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## Brazil's emergence and US hegemony

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Julie ALA

Master 2 OIG, ONG

# Master's Thesis

## Brazil's emergence and US hegemony



Travail soumis pour l'obtention du Master Spécialisé  
«Organisation Internationale, OIG, ONG»

- Sous la direction de Charlotte HALPERN -

Institut d'Etudes Politiques de Grenoble – B.P 48 – 38040 Grenoble cedex

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Ce travail a été effectué durant le stage à l'Alliance Française de San Francisco, sous la direction du tuteur professionnel : Pascal LEDERMANN, Directeur exécutif, et de Charlotte HALPERN, directrice de mémoire, chercheuse de la Fondation nationale des Sciences Politiques au Laboratoire PACTE (Politiques publiques, Action politique, territoires) à l'IEPG.

The analysis has been undertaken during the internship at the l'Alliance Française de San Francisco under the direction of the intership supervisor Pascal LEDERMANN, Executive Director and Charlotte HALPERN, thesis supervisor, researcher at the National Foundation of Political Science at the PACTE, IEPG.

Cette analyse ne représente que l'opinion personnelle de son auteur et ne peut en aucun cas être attribuée à l'Alliance Française où le stage a eu lieu.

The analysis expresses the personnel opinion of its author and cannot be attributed to the organization Alliance Française where the internship took place.

## Short summary

In the last decade, Brazil has experienced strong economic growth while claiming for recognition in multilateral institutions. The innovations in economic and foreign policy introduced by the Lula's administration have undoubtedly contributed to increasing the visibility of the BRIC country on the global stage. Nonetheless, they have also brought to the surface new issues that have been challenging the United States hegemony in the region. This is how, in the past decade, Brazil's and the United States' government have openly clashed over many topics. The Latin American country has become a harsh competitor for the United States, in particular in the agriculture and energy sector; it has also imposed itself as a sub regional hegemon, leader of the integration process in Latin America that surpassed its local neighbors, Argentina in particular; finally, Brazil has pursued the expansion and consolidation of its ambitious international role, via multilateral institutions but also through a South-South policy. In a nutshell, Brazil has gained confidence and subsequently wants recognition: it is an unaligned power with an independent voice from the United States. This study will aim at examining to which extent Brazil's emergence challenges the United States supremacy, which has not been genuinely questioned since the fall of the Soviet Union in 1991.

**Keywords:** *Brazil, Lula, United States, BRIC, Power, hegemony, multilateralism, trade disputes.*

Lors de la décennie passée, le Brésil a connu une croissance soutenue alors que ses revendications dans les institutions multilatérales s'affirmaient. Les changements de sa politique économique ainsi qu'extérieure portés par l'administration Lula ont assurément contribué à parfaire la visibilité du Brésil, membre des BRIC, sur la scène internationale. Toutefois, ces évolutions ont également fait ressortir des nouveaux problèmes qui ont mis à l'épreuve l'hégémonie des États-Unis dans la région. C'est ainsi que, pendant ces dix dernières années, le Brésil et les États-Unis se sont affrontés sur différents sujets. Le pays sud-américain s'est imposé comme un sérieux concurrent pour les États-Unis, notamment concernant le secteur de l'agriculture ainsi qu'énergétique; par ailleurs, le Brésil a peu à peu joué le rôle d'hégémon sous-régional, en tant que leader du processus d'intégration en Amérique Latine, qui a dépassé les économies de ses voisins locaux, l'Argentine en particulier. Enfin le Brésil s'est investi dans l'expansion et consolidation de son ambitieux rôle au niveau international, via les institutions multilatérales, mais également à travers une politique Sud-Sud. En bref, le Brésil a gagné en assurance et cherche par conséquent reconnaissance dans les arènes internationales: c'est désormais une puissance émergente non alignée, qui affirme son indépendance par rapport aux États-Unis. Ce mémoire a pour objectif d'évaluer dans quelle mesure l'émergence du Brésil se heurte à la suprématie des États-Unis, qui n'a pas été réellement remise en question depuis la chute de l'Union Soviétique en 1991.

