy has been in disarray in recent years and that its focus has been restricted to practically just one, as yet unattainable objective: to secure a seat on the United Nations Security Council.

For nearly eight years, the Workers Party-PT, at the whim of Itamaraty, has chosen to support governments with which it is ideologically identified, bypassing the professionalism and the impartiality that have always characterized Brazilian diplomacy. The Rio Branco Baron used to say:

“Everywhere I remember the Homeland.” The Workers Party’s diplomacy subverted his motto, replacing it by “Everywhere I remember the Party.” This stance became crystal clear when the Brazilian government decided to interfere in the Bolivian and the Paraguayan elections, used resources of the Brazilian National Economic and Social Development Bank-BNDES to make concessions to Ecuador and Venezuela, and, in a flagrant disrespect of the Brazilian foreign policy tradition, interfered in the internal affairs of the Republic of Honduras.

The conversion of Brazilian foreign policy into a Party policy has been criticized by this competent team of diplomats and a journalist, for whom foreign policy should be a State policy, never one particular government’s policy. Governments are transient, while the State stands, and diplomatic activities in the course time are a corollary of this truth.

Today, Brazil practices a personality-centered foreign policy, playing to the crowd. It has not pursued a long-term vision, and much less a long-term strategy. It has ended up by distancing itself from the great powers as it followed a naïve course, establishing a series of diplomatic missions in Africa, as if the election for a seat on the UN Security Council were a question of numbers, a mathematical calculation, failing to see that this is a much more far-reaching issue, which depends on the recognition of real, solid, enduring leadership.

As these seven texts make clear, the Lula government has put our foreign policy in disarray, transmogrifying it into an ideological carnival. The future will inexorably show its consequences.

As our fellow congressman Luis Eduardo Magalhães would say, this policy does not run the least risk of being successful.



Deputado Rodrigo Maia
National President of Democrats Party



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The main lineaments of Brazil's current foreign policy

Rubens Ricupero

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A career diplomat, Rubens Ricupero was international affairs advisor to president-elect Tancredo Neves in 1984 and 1985. He was Brazil's Permanent Representative to UN agencies in Geneva (1987-1991) and Ambassador to the United States (1991-1993). A former Minister of Finance, he was also Brazil's Ambassador to Italy. He was elected Secretary-General of UNCTAD and is currently dean of the Armando Álvares Penteado Foundation's School of Economics as well as President of the Fernand Braudel Institute of World Economics.

As eighty-five percent of President Lula's two terms have elapsed, it is already possible to draw a preliminary balance of its diplomacy. This is what we will attempt to do – and do it objectively, without any prejudiced ideological or partisan viewpoints. As we approach the twenty-fifth anniversary of the New Republic, I have taken as a starting point Tancredo Neves's speech in late 1984, in which he said that "... if there is one thing in Brazilian politics that meets the consensus of all currents of thought, it is certainly the foreign policy carried out by Itamaraty."

The relative consensus mentioned by Tancredo no longer exists. This is not a matter of opinion but a factual statement, as illustrated by the difficulties to secure the National Congress's approval of Venezuela's adhesion to Mercosur, the editorials in newspapers and magazines about the vicissitudes of Latin American integration and of trade relations with Argentina, the accusations of weakness and excessive concessions in regard to actions by Bolivia, Paraguay, and Ecuador, and numberless other episodes the listing of which would be too tiresome.

It is worth looking at which content changes in our foreign policy might explain such development.

Although Lula's diplomacy elicits much controversy, it does not imply such a radical change of paradigm as occurred when the "independent" foreign policy of President Jânio Quadros and Ambassadors San Tiago Dantas and Araújo Castro permanently replaced the former paradigm of Foreign Ministers Rio Branco, Nabuco, and Oswaldo Aranha. Taken up and consolidated under President Geisel and during Foreign Minister Azeredo da Silveira's tenure, the new paradigm was maintained by the New Republic, and no significant breach has occurred since.

Against this background of continuity, the Lula government's foreign policy revolves around three main axes:

1. The pursuit of a permanent seat in the UN Security Council;
2. The conclusion of the WTO's Doha Round with gains in agriculture; and
3. The achievement of a South American space in which Brazil would enjoy preponderance.

Along this general direction that has varied little, at least since 1974, the different embodiments of this diplomacy have been due

to the different styles of presidents and ministers, changing internal circumstances, and external challenges and opportunities.

It was only with the consolidation of political and economic stabilization as of 1994 that the good moment experienced by the country found an international scenario which was also receptive toward Brazil's international personality and increasing irradiation. The confirmation of this inevitable link between internal circumstances and international projection helps check the temptation of voluntarism, never sufficient in the diplomatic domain.

Already in place one way or another in the past, the three axes of diplomacy acquired greater emphasis or a different focus under the current Administration, either because of Lula's political innovations or because of circumstances or opportunities. For instance, the priority attached to the country's candidacy to the Security Council would have been inconceivable before the attempts of an ambitious reform of the United Nations started by Kofi Annan in 2005 had put it on the agenda.

10. Similarly, the central place assigned the Doha Round was due in part to the calendar: had all gone well, its conclusion would have occurred under the current government.

A preliminary balance of the results achieved by our diplomacy show that they vary according to the issue involved, just as the distance between Brazilian pretensions and reality varies. The frustration over unachieved objectives in each case was not necessarily due to our fault or shortcomings. I once simplified the issue thusly: in the first two cases, the Brazilian government wants but cannot; in the third case, it can but does not want.

Simply said: as regards the UN and the WTO, even though Brazil does everything right, its capacity to influence developments is not sufficient to solve impasses the way we would like. No matter how much we endeavor, so far no consensus has been achieved to reform the Security Council or to conclude the Doha Round, and even less to do it according to Brazil's interests. It is more a question of insufficient power or political will (not only on Brazil's but also on other countries' part) than of policy.

This does not mean that nothing has been accomplished. On the contrary, in recent years Brazil's position in both forums has become favorable, so that the country stands to benefit should conditions conducive to an agreement return.

As regards the Security Council, the current government's policy is clearly different from that of the preceding government, which tended not to attach so much importance to the issue or to pursue a candidacy in a sort of condominium with Argentina so as not to harm relations with our neighbor. There is no denying that Brazil has now achieved a differentiated position from that of other Latin American pretenders, such as Mexico and Argentina, being far ahead as a favorite candidate to a seat, should a seat be at any time reserved for Latin America. A reflex stemming in part from Brazil's economic growth and stability, this should be credited above all to the current foreign policy's activism.

While the difference in relation to the previous government is clear in the case of the Security Council, in respect of the WTO negotiations there is much more continuity than change. But any changes are almost always natural developments of the new phase of the Doha Round, as many of the tactics used at the WTO came from previous governments.

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In South America, Brazil cannot do everything but can do something. In principle, Brazilian diplomacy might have been more active. For instance, as a facilitator it could have helped Uruguay and Argentina, two priority neighbors and members of the same integration agreement, to overcome their conflict over the installation of pulp plants. Or it could have acted differently in episodes such as Nestor Kirchner's invitation to Venezuela to join Mercosur. At that time, without any antagonistic feelings toward Chavez's regime, Brazil had the right to think over the fact that adhesions to trade agreements, particularly in complex cases such as customs unions, require a long process of technical and trade negotiation. It could have done it but preferred not to do so.

This was not so much a question of power but of lack of sufficient political will. This is the area in the world where in the past as now Brazilian influence has always made itself felt more directly and sensibly. It is not without reason that most foreign policy divergences have been over South American issues. In this regard, it would be easy to list a series of arguable policies and decisions that together set a pattern of conception and execution errors. They range from a mistaken and unsatisfactory reaction to Bolivia's violation of treaties and contracts when it nationalized Petrobras's investments in the production of gas

to the imprudent interference in Bolivian and Paraguayan elections in favor of candidates hostile to Brazilian interests.

Starting from the Mercosur consolidation effort, the current government's diplomacy has sought to create a political and economic space based not on the concept of Latin America but rather on a project encompassing all of South America, leaving out the United States's FTAA¹ proposal as well as Mexico, Central America, and the Caribbean, which were already integrated into North America's economic area. In this regard, the proposal is not substantially different from the previous government's IIRSA², of a more modest, progressive scope, focused on physical integration but perhaps more viable for this very reason.

The UNASUR³ and the Defense Council initiatives entered an incomparably more ambitious terrain and ended up by becoming a clear example of diplomatic voluntarism. Although desirable, these objectives can be hardly viable on a continent where not all are prepared to choose between the United States and Brazil as mutually excluding alternatives.

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From an economic and trade viewpoint, for several of these countries that have already signed free trade agreements with the United States, Brazil is far from meaning, differently from the United States, an appreciable importing market or source of investments, and is seen rather as a consistent accumulator of bilateral trade surpluses. Not even within Mercosur has the country been able to play the role of a driving force of development for the smaller countries. And as regards military protection in case of need, such as in the case of Colombian guerrillas, not much imagination is required to realize who these countries would choose as a supplier of arms, training, up-to-date doctrine, or military cooperation.

In trying to ignore the growing divisions and antagonisms between self-denominated refounding regimes – Venezuela, Bolivia, and Ecuador – and nations of a centrist or moderate orientation – Colombia, Peru, and Chile – Brazilian diplomacy has invested its prestige and resources

¹ Free Trade Area of the Americas.

² The Initiative for the Integration of Regional Infrastructure in South America is a multisector process aimed at developing and integrating South America's transportation, energy, and telecommunication areas in ten years.

³ Union of South American Nations.

on a project that is in crisis before completing one year. The recent skirmishes and attritions regarding Colombia's military agreement with the United States clearly illustrate the limitations of a premature, ill-conceived plan.

There is thus no lack of content issues in the current diplomacy that are capable of fueling honest evaluation and judgment differences that have negative effects on the previous consensus. In each controversial situation it would be necessary to see if divergences are due to issues inherent to the very content of the indicted policies – mistakes in conception and in the choice of priorities, inability to solve the problem at hand, ideological inspiration that deforms reality, mistaken reading of world or regional tendencies – or if difficulties stem from diplomacy's "internal policy," that is, the way it is presented to public opinion, opinion formulators, and politicians and how it is perceived and understood by the latter.

From this second viewpoint, the crisis in the Brazilian consensus in diplomacy has been fueled by actions and behaviors centered on the following factors, among others, that affect the possibility of building foreign policy consensus: emphasis on rupture instead of continuity; Lula's excessive protagonist role and glorification of his personal leadership; exclusive formulation and conduction; party politicizing and ideologizing of foreign policy.

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Current leaders, the president above all, have not been able to resist crediting entirely themselves for any success they have achieved. They have sought to make believe that all they have undertaken is new and unprecedented. Lula and his Itamaraty collaborators had the opportunity of admitting and valuing, as regards issues on which there was real continuity with the past, the part – larger or smaller – they had inherited from previous governments, but preferred to appropriate all the merit on behalf of the current government and his party.

This choice, of course, is not surprising, but surely it is not the best in terms of consensus-building. In this regard, there is actually a sort of trade-off: it is not possible to monopolize the glory for the government and its party and at the same time expect that the universe of those unjustly excluded from recognition and credit would feel part of this policy.

Abuse of a protagonist role and the excess of personalizing glorification are undeniable features of this phase of Brazilian foreign

policy. It can be said that at the moment Brazilian diplomacy suffers from its very qualities. Everything rests increasingly on the personal biography and performance quality of the supreme leader. In this respect, incidentally, our foreign policy is no exception in the overall panorama of a government whose ministers are almost anonymous. The names of most of them remain unknown as does what they do or fail to do.

These defects hardly facilitate internal or external consensus in diplomacy. Suffice it to mention an opposite example – that of President Truman, who launched the massive program of assistance to Europe not under his own name but under the name of General Marshall, former Chief of Staff of the Army during the war, considered then as “the greatest living American.”

As regards external consensus, it is worth citing Rio Branco's example. When, in 1895, he succeeded in winning the arbitration issue with Argentina over the Palmas or Missions territory, he refused to return to Rio de Janeiro where enthusiastic patriots were already proposing him as president, and sent his admirers a telegram reporting the mutually satisfactory and honorable decision. He returned directly to his post in Europe, without passing through Brazil, and wrote then on his diary Hoffman's phrase: “Envy is the shadow of glory.”

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As to self-sufficiency, evidenced in the exclusion of many of the most talented and experienced Brazilian diplomats, who were left out of major decisions and their execution, it is also manifest in the isolation from influential sectors of Brazilian society. The dialogue with entrepreneurial and economic leaders about foreign trade has been insufficient. On the crucial issue of climate warming, about which Brazilian diplomacy could have played a decisive role if it had not insisted on an obsolete, defensive discourse, the lack of attunement with the national scientific and environmentalist community is notorious.

Mature democracies have always sought to endow diplomacy with an open character, welcoming actual participation even of the opposition. In the United States, for instance, to this day is invoked the exemplary model of “bipartisan consensus” with the Republicans at the beginning of the Cold War. In Sarkozy's France the president chose in the Socialist Party not only his Foreign Minister but also numerous personalities that were invited to carry out important international missions. In Brazil it would be difficult to find any example of this healthy tendency.

In his speech, Tancredo made it clear that it was not any foreign policy that would deserve consensus, but only the foreign policy “carried out by Itamaraty.” It was not a question of a policy of the military in power, of any given government or faction, but a State policy above all internal disputes and at the service of the Nation.

It should be recalled that etymologically the word “party” means fragmented, ruptured, broken, a part of a whole which is the nation. Anyone engaging in party diplomacy shows indifference toward the effort to make diplomatic actions into truly national causes.

Such an objective has no relation to the existence of a “parallel diplomacy” of the Workers’ Party toward ideologically akin governments or movements, exercised outside diplomatic channels and by emissaries such as the President of the Republic’s foreign policy adviser, which seems to predominate in certain areas of influence while other areas are left to the foreign minister.

This division of “spheres of influence” has been a cause of complications, as exemplified by incursions into Venezuela’s internal politics at moments of tensions in that neighbor country and by the ideological partiality with which the president himself has followed the election campaigns in neighbor countries.

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There is no evidence that these ideological affinities or empathy have proven effective or perceptibly useful in leading to satisfactory solutions whatever the thorny issues may have been, such as those that have placed Brazil and Bolivia in opposition to each other. The Workers’ Party parallel diplomacy thus seems to serve for unnecessarily contaminating our foreign policy with ideological suspicions rather than for any other practical purpose.

There is also a growing tendency on the part of some career diplomats in command positions to engage foreign policy in the government’s designs, leading them into the temptation of behaving as party militants instead of impartial servants of the State.

Once again, there is a striking contrast with previous situations. President Goulart’s last foreign minister, for instance, Ambassador João Augusto Araújo de Castro unfailingly refused to take part in any act of an internal nature or seemingly so. Whatever the reason currently invoked, the truth is that such interference is inappropriate behavior on the part of anyone responsible for State policies that in principle should appeal not to factions but to the entire citizenry.

I resort again to the example of Rio Branco, who thus explained why he definitively withdrew from internal politics and did not want to take advantage of his immense popularity to run for president: "As a candidate or as President (...) I would be discussed, attacked, diminished, have my authority questioned (...) and as a President I would not have the strength I now have to conduct our foreign relations." And he concluded with words that resound today with the same force, as an inspiration for what should be the appeal of a diplomacy open to all citizens, above any party divisions: "Occupying myself of incontestably national affairs or causes, I would feel stronger and as deserving the support of all my fellow citizens.

In my view, there is nothing better to replace this ideal.



Uncertain Times for the WTO

Luiz Felipe Lampreia

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Sociologist and career diplomat. Member of the Brazilian Permanent Mission to the UN in New York, 1966-1968; and of the Brazilian Permanent Mission to the UN Agencies in Geneva, 1978-1971. Minister Counselor at the Brazilian Embassy in Washington, 1979-1983; Ambassador to Suriname, 1983-1985; Ambassador to Portugal, 1990-1992; and Ambassador to the UN Agencies in Geneva, 1993-1994. Spokesman for the President of the Republic's Press Secretary, 1977-1979; Secretary for International Affairs, Ministry of Planning, 1985-1987; Secretary-General of the Ministry of External Relations, 1992-1993; and Minister of External Relations, 1995-2001.