**Mots clés :** *Brésil, Lula, États-Unis, BRIC, puissance, hégémonie, multilatéralisme, différends commerciaux.*

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## Introduction

Last year, Brazilian former president Luiz Inácio Lula da Silva presented an article that highlighted the emergence of a specific group of countries on the global scene. He pointed out that for ten years now, the acronym of «BRIC» has been used to designate the countries of Brazil, Russia, India, and China that, when examined side-by-side, account for half of the world's population. Together, their land mass makes up 20% of the world's natural resources. Lula proudly contended that «today, the BRICs have become essential players in major international decisionmaking»<sup>1</sup>. In the context of the world economy, the expression «BRIC», created by Jim O'Neill, in 2001, refers to countries that are expected, by 2018, to surpass the United States economy<sup>2</sup>. Jim O'Neill is an economist, currently Chairman of Goldman Sachs Asset Management, and previously head of global economic and strategy research of the same company. Goldman Sachs is an American multinational investment banking, securities and investment management firm offering worldwide financial services<sup>3</sup>, primarily to institutional clients. According to O'Neill, over the next 10 years, the BRICS emergence will question the balance of power «policymaking forums should be re-organized and in particular, the G7<sup>4</sup> should be adjusted to incorporate BRIC representatives»<sup>5</sup>. Such forecasts directly challenge the United States' undisputed and dominating global unipolarity since the fall of the Soviet Union in 1991. Indeed, the BRICs are all emerging powers that are projected to threaten US global hegemony in the next few decades.

Therefore the concept of BRIC, which was initially an economic projection, eventually became politicized and used as a new tool to assess balance of power.

More specifically, Brazil progressively plays the role of a sub-regional hegemon in South America, economically surpassing its local neighbors, Argentina and Chile, while simultaneously competing with United States' supremacy in the region. The world affair British newspaper *The Economist* also

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<sup>1</sup> Luiz Inacio Lula DA SILVA, «The BRICs Come of Global Age», *New Perspectives Quarterly*, 27.3 (2010), page 21-22.

<sup>2</sup> Dominic WILSON, Alex L. KELSTON and Swarnali AHAMD, «Is this the 'BRICs Decade'?', *Goldman Sachs. Goldman Sachs Global Economics, Commodities and Strategy Research*, May 2010, available at [www2.goldmansachs.com/ideas/brics/brics-decade-doc.pdf](http://www2.goldmansachs.com/ideas/brics/brics-decade-doc.pdf)

<sup>3</sup> Information found on [www2.goldmansachs.com/services/index.html](http://www2.goldmansachs.com/services/index.html), consulted on August 23<sup>rd</sup>, 2011.

<sup>4</sup> «G7» refers to a forum for finance ministers of the largest industrialized nations who gather to discuss a range of economic and political issues.

<sup>5</sup> Jim O'NEILL «Building Better Global Economic BRICs», *Goldman Sachs, Global Economics Paper*, Number 66, November 30<sup>th</sup>, 2001 available at [www2.goldmansachs.com/ideas/brics/building-better-doc.pdf](http://www2.goldmansachs.com/ideas/brics/building-better-doc.pdf)

underlined that «in many ways Brazil is the steadiest of the BRICs», as the country is marked by a fully functional democracy and proves to maintain peaceful relationships with his neighbors<sup>6</sup>.

Thus, Brazil wishes to be considered as a legitimate actor. Foreign minister Patriota declaration, concerning the United States/Brazil relations exemplifies this sentiment:«What Brazil wants is to be treated as an equal, in a more seamless relationship without confrontations»<sup>7</sup> as he expresses the necessity for a reform of the United Nations Security Council by including Brazil with a permanent seat.

Subsequently, relations between the US and Brazil are getting more complex. While market analysts predict that Brazil will continue to experience strong economic growth in 2011, Brazil's emerging economy can offer numerous opportunities to US investors. Yet, at the same time, trade disputes and political divergences over many topics, especially under outgoing President Lula, are seriously tampering with the two countries' bilateral agenda.

As a result, the US who never saw Brazil as strong of an influence and competitor in world politics compared to other important US allies such as Canada, the UK, or Japan, is now forced to genuinely deal with the emerging BRIC country.