The World Trade Organization is at a crossroads. On July 28, 2008, it saw the collapse of the ministerial negotiations owing to fundamental divergences between such major actors on the international trade scene as China and India on one side and the United States on the other side. Serious impasses that seem to make the objective of concluding a trade negotiations round unachievable are not without precedent. The Uruguay Round, which gave birth to the WTO itself, lasted eight years and seemed to have failed but was finally successfully concluded in 1994.

Given such antecedents, it would be unwarranted to say that the so-called Doha Round has ended in failure, but here is no doubt that prospects are dim today and that hopes for progress are very frail.

Three factors conspire against the success of the ambitious international trade liberalization initiative:

1. The marked retrocession of global international trade figures.

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On March 23, the WTO issued an official communiqué, according to which the slowdown of global demand on the wake of the greatest economic crisis in decades is going to reduce exports by about 9.0 percent in 2009, the largest contraction since World War II. The retraction in the developed countries will be particularly severe, with exports dropping below 10 percent this year. In developing countries, which depend much more on trade for their growth, exports will shrink about 2.0 percent to 3.0 percent in 2009, according to WTO economists.

Under this scenario it is inevitable that political will to reinforce liberal commitments will be weakened by defensive, even protectionist impulses on the part of government leaders and parliamentarians the world over. As long as a decisive resumption of growth does not happen, particularly accompanied by a reduction of the current high unemployment rates, there will be no room for a new trade opening movement.

2. The explicit resistance of China and India to the deepening of the liberalization of trade in agricultural products.

This resistance was a watershed. There was confrontation between very efficient and productive exporting countries, such as the United States, Brazil, and Australia, and importing countries, such as India and China, which need to protect their inefficient, little competitive agriculture, under risk of affecting even more drastically their impoverished rural populations.

Both countries stood firm in their view – and certainly will maintain this position – that the special safeguard mechanism should be triggered at the least sign of a substantial rise in agricultural products imports susceptible of posing a threat to their local production.

For the first time the two giants' weight made itself felt as they resist greater trade opening.

India won broad support from developing countries thanks to its insistence on protecting “survival security” against the trade interests of the great exporters.

20. China placed greater emphasis on its domestic priorities, refusing tariff reductions for sugar, cotton, and rice, which the United States wanted. For the latter, safeguard ceilings should be much higher so as to permit the expansion of sales of agricultural products to the large markets of the emerging countries.

These developments also brought down the Brazilian government's great banner, the so-called G-20, an effort to unite the major emerging countries into a front that, owing to its collective representativeness, would be able to press for and obtain concessions from the more developed countries.

A product of the mistaken logic of the so-called South-South option (according to which the united emerging countries could force the richer countries to make drastic concessions), this group showed its lack of basic consistence. Brazil – the G-20 self-proclaimed leader – ended up aligned with the United States rather than with its supposed group allies – under the unequivocal force of its trade interests. The Group of 20 thus proved inoperative and artificial, given the disparity of interests on the part of its major participants.

3. The developed countries' pressure for greater opening of the importer markets of industrialized products without, as a counterpart, opening their markets to agricultural products.

The more developed countries exert pressure for greater opening of the emerging countries' importer markets of industrialized products, such as our country's market, but are not in a position to offer any real counterpart by opening their agricultural markets.

Agricultural protectionism is rampant in the entire First World, either in the form of barrier to access by means of tariffs, quotas and other restrictions, or in the form of abusive subsidies to production and exportation, which distort competition.

This protectionism grows ever stronger and robust, both politically and financially.

In political terms, although it employs less than 3.0 percent of the labor force and thus yields few votes in practice, agriculture has a great capacity to mobilize agricultural lobbies. Under such pressure, the governments not only of the United States and the European Union but also of Japan, Norway, and Switzerland and all richer countries are forced to provide much support to a little competitive agricultural sector and to all measures that thoroughly distort international trade. To this end, they make use of a considerable protectionist arsenal.

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Nothing of this has changed and probably will never change unless the governments are pressured by budgetary dilemmas and are forced to reduce their massive agricultural appropriations.

What risks will the WTO incur if the path to a successful conclusion of the Doha Round remains blocked by a combination of the three above-mentioned factors?

First, it is obvious that the successive impasses affect the organization's international image and tend to undermine its effectiveness.

Huge efforts and political investments have been employed in the more than twelve years since the beginning of negotiations. The Uruguay Round ended fifteen years ago and its results have been in effect for a long time.

It is impossible not to question if the limits have already been reached in respect of sensitive issues, such as agriculture, and if the method of negotiating all issues in a single packet – under the single undertaking norm – has not been exhausted.

On the contrary, it is appropriate that voices are raised, asking about the possibility of finding more productive methods of opening markets and overhauling trade rules.

The crucial element of WTO's future is the authority of the dispute settlement mechanism.

The major gain from the Uruguay Round was precisely this trade dispute settlement system that is in fact a quasi-judiciary procedure, combining rigorous independent technical analysis of issues and a political imprint.

Under this process, instead of the unilateralism of the law of the strongest, as was the case of the United States Trade Act, Section 301, there are mandatory multilateral procedures that may even lead to retaliation against powerful countries that violate WTO norms.

WTO's role in dispute settlement should become ever stronger, although it would be preferable to obtain market opening through negotiations. If this is not possible, resort to WTO mandatory procedures may yield significant results.

There are two clear examples of this today:

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- (a) China, which suffered two major defeats at the WTO in respect of restriction to the importation of automobile parts and, more recently, in regard to measures that affect the marketing and distribution of audiovisual products; and
 - (b) The United States, which lost the action started by Brazil in regard to illegal subsidies to cotton production.

It is true that the WTO may gradually become superfluous if, owing to the blocking of this path, the countries come to prefer to seek, through bilateral or regional trade agreements, instruments to permit them to expand their trade.

At the moment, this course is blocked by the resistance on the part of the Congress and the social forces in the United States to any sort of trade liberalization. It is doubtful whether a resumption of the original impulse that lasted until just a few years ago for the conclusion of new regional agreements will occur. On our continent, resumption of the FTAA is thoroughly unviable now and even some of the trade agreements already signed by the U.S. Executive, especially the one with Colombia, a strategic Washington ally, seem far from being ratified by Congress.

Given these hardly promising prospects, it is most likely that there will be a long period of impasse in international trade negotiations, aggravated by the economic and financial crisis that, even though it has

been essentially overcome, may leave lasting consequences in terms of unemployment in First World countries.

The advance of protectionism was one of the greatest fears raised by the crisis, but WTO's strength and its norms and mechanisms have worked as a major dissuasion factor.

This contention of protectionism may, however, dissipate unless there is a scenario of combined efforts at the Doha Round to reduce distortions of and barriers to international trade.

On the other hand, one must keep in mind that the World Trade Organization is the clearest example of a successful multilateral institution. Its emptying by a failure of the Doha Round may hamper the success of other international agreements of major importance, especially in the crucial field of climatic changes, now entering a critical stage.

The alternatives for Brazil are limited to waiting until such time as, despite all difficulties, the existing impasses are overcome and the Doha Round is concluded, even if results may be clearly short of our legitimate expectations of opening the international market of agricultural products.

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There is no chance of concluding the proclaimed South-South agreements with significant results; this becomes clear if one examines the extremely limited results of nearly a decade of attempts.

Also poor are the possibilities of progress at Mercosur, where once again Argentina's economic difficulties and its continuing use of disallowed protectionist instruments for trade defense seem to bar any institutional advance. In Latin America, only Mexico may experience some advance. The limited understanding with the Andean Community countries does not seem to promise any possibility of expansion.

Nevertheless, these difficult circumstances should not be cause for much pessimism regarding our trade expansion possibilities. So far in this decade it has been in the area of commodities and in the markets of emerging countries that our exports have expanded the most. Everything indicates that this trend may continue if it is successfully exploited, independently from trade agreements of any nature.



The BRIC Club, Where good things do come in large packages

Marcos Azambuja

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Career diplomat. Head of the Brazilian Delegation for Disarmament Issues and Human Rights in Geneva, 1989-1990; Coordinator of the Rio 92 Conference; Itamaraty's Secretary-General, 1990-1992; Brazilian Ambassador to Argentina, 1992-1997; Brazilian Ambassador to France, 1997-2003. Specialist in disarmament, sustainable development, regional integration, human rights, Antarctica, and space policy. Current consultant and member of the International Situation Analysis Group, São Paulo University.

Luigi Pirandello titled one of his plays “Six Characters in Search of an Author.” BRIC is a group made up of Brazil, Russia, China, and India and might be described as “four countries in search of a common agenda.”

At some think tank sessions in which I have participated in Moscow, Delhi, and Beijing, or at meetings focused on this quartet of countries, there is consistently the recognition that each of the four countries fully meets the conditions to make part of an expanded directorship of world power. What is not so easily identified is the set of issues or causes on which the four might act in concert. We are large-sized individual entities but are seen as political animals that differ in temperament, trajectory, and calling, and with national objectives that can be hardly harmonized.

It would not be possible to talk about BRIC as a project without before showing in general lines how the main cast members perform on the international stage.

We must first talk about multilateralism and its various aspects and configurations. For this analysis, I will leave aside bilateralism, which continues to be the daily fare of diplomatic relations and will continue to be so while the international order is based on Nation-States, which remain the building blocks of the international relations system.

We shall start from the assumption that bilateralism continues to be most prevalent and that the multilateral architecture cannot dispense with or substitute, either now or in the foreseeable future, the central role of each State in its individualized contacts with other States, whether they are partners, associates, neighbors, or even adversaries.

In this text I will address in very general lines the layout of stable, structured multilateralism, a much more recent concept than bilateralism in the history of diplomatic relations. I shall address multilateralism only as it finds expression in relations among government agencies and agents, leaving aside the growing, ever more important universe of relations among nongovernmental institutions.

The imperative of the multilateral organization of international life has been twofold: the search for universality and the preservation of selectivity.

The two impulses are obviously complementary: universality makes for diplomatic legitimacy. It also implies everyone’s engagement

in issues of interest to all, while selectivity seeks the effectiveness and valuing of executive action capacity.

So far, the major exercises in international ordering have sought to achieve these two objectives simultaneously. This has been the case of the League of Nations and still is that of the United Nations. The basic design of both called for the existence of General Assemblies and other forums, attended by all members on a parity basis, as well as for bodies and councils with a restricted makeup, of which the Security Council is the prime example.

The great novelty in the international relations game since the late 18th century has been the conviction that it would be possible not only to achieve but also to maintain lasting peace among nations. The search for peace is still a novelty in the long history of relations among peoples and nations.

War has been mankind's oldest, constant travel companion. Peace, until quite recently, when it existed, depended on a frail balance of forces and was the expression of the might of the then hegemonic power: such were the Pax Romana, the Pax Britannica, and more recently, the Pax Americana.

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A seminal work on the change from this state of affairs was Emmanuel Kant's philosophical essay in the late 18th century about perpetual peace among nations. It was the first and most influential attempt at suggesting bases on which States and nations could establish rules of the game to permit a harmonious, stable coexistence under terms accepted by all.

The history of the subsequent two hundred years showed how premature those projects were and how strong was their utopian component. Nevertheless, the search for such peace and the building of new international orders, which must renew themselves so as to reflect changing realities, and in which an ever larger number of issues and actors would interact, would continue. This would be the course to follow, particularly when wars among the great powers became more onerous both in material and human terms, and the cost-benefice ratio became more difficult to bear. With the weapons of mass destruction, the equation was drastically and perhaps permanently altered.

The League or Society of Nations, established under the Treaty of Versailles at the close of World War I, had an ephemeral life, but was

the first major attempt to search permanent institutional solutions for international problems.

The United Nations, as World War II ended, resumed the exercise and endowed themselves with more appropriate, though largely insufficient mechanisms. Its survival for more than sixty years is significant, as is the increase in its membership, from about fifty members in the beginning to almost two hundred today.

Besides the two major experiences with multilateral organizations with a universal calling, at which core is the objective of reinforcing peace and security on a global scale, the requirements of international life led to the establishment of other stable institutions. These include the Specialized Agencies of the United Nations system, the regional organizations, the military alliances (of which only NATO preserves an effective content), and the more or less formal institutions with a thematic focus. Also established was the world economic life's regulatory system, expressed in the agreements and in the institutions born at Bretton Woods (World Bank and International Monetary Fund), and in the negotiating forum established soon after, originally called General Agreement on Tariffs and Trade -GATT, now World Trade Organization-WTO.

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There is an uncontested need, in an ever more interdependent world, to establish institutions or arrangements capable of meeting the coordination and predictability requirements of the new circumstances. There is no question that telecommunications, health, air travel, and tourism, to mention just a few examples, require institutions and norms to endow the systems to be regulated with an appropriate degree of comprehensiveness, reliability, and efficiency.

In many domains, this organization of international life is not open to question. No one would argue the usefulness of the International Postal Union, the International Civil Aviation Organization, or the World Meteorological Organization. There are many other examples and the so-called Specialized Agencies of the United Nations system illustrate the breadth and complexity of the multilateral cooperation system.

Nevertheless, for more than forty years (1949-1989ff), the world agenda remained in a straightjacket as a result of the confrontation between power and ideologies, conventionally called Cold War. The world, basically bipolar until then, was divided into two axes: North-

South and East West. The former separated the rich and the poor countries, while the latter differentiated between market economies and centrally-planned economies.

The victory, at the end of the Cold War, of the industrial and democratic powers over the real socialism model headed by the Soviet Union was so fast and complete that it did not seem useful, at least not to the United States, to undertake a review of assumptions and the definition of new directions, as it commonly happens at the close of major historical cycles.

Instead of refreshing and imparting new dynamics to multilateralism, the United States preferred to see in their victory an “end of history,” leaning toward an extremely hegemonic model that became known as unilateralism.

As it could have been easily foreseen, a series of factors led to this model’s exhaustion: the growing complexity of international life; the limits to North American power; the introduction of new themes on the clearly global agenda, of which the environment and human rights are the most in evidence. Other factors that also contributed to this exhaustion were the upsurge of new radicalisms, of which September 11 is the most dramatic illustration; the emergence of China and other new major entities, such as BRIC, as essential actors in the definition of the direction of international life at the beginning of the 21st century – not to mention the costs of two simultaneous wars, still far from conclusion, in Iraq and Afghanistan.

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After this digression, I return to the central theme of this text, which is the effort to understand what BRIC represents and will represent in the design of international relations.

I have called the informal association of these four giants a club to underline its nature as being voluntary and flexible, and thus not supported by any binding legal instrument. There is and there will be no treaty establishing or regulating cooperation among the BRIC countries. The Group was born because the preexisting power structures did not encompass the member countries in a satisfactory manner and because the changes in the geometry of international life called for revision of the makeup of the directing bodies that express world power.

It is a simplistic reduction to ascribe BRIC’s invention to a senior executive of Goldman Sachs. His was the certainly brilliant idea to create the acronym that served to crystallize positions that already met

with considerable acceptance. The idea that the four emerging giants would play an ever more important role in the new international order was already current in the OECD as well as in various national and international thinking and reflection nuclei. However, Jim O'Neill had the merit of consolidating the already gestating ideas and suggesting that the four new emerging greats would necessarily become not only partners but leading world powers in just a few decades, as he proposed the parameters of a prospective exercise that would extend up to 2050.

Other groupings of major emerging actors have been proposed. At times, the equation includes Mexico and South Africa. In other exercises, Indonesia and Egypt are included. And still others include Korea, Turkey, or Saudi Arabia. But the fact remains that in all models the hard core consists always in the association of the four countries known by the acronym BRIC.

The current world economic crisis has shown that although the G-8 is still indispensable, it is no longer sufficient to overcome the circumstances we are now facing. Neither are the World Bank and the International Monetary Fund in their current configuration.