Indeed, Brazil's incentive for both a secure and legitimate political and economic platform in the Southern cone, combined with a determined multilateral incentive to have a strong presence in the international arena cannot evolve independently from the United States supremacy, whose first aim is to maintain and consolidate their hegemonic position. More symbolically, Brazil undertook a leadership role among the South and less developed nations, while the United States followed a similar role for industrialized countries.

That is why Brazilian and United States governments, who have had a conflicted relationship over the course of history, have openly clashed over many topics as Brazil started to expand and strengthen its ambitious role in the international arena. Both countries have several issues at stake in global politics and a deep concern about the world's problems. Their respective policies and agendas, nevertheless, mirror their divergent priorities, interests and approaches regarding international affairs. Most tensions are focused on decisive issues such as agriculture and energy, while Brazil has started to develop strong ties with other emerging countries, especially ones that the United States deemed as «rogue states». The United States' reactions include both riposte and cooperation.

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<sup>6</sup> «Land of promise», *The Economist*, April 14th, 2007, available at [www.economist.com/node/8952466](http://www.economist.com/node/8952466), consulted on April 16<sup>th</sup>, 2011.

<sup>7</sup> «Brazil wants an equals relation with the US, says Foreign minister Patriota», Mercopress, South Atlantic News Agency, March 19h, 2011, available at <http://en.mercopress.com/2011/03/19/brazil-wants-an-equals-relation-with-the-us-says-foreign-minister-patriota>, consulted on May 1<sup>st</sup>, 2011.

The question that arises is then, to which extent Brazil's emergence can be considered as threat to the US and why should the USA maintain friendly relationship with Brazil although it can be a harsh competitor?

This paper will try to demonstrate that Brazil's emergence is indeed clashing with the supremacy of the United States; Brazil is imposing itself as an unaligned power with an independent voice, which does not have to follow the United States opinion. Nonetheless, Brazil can offer numerous opportunities to the number one economy in the world, both at a political and economic level; Furthermore, the threat the Latin American country represent to the United States can be relativize by Brazil's flaw and internal problems.

Part one of this study will appreciate Brazil's power through different theories. Indicators will help evaluate its potential and a more qualitative approach will exemplifies Brazil's influence.

These element collected will enable to then see why Brazil could represent a danger to the US, with the example of disagreement and disputes over critical issues especially in the field of energy and agriculture. Finally a last part will try to understand why, despite these tensions, the United States has an interest in establishing good relations and partnership with Brazil. Because of its prized diplomatic position, Brazil can be used as an intermediary between the North and the South, which could help the US overcome some diplomatic issues. Besides, an analysis of Brazil's flaws will help limit the threat Brazil's could represent, thus giving some margin to the Unites States to maintain its hegemonic status in the region. The study will be limited to Lula's two political mandates and the beginning of Marina Silva's rule, from 2003 until today. As for the US, it will focus on George W. Bush and Barack Obama's presidency period.

## - PART I -

# Brazil: The Emerging Power's Growing Role in Multilateral Institution

## A - From a «developing» to a «BRIC» Country: the path toward world power

Brazil is the world 8th largest economy with a 1,594 billion dollars GDP in 2009, thus placing it in the 'Medium Upper income' level of the World Bank classification<sup>8</sup>. During the last decade, the country experienced macroeconomic stability with an average annual growth of 3,6%, that even reached 7,5% in 2010<sup>9</sup>. Such encouraging figures are testimony of a detachment from southern developing countries, marked by a boom in exports and the emergence of a fast-growing middle class – These figures have placed Brazil as an emerging power, For all that, the country has been considered as an emerging power power – yet too soon be placed within the ranks of a Triade countries ? --

Power is a complex notion, even harder to appreciate. There are multiple conceptions of power. As Walter Bryce Gallie underlined, «power is an essentially contested concept»<sup>10</sup>, meaning that the notion in itself is controversial. He contended that it was not possible to categorically define Power; it is nonetheless rational to debate over one interpretation as a multiplicity of competing ones coexists. For Gallie, the interest lies in the appreciation of how the concept has been used throughout its history, by different parties.