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Given a major crisis like the one we are still experiencing and the need to act with pressing urgency, the only course to follow was to take advantage of what already existed and instill it with new dynamics, as is the case of the G-20, holder of a respectable record as a forum for the approximation of the twenty major economies in the world. In assigning new tasks and functions to the G-20, advantage was taken of what was already in place; however, some still think that G-20's membership is too large for it to maintain the efficacy, cohesion, and decision-making agility which were characteristic of the original G-6, to which was added Canada later, making it into a G-7, and then Russia, making it into the current G-8.

Russia's admission to that group was a necessary accommodation that was nevertheless somewhat uncomfortable for Russia itself, which was isolated and to some extent rejected by members that did not share its values or style. It was also uncomfortable for the original members, as it affected the intimacy of their relations and the extent of affinity that had characterized the original G-6.

Many are the "Gs" - from a possible but unlikely G-2 (which would include only the United States and China) to a G-77, which

though keeping its original members, now includes 130 developing countries.

The proliferation of forms of association reflects the multipolarity so characteristic of our times. It also points to a preference for informal models of association, i.e., associations not necessarily grounded on treaties or endowed with a secretariat, their own budgets, or fixed headquarters. This reflects the fact that, once the Cold War military and ideological tenets have been left behind, the States organized themselves according to an extremely variable pattern, defining their members and partners on the basis of sectoral and specific interests.

Of the groups mentioned, only the UN Security Council is governed by treaties or other international instruments of the highest rank. The other groups are ordered on the basis of understandings at different degrees of informality. The prime example of this informality is given by the countries that make up BRIC, which is not grounded on any formal founding document and whose members depend for each encounter on an open, flexible preparatory process for which there is not even a mandatory timetable.

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It would be possible to include other groups that gather countries enjoying the highest international ranking, to begin with those that are members of the Organization for Economic Cooperation and Development-OECD, an association of countries that used to hold a major share of the world's economic power. Today, without India, Russia, China, and Brazil, the system remains relevant but lacks the original representativeness.

Two other entities could be mentioned: the Antarctic Treaty and the Nuclear Suppliers Club. In both cases the admission fee is very high and members of another circle must prove their scientific and technological capacity.

Notwithstanding this separation into groups, it is important to note that the issue is essentially a play in which each actor performs more than one role. Russia, for instance, is a permanent member of the Security Council, forms part of the G-8 and of the G-20, and will be one of four BRIC components as well.

The other great powers also play a multiple role, and even the emerging countries of a more recent date do so. Brazil and India belong to G-8's outreach group and are also members of the G-20 and of BRIC.

As mentioned, BRIC's main challenge is to define an agenda that would allow them to act together consistently and predictably. Our high figures are so impressive that any additional comment might seem superfluous and redundant.

However, we are not a group united by affinity as were those of the G-7 before Russia joined them to make up the G-8. We have not been molded by symmetrical or convergent historical experiences. Our alliance was not forged on past fighting in a common trench. Our three partners used to be our adversaries before becoming our allies. Their nuclear arsenals and their missiles are destined in part to counter the threats that might come from one of them.

The Seven, now Eight, are Western capitalist democracies, and their political and economic regimes since 1945 have been similar. Their values derive from the Enlightenment, the French and the American Revolutions and from Christianity in its Catholic or Protestant expression.

The BRIC countries are not like peas in a pod. Three of them are major nuclear and space powers; Brazil and India are representative democracies; Russia is a democracy that still displays remnants of the previous authoritarian model; and China, governed by a single party, is a complex, as well as unprecedented overhauling of communism.

China and India are not only seminal civilizations but also the cradle of major religions. Almost the same thing could be said of Russia with its Orthodox Church, particularly if we look at Marxism-Leninism as a "quasi-lay religion," which seems evident in many of its manifestations. Brazil, by formation and culture, is much closer to the values expressed by the G-8 than to those expressed by BRIC.

It would thus be legitimate to ask whether such a dissimilar quartet can find common denominators and act in concert. The answer is yes, if the BRIC countries' coordination ambitions are modest, particularly at the beginning, and if they pragmatically look for those issues on which the four may agree.

What unites us is the expressed, explicit intention to find for each one of us a larger role in the designing of the world that is being built. In other words, the four BRIC countries must find in the design of the future that which they have not found in their past trajectory. What our association suggests is that together we want to be seen as uncontested factors in the future world's design.

What makes our association extremely interesting is this shared willingness to ensure that the 21st century world will allow room for our growing, possibly irresistible influence.

Four gigantic countries want quantitative factors inherent to all four made into determining qualitative instruments. Our figures provide a simply astonishing reading, but it is not easy to translate these greatness dimensions into concerted action. We have seen the extent of the divergences of our policies at the Doha Round. We do not see the environment or human rights with the same eyes. Herein lies the main challenge.

At the recent Yekaterinburg presidential meeting, the BRIC countries displayed prudence and relative modesty in their objectives. In their criticism of the international economic order, they did not fall into the temptation of adopting rhetorical, declamatory positions. BRIC's four are not incendiaries; rather, although in different ways, they are closely linked to the system that governs the world (and the immense dollar reserves they hold is one way). They do not want to see the circus catch fire. It seems important to me that the BRIC countries do resist the temptation of equipping themselves with the paraphernalia characteristic of the big international institutions. They do not need a headquarters or a permanent secretariat, and do not even need to issue declarations and communiqués regularly. I do not think either that they should approve any kind of fixed operating budget for the group's functioning.

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At Yekaterinburg the leaders of the four countries also resisted the illusory temptation of imagining that the difficulties the United States, Western Europe, and Japan are facing are the presage of inexorable decadence.

We will see if at the next BRIC summit meeting to be held this time in Brazil, in 2010, the four may to certain extent leave behind the generalities with which they have so far operated. Let us hope that they will be able to go into details that may hold significant cooperation possibilities.

It does not seem likely that in the short run the BRIC countries can have, as a group, a major impact on the world macroeconomic scene. As I have said, the four partners should continue for a while to have an influence that derives more from the critical mass of their individual criticism than from their capacity to plan and implement concerted action.

It is expected that the meetings of authorities from the BRIC countries will become more frequent and that they will build greater mutual confidence and arrive at a more precise knowledge of each other's reality.

It is likely that the BRIC countries will adopt association models similar to those adopted by the G-8, i.e., that each partner will appoint a Sherpa to maintain contacts and function as a liaison between presidential meetings and that they will establish contact and information channels so far lacking.

I have also the impression that the BRIC countries will resist the attempts – at least in the foreseeable future – to enlarge the group's membership (there are many candidates for admission into the club). I believe that they will first seek to develop working methods to allow them to overcome mistrust, actual difficulties, and lack of mutual knowledge, all of which has to be done at a measured pace.

I believe that there is plenty of room for nongovernmental actors (academicians, entrepreneurs, et al.) to take advantage of the BRIC project's impetus and that as a result Brazilians, Indians, Russians, and Chinese will earnestly pursue mutual knowledge and identify opportunities.

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As suggested, it is not easy to harmonize policies of great countries that enjoy a high degree of internal confidence and an assertive international projection, and that have well-defined internal and external objectives. Alliances usually are formed around a hegemonic partner, but it is not at all easy to foresee which of the four giants in this game will be willing to subordinate itself to the alleged leadership of one of the others. Even China, which surpasses the others in several major aspects, would not have the ability – and perhaps not even any intention – to seek to exert excessive influence on the others. To have some possibility of success, this process must be pursued in small steps and with much caution. In this game there are no Indians, only chiefs.

What can be said is that the BRIC countries have had from the very first moment great visibility and elicited intense interest from public opinion. It seems difficult to imagine any major international meeting or decisive project in the future in which the four countries will not be represented. On the other hand, it is hoped that they will gradually acquire their own personality. This will not be easy but is far from being impossible if objectives are modest, the real limits to

our capacity to formulate common policies are recognized, and if a common language is also found, in addition to just a few chosen areas.

Upon completion at last of the reform and overhauling of the central system that should govern international life, as expressed by the United Nations and its constellation of bodies and associated agencies, it is probable that the proliferation of more or less informal arrangements, of which BRIC is an example, will diminish. However, as long as this aggiornamento does not occur – and considering that power abhors a vacuum – spaces will be filled by groups such as BRIC, which should last and prosper until such time as a comprehensive new international order is fully in place.



Photos

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Six hundred people, most of them college students, attended the Conference on Brazilian Foreign Policy – Present and Future, held at São Paulo's Renaissance Hotel Theater on August 31, 2009. The pictures that follow highlight some moments of the event.



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Six hundred people attended the event at São Paulo's Renaissance Hotel Theater.



São Paulo mayor Gilberto Kassab welcomes lectures and audience.



Deputy José Carlos Aleluia, Liberty and Citizenship Foundation's President, explains the Conference's objectives.



Mr. Alencar Burti, Chairman of the São Paulo Trade Association, talks about the significance of the event for the country's productive sector.



Panel members (from left to right): Ambassador Rubens Ricupero, Ambassador Sérgio Amaral, Professor Salvador Raza (moderator), and Ambassador Luiz Felipe Lampreia.



Ambassador Rubens Ricupero lecturing.



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Ambassador Rubens Ricupero lecturing.



Ambassador Luiz Felipe Lampreia lecturing.



Ambassador Luiz Felipe Lampreia lecturing.

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Ambassador Sérgio Amaral lecturing.



Ambassador Sérgio Amaral lecturing.



Members of the conference's second session panel (from left to right): Ambassador Sebastião do Rego Barros, Ambassador Marcos Azambuja, Professor Salvador Raza, and journalist Antonio Carlos Pereira.



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Journalist Antonio Carlos Pereira lecturing.



Ambassador Marcos Azambuja lecturing.



Ambassador Marcos Azambuja lecturing.



Ambassador Sebastião do Rego Barros lecturing.



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Deputy Rodrigo Maia, Chairman of the Democrats Party (sitting in the audience during the intermission) reviews a conference topic together with Deputy José Carlos Aleluia, Senator Heráclito Fortes, and former Senator Jorge Bornhausen.



Lecturers and authorities at the event's opening session.



Brazil: three strategic relationships – China, Germany, and United States

Roberto Abdenur

47

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In my forty-four years in the diplomatic service, I had the opportunity, nay, the privilege of representing Brazil in three countries of especial political and economic importance on the international scene. I was Ambassador in China from January 1989 until July 1993; in Germany, from late 1995 until early 2002; and in the United States, from April 2004 to early 2007. In all these countries I had the luck of witnessing important moments of their internal developments, their external trajectory – and their relationship with Brazil. As regards this last aspect, namely, bilateral relations, I may take pride in having rendered useful, I might even say expressive contributions to furthering these relationships, enhancing their dynamism, and raising them to a new level. I ask the reader to bear with me if I indulge now and then in relating some of the more interesting episodes I was privileged to witness (or at times be an actor in) in the discharge of my duties.

Evidently, each of these countries has its own, oft unique reality. These nations' trajectories in the international sphere have been quite different from each other, as has also been their interaction with Brazil. It is thus appropriate to point out here and there some parallelism among these three experiences from my career. This is precisely the purpose of this article: to bring to light these moments for comparison and briefly analyze some common trends. Another purpose is to draw from these episodes some conclusion that might serve as a reference or input for Brazil's positions and actions in the future development of its foreign policy toward these three partners and, more generally, for a broader participation of our country in international scenarios.

China

Let's start with China. My involvement with this country began much earlier than my posting as Ambassador in Beijing. While I was in charge of economic affairs under Ambassador Ramiro Saraiva Gerreiro, then Itamaraty's Secretary-General (from mid-1975 till early 1978), I was an enthusiastic follower of the bold correction of course of the Brazilian foreign policy undertaken by President Ernesto Geisel and Foreign Minister Azeredo da Silveira, one of whose highlights was the recognition of the People's Republic as the true China.

There was some caution in the furthering of this relationship owing to the harsh reaction on the part of the regime's "hard line,"

which even essayed a coup against President Geisel under this pretext. Subsequently, other priorities early in the Figueiredo Government, inaugurated in March 1979, delayed the actual beginning of a high-level political dialogue with China. This dialogue started for real in 1982 with the first visit of a Brazilian Foreign Minister to Beijing, followed two years later by the first visit of a Brazilian President of the Republic, João Figueiredo. In the following year – 1985 – Prime Minister Zhao Ziyang visited Brazil.

As an aide to Foreign Minister Saraiva Guerreiro (who was appointed under the Figueiredo Government in March 1979), I had the occasion to work in the preparation of both visits. In 1984, as I sat behind the main authorities, taking notes, I followed a historic dialogue between Figueiredo and Deng Xiaoping, who, in addition to commending the beginning of the dialogue at the highest level between the two countries, made, as was the custom at the time, important announcements to the Chinese people about the new steps toward the reform and opening process.

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While in 1982 and 1984 I found a China still poor, austere, marked by vestiges of the Maoism that the reforms were beginning to leave behind, I entered a considerably changed country when I arrived in the cold, dark night of January 4, 1989.

The atmosphere was lighter and more westernized in the ways and fashions adopted by the population, particularly by the young people.

In mid-April the student manifestations started under the pretext of paying tribute to the recently deceased former Secretary-General of the Party, the “liberal” Hu Yaobang. Those demonstrations, looked at with benevolence by the regime in the beginning, gained impetus and became a clear expression of criticism and even contestation. Split between Prime-Minister Zhao Ziyang’s fervidly reformist partisans and the “conservatives” led by Li Peng, then President of the People’s Assembly, the government delayed acting, which covered it with shame, something unacceptable by Chinese cultural standards: the successive instances of losing face before the protesters, which were all the more shameful because they were broadcast live on television to the entire world.

On Saturday, June 3, the Tiananmen Square tragedy occurred. It was followed by political isolation by the western countries and

Japan. We, diplomats, who remained in Beijing during this period, often perplexed and lost, devoted ourselves to the relentless effort to understand and assess what had really happened, and more to the point, to understand and weigh the consequences of those events for the country's future and for its relations with the outside world.

As regards Brazil, it was possible to see that the coldness and even hostility toward China on the part of the United States, Western Europe, and Japan, among others, provided us with a valuable opportunity to further our political relations. In addition, a more careful reflection led us to the conclusion that the conservatives' victory would not necessarily stop or reverse the reforms. The regime had been indeed losing control over the economy and facing strong inflationary pressures and widespread dissatisfaction in the urban centers. Paradoxically, the triumph of those that resisted Zao Ziyang's reformist impetus were finally able to make a pause for stocktaking, which if well used, could serve later as a platform for further steps toward reform and opening.

On the bilateral front, the opportunity was well used. Only a little over a year after Tiananmen, I accompanied General Yang Shangkun, then President of the Republic, on an extended visit to Brazil. This visit – the first to a country of stature on the international plane – earned us the Chinese good will toward the establishment – despite successive cases of noncompliance on the Brazilian side that seriously threatened our participation in its furtherance – of what became the first link in our future strategic partnership: the joint satellite building project – known as the China-Brazil Earth Resources Satellite program, or CBERS – under an agreement signed on the occasion of President Sarney's official visit to Beijing in mid-1988.

As regards China's future, developments did not follow a linear path, of course. In his historic visit to the South in 1992, Deng Xiaoping was able to start a new cycle of reforms and opening to the outside world. An interesting thing, which I believe was not common in the annals of the Revolution, is that he launched the new initiatives at public events, i.e., outside the Party, usually the initial locus where decisions were made, to be announced to the population only afterwards. Only a while later Deng would be able to overcome resistance and incorporate his reformist platform into the Chinese Communist Party's doctrine. Thus began the new stage of liberalization of the productive forces, attraction of external investments, explosive growth of domestic

production and, what was more significant for the international order, the liberalization of exports.

Deng reoriented the course of the government machine. He strengthened Li Peng, who became Prime Minister, and brought Jiang Zemin, former head of the Party in Shanghai to be CCP Secretary-General (later President of the Republic and Chairman of the Central Military Commission, a key body in the power structure as the main link between the Party and the People's Liberation Army).