The realist idea of Power refers to the ability of States to use material resources to get others to do what they would not do otherwise<sup>11</sup>; the straightness of impact on political actors has actually made

<sup>8</sup> Figure found on the World Bank website available at [www.data.worldbank.org/country/brazil](http://www.data.worldbank.org/country/brazil), consulted on June 18<sup>th</sup> 2011

<sup>9</sup> Figure found on the Brazilian Institute of Geography and Statistics (IBGE) available at [www.ibge.gov.br/home/](http://www.ibge.gov.br/home/) consulted June 19<sup>th</sup>, 2011.

<sup>10</sup> Walter Bryce GALLIE, *Essentially Contested Concepts, Proceedings of the Aristotelian Society*, 1956, Volume 56, pages 167-198.

<sup>11</sup> Michael BARNETT and Raymond DUVALL, «Power in International Politics», *International Organizations*, 2005, Volume 59, page 40.

the definition the most influential understanding of the concept of Power in international relations. Neoliberals link it to international organizations, and consider that states with common interests create international organizations and arrangements that effectively supervise state power<sup>12</sup>. It therefore seems like power is to be tame through its entrusting to some institutions. Finally, according to Michael Barnett, a constructivist author, Power is «the production, in and through social relation of effects that shape the capacities of actors to determine their circumstances and fate»<sup>13</sup>, therefore emphasizing on the kinds of social relations through which power works.

Susan Strange, one of the founders of the International Political Economy, widened the concept of Power with the integration of a Structural element, shedding light on an indirect diffusion of Power through Structures.

## 1 - The Structural Power theoretical approach

Susan Strange, defines what she calls «Structural Power» through the «capacity to shape and determine the structures of the global system within which other states, their political institutions, economic enterprises and professional people operate»<sup>14</sup>. Susan Strange identifies four of Structures: «Security», the ability to provide protection against threats and to inflict a threat on someone security; «Finance», relative to the capacity to provide, refuse or ask for credit; «Production», associated with the capacity to determine the place, mean and object of the activities that aim at creating wealth; and «Knowledge», comprehending what is «believed (and the moral conclusions and principles derived from those beliefs), what is known perceived as understood, and the channels by which beliefs, ideas and knowledge are communicated»<sup>15</sup>.

These structures can be used as indicators to appreciate Brazil power.

### 1.a - Security Structure

During the dictatorship period in the 70s and 80s, Brazil strongly focused on the military production capacity as a support to the durability and stability of its regime. Yet, with the democratic transition this industry was scaled down. But for more than a decade, Brazil's made the choice to invest again in the security field. As Brazil wishes to expand its influence both locally and globally, the recent massive military spending seemed to addressing this incentive. In terms of military expenditures in 2009, Brazil is at the 11<sup>th</sup> world place with 28 096 million dollars in military

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<sup>12</sup> *Ibid.*

<sup>13</sup> Michael BARNETT and Raymond DUVALL, «Power in International Politics», *International Organizations*, 2005, Volume 59, page 40.

<sup>14</sup> Susan STRANGE, *States and market*, Pinter, Londres, 2nd Edition, 1998, p. 24-25.

<sup>15</sup> *Ibid.*, p. 119.

spending, a figure that has almost doubled in the last 15 years<sup>16</sup>. This trend keeps up as new plans were announced recently to raise Brazil's armed forces in accordance with the «defense procurement budget growth». Ambitious projects have indeed been launched; for instance, Brazilian Air Force's aimed at increasing and replacing its entire fleet within 15 years<sup>17</sup>. Additionally, Brazil's Navy also shared its project to acquire six nuclear submarines<sup>18</sup>. Not only will one of the submarine be the most expensive (\$4.7 billion) due to a design and technological comparative advantage it implies but it will set in motion the development of a Brazil submarine bases in Itaguaí, Rio de Janeiro where the rest will be produced. Thus, Brazil's nuclear power via the production of submarines can show to the rest of Latin America that Brazil aims at becoming the dominant power in the region, but also that this previous developing country now aligns with western powers concerning the energy issue. According to the Defense ministry the submarine program objective is to «protect and monitor Brazil's massive offshore petrochemical reserves»<sup>19</sup>. These elements can illustrate Brazil capacity to provide security in case of threats.