Zhu Rongji, the pragmatic former Shanghai mayor, joined Jiang as the economy's tsar, with the mission of stabilizing it and giving new impetus to the reforms. As I accompanied Zhu Rongji on his visit to Brazil in early 1993, I suggested to him the convenience and opportunity of establishing a strategic partnership between the two countries. The idea was broached to President Itamar Franco, who had recently taken office, and was enthusiastically received. This is how this idea, somewhat hurriedly embraced, became the driving force of the Sino-

52 Brazilian relationship.

China's adhesion to the WTO in 2001 came somehow to have an even greater impact on the rest of the world than the People's Republic of China's taking over the Chinese seat in the Security Council in the 1970s, which had been initially assigned to Taiwan.

With access to international markets firmly assured, China caused a tectonic displacement in the international economy in the first decade of the new century owing to the astonishing expansion of its foreign trade. On the U.S. market of US\$2-trillion a year, it managed to sell over US\$300 billion until the crisis burst late last year, thereby chalking up a trade surplus of about US\$230 billion. It should be noted that in the same period Brazil sold US\$26 billion to the United States and that this marked the beginning of an inversion, in favor of that country, of the surpluses we had been accumulating for several years.

Since then, the Sino-Brazilian relationship has been strengthened, helped by the exchange of successive visits by high-level officials and entrepreneurial missions under Fernando Henrique Cardoso's two terms in office and now under President Lula's Administration, which has given special emphasis to this relationship.

On President Lula's visit to Beijing in 2004, a dozen protocols and memorandums of understanding pertaining to trade and investment were formalized.

New contact channels were open, including a high-level commission co-chaired by the Brazilian Vice President and the Chinese Prime Minister. Brazil-China chambers of commerce have multiplied, and a Business Council has been established, bringing together most of the major companies engaged in bilateral trade.

On another visit by President Lula, earlier this year, in reciprocation of President Hu Jintao's visit to Brazil, new understandings were reached, including one extending a US\$ billion-credit to Petrobras for supplying oil to China. CBERS, the satellite program, is steadily advancing, a fine example of the two sides' capacity to maintain a not always easy partnership in such a complex, high technology sector.

The booming trade has been impressive: after being stagnated below US\$1 billion until 1992, figures have climbed to a new level on both sides between 1993 and 2000. As of 2001, successive surpluses achieved, totaled between US\$ 3 and US\$ 4 billion. This figure jumped to nearly US\$7 billion in 2003, to over US\$9 billion in 2004, and to about US\$18 billion in 2008.

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China is surpassing Argentina as our second trade partner and in the current year it has surpassed even the United States, whose external demand contracted owing to the serious crisis that irrupted on Wall Street in the second semester of 2008. The trade balance, usually favorable to Brazil, seems to have entered a phase of increasing surpluses in favor of China.

It is worth pointing out that at the time I served in Beijing, trade figures were modest, not exceeding some hundred million dollars and remaining under US1 billion in both directions.

Another interesting fact to note is that until recently, with few exceptions, Brazil tended to record trade surpluses.

In more general terms, another fact worth noting is that at the turn of 80s to the 90s, the two countries had similar GDPs of around US\$450 billion, but some statistical data showed that Brazil had a slight advantage over China. But even then, Chinese exports were more than double Brazilian exports, which ranged between US\$35-US\$40 billion. It is true, though, that at that time China was a substantial net exporter of oil.

Today, the Brazilian GDP is over US\$1.6 trillion. Our two-way trade totals US\$380 billion (with exports accounting for nearly US\$200 billion). China's GPD is around US\$3.4 trillion, and its foreign trade

totals US\$2.6 trillion (with exports accounting for US\$1.6 trillion). Our reserves reach a little over US\$220 billion, as compared with China's US\$2.1 trillion. While Brazil's share in global exports does not exceed 1.0 percent, China's is nearly 9.0 percent.

As these figures show, Sino-Brazilian relations have gained enormously in dynamics and density. But they also point to a new element, namely, competition. In a short time, China has become a strong competitor in third markets – in South America, particularly Argentina, the United States, Europe, and Africa, where it competes with us not only in goods but also in engineering and construction services. And this becomes increasingly clear regarding our own internal market, numerous sectors of which suffer from China's strong competition, as well as complaining of the loss of foreign markets to Chinese products.

Germany

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I served in Germany from October 1995 through February 2002. This was a period fraught with changes in Germany and in its foreign policy. Despite occasional divergences, as in the nuclear area, and Germany's loss of relative position in the investment flow to Brazil, this was also a time of reigniting relations on various fronts: political dialogue, education, science and technology, and a wider spectrum of exchange and cooperation for approximating the two civil societies.

As a nominee Ambassador and member of the Presidential retinue on an official visit to Bonn in September 1995, I had the occasion to witness a lively dialogue between President Fernando Henrique Cardoso and Chancellor Helmut Kohl. We were impressed by Kohl's deep emotion as he related the losses sustained by his family in two successive wars and expressed his genuine conviction of European integration as being crucial for the preservation, for the first time, of enduring, nay, perpetual peace in Europe. Fernando Henrique responded with stimulating thoughts on Latin America's situation and on the changes Brazil was undergoing.

Early in my time of service in Germany, I benefited from the keen interest both the government and the business and financial circles showed in the success of the stabilization brought about by the Real

Plan and in the raising of Mercosur to the status of Customs Union (under the Ouro Preto Protocol of December 1994).

The contacts I was able to establish with major banks in Frankfurt proved particularly useful a little later, when the financial crisis that erupted in Asia in the fall of 1997 and then hit Russia was approaching Brazil, still vulnerable because of the fragility of its external accounts: trade and current account deficits,, high ratio of GDP/public debt, part of which was still linked to the dollar. To this should be added the existence of the Brady bonds on the market, a vestige of the 1987 moratorium – bonds that the affected banks, owing to the default of other debtors, sold at any price, thereby depressing the quotation of Brazilian securities and increasing our spreads. On top of this, came vulnerability and the speculative attack on the artificially valued real.

I made use of the good contacts I had made early on for an intense dialogue with the Frankfurt banking community, which at that time was Brazil's second source of credit lines after the North American banking community.

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In close contact with Minister of Finance Pedro Malan, I endeavored to show that the Brazilian situation was not as precarious as the markets supposed.

All in vain

I witnessed, astonished, the irrationality of the markets and the herd behavior that characterize them under such circumstances.

On January 13, 1999 the announced tsunami reached our shores in the form of acute, uncontrolled devaluation of the real. For some weeks the country was under the threat of asphyxia owing to the drastic reduction of external credit lines, particularly those for the financing of our foreign trade.

In late February I supported Minister Malan in a tough but successful negotiation with the Frankfurt banks toward the maintenance of an adequate minimum level of financing. By mid-April, I prepared President Cardoso's visit, which started in Frankfurt, where he was able convincingly to show the country's rapid recovery.

In the previous year – 1998 – I had seen Helmut Kohl's withdraw from the scene after 17 years of government. The father of reunification went down owing to the wear-and-tear of such long time in government

and because of his haughty attitude in the scandal of illegal financing of campaigns.

The election of Social Democrat Schroeder did not affect the smooth development of bilateral relations. On the contrary, he became closer to Fernando Henrique because of the “Third Way” ideas, in whose name encounters of small groups of leaders were held, taking the Brazilian President more than once to Berlin.

However, social democracy’s coalition with the Greens led Germany, on the occasion of President Cardoso’s official visit to Berlin in 2000, to renege its commitments under the Nuclear Agreement of the 1970s.

Still under the impact of the Chernobyl tragedy on a society particularly sensitive to ecological issues, Germany made in my view the strategic mistake of starting the gradual deactivation of nuclear plants, at the cost of becoming ever more dependent on the not always reliable supply of natural gas from Russia.

56. Another episode that occurred, to the frustration of my pro-German *localitis* (a half jocular half depreciative expression used at Itamaraty to designate situations in which a Brazilian Ambassador allows himself to be excessively impregnated by the vision or the interests of the country to which he has been accredited), I saw Germany miss great opportunities of participating in the privatization process that was taking place in Brazil in those years. My urging of entrepreneurs and bankers proved useless.

I saw with some sadness how Spain, which until shortly before had not invested more than US\$30 million in Brazil, surpassed Germany in just a few years, to become one of our major foreign investors. This happened thanks to the agility and clear-sightedness it displayed as it made incursions into sectors such as telecommunications, banking, energy, and transport.

The German entrepreneurial community, as I could notice, remained too attached to their traditional role of “Lieferanten” – suppliers – of machines and equipment, and knew not how to adapt itself to the position of “Beitreiber” – systems operators outside Germany.

But let me add that these episodes did not in the least undermine something almost unique to German-Brazilian relations: their solidity and constancy.

In addition to the impact of German immigration that began early in the 19th century, our relations received an extraordinary impetus at the start of Brazil's industrialization in the 1950s. As it was raising itself from the ruins of World War II, Germany became a pioneering partner in the building of a diversified industrial base in our country.

Since early on German entrepreneurs realized that Brazil offered not only an attractive market but also a promising expansion base capable of yielding significant returns at the same time it would generate jobs and income in Germany itself.

A motive for celebration is the fact the bilateral Joint Economic Commission is about to complete forty years of yearly sessions, which are preceded by Entrepreneurial Encounters, which are also nearing thirty years without interruption, and are attended by hundreds of entrepreneurs from the two countries. These events have greatly contributed over the years to improve the business environment and to encourage more intense exchange and more investments.

The German side has been a constant, reliable partner even at the peak of instability phases experienced by Brazil as a result of successive periods of loss of monetary control or owing to the impact of exchange crises.

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Despite the high costs of reunification and the deepening and broadening of the European Union, German entrepreneurs did not neglect relations with Brazil, although investment and trade flows did at times oscillate.

Germany lost its relative position but remains one of our major investors, buyers, and suppliers. Its investments in Brazil exceed US\$20 billion and account for no less than 15 percent of the Brazilian industrial product, generating several hundred thousand jobs.

At the intergovernmental level, in recent years Germany, as the rest of the European Union in general, assigned priority to relations with Asia in general and with China and India in particular. But this did not entail the cooling off of its relationship with Brazil.

It should be noted that in February 2002, toward the end of my mission in Berlin, during Chancellor Schroeder's official visit to Brazil, the strategic partnership between the two countries was officially launched, together with an action plan. More recently, on the occasion of Chancellor Angela Merkel's visit to Brazil, the partnership and action plan were brought up-to-date.

Recognized later as a strategic partner of the European Union itself, Brazil is in condition to profit by this other partnership to reinforce, though indirectly, its approximation to Germany, while Germany may also profit by our relationship with the European Union as a whole.

The vigor of these relations is also explained by the fact that both nations occupy a central place in their respective regions. There is no need to underline the importance of Germany in the formation, deepening, and broadening of the European Union.

On our side, Brazil is the natural fulcrum of the integration of South America, which has in Mercosur its basic nucleus. This historic project of our diplomacy should be preserved and reinvigorated in light of the principles that from the beginning have inspired it: market economy, free trade, open regionalism, and commitment to democracy in the full sense of the word, i.e., the prevalence of the Rule of Law, encompassing respect for freedom of expression and for the rights of minorities, the separation of powers, and government alternation.

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Another interesting characteristic of the German-Brazilian relationship lies in the fact that, given each country's strong influence, coupled with its regional centrality, it transcends at times the strictly bilateral sphere. This relationship has the possibility of promoting initiatives susceptible of benefiting neighbors and nearest partners as well.

This is how in 1998, under the auspices of the Brazil-Germany Economic Encounters, the Mercosur-European Union Business Forum came (MEBF) into existence to support the approximation between the two groupings.

At the moment, in view of the discouraging prospects for the Doha Round, the idea of resuming negotiation of a free trade agreement comes to the surface. This is one more reason why the Brazilian and German business organizations and those of the other members of Mercosur and the European Union should begin to act to encourage and support actions that might be undertaken at the governmental level.

United States

To fully address the wide-ranging issue of the Brazil-United States relationship is an encyclopedic task. I will thus limit myself to relate my own experience as Ambassador in Washington.

I belong to a generation many of whose members were attracted to the Foreign Service in the first half of the 1960s because of the sharp polarization in Brazil and the world over owing to the tension of the Cold War.

We were fascinated by the national development vision as embodied in the thinking of people such as Celso Furtado as well as Raúl Prebisch, who then headed the Economic Commission for Latin America (ECLA/CEPAL). The idea was that we had to fight against the external obstacles to our development: incapacity to accumulate capital, centuries-old deterioration of the terms of trade, tendency toward external indebtedness, and exchange crises, among others.

These ideas gained force with the establishment of the United Nations Conference on Trade and Development (UNCTAD), on which basis the Third World pressed for two decades for a New International Economic Order.

Two parallel movements then reinforced the developing countries' voice: the establishment, starting with UNCTAD, of the "Group of 77" alongside the wide spectrum of United Nations economic and social organizations; and the development of the Nonaligned Movement, which took shape as the decolonization process advanced. As a matter of fact, the group's name, which became "Group of 77 and China," after China's admission in the 1970s, should now be changed to "Group of 140-odd."

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I touch upon this subject because, having militated along these lines at different periods of my career, we the "77," had precisely the United States as our opponent, without any detriment to the no less harsh reaction to our theses on the part of European countries and Japan, among others. The socialists conveniently stayed away from this game and felt no responsibility for the evils inflicted on the Third World by the capitalist powers.

This nearly ceaseless "group" confrontation with the United States and their developed partners on the multilateral plane took precedence over several moments when Brasilia and Washington interests collided.

With a fragile economy owing to internal instability and external vulnerability, its foreign trade limited and little diversified, Brazil had frequent confrontations with the United States because of specific trade issues.

Even more dramatically, the foreign debt issue placed the two countries in confrontation in the wake of Mexico's moratorium in 1982. This intensified the imbalance Brazil was suffering from as of the second oil crisis, with the eruption of the Iranian-Iraqi war in the late 1970s.

As an economic affairs coordinator under Foreign Minister Guerreiro, I worked on the establishment of the "Cartagena Consensus" aimed at pressuring the creditor countries to give a prompter, more flexible response to the Latin American indebtedness problem. Paradoxically, this happened at the height of what was euphemistically called "North-South Dialogue" – a meeting held in Cancun, Mexico, which brought together twenty-four Chiefs of Government and supposedly purported to put in motion the negotiations of a "New Economic Order," was given its death kiss at the orders of Ronald Reagan.

It was the hour of "supply-side economics" and market deregulation.

60 For these reasons, among others, the United States were seen in many political, academic, and diplomatic circles in Brazil as an adversary and an adamant opponent of our aspirations.

Although the United States have changed enormously, and Brazil even more so, and bilateral relations have improved – leading Washington to give us firm support in later indebtedness crises in the 1990s – there still subsist some simplistic, obsolete, and distorted views of what relations with that country are now and should be in the future. In some cases, views are characterized in no small measure by Manichaeism and a strong ideological content, which can barely mask a substratum of anticapitalist and even antidemocratic feelings.

As I arrived in Washington in April 2004, relations were rapidly changing.

Presidents Lula and Bush had held a sort of meeting of Cabinets at the White House in mid-2003. They set up three working groups – on economic growth, energy, and agriculture – and committed themselves to a more intense dialogue at the political and diplomatic levels.

The FTAA negotiations were coming to an end, and some reciprocal complaints owing to more serious, earlier collisions were being left behind.

Divergences in the context of the Doha Round did not reflect on the bilateral sphere, in which a live, cordial dialogue between the parts

was going on, and room for understanding did exist in regard to some issues.

As I took leave from President Lula prior to my departure for the United States, I was instructed to work earnestly toward the strengthening and diversification of our relations. As the President told me, he wanted to bequeath to the future a still more solid and wide-ranging relationship with the United States.

This is how I found an unusually tensionless attitude toward Brazil.

I could sense right away a positive attitude toward Brazil on the part of the American establishment – business circles, Wall Street, the academic world, and the press in general.