Still, Susan Strange also underline another aspect of security regarding the ability to inflict threats. Nevertheless, interventionism is not part of Brazil's foreign policy and the country tries to avoid any inappropriate interference with other countries' affairs. To mention a recent example, in last March, Brazil, as well as Germany, India and China, abstained from voting regarding the resolution for military intervention in Libya<sup>20</sup>.

Brazil's history, has besides, not been marked by multiples conflicts whether it is in Latin America, as Brazil maintains peaceful relations with all ten of its neighbors, or outside the region. Indeed, Brazil could not become a global power without peace and security along all of its borders to start with, Lula therefore committed to the improvement of regional relations, simultaneously preserving Brazil's role as a major player in the region. The main country Brazil experienced tensions with its current regional rival, Argentina. The tensions concerned unresolved territorial disputes, originating from colonial period. The only Brazilian invasion and annexation was the one regarding the Banda Oriental (currently corresponding more or less to the Uruguay) between 1825 and 1828. Nevertheless, except for this case, the Brazilian/Argentine relations were not marked by open

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<sup>16</sup> In 1996 Brazil's military expenditure reached 15 880 million dollars according to the SIPRI Military Expenditure Database, available at <http://milexdata.sipri.org/result.php4>, consulted on May 4<sup>th</sup>, 2011.

<sup>17</sup> Jaylan BOYLE, «Brazilian Military Spending Continues», *The Rio Times*, November 23<sup>th</sup>, 2010, available at <http://riotimesonline.com/brazil-news/front-page/brazilian-military-spending-continues/#>, consulted on May 5<sup>th</sup>, 2011.

<sup>18</sup> *Ibid.*

<sup>19</sup> *Ibid.*

<sup>20</sup> «Ces nations qui ont préféré s'abstenir lors du vote à l'ONU», *France 24*, March 18<sup>th</sup>, 2011, available at [www.france24.com/fr/20110318-abstention-revue-presse-libye-vote-onu-intervention-militaire-allemande-chine-russie-inde](http://www.france24.com/fr/20110318-abstention-revue-presse-libye-vote-onu-intervention-militaire-allemande-chine-russie-inde), consulted on June 23<sup>rd</sup>, 2011.

hostility for the last two centuries. Indeed, Brazil even supported and still supports Argentina's claim for the Falklands/Malvinas Island. The Brazilian government called for the sovereignty "long standing dispute" to reach "as soon as possible a solution"<sup>21</sup>. Thus, we can wonder about Brazil's reaction in case of open conflict in the region, in particular because of oil potential reserves the UK has started to seriously investigate about.

Although Brazil is not an «aggressive» country, its military capacity demonstrate that Brazil could manifest some threats, if its interests, frontiers or sovereignty were at stake. Furthermore, it seems that military expenditures are at the service of the economy's growth, as energy is a critical issue for Brazil's development. In other words, the country aims at matching its military force with its growing economic clout, which leads to the second Structure of Susan Strange's theory.

### ***1.b - Production Structure***

Depicted by large and strong agricultural, mining, and manufacturing sectors, Brazil's economy, the largest one in Latin America<sup>22</sup> outweighed that of all other countries in the region. In 2009, the value of Brazil's exports reached 208,178 million<sup>23</sup>, mainly due to agriculture (oil, sugar, soy, coffee, chicken and beef) but also manufactured goods such as automobiles and aircraft. Not only did the total exports value multiply by 4 compared to 1999 (47,551 million) but it even doubled just between 2008 and 2009 (see Annex 1), gracing the country with a positive commercial balance. In parallel, another element that reflects the increase in production, is the drop of the unemployment rate to 6.4% last April, which is the lowest on record<sup>24</sup>.

Even after the crisis (2007-2008) causing two quarters of recession for the country, as global demand supporting Brazilian exports plummeted, the country was one of the first emerging markets to embrace recovery: consumer and investor confidence renewed, weighting positively in the trade balance, the GDP growth thus returned positive again in 2010.

The state-owned Petrobras actually embodies the archetype for the current emergence of Brazil in South America. The Brazilian multinational energy company was founded in 1953 during the administration of Getulio Vargas as part of a campaign that united civilians and military personnel around the slogan «the oil is ours». Today, the company achieved several honors: it earned the distinction of being the largest company in Latin America with annual revenues in 2008 that jumped

<sup>21</sup> «Falklands/Malvinas: Brazil joins Argentina in criticizing UK's "unilateral actions"», *Mercopress*, South Atlantic News Agency, November 24<sup>th</sup>, 2010, available at <http://en.mercopress.com/2010/11/24/falklands-malvinas-brazil-joins-argentina-in-criticizing-uk-s-unilateral-actions>, consulted on September 4<sup>th</sup>, 2011.

<sup>22</sup> Figure found on the World Bank website available at [www.data.worldbank.org/country/brazil](http://www.data.worldbank.org/country/brazil), consulted on June 18<sup>th</sup>, 2011

<sup>23</sup> «Brazil at a glance», *World Bank Report*, available at [http://devdata.worldbank.org/AAG/bra\\_aag.pdf](http://devdata.worldbank.org/AAG/bra_aag.pdf)

<sup>24</sup> «Too hot, Latin America's biggest economy is more fragile than it appears», *The Economist*, June 2<sup>nd</sup>, 2011, available at [www.economist.com/node/18774806](http://www.economist.com/node/18774806)



by 34.8% to increase from \$118.3 billion<sup>25</sup> to finally reach 138.5 billions in 2010; the 1st business in Brazil, the second-largest producer of oil in Argentina, the leader in natural gas in Bolivia. Energy then represents a crucial issue for Brazil. Lula's speech as well as in the realization of the diplomacy both demonstrate that Brazil tried to transform the energy issue into a foreign policy tool. The president's declaration on that topic are quite emblematic since the country has always been avoiding the terms « power », « leadership » or « hegemon »<sup>26</sup>. Actually doing it by taking into account the energy issue can show that Brazil tries a new way to exercise its power on the international scene.

### *1.6 - Finance Structure*

Brazil's strong growth and high interest rates make country an attractive destination for foreign investors. Confirming this fact, in the first three month of 2011, Brazil received net inflows of \$35 billion, which is actually more than the 2010 total, thus pushing up the Brazilian *Real* appreciation<sup>27</sup>; indeed the value of the currency has soared closely to 40% against the dollar over the past two years. Brazil was subsequently able to repay its \$15.57 billion debt to the International Monetary Fund (IMF), two years ahead of schedule, but it also achieved to become a net International Monetary Fund creditor in 2009<sup>28</sup>, hence the fact that two ratings agencies awarded investment grade status to its debt. The country went even further: as underlined former Brazilian Finance Minister Guido Mantega, Brazil will spend 10 billion US dollars (6.8 billion euros) on buying International Monetary Fund bonds in order to support the fund's resources<sup>29</sup>. Such announcement marked the third of the BRIC countries, after China and Russia to make a pledge to buy the IMF's first bonds to governments. In addition, the former IMF's chief Dominique Strauss-Kahn underlined that «emerging economies are becoming more and more the real partners»<sup>30</sup>.

Thus, Brazil, having gradually improved its macroeconomic stability and shifted from debtor to creditor, it can increasingly present itself as a reliable actor on the international financial scene, thanks to his financial capacity.

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<sup>25</sup> «Petrobras Largest Company in Latin America», *Latin Business Chronicles*, June 24<sup>th</sup>, 2009, available at [www.latinbusinesschronicle.com/app/article.aspx?id=3440](http://www.latinbusinesschronicle.com/app/article.aspx?id=3440), consulted on May 5<sup>th</sup>, 2011.

<sup>26</sup> «South American Defence Council», *Latin American Regional Report: Brazil & Southern Cone*, April 2009.

<sup>27</sup> «A soaring currency is complicating the battle against inflation», *The Economist*, April 23<sup>rd</sup>, 2011, Volume 399, n° 8730, consulted on June 29<sup>th</sup>, 2011.

<sup>28</sup> Antonio RODRIGUEZ, «Brazil switches roles with helping hand for IMF», *Agence France Presse*, October 5<sup>th</sup>, 2009, consulted on June 29<sup>th</sup>, 2011.