We had our critics in Congress – influential parliamentarians usually with links to the agricultural lobbies; but we could also count on an ample supply of friendliness.

At the Government level – State Department, National Security Council, USTR, Treasury, Pentagon, and the Departments of Commerce, Energy, and Agriculture – a clear inclination toward accommodation and even certain deference toward Brazil prevailed.

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No problem remained unaddressed. But open confrontation was carefully avoided.

Satisfactory solutions were found for sensitive issues, such as piracy, sanitary barriers to meat exports, intellectual property rights, obstacles to military exchange (owing to Brazil's refusal to exempt U.S. military personnel from the jurisdiction of the International Penal Court).

However, a discomfiting situation did occur throughout 2004 and part of 2005, owing to a fierce campaign against the Brazilian nuclear program, waged by some think tanks devoted to security and nonproliferation issues.

The start of operations by the Rezende uranium enrichment plant involved prolonged technical negotiations between Brazil and the International Atomic Energy Agency (IAEA) on terms and limitations pertaining to inspections at the plant.

At no time there was rejection of inspections on the part of Brazil.

Discussions centered on how the inspections would be conducted so as to satisfy the IAEA's legitimate concerns and on our no

less justifiable concerns about not allowing inspectors access to certain components we had developed ourselves.

But as one of the priorities of the U.S. foreign policy at the time was the question of the Iranian nuclear program, preposterous parallels between the two countries were drawn, and the Brazilian government was pressured to “turn off” its enrichment program, so as to be in a political and moral position to inveigh against the Iranian program.

With the support of Itamaraty and the National Commission on Nuclear Energy (CNEN), I faced head-on the campaign being waged, showing to exhaustion the differences between Brazil’s and Iran’s circumstances and postures.

I had the pleasure of hearing the then-Secretary of State Colin Powell, on a visit to Brasilia, declare that the United States had no problem with our enrichment program, as Brazil had unimpeachable credentials as a power committed to the strictly peaceful use of nuclear energy. According to him, “what is important is not what is done, but who does it.”

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In November 2005, Bush spent many hours in a meeting with Lula at Granja do Torto, the Brazilian president’s country retreat. I witnessed the informal atmosphere and the reciprocal empathy between the two presidents. In an unusual gesture for U.S. diplomacy, a substantive joint communiqué was issued, establishing new dialogue and cooperation mechanisms and encompassing the facilitation of trade and investments, educational exchange, science and technology, the environment, renewable sources of energy, health, innovations, and competitiveness. The preamble, for the first time at such a high level, explicitly recognized the importance of Mercosur and the South American Community of Nations (CASA) - renamed later Union of South American Nations (UNASUR) – as factors of prosperity and stability in the Americas.

I point out this fact because traditionally the United States were not inclined to look favorably at subregional integration schemes; but in this case, it was theirs the outdated, simplistic – if not downright Manichaeic view I mentioned earlier.

In his address welcoming Bush, President Lula made a point of stressing that our bilateral relations had reached a high, unprecedented level, and commended what he called a “strategic dialogue” between Brasilia and Washington.

In 2006 two significant facts occurred. We succeeded in preventing the exclusion or substantial reduction of the access of Brazilian products to the U.S. Generalized System of Preferences (GSP) (one of UNCTAD's and the North-South Dialogue's few results), whereby some exports from developing countries may enter the developed countries' markets with zero tariff. Pressures against our exports under the GSP in excess of US\$3.5 billion (15 percent of the total) came from Congress, i.e., from some of the most influential allies of the agricultural lobbies.

There was intense activity on the Brazilian side, involving the Embassy and Itamaraty, with support from the National Industrial Confederation (CNI), the São Paulo American Chamber of Commerce (which notwithstanding its name is a binational entity, 80 percent of whose members are Brazilian companies), and the São Paulo Industrial Federation (FIESP). Sectors of the U.S. Administration, which of course did not take our side, were sensitive to the seriousness of what was at stake, and this may have contributed to Congress's final decision in our favor.

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Then, on Itamaraty's initiative, negotiations were broached, leading to the memorandum of understanding on ethanol that was formalized during Bush's visit to Brasilia in May 2007, after I had already left the post. In addition to its intrinsic importance for the desired "globalization" of ethanol, making it into an internationally marketable commodity produced by the largest possible number of countries, this agreement signaled a new spirit of partnership between the two countries.

Since then, the two countries have made progress in promoting ethanol, showing moreover what the production of this fuel could mean for alleviating poverty in vast areas of Latin America, the Caribbean, Africa, and South Asia. At the same time, thought was given to undertaking joint action to strengthen democratic institutions in Guinea-Bissau, which failed to materialize because of the instability in that country.

These moves and initiatives brought to light the not always perceived, though decisive, advance of the Brazil-United States relations: greater maturity; keener perception of the "other;" a more objective assessment of the potential for cooperation; greater equilibrium and sense of reciprocity (no less because Brazil is today an investor in the United States, an oil supplier, and creditor of about US\$160 billion

to the Treasury). On the Brazilian side, the overcoming of previous inhibitions in the search for closer convergence, and the establishment of unprecedented partnerships with a country we used to see as an “adversary.”

Conclusions

I believe that the preceding report, though limited in scope and at times interspersed with anecdotes, may be useful as an invitation to reflect on how best Brazil could conduct its relations with the three great powers. And by extension, some considerations might contribute to a broader scope of our foreign policy in general.

- First of all, we must look at ourselves. Without vainglory or excessive rejoicing over things such as the pre-salt oil reserves, we do have the right to recognize that today Brazil has more solidity, credibility, and influence. A country that in the past was a component of international crises, particularly in 1997-1999, emerges now as a factor of stability and recovery. Thanks to fifteen years of continuity of economic and social policies, we have ceased to be part of the problem and have become, as evidenced by our membership in the G-20, major actors in solving the crisis that erupted at the very core of the international financial system.
- Brazil stands out today as a rare haven of democratic stability and economic dynamism in a Latin America troubled by the failure of political systems and the resulting emergence of authoritarian regimes in nations still in search of a direction. Mexico is progressing in respect of democratic institutions, but sees its economy hampered by excessive dependence on the United States, and its internal order disturbed by the eruption of unheard of violence triggered by crime and drug trafficking. In addition, we have overcome formerly chronic problems, such as the fragility of our external accounts and the resulting unsustainable indebtedness. With those problems we have left behind old antagonisms that routinely placed us in confrontation with countries such as the United States, Germany itself, and Japan, normally more intransigent toward defaulters. This was

helped also by the fact that globalization has left behind the meaningless former division of the world into South and North, which made impossible the materialization putting an end to the long-held aspirations of a new international economic order.

- The crisis unleashed by the United States in the second half of last year brought into relief and made more evident the tectonic displacements barely glimpsed before: the main vector of economic dynamism shifted to Asia, where the central place formerly occupied by Japan now belongs to China. Seemingly fated to poverty, revolutionary instability, underdevelopment, and marginalization before, China has become the United States's symbiotic partner in the globalization impetus. It has surpassed Japan and Germany as the world's second-largest economy and gained weight as a military power capable of challenging for the first time the supremacy achieved by the United States in the Pacific after World War II.
- As the new millennium began and even more so with the global crisis, the perception of the depletion of natural resources and of the impact of climatic changes has become keener. Brazil is caught in the center of the storm owing to the unrelenting clearing of the Amazon rainforest, and at the same time sees itself as the holder of decisive trump cards: the possibility of putting an end to forest clearing; ethanol's success as a substitute, though marginal, for oil; the resumption of major water resources utilization projects; the reactivation of its nuclear program, even though on a modest scale as compared with China, India, and possibly the United States (in addition to other countries, such as France and Japan); the discovery of immense oil reserves, precisely at a moment when other producing areas begin to decline, as more serious have become the risks stemming from the predominance, among major producers, of countries located in areas fraught with explosive geopolitical risks in the Middle East and in parts of Africa.
- We continue to hold valuable trump cards in the form of available arable land and water resources, as well as our biodiversity, which are potentiated by our great technological and management capability in respect of agribusiness. While continent-size countries such as China and India see their

natural recourse assets shrink amidst demographic expansion, higher incomes, and propensity for consumption, Brazil can count on a huge potential for enhancing even further its central role as an energy, food, and fiber supplier to the world.

- Additionally, we earn much recognition for the solidity of our democracy and institutions, the vibrancy of our ever more active civil society, economic stability, ever widening social inclusion, internal market expansion, sustainability of economic growth, and capacity for attaining truly sustainable growth in environmental terms.
- Although belatedly, we are becoming more realistic and pragmatic in our approach to issues related to our participation in the international economy. But we must still cleanse this approach from any vestiges of obsolete ideological preferences and delusions or exaggerations as regards a supposed existence of a sharp division between South and North.

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We must also temper the legitimate aspiration of South American integration with the recognition that this is a long-term undertaking, uncertain, and ever more difficult. “Jumping” stages is not possible.

There are limits to integration – and limits to how desirable it is for us and for our partners. It makes no sense – and strictly speaking it is a gross mistake – to think that foreign policy should be placed at the service of the multiplication of regimes of the “left” in our neighborhood, as if this could facilitate integration.

To give coverage and even support to authoritarian leaders moved by a clear dictatorial vocation in the supposition that this would lead to homogeneity in the region is to ignore the profound, ever wider political differences among our neighbors and even amongst ourselves. Mercosur, stagnated and without prospects, needs to be reinvigorated, not prematurely expanded and much less expanded through the incorporation of the Venezuela of Chavez, whose postures are in sharp contradiction with the basic premises of the integration project.

- Although we have every right to take pride in all that we have achieved, we must also recognize our serious shortcomings and precariousness.

The crisis confronting the world for a year now is not a recession like any other. It has occurred in a world caught in an accelerated process of change, with serious economic and political shifts. Some of these shifts will widen, with the strengthening of some countries and regions, or owing to deepening concerns over the climate, energy, pandemics risks, or threats to international security.

- In all likelihood, we will have in the future a more stable international economy. But as a consequence there will be less liquidity, less capital available, less product growth, and less trade velocity. Dynamism will give in to stability. That is, we will have a world in which competition will be fiercer, with fewer resources and fewer spaces being disputed by still powerful players (United States, Germany and a goodly part of Europe, and Japan) and others whose power will grow at a fast pace (China and India). The role of driving engines of the future economy will be transferred from the information technologies to the technologies of clean, renewable energy.
- The capacity to produce raw materials and food will not be sufficient, no matter how much value we may aggregate to these products. We have before us the momentous challenge of reinforcing as speedily as possible our innovation capacity and of improving our low competitiveness. This is an eminently domestic task, but in this respect we must greatly profit from the possibility of approximation to partners that have reached heights precisely because they are at the vanguard of this technological evolution: the United States and Germany. And China also, whose extremely serious limitations in environmental and energetic terms spur it to invest heavily in the search of new energy technologies.
- In this scenario we must remain alert to the risk of considering the pre-salt oil reserves as a blessing falling over our infirmities and needs. We must look at this wealth not as a quantitative addition but as something that can serve as an additional support to a profound qualitative change in the country's productive system and in its external position.

In conclusion: we have at our disposal, we might say, three valuable partnerships. It is up to us to make the most of them. Interestingly enough, although the size differences between Brazil and the United States (the U.S. economy is nearly ten times larger than ours), asymmetries between the two countries have shrunk, while our relationship has gained in density, diversity, and reciprocity.

The opposite happens in relation to China: we started from a symmetrical situation to see, in two decades, a huge gap open between our international proportions and weight and the dimensions and influence of a “central country.”

In Germany we have a partner with decisive weight in the European Union, an old, faithful companion on our formerly turbulent journey in search of development. The emergence of France as a revamped strategic partner in no way diminishes the meaning of our relationship with Germany. It may even stimulate it.

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We must learn to look at the United States without ideological prejudices or resentment for past disagreements and collisions – without any anti-American feelings, which would only diminish us and distort our world vision. We should value convergences where they are possible and convenient for preserving our interests when they are in contradiction to or diverge from the interests of the other side.

In respect of China, we must accept the reality of competition but place above it the sense of partnership based on community of interests. We must expunge mercantile connotations from our relationship and realize how much we stand to gain from joint efforts and cooperation in many sectors. In brief, it is necessary more than ever to endow relations with these three strategic partners with a ever more strategic meaning and content.



Cooperation in energy in the Americas

Sebastião do Rego Barros

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Career diplomat. Brazilian Ambassador to the former USSR as of 1990 and then to Russia until December 1994. In that capacity, he closely followed the attempted coup against Mikhail Gorbachev, the rise of Boris Yeltsin, and the dismantling of the Soviet Union. Ambassador Rego Barros headed the Brazilian Missions to the United Nations, the European Community, and the Organization of American States. Secretary-General of the Ministry of External Relations, 1995-1998; Ambassador to Argentina, January 1999-December 2001; and General Director of the National Petroleum Agency, 2002-2005.

Antecedents

The 1980s, which began under an extremely adverse climate for Latin America owing to what became known as the foreign debt crisis, also offered the region some new opportunities for cooperation and integration.

Argentina's defeat in the Falklands War, the decline of military interventions in civilian life in the Southern Cone countries, and the very debt crisis, coupled with the rapid increase of international trade, created conditions for the advance of regional cooperation.

The 1988 Integration, Cooperation, and Development Treaty between Brazil and Argentina and the understanding between the two countries in the nuclear area paved the way for the establishment of Mercosur in 1991. Previous efforts toward regional integration in which Brazil participated, such as the Latin American Free Trade Association (ALALC/LAFTA), established in 1960, and the Latin American Integration Association (LAIA/ALADI), established in 1980, yielded meager results. Other regional attempts, such as the Andean Community of Nations and the Central American Common Market also had very limited results owing to the desertion of founding members and the modest stature of member countries.

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The initial impact of the approximation of Brazil and Argentina under their integration project, which would be the nucleus of a future South American common market, was highly positive as regards trade between the two countries in particular and in the entire Southern Cone. Between 1985 and 1990, trade between Brazil and Argentina nearly doubled.

This climate of euphoria and Paraguay's re-democratization, coupled with the changes in the Brazilian and Argentine governments, led to the establishment of Mercosur, a major political-economic project which had and continues to have great political importance for its members and for the region, though much less economic significance than expected.

The motives for the frustration with Mercosur's economic component have been often studied and examined in depth and lie beyond the scope of this article. It should be noted, though, that according to the Brazilian-Argentine original concept there should be no adhesions to the 1988 bilateral agreement for five years. But already at

that time several countries, particularly Uruguay and Mexico, attempted to meddle in the special understanding between Brazil and Argentina. Uruguay wanted to join it, while Mexico attempted to prevent this preliminary project of an economic and trade block in South America from going any further.

The fact is that Mercosur was established in 1991 and showed impetus in its first eight years but was unable to achieve the common market called for under Art. I of the Asuncion Treaty or at least meet the requirements of a customs union, starting with the drafting of a code and the setting up of a single customs authority. By the end of the decade, the regional common market project showed signs of having lost its initial vigor.

The growth made possible by the tariffs reduction reached its limits and both the Common External Tariff (CET) and the zero tariff among the members proved to be far from functioning as they should. This is still the situation today, eighteen years after Mercosur was born.

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As various attempts at redressing these Mercosur failures, and taking advantage of the *Forward, Brazil* project, in 2000 President Fernando Henrique Cardoso convened in Brasilia the first meeting of South American Presidents to address infrastructure integration issues.

In view of Mexico's adhesion to North America under the North American Free Trade Area (NAFTA) and of the distance that separates Brazil from Central America and the Caribbean, as well as the clear impossibility of success of the Free Trade Area of the Americas (FTAA), Brazil arrived at the conclusion that its locus, in Ortega y Gasset's meaning, was actually South America and not Latin America. On that occasion was born the Initiative for Regional Infrastructure Integration in South America (IIRSA).

Under President Lula's government, South America began to be presented in the diplomatic discourse as Brazil's top priority.

In December 2004, in Peru, IIRSA became South American Community of Nations (CASA) and the physical integration projects in the region broached at the Brasilia meeting were transferred to CASA.