<sup>29</sup> *Ibid.*

<sup>30</sup> *Ibid.*

## 1.1 Knowledge Structure

With an ever-increasing competitive world and Brazil's growth relying on exportation, the country can no longer overlook the knowledge economy, and he does not. In 2006, Brazil produced 0.31 of Triadic Patent<sup>31</sup> per million of inhabitants, placing the country at the same rank that China and Russia<sup>32</sup>. In addition, Brazil's share in worldwide scientific articles reached 1.4 in 2005, equaling with Sweden; this figure has doubled between 1995 and 2005<sup>33</sup>. Today, Brazil represents 2% of articles published in globally recognized research journals<sup>34</sup>. Furthermore, near a third of Brazilian firms employing more than ten employees involved in innovation in general, while one fifth invested in product innovation between 2003 and 2005<sup>35</sup>. It has to be noted that half of Brazilian investment in Research and Development comes from the public sector (55%, against 30% for the United States<sup>36</sup>). This feature of a research culture backed up by the public sector can present the advantage to be more reliable and has helped in the production of conceptual knowledge, at least as a support for the launching. Two examples can illustrate this view: not only the state owned companies like Petrobras, the pioneer in off-shore deep-water oil exploration that was presented above, but also Embraer, the world's leading producer of regional jet aircraft. It can exemplify Brazil comparative advantage, thanks, this time, to its incentive for innovation-oriented business strategies. Embraer was born in the 1970's with a government incentive to limit importations. Embraer has progressively turned itself into the world's biggest manufacturer of private jet airplanes and the world's third-largest maker of passenger jets, after the Boeing and Airbus<sup>37</sup>. Brazil could then international markets such as airlines in China (where the company has subsidiaries -*Harbin Embraer*) India, Poland and Britain, making 96%<sup>38</sup> of the company's revenue coming from exports. Today, the company hires more than 17000 people, a number that does not include employees of its subsidiaries. It invested 151 millions dollars in Research and Development in 2010, and has a net

<sup>31</sup> According to the OECD, Triadic Patent Families are «a set of patents taken at the European Patent Office (EPO), the Japanese Patent Office (JPO), and the US Patent and Trademark Office (USPTO) that share one or more priorities». Definition available at [www.oecd-ilibrary.org/science-and-technology/triadic-patent-families-methodology\\_443844125004](http://www.oecd-ilibrary.org/science-and-technology/triadic-patent-families-methodology_443844125004)

<sup>32</sup> OECD Report on Innovation and Brazil, 2008, available at [www.oecd.org/dataoecd/57/25/41573475.pdf](http://www.oecd.org/dataoecd/57/25/41573475.pdf)

<sup>33</sup> *Ibid.*

<sup>34</sup> Alberto RODRIGUEZ and Jamil SALMI, «Knowledge and Innovation for Competitiveness in Brazil», *World Bank Publication*, 2008.

<sup>35</sup> OECD Report on Innovation and Brazil, 2008, available at [www.oecd.org/dataoecd/57/25/41573475.pdf](http://www.oecd.org/dataoecd/57/25/41573475.pdf)

<sup>36</sup> Alberto RODRIGUEZ and Jamil SALMI, «Knowledge and Innovation for Competitiveness in Brazil», *World Bank Publication*, 2008.

<sup>37</sup> «Arrivals and departures Foreigners are investing in Brazil, Brazilian companies are going shopping abroad», *The Economist*, November 12<sup>th</sup>, 2009, available at [www.economist.com/node/14829517](http://www.economist.com/node/14829517), consulted on June 22<sup>th</sup>, 2011.

<sup>38</sup> «Arrivals and departures Foreigners are investing in Brazil, Brazilian companies are going shopping abroad», *The Economist*, November 12<sup>th</sup>, 2009, available at [www.economist.com/node/14829517](http://www.economist.com/node/14829517), consulted on June 22<sup>th</sup>, 2011.

revenue that reached \$5355 million and a net income of \$315 million the same year<sup>39</sup>.

Such a comparative advantage, originating from investment in Research and Development in the aeronautic sector and which has enabled Brazil to rank together with world powers like the United States and the European Union, exemplifies its potential to follow the same path.

Examination of these four Structures for the Brazil's case enabled to believe that the country has great potential in becoming a great power in the future, which would question the United States hegemony.