In April 2007, under Hugo Chavez's strong influence, the former IIRSA, then CASA, was replaced by the Union of South American Nations (UNASUR), endowed with a Secretariat in Quito. Subsequently,

a Defense Council and a Health Council were established under UNASUR.

If not totally forgotten, the concern over infrastructure was demoted to a less salient position in view of the politicization of the South American and Latin American integration issue. The entry on the regional scene of a number of presidents with leftist, populist tendencies – or, to use a more recent and wide-ranging expression, “Bolivarian” mentality – and the diplomatic accommodation policy adopted by Brazil shifted the focus away from the integration efforts.

Global and regional energy outlook

It is worth keeping in mind some of the main issues underlined by the International Energy Agency in its 2008 report, according to which:

- The world energy system is at a crossroads, as current consumption and demand trends are clearly unsustainable – environmentally, economically, and socially.
- Oil is today’s main source of energy and will continue to be so for a long time, even according to the most optimistic forecasts about the pace of the development and use of alternative technologies. However, the sources of oil to meet the growing demand, the cost of its production, and the prices consumers will have to pay for it are extremely uncertain, perhaps more so than ever. The brutal increase of prices in recent years, culminating in the notorious peak of nearly 150 dollars the barrel in July 2008, and the high prices instability show that this price level will become increasingly sensitive to short-term market disequilibria.

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Despite the finite nature of oil and gas resources, the immediate risk to supply is not a lack of global resources but the lack of investments where they are most needed. Investments in oil prospection and production have rapidly increased in nominal terms, but much of this growth has been due to recent costs and to the need to combat the declining rates of production utilization, particularly in high cost provinces outside OPEC.

- Global demand for oil will climb from 85 million b/d in 2007 to 106 million b/d in 2030. The last forecasts, made in 2009, lower this figure by almost 10 million b/d, to 97-98 million b/d. The increase in demand will come totally from emerging countries. China, India, and the Middle East will account for three fourths of this increase. A slight drop in demand will occur among OECD countries.
- Although the long-term supply of oil and gas– 2030 – is assured, medium-term supply – 2015 – is a motive of concern owing to a drop in current investments in new provinces. A combination of geological, geographic, and political factors accelerates this drop.
- Prevention of irreversible damage to the climate requires a drastic decarbonizing of world sources of energy. This can be achieved only through resolute action on the part of governments, both at the national level and through their concerted participation in multilateral mechanisms.

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In our hemisphere, the Inter-American Development Bank has commissioned a study in cooperation with the Brazilian International Relations Center (CEBRI) and the Center for Strategic and International Studies (CSIS) about hemispheric countries' collaboration on energy-related issues. The book published in 2008 on the subject – *Cooperação Energética nas Américas: entraves e benefícios* [Energy Cooperation in the Americas: Obstacles and Benefits] – concludes that greater transnational cooperation would greatly benefit countries, and describes the outlook pertaining to energy policies and strategies in the region.

While the 2006 International Energy Outlook by the U.S. Energy Information Administration forecasts a 71-percent growth in world energy demand between 2003 and 2030, in Latin America and the Caribbean the increase in consumption in the same period will be even higher (109 percent). The region should prepare itself to spend about 2 percent of its annual GDP on increasing and maintaining the supply of energy, or approximately US\$40 billion a year in 2004 current values. Natural gas and renewable energy, particularly hydroelectric energy, are the only sources capable of increasing their share in the world generation of energy in the next three decades. This trend will

be even more pronounced in Latin America and the Caribbean, owing in part to the abundance of sources and to demand, localization, and expectation of relatively high oil prices.

- In the Southern Cone, natural gas reserves are abundant and regional transportation infrastructure is quite developed. The region's market for this product has a significant growth potential, particularly in view of Brazil's huge energy needs and of its still scarce use of gas (about 8 percent of total consumption) in its energy matrix. Gas pipelines linking Peru to Chile and Bolivia to the North of Argentina could be the backbone of a system that would open great trade opportunities.

For this reason, energy security, i.e., the existence of a readily available source of supply for South America, as is the case of natural gas, has become a political priority for the governments of the region.

Countries such as Venezuela, Bolivia, and Peru are net natural gas exporters, while most of the others, such as Brazil, Chile, and Uruguay – as well as Argentina to some extent – are importers. This explains why producers and consumers coincide in the pursuit of ambitious projects, such as the *Energy Ring* – whose materialization is not very likely – which would take Peruvian gas to five countries, or the more recent plan, even more ambitious and improbable of energy interconnection sponsored by Venezuela, known as the *Southern Gas Pipeline*.

There are thus doubts about the viability of the so earnestly desired South American energy integration.

Recently Argentina and Bolivia signed an agreement pertaining to the increase of the price of natural gas bought by the Argentines from the Bolivians, whereas the latter have sought to adjust their prices to international reality. This in turn will entail higher prices of the gas Argentina sells to clearly importer countries, as is the case of Chile, to which Bolivia refuses to sell gas directly, as long as the Chileans refuse to comply with the Bolivians' long-standing claim for a sea outlet. Brazil, Paraguay, and Uruguay will also have to pay higher prices for the natural gas bought from Bolivia and Argentina. The region's energy integration will be delayed for a long time owing

to the episode of Bolivia's nationalization of the petroleum and gas sector, which took place in front of a Petrobras facility in 2005, coupled with the embarrassing situation in which the company and Brazil itself found themselves, of having not only to swallow the affront but also to renegotiate past contracts and agreements.

Energy outlook for some countries of the hemisphere United States

The U.S. energy policy in the last thirty years has turned around four main issues: diversification of the energy supply sources; incentive to fuel conservation and efficiency; boosting the strategic oil reserve; and dependence on Saudi Arabia to ensure the oil market's equilibrium and moderate prices.

76. In general, this policy has been successful, but market conditions are changing: global demand is rising at an accelerated pace, owing in large measure to the emergence of new actors, such as China and India, while energy supply is coming increasingly under the control of national oil companies, whose objectives do not fit the market's traditional concepts.

The United States are self-sufficient as regards nearly all their energy needs, except for oil and natural gas. Their demand for oil products slightly exceeds 20 mb/d. In 2008, net oil imports met about 60 percent of demand, while net gas imports satisfied 20 percent of demand.

The main objective of the U.S. energy policy is to cut down its dependence on imported energy and to reduce the carbonization of its matrix. There is scientific and technical cooperation with Brazil in the matter of biofuels, but the powerful agricultural and oil sectors hinder and will continue to hinder, in a foreseeable future, a significant penetration of Brazilian ethanol into the U.S. market.

Canada

Canada is the United States's major supplier of oil, oil products, natural gas, and energy. It has proven reserves of 178.8 billion barrels, the world's largest after Saudi Arabia's. Most of these reserves are found in nonconventional sources, particularly tar sands.

Mexico

Although it is a major oil producer – over 3.5 mb/d, Mexico faces serious problems in formulating policies that could meet its energy needs in the coming years. Its proven reserves in 2005 (the study's reference year) totaled 14.6 billion barrels, but this figure has been steadily declining in recent years. In 2008, proven reserves were a little over 10 billion barrels. If the current production pace holds, reserves will last only ten years.

The most serious energy problem Mexico has faced in recent decades has been the insufficiency of resources channeled to *Petróleos Mexicanos (PEMEX)*, the State oil company, for investments in exploration and production. As Mexican legislation does not allow any company other than PEMEX to invest in the country, Mexico has not engaged in hydrocarbons exploration and production. The portion of the Gulf of Mexico that lies on U.S. territory has yielded good results, but the Mexican portion has been left practically unexplored for lack of resources.

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The study calls attention to the contrast between the treatment accorded *Petrobras* by Brazil, and Mexico's treatment of PEMEX. PEMEX has monopoly of the sector, while *Petrobras* works with private investors or in joint ventures with them. Mexico's reluctance to accept private capital for oil production comes from the nationalization of foreign oil companies in 1938. PEMEX has attempted to compensate the lack of financing with services provision contracts, but the major independent companies prefer to be owners or partial owners to being mere services providers. PEMEX has thus lacked capital for exploration.

Venezuela

With an output of 2.7 mb/d and 1.9 mb/d of exports in 2007, Venezuela is the fourth supplier of oil and oil products to the U.S., after Canada, Mexico, and Saudi Arabia. It is also the United States's most difficult trade partner in the Western Hemisphere in respect of oil.

According to the *Oil and Gas Journal*, Venezuela's proven reserves of conventional production oil total 99 billion barrels, the hemisphere's largest. In addition, its reserves of super-heavy and bitumen oil

(nonconventional reserves) in the Orinoco oil belt may reach 270 billion barrels. Should Venezuela be able to achieve formal recognition of these resources, as Canada has already done for its tar sands, its reserves would total 312 billion barrels – larger than Saudi Arabia's.

Venezuela nationalized the oil sector in 1975 and set up *Petróleos de Venezuela (PDVSA)*, a State company. After a prolonged strike in 2002/2003, more than fifteen thousand workers and functionaries were dismissed, which affected the company's operating capacity. Venezuelan production is declining, but it is difficult to obtain reliable data owing to President Hugo Chavez's total control over PDVSA information.

Despite this negative impact, the company is still powerful and has a total refining capacity of over three million b/d, with plants at home, in the United States, Europe, and the Caribbean.

Argentina

78. Argentina's proven oil reserves totaled 2.6 billion barrels in 2008, with a production/reserve ratio of a little over ten years.

In recent years, Argentina had a classic experience of intervention in the natural gas market for political purposes. Earlier, in 1991, Congress passed a convertibility law making the peso worth one dollar, based on a mechanism whereby convertible foreign currency reserves should at least equal the monetary base. This anti-inflationary measure worked for more than a decade, but the peso's continued valorization made Argentine manufactures noncompetitive.

The Argentine peso was devalued in January 2001, when there was another intervention in the market price formation mechanisms, regarding not only natural gas but also bank deposits and other goods.

The users' average natural gas consumption was converted into pesos and frozen at the 2001 levels, entailing a drastic reduction in investments in natural gas production. Consumer prices were also frozen at artificially low levels.

These measures were adopted by President Nestor Kirchner's government, which resorted to prices control to prevent higher consumer prices. As a result, demand expanded and exceeded supply, as well as causing a supply shortage in 2004 and making it necessary to cut down exports, even those already contracted, and to import natural gas.

Some corrections were introduced in these measures as of 2005 but proved insufficient, and Argentina emerged from the episode with its image of reliable supplier of natural gas considerably tarnished.

The Yacimientos Petrolíferos Fiscales (YPF), the State oil company, was privatized in 1993 under President Menem's Administration. Renamed Repsol YPF, the company now belongs in large part to Spanish investors.

In May 2004, a new mixed oil company was founded, called Energia Argentina S.A. (ENARSA), which is authorized to operate in a wide range of activities related to oil and gas and holds the exclusive right to celebrate new concession contracts with private oil companies for prospecting and exploiting hydrocarbons on the Argentina continental shelf.

Bolivia

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Bolivia has substantial proven natural gas reserves of up to 24 trillion cubic feet. This natural gift in a world eager for energy, comparable only to the tin boom Bolivia experienced before the Great Depression, has brought the country more problems than solutions.

In the 1990s massive capital was injected into Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) and a 1996 hydrocarbon law was passed under the Gonzalo Sanchez's government. There was also a huge increase of foreign investments, as well as an increase in reserves and production. Between 1992 and 1996, YPFB and Petrobras signed a series of agreements that allowed the rebuilding of the gas pipeline (GASBOL) linking Rio Grande, in the south of the Bolivian province of Santa Cruz, to São Paulo and Porto Alegre.

The predominant political feeling after 2000 turned into exacerbated nationalism and led to a political drama ostensibly centered on the role of gas but more basically on the division of political power in the country, and included two presidents forced to leave office in a twenty-month period. The proposal for the laying down of a gas pipeline, by a consortium of foreign investors, to carry Bolivian gas to a port in northern Chile to be converted into liquefied natural gas and then shipped to California, was rejected because of

the nationalist feeling fueled by Bolivia's loss of a sea outlet when it was defeated by Chile in the Pacific War in the 19th century. Other attractive projects have also been denied consideration.

In 2005, after a turbulent process, a new hydrocarbon law was passed. Late that year, Evo Morales was elected President by absolute majority, a remarkable event in Bolivia. In 2006, the foreign oil companies were nationalized, followed by an attempt at reviewing contracts in force. Brazil reacted with restrained anger, as its dependence on Bolivian gas for its energy supply required, as it still does, a major dose of political prudence.

As a result, Brazilian dependence has already diminished, the production of liquefied natural gas has increased in Brazil, and any plans for investment in the neighbor country have been dropped. The same thing has occurred with other countries. It will be some time far into the future when significant investments will be directed at Bolivia again.

80 **Brazil**

The National Petroleum Council (CNP) was established in 1938 to consider applications for prospection and exploitation of oil reserves. The decree establishing CNP also declared the national oil supply a public utility good and regulated the activities related to the importation, exportation, transportation, distribution, and marketing of oil and oil products, as well as the refining industry. Although they had not yet been identified, reserves became federal property. CNP's establishment marks the beginning of a new phase in the oil industry in Brazil.

In 1953, Law 2004 established the state monopoly over the prospection and exploitation, refining and transport of oil and oil products and set up Petrobras, the state oil company.

In the 1990s major changes were introduced in the oil and gas model established under Law 2004. Constitutional Amendments no. 5 and no. 9 of 2005, and Law 9478 of 2007 relaxed the monopoly held by Petrobras since 1953 to allow other state and private as well as national and foreign companies to operate in any sector of the oil industry. The State maintained its monopoly over the oil and gas reserves and other links of the productive chain. Exploration and production activities, though, were the subject of concession

contracts signed between the National Petroleum Agency (ANP) – an autarchy established to undertake the regulation, contracting, and supervision of all the sector’s activities – and the companies winning the yearly block concession bidding process. Petrobras retained the right over the fields in production and prospection areas in which it had invested.

The new model has yielded excellent results in the last twelve years. Today, over seventy companies are engaged in oil exploration and production in Brazil. In turn, subject to competition, Petrobras became stronger – and not only at home. By becoming a partner in major international oil companies operating in Brazil, where for obvious reasons it enjoys comparative advantages, Petrobras was able to associate itself with these foreign giants on an equal footing.

The entire oil and gas sector has grown. Its 3.0-percent share in GDP at the beginning of the century rose to over 10 percent today. The bidding process held yearly since 1958 is internationally recognized as an example of transparency, fairness, and rules stability.

Tabela I – Evolução dos indicadores do setor no Brasil

Indicator	1997	2007
Oil sector’s share in GDP	2.0%	10%
Oil production (1,000 b/d)	870	1,850
Investment (US\$ billions)	4	25
State investment share (R\$ billions)	0,2	15
Brent barrel price (US\$)	19	110
Exchange rate (R\$/US\$)	1.8	1.9

Source: ANP

Oil and gas exploration and production follow three major internationally recognized models: concession contract, sharing contract, and provision of services.

Under concession contracts (the model adopted in Brazil), the State retains the monopoly over the natural resources but the prospecting risk falls on the contracted company, which, should it be successful, will be the proprietor of the oil produced for the term of the contract.

Under the sharing contract, the prospecting risk cost falls on the contractor company. In case of success, the contractor deducts the cost of prospecting and development of the oil production, which are split between the contractor and the State according to pre-established ratios. As a rule, the costs of the sharing model are higher.

Under the services provision model, the work plan is established between the State and the operator. The company is paid in cash and the oil belongs to the State, which is responsible for its marketing. The services provision model is adopted by Mexico and Iran, among others.

The concession contract model adopted under the 1990s reform contemplates the society's ownership – through the State, the states, and the municipalities – of a part of the income from oil and gas production. The government's shares, a further mechanism in addition to the tax obligations established under Law 9478, has allowed a substantial increase of the government's share of the income from the exploration and production activities under concession contracts, as shown in Table 2:

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Tabela 2 – Alterações das participações governamentais na Lei do Petróleo

Up to 1997	After 1997 – Law 9478/97
Royalties 5.0%	I. Signature bonus
	II. Royalties up to 10%
	III. Special share: progressive rates of 10%, 20%, 30%, 35% , and 40%
	IV. Payment for area occupation or withholding
	V. Land owner's share: 0.5%-1.0% of the value of the production of oil and gas on land

Source: ANP

The *signature bonus* is paid by the bidding winner of the areas ceded for exploration. The full amount goes to the Federal Government. Conceptually, the bonus corresponds to a pricing of the exploration risk associated with the block or basin offered in concession.

Royalties apply to the gross production income and may range

from 5.0 percent to 10 percent; today, the weighted average is 9.7 percent. The gross production income is calculated on the basis of the international barrel price and the exchange rate. It is a financial compensation for the exploration of a nonrenewable natural resource.

Special shares apply to fields with a high production volume or of high profitability. They apply to the net income according to progressive rates that vary with the production of a given field. They are the State's share of the profitability of the oil sector's production, similarly to what happens with the Income Tax.

The royalties and special shares go to the Federal Government, the states, and the municipalities, according to differentiated rates, as shown in Table 3. Approximately 50 percent go to the Federal Government and 50 percent go to the states and municipalities. It may be noticed that the share distribution between the Federal Government and the states and municipalities depends largely on the amount of the signature bonus earned at the yearly bidding process, which goes in its entirety to the Federal Government.

Tabela 3 – Distribuição das participações governamentais entre os entes federativos

Government share	2006 R\$ billions	Distribution	2007 R\$ billions	Distribution
Signature bonus	0.4	Fed. Gov. 100%	2.1	Fed. Gov. 100%
Royalties	7.7	Fed. Gov. 35%	7.5	Fed. Gov. 35%
		States 31%		States 31%
		Municip. 34%		Municip. 34%
Participação Especial	8,9	Fed. Gov. 50%	7.1	Fed. Gov. 50%
		States 40%		
		Munic. 10%		
Retenção de área	0,1	Fed. Gov. 100%	0.1	União- 100%
Total	17,1	Fed. Gov. 44%	16.8	Fed. Gov. 50%
		States 35%		States 31%
		Munic. 21%		Munic. 19%

Source: ANP

The oil industry's transformation caused the nearly exponential growth of the government's share in the sector's income. The sum of royalties, special share, signature bonus and payment for area withholding exceeded R\$82 billion from 1998 thru last year.

On the occasion of the Fourth Seminar on Oil and Gas in Brazil held in 2008 by the Getúlio Vargas Foundation's Brazilian Economics Institute, the Brazilian Petroleum Institute, which gathers practically all the sector's companies, described the Brazilian model as follows:

- A modern, flexible, and progressive model
- Fully successful since its introduction
- Attractive for the Government, big investors, and national operators
- Encompasses the different production conditions; on land and in shallow and deep waters
- Enhances the economic viability of fields of different sizes.

Recent history and the pre-salt reserves

On November 8, 2006, as the Eighth Bidding Round was in full swing, popular actions brought in Rio de Janeiro and Brasilia succeeded in obtaining restraining orders, which suspended the procedure after the winners of blocks offered in the South Tucano Basin, state of Bahia, and in a section of the Santos Basin's deep water had already been announced.

The actions put into question the limitation of the number of blocks each bidder could obtain as an operator. ANP's appeal seven months later to the Supreme Court, based on a favorable opinion handed down by the Federal Attorney's Office, resulted in a clear Supreme Court decision handed down on July 20, 2007, suspending the effect of the restraining orders. On October 8, 2007 the transit in *rem judicatam* occurred, which allowed the Bidding Round to continue. But the Agency did not act on it.

In the meantime, steps toward the continuation of the Ninth Round were taken, but on November 6, 2007, sixteen days before the bidding session, the National Council on Energy Policy (CNPE) issued its Resolution No. 6, withdrawing 47 blocks from the list offered in the Santos and Campos Basins, as they might be "linked to *possible*

accumulations in the pre-salt reservoir.” This resolution was handed down in the wake of the announcement of significant discoveries in the so-called Santos Basin Pre-Salt cluster, and particularly of the announcement by Petrobras and associated companies of a recoverable volume estimated at about 5-8 billion barrels of oil equivalent in the Tupi field. But the same Resolution instructed ANP “to take the necessary steps to proceed with and conclude the Eighth Round.”

Several months elapsed before CNPE issued Resolution No. 8 of July 22, 2008, which determined that the decision about the Eighth Round be postponed “until the Council’s next Regular Meeting.” A few days earlier, on July 18, 2008, a Presidential Decree had been issued, appointing an interministerial commission “to study and propose the necessary changes in the legislation pertaining to the exploration and production of oil and natural gas in the new oil-bearing provinces discovered in an area called Pre-Salt.” Because it did not include blocks on the Brazilian continental shelf, where 90 percent of the country’s production are concentrated, the Tenth Round, with bidding sessions held on December 17, 2008, did not attract the major oil companies and was one of ANP’s weakest.

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Finally, on August 31, on a public occasion with strong political tinges, President Lula announced the government’s proposal, which had been in gestation for 14 months, of a Pre-Salt Regulatory Model calling for the following: introduction of the shares system for the production based on the pre-salt reserves; establishment of a new state company; establishment of a social fund; and channeling of resources to Petrobras.

The proposed model was much more inclined to ensure State ownership than the 1997 model.

The production sharing system is not bad in itself but its adoption in a country where corruption is rampant is a motive for concern.

Still worse: the Brazilian concession model has worked quite well and encompasses all the elements needed for achieving the objectives pursued by the government. That is, it is difficult to accept that investments and the action of agents in the sector must be suspended for over a year so that changes can be made, changes that are unnecessary, to say the least. There are indeed some disturbing aspects other than the introduction of production sharing.

The establishment of another state company is bad in itself, but given the fact that its purpose is “to represent the Federal Government in the consortiums and operations committees to be established to manage the different sharing agreements,” its negative impact is much more serious. Under the current concession system there are no consortiums or committees in which the Federal Government should be represented. A high degree of bureaucracy is to be expected where none exists today. In any case, the National Petroleum Agency (ANP) already exists and could discharge the functions to be assigned to the Petro-Salt state company, whose name alone is frightening.

Making Petrobras the mandatory operator in every block raises serious doubts. Although this Brazilian company is highly competent, it is unrealistic to expect that it can be the only operator in all the pre-salt blocks. The challenges and dimensions of this new frontier discovered along almost one thousand kilometers in superdeep waters far from the shore would be difficult for the entire world oil industry united.

86. Assigning the task to only one Brazilian company reflects obsolete statism, nationalism, and corporatism out of step with Brazil today. Should the government’s proposal be approved, this requirement will result in a constraining bottleneck that would hamper the pre-salt development and production.

The Social Fund is defensible and may be useful, provided much oil and gas is produced and the income is not taken over by the Treasury, as is the case today with a large portion of revenues under current legislation. Making Petrobras the mandatory operator will not only limit investments by third companies but also the exploration and production activities, which would tend to make the Social Fund rather modest, although it has been announced as Brazil’s savior.

It should be recalled that in Brazil’s entire oil history only a little over twenty thousand wells have been drilled, which is the number achieved each year by the United States and Canada, where nearly five million wells have been drilled. It is a motive of concern to see a proposal that, in a way, wants to move the country backwards.



Mercosur's crisis

Sérgio Amaral

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Career diplomat. Ministry of Finance's Foreign Affairs Secretary. Head of the Brazilian Delegation at the negotiations with the Paris Club in 1988 and with the Creditor Banks Committee in 1989. Brazilian Alternate Representative to GATT and negotiator of the Uruguay Round in 1990 and 1991. Minister of Public Information and President of the Republic's spokesman, 1995-1998. Brazilian Ambassador in London, 1999-2000. Minister of Development, Industry, and Foreign Trade and President of the Board of Directors of the National Economic and Social Development Bank (BNDES), 2001-2002. Brazilian Ambassador in Paris and Representative to the OECD, 2003-2005. Current Director of International Affairs, Armando Álvares Penteado School (FAAP), Counselor of the São Paulo Industries Federation (FIESP) and of Felsberg and Associates, and President of the Brazilian Wheat Industries Association (ABITRIGO).

Whenever I spoke about Brazil abroad I always started by saying: “You certainly know that Brazil was discovered in 1500, but you may not know that only recently, some ten to fifteen years ago, Brazil discovered that the world exists.” This is partially true; today I see this stance changing owing to a large extent to the growing interest in international relations on the part of universities, the press, and political circles. The involvement of political circles in foreign policy is becoming ever more important because gone are the days when our foreign policy was the almost exclusive privilege of Itamaraty, our Ministry of Foreign Affairs.

Late last July, Mercosur held a meeting of its Council and the Paraguayan Foreign Minister chose that moment to startle those present with a comment that was surprising for a political meeting at such a level: “Mercosur is at a terminal stage.” This statement, which is still shocking, is to certain degree shared by many, particularly by Brazilian businessmen who are tired of facing tariff protection against their exports to Argentina.

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Soon after elections, Argentina also took by surprise all of us who expected that, once elections were over, its government would withdraw the increasing protection measures it had adopted. The Argentine Minister of Trade said that her country would not withdraw the nonautomatic licenses, some of which may take four to six months to be issued or approved. Encouraged by such fine example, Uruguay announced more recently that it would also adopt recessive measures against Brazilian exports, in the assurance that, just as Paraguay, Argentina, and Bolivia, it could rely on the Brazilian diplomacy’s benevolence.

I interpret the Paraguayan Foreign Minister’s statement as most certainly a rhetoric exaggeration. But there is no denying that though we are not witnessing Mercosur’s demise because it rests on what I consider a solid political foundation, we are indeed witnessing one of its most serious crises. This crisis stems not only from trade issues; it involves institutional aspects as well as a true institutional crisis, because members do know exactly what they want from Mercosur, and if they do, their interests are conflicting.

What is happening to Mercosur at the moment? Why there is no progress in regard to free trade and the Customs Union? Why two sectors are still excluded from the Customs Union? And why cannot the

countries negotiate jointly trade agreements, as we have seen recently. The dispute settlement system does not exist – or if it does exist, it is not put into action. Why does not Mercosur Action Plan adopted in 2004 move forward, not even in areas in which it was supposed to advance rapidly, such as integration of the productive chain, end of triple taxation, or approval of the Customs Code?

Why does such a situation prevail? At this point one should review more thoroughly the Brazilian-Argentine relationship, the fundamental Mercosur axis, just as the French-German relationship is the European Union's fundamental axis. In my view, two problems lie at the root of Mercosur's predicament and of its difficulty in advancing, as well as of the difficulties it encounters in making South American integration into a reality.

First, there is a clear lag between the Argentine economy's moment and that of the Brazilian economy. Since the Real was introduced fifteen years ago, Brazil has known a period of currency stability and economic reforms. The Argentine economy, on the contrary, experienced one of its most serious economic crises in 2001. In the last twenty years Brazil has undertaken a veritable revolution in its agriculture, while in Argentina the repeated Government problems with the agricultural sector have led to a shrinking of the planted area and to the paradox of the migration of several rural producers to Uruguay, where they found more tranquil and predictable conditions for producing and exporting.

Because of the reforms it made and of privatization, Brazil has become a major center of foreign investments. Instead of encouraging such investments, Argentina has raised a series of difficulties, the most emblematic of which was the freezing of prices. Brazil, on the other hand, has opened itself to international trade and is one of the advocates of the Doha liberalization agreement. Instead of opening up its economy, Argentina steadily advances toward protectionism. This will pose a problem to the conclusion of any agreement by Mercosur, whether at Doha or with the European Union, or even to bilateral agreements.

Brazil has deregulated its economy and reduced the role of the State. Argentina is undertaking a reindustrialization according to the 1970s models and increasing State intervention. Brazil holds reserves amounting to 214 billion dollars, while Argentina is beginning to face

growing problems related to its foreign exchange base and is resuming conversations with the International Monetary Fund to obtain the resources it needs.

In brief, Brazil is advancing in one direction while Argentina is moving in the opposite direction. But there are two other points in addition to these differences. In the last fifteen years, Brazil has known a continuity of policies and continued government stability. At one point, we had nine Ministers of Finance in a period of two or three years. Under Fernando Henrique's two terms we had one, and two under Lula's two terms. In this regard, Brazil has become a normal country, a country where there is predictability, where elections are no longer a motive of alarm for the markets. After Menem, we have seen Argentina grapple with an unprecedented crisis, with changes of government, political unpredictability, and unpredictability even of data, as the market does not trust government statistics, and increasing conflicts with society.

The second point that in my view also signals a marked difference between the two countries is that in Brazil we have been engaged during this time in building convergence on the foundations of democracy and of the economy. No one questions the need to combat inflation or to comply with the fiscal accountability law.

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I was recently invited to give a lecture at an institute in Argentina. Listeners wanted to know how the Argentines could reach some basic consensus capable of ensuring the stability of their political system. They do not want to go on living in a situation in which each change in government, more than a change of leaders, entails a change of the national project. Some government leaders want their country's integration into the world economy, while others seek to close the economy instead.

In my view, Brazil's answer to this situation has been part of the problem. The first part of the problem is the differences in objective realities. The second is a mistaken policy we have practiced. Why? Because it rests on two mistaken assumptions. One is that no trade is possible between asymmetrical economies. This was the thesis we concocted to reject the FTAA. We have good reasons for our difficulties with the FTAA, but it is not true that asymmetry hinders trade. If this were true, Central America and the Caribbean would not have struggled so much to join the NAFTA. Neither would East Europe have been accepted into the European Union.

This notwithstanding, this asymmetry concept we invented has been well received by our neighbors. At every step they call us to account for our sin in having a trade surplus vis-à-vis them. This plea makes us feel that we are under the obligation of maintaining trade equilibrium with Argentina, which in Argentina's view should be kept on a $I = I$ basis. That is, we are seeking to replicate in Mercosur what trade with Eastern Europe used to be, namely, administered trade: you may export one hundred, provided you import one hundred. Asymmetry is a reality.

A study by economist Cláudio Frischtak shows that the individual South American countries' GDP share in South America's GDP reflects a substantial increase of the Brazilian GDP share, which climbed from 34 percent to 56 percent between 1980 and 2008, while the GDP share of other countries, with the exception of Chile and Peru, decreased. The most flagrant case is Argentina's, as its GDP share in the South American GDP dropped from 27 percent to 11 percent in the same period. This is why it is all the more necessary to pursue a policy leading to shared prosperity and to integration in the region. Such a policy should not be based on initiatives characterized by concessions and generosity, but on a change in the framework under which relations in South America are developed.

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By way of illustration, we might suggest some paths to be followed, one of which is trade. The major driver of integration in South America is the Brazilian market. It thus does not make any sense for Brazil to maintain barriers to exports from its neighbors, as in the ridiculous case of Uruguayan garlic and rice exports to Brazil, which are subject to quotas to this day. Divergences should be solved not from the standpoint of administration of quotas trade, but from the standpoint of the establishment of free trade.

Higher investments are not possible today, given the instability of rules, which we were the first to tolerate, as exemplified in the case of Bolivia's attitude toward Petrobras investments or Ecuador's attitude in contesting financing it had received from the Brazilian National Economic and Social Development Bank (BNDES).

The South American Physical Integration Program (ISPA) was a positive initiative, as it aimed at building, under a telecommunications and energy integration project, a community of interest for investing, particularly in energy, the most promising sector, in which Venezuela

or Bolivia would participate. This would require the existence of a financing body, which could not be a Bank of the South, as it has been suggested, because we already have the Andean Financing Corporation (CAF), which functions quite well, according to the rules of the market, and has some billions of dollars available for enhancing those countries' export possibilities.

The path lies surely in supporting CAF so that it will increase its operations and finance integration projects. Under this scenario of different views, divergences, and disagreements, we must gradually reestablish convergence at a moment when South America is experiencing a new reality in view of the United States's retraction from the region. A U.S. State Department functionary that was participating in a recent meeting in Bolivia was asked what to do was: "You do not want a leadership in South America. It is time with Bolivia. His answer you yourselves find the answer." It is extremely positive to seek one more answer and a new path in relations with the United States, but we ourselves must shoulder our responsibilities and find our own way.

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If Brazil wishes to change this disturbing panorama, it must bring the real issues upfront. We want to be a democracy-based union. If this is true, we must assume this role with greater conviction. We want to arrive at a common stand on new issues. This could be important, particularly as regards the environment and human rights. We want to have free trade. Then it is time to eliminate restrictions. We want a Customs Union. Then it is time to complete it and only thereafter require joint negotiation, which at this time we are in no position to engage in, as disparities with Argentina will bar any trade agreement. Do we want to expand Mercosur? Then it is time to discuss some key issues. Clear admission rules have not been discussed; in addition, we must consider the issue of weighted voting, because on essential decisions we cannot have the same weight as countries with 1.0 percent of our population and 1.0 percent of our GDP.

Brazil today has the opportunity of assuming a relevant position on the international scene, but this does not translate into concrete gains for the country. If this is what we want, we must first review relations with our neighbors. It makes no sense for Brazil to be a candidate for a seat in the Security Council, for which it has waged one of the greatest diplomatic campaigns it has ever waged, without first straightening out differences with Argentina, its strategic partner. There is no sense in

our continuing to live under the restrictions we impose to the signing of trade agreements, or in keeping from pursuing convergence on issues on the international agenda. It is not reasonable either to just stand by as a Petrobras facility is occupied in Bolivia, Ecuador threatens to suspend payments, and Argentina multiplies its protectionist measures, or as only concessions are made as an answer.

We are not interested in being an island of prosperity in a region of increasing inequalities. We cannot assume the risk of replacing the United States in the anti-imperialist imagination of our continent. We make abusive use of rhetoric in favor of integration. But once again we are moving away from integration toward fragmentation and potentially more serious conflicts with Brazil. Our current relations with Mercosur and with South America will certainly be the worst legacy from the Lula government's diplomacy.



Brazilian Foreign Policy: Diagnosis and Prospects

Antonio Carlos Pereira

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More than difficult, it is risky to take on the task of talking about the Brazilian Foreign Policy after the remarks by ambassadors Rubens Ricupero, Marcos Azambuja and Sérgio Amaral, if nothing else because there are just a few dissenting or disagreement points with what they said. And when such points do exist, I think they will always pertain to emphasis, not to substance.

Ambassador Ricupero has precisely defined the three pillars of the Brazilian foreign policy of President Luiz Inácio Lula da Silva's administration: a seat in the United Nations Security Council, the Doha world trade negotiations and the integration or higher coordination of South America.

Under any circumstances, these three goals would be highly commendable. I doubt that any one of us, if taking over the presidency of the republic in the same conditions as found in 2003, would not have chosen at least two of these goals. There was a coincidence of opportunity and will that made choosing these goals – including the most controversial one, the seat in the Security Council – something natural, say.

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Thus, the trouble was never in choosing the foreign policy goals: it was in the way how these goals have been and are being pursued.

The only way the current administration knows how to act lies in personalizing everything, leading to abuses of the presidential diplomacy, as well as in doing everything through the president's party, causing policy holders to forget that the ultima thule of the foreign policy is to uphold the national interests.

This matter was also broached by Ambassador Ricupero.
I just want to highlight the evidence.

A foreign policy based on the ideology and the doctrinal program of a political party is very different from a foreign policy based on national interests. The latter must respond to the expectations of society, correspond to the national character and always take into consideration the projection of its consequences on the future of the new generations.

Now, the foreign policy of a party does not share such heavy responsibilities. It not just aligns the State apparatus to its interests – which are necessarily short-range ones, since elections are held every four years – as it tries to interact not with the nations with which it should hold relations, but with parties within such nations with which it enjoys ideological and programmatic affinities.

The national interest determines that the country hold relations with established governments and strengthen friendship between the peoples.

On the other hand, a party interest holds that relations with factions should be deepened, that the State talk with foreign parties or even with foreign groups striving for power in their countries by non-orthodox or even violent means.

Still, the foreign policy is by definition a State policy. Hence the inextricable contradictions the Itamaraty has attached to itself in dealing with very important matters, such as relations with Colombia (and, by consequence, with Farc), with Venezuela (and, by consequence, with the countries that adhere to the Bolivarian doctrine, one riddled with confusion but for its liberticide character – Bolivia, Ecuador, Nicaragua and, most recently, Honduras) and with Iran (and, by consequence, with lending credibility to a clearly fraudulent electoral process.) Let us stay with these examples.

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Nevertheless, it must be said that these two inherent flaws – personalism and party centrism – are added by two others that, in the view of some people with greater analytical rigor, are the natural result from and not the direct cause of the flaws of the current foreign policy.

The first is excessive voluntarism and the second the almost absolute, astounding lack of information about the foreign environment.

As I see it, once a goal has been established, the current executors of the foreign policy set off to it in the manner of poet Ascêncio Ferreira's 12 knights, "in a maddening race for what? For nothing." This is so because, on the look of it, they didn't worry in the least about doing their homework. Certain about the correctness of their cause, little concern they have about the environment where they are to operate, nor do they occupy themselves about weighing the consequences – especially the long-term ones – of their actions. It is as if the realities of the international system could be changed – and some must indeed be changed – by mere act of will.

Here's one case in point: no sooner had the Lula administration settled down in Brasilia than it launched a conquest and alluring campaign to get enough votes for a majority that would give it a seat in the permanent body of the United Nations Organization Security Council.

Greedily, it has done and does a little of everything to achieve that goal.

Still, it did not bother to weigh two key points first:

- It started from the principle that the current system, dating back to the end of the Second World War, does not correspond to the distribution of the world power anymore and, so, causes the UN body to lack legitimacy.
- It did not bother to ponder over the objective possibilities of the UN reform project and forge ahead and, as a result, reach a point in which the Security Council reform would be feasible and Brazil's candidacy would in fact be "natural".

For this reason, it did not check how far its allies and countries from which it sought support for the endeavor would go. More importantly, it did not anticipate which countries would be determined to oppose the Brazilian candidacy.

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Had they done their homework, they would know that doubling the number of embassies in Africa would not change certain concepts that guide the African group, whose support, considered a given, failed to come true.. After all, there are things more important than hosting a Brazilian embassy. The Brazilian role was overestimated.

By the same token, it was not considered the possibility that an entire theoretical argument could be put together to justify Brazil's aspiration to a permanent seat in the Security Council and that, no matter how plausible, nothing of that would be any worth when the problem landed on the foreign ministries of Mexico, Colombia and Argentina.

The opposition of these three countries – who have their historic and political reasons to deny Brazil's political strengthening – suffices to crumble down all the framework that said that Brazil – Oh, irony of the ironies! – would accept to be the spokesman of its neighbors in the Security Council.

With this, it became clear to the world that the country that wanted to reshape the international system lacks the power and conviction elements to unite Latin America, which was supposed to be its influence area.

Another example is lack of information. Any newspaper reader would know three or four months in advance what Bolivia would do with its oil and gas deposits. Nothing of what happened there took place in the still of the night. The Brazilian government was the only one who did not know and, when surprised by the occupation of Petrobrás's refineries, it was momentarily stuck. Well, that had been written in the sky.

Something similar occurred in Venezuela: all knew that the Hugo Chávez government would not allow that Petrobrás – as it did now allow other foreign oil companies – developed the oil grants it had on the Orinoco Belt, according to the original contract.

Even then, the Brazilian government did not raise a finger. It chose to trust the benevolence of “chum” Chávez. And Petrobrás saw itself reduced from a leaser to a service provider.

In both cases, Brazilian public assets were stolen – in one, without compensation until now; and, in the other, without sufficient

—100 compensation.

The Bolivian affair brought to light another feature of the personalized, party-centered foreign policy.

The first reaction from the Brazilian government – in fact, from President Luiz Inácio Lula da Silva - was to proclaim that the nationalization of the reserves was a sovereign act of Bolivia. The result of this pompous chestnut were statements that Brazil would do whatever it could to strengthen the Bolivarian government of Evo Morales who, at the time, was facing a strong resistance within his own country.

Since then, this same argument has been used in regards to Hugo Chávez's Venezuela, Rafael Correa's Ecuador and Fernando Lugo's Paraguay. More serious still was that, more than once, on the pretext of providing political stability to a neighboring country, what the Lula administration did was give the Bolivarians a clear-cut electoral support in an explicit expression of ideological identity which Bolivians, Venezuelans, Paraguayans and Ecuadorians who legitimately and democratically oppose their rulers can interpret only as a spurious interference in their domestic affairs.

All this is the end result of this foreign policy based on a party ideology and program. This kind of foreign policy, I repeat, is not hinged on the national interests. This being so, how is it possible to achieve a consensus over foreign affairs?

It must be recalled that, without a certain degree of consensus, the foreign policy is supported only by the huge popularity ratings, both domestically and abroad, of the state and government chief. But this is a short-lived condition – just as the ruler’s mandate. Once it is over, Brazil will have to manage the nefarious consequences of the personalism and party-centering of foreign relations, something that will not be done without a cost.

Also, this model is conducive to unrealism. Take, for instance, anti-Americanism, one of its characteristics. It would be one of the most interesting paradoxes for academic studies were it not for its practical consequences.

It is an anachronistic, retrograde anti-Americanism athwart with the current political and economic reality in every single aspect. It is a feeling that would be explained only by an inferiority complex – a stranger one, as Brazil has gone through considerable economic and social progress over the last two decades translated into a natural expansion of its presence in the world.

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However, this anti-Americanism is embedded in every move of the Lula administration’s foreign policy. Is there anything more anti-American than the Unasur adventure – one that was established to move the United States even further away from the wished for American integration? Even so, the bilateral Brazil-United States relations have been as good as can be for the last six years and eight months. Only Freud could explain how these two things can go hand in hand!

However, either during the Bush or the Obama administration, the possibilities of intensifying very productive relations in the political or commercial area could have been exploited with much more success even while Brazil would keep the necessary freedom of action to consolidate itself as a regional power with global interests – but they weren’t.

During the Bush administration, for instance, the first summit meeting led to the definition of some 40 items that should have been exploited for the trade and political relationship to expand, meeting mutual interests. Except for a few cases, the lack of interest by the Brazilian government turned it all into well-meaning – and lost – intentions. Today, if things are working well, it is thanks to the private sector, where money and opportunities are found, here and there.

This political course also elicits curious effects in our neighborhood.

In normal conditions, Mercosur should be the prime concern of the Brazilian foreign policy by the reasons that Ambassador Sérgio Amaral has extensively examined. However, it has been pushed to the back, back burner. It ceased being the instrument for the regional political and economic integration to become a group of friends, *ma non troppo*, who regard each other with distrust.

Much time has been lost without setting in place general, fixed rules of interaction among partners and without establishing common, clear goals. Instead, a “quick fix” policy was set in place.

Is Argentina facing problems with its balance of payments? Easy: this is hammered out by a surtax, a mandatory import license. The problem is the exchange? Big deal: Brazil buys dollars and transfers them to its neighbor.

102 But nobody tackles Mercosur’s structural problems – much less Brazil, who should lead the integration process.

Things have come to a point in which, if Mercosur retracts from a customs union, as is formally established, to a mere free-trade area, little difference will it make, except for those idealists who still believe that the union will turn the block into an important political and economic tool.

The fact is that Brazil, either by action or omission, has abdicated its leading role in the regional integration process. The most ominous example of this abdication is the country’s omission to act as a moderating element determined by its condition as major partner in the Uruguay-Argentina litigation over a paper plant – a case that culminated in a border closure and is still groping for a solution.

The “generosity policy” followed by Brasilia in regards to its Mercosur fellow members in order to sidestep the solution of the block’s structural problems has been extended to all our neighbors: We are the good guys. We are not able to be the leaders by the example, but we are able to coax them by passing the image of a generous “big brother” – as Lula himself said.

Nevertheless, this make-believe leadership may lead to results contrary to the intended ones. Those who travel through the continent know that over the last few years Brazil has been seen as it used to be seen 40 years ago.

To many of our neighbors, Brazil is an empire. No country being given a crumb of generosity will establish lasting and proficient relations with Brazil because, deep down, it believes that we are not trustworthy; we do not talk their language, nor we have the same interests. When the time comes to harmonize actions, what comes up is a clearly helping attitude on one side, and a hypocritical one on the other.

Unasur is another “monster” created by this type of foreign policy brewed in a party pot.

Brazil has been unable to coordinate a block with four participants and thinks it can do with 12, the four it is not coordinating plus another eight!

In the words of former Uruguayan president Julio María Sanguinetti, “the Unasur meetings of presidents and ministers look like a cockpit.” Indeed, when it comes to identify common interests and mutual goals among the 12, nothing is found.

More than that: from within the “monster”, another came into being: its Defense Council.

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This organization was established with the ambition of becoming the coordinating center of the defense policies of the subcontinent’s countries. The goal in itself is unfeasible, considering the differences of each strategic scenario of the region and the distinct defense needs of its countries. But the interference (with the auspices of the ineffable Col. Hugo Chávez, who also in this regard counted with the enthusiastic support of the Brazilian government) in the military agreement between the United States and Colombia, a country that has been facing the armed threat of the Farc for over four decades without ever having received concrete support from its neighbors, is the apex of arrogance!

Objectively, in Unasur one notices only the original goal of President Lula – who sponsored the group’s formation – of becoming the undisputed regional leader. President Lula, as widely known, has been superseded by the Venezuelan caudillo, who saw in the regional block a tailor-made tool for the expansionistic preaching of his “21st century socialism.”

President Lula, by the way, has already tried to be the leader of poor, starving countries. Along the way, he ditched the idea. Then, he tried to lead the global fight against the environmental devastation and, as soon as he noticed that it was not as easy as he had thought, he

also forsook the idea along the way. After all, he cannot control the devastation process in his own country and his government is plagued by internal dissent in that area. And still, this is one of the foreign policy areas in which it would be important for Brazil to present a serious position, one coherent with its national interests.

It is not in the national interest to turn the Amazon into a living museum, neither its total devastation based on the false idea that by doing this we would grow faster. The national interest lies in productively upkeep our heritage and we have the political condition to do it.

Compared with the stands it held in Rio '92, Brazil is now totally irrelevant in environmental matters. We are just trying to figure out how it will be possible to get some small change for limitations of the greenhouse gases.

Over trade negotiations, I will be brief. I just want to make the point that, the way I see it, Brazil has ascribed too much importance

—104 to agricultural questions in the Doha Round.

Brazil is not reduced to agriculture and there were important strides to take in the trade of industrial goods and services. But, the way things were done, we have attached the right shoe with the left shoestring with a tight knot. Besides, by excessively trusting in Doha, the Brazilian government did not care about striking bilateral or regional trade agreements to capture markets. As a result, today we do not have an opening in some countries while in others other nations are taking over a space that used to be ours.

A country that does this voraciously and competently is China, the country that, in order to vote for Brazil in the Security Council affair, extracted from the Itamaraty the statement that it is a market economy – which it is not.

The flaws in drawing up and carrying out the current foreign policy, precisely because it is based on a party program, will certainly be set straight with the power change to another party with a wider, not ideologically compromised view of Brazil and the national interests in the international arena.

Still, the eight years of the current policy will undoubtedly leave a heavy inheritance. No matter how able the future leaders of the foreign policy, they will have to make course changes, entailing a high cost for the country.

A precious time has been lost, precisely when the domestic and international conditions were favorable for the affirmation of the Brazilian leadership in several aspects of the regional and global interaction.

Some still consider that the undeniable personal prestige of President Luiz Inácio Lula da Silva in and out of the country is a valuable asset that will last for a long time.

But we will soon see that what makes a country great in the international scene is the strict defense of its national interests and the solid construction of institutions that guarantee them, according to the common good. In this arena, sparks soon fade away. Only fundamental works remain.