## 2 - The notion of power through influence

Power can also be appreciated through the capacity of a country to influence another one. For that, this follow part of the paper will focus on a qualitative assessment, in terms of high or low level of Brazil's influence, as quantification through measuring such a complex and elusive phenomenon appears to be quite unfeasible. Still, the frontier between Power and Influence is quite blurred, and both of the notions tend to be mixed up. Robert Cox and Harold Jacobson tried to avoid this confusion by distinguishing them and looking at how both notions can be articulated. For them, influence means «the modification of one actor's behaviour by that of another»<sup>40</sup>; thus, it refers to the *relationship* between actors; on the other hand, power would rather deal with capabilities, in other words, the combination of political resources available to an actor. Their point is then that power is likely to be converted into influence thanks to capabilities. In other word, the combination of capabilities constitute power, which itself convert and result in modification of one actor's behaviour by that of another. Yet the question can be ask: how can capabilities be translated into influence? Holsti points out six tactics for States that can be used to exercise influence: persuasion, the offer of rewards, the granting of rewards, the threat of punishment, the infliction of non-violent punishment, and the use of force<sup>41</sup>.

As an example of the use of persuasion, one can mention Brazil's success in shaping advantageous outcomes during the WTO ministerial conference of September 2003 in Cancun. Brazil used its solidarity with Southern countries, through the «G20», to prevent a previously organized compromise between the US and the European Union to take place within the G8. The G20 is formed of less powerful nations, now

<sup>39</sup> Facts and figures from the Embraer official website, available at [www.embraer.com/en-US/ConhecaEmbraer/EmbraerNumeros/Pages/Home.aspx](http://www.embraer.com/en-US/ConhecaEmbraer/EmbraerNumeros/Pages/Home.aspx), consulted on June 24<sup>th</sup>, 2011.

<sup>40</sup> Robert COX and Harold JACOBSON, *The Anatomy of Influence: Decision Making in International Organization*, YUP, 1973, page 3.

<sup>41</sup> Kal J. HOLSTI, *International Politics: A Framework for Analysis*, Prentice-Hall International, 1988, p. 141.

including 23<sup>42</sup> members, whom under the initiative of Brazil, gathered in order to voice their concerns and interests in international negotiations. Brazil and its sphere of influence managed through the G20, to block Northern countries' expectations. Brazil could convince intermediary powers and smaller States, who cannot aspire to a real international influence, and alternatively adopt «band-wagoning» behavior vis-à-vis greater powers<sup>43</sup>. In fact, Lula Da Silva committed to building a network of influence, by making diplomatic visits a priority, this without leaving out any continent. In fact, during the first 10 month of year 2003, President Lula visited Africa, North, Central and South America, as well as Asia, Europe and the Middle East (see Annex 2). A comparison was made between Lula and his predecessor Cardoso, which exemplifies how different their respective foreign policies were: during that period, Lula's evaluated cost trip reached 19,686 millions reals, when Cardosos' travels 8,105 millions reals (January to October 2002)<sup>44</sup>. The president of the Workers' Party (*Partido dos Trabalhadores*) José Genoino contented: «Ces voyages ouvrent un espace aux intérêts brésiliens, [...] ils projettent le pays. [...] Ils ouvrent la possibilité d'accords commerciaux et apportent un soutien à la politique extérieure progressiste et démocratique [du Brésil]»<sup>45</sup>. Foreign policy represents now a key element in its political agenda, for the country's empowerment.

As President Lula has underlined «La présence physique du président est fondamentale. Elle donne une preuve de respect aux pays que je visite et en même temps elle met en évidence que le Brésil veut être remarqué et respecté dans sa dimension totale»<sup>46</sup>. Shifting from thoughts to acts, Lula actually achieved the opening of 37 new embassies and 25 new consulates during his term, initiatives that notably expanded Brazil's diplomatic presence<sup>47</sup>. This activism at the international level demonstrates Brazil's strategy of gaining a sphere of influence but also global recognition through an outspoken commitment to multilateralism.

<sup>42</sup> The group currently includes 23 members countries: Argentina, Bolivia, Brazil, Chile, China, Cuba, Ecuador, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Tanzania, Thailand, Uruguay, Venezuela, Zimbabwe.

<sup>43</sup> Robert KEOHANE, «Lilliputian's Dilemmas: Small States in International Politics», *International Organizations*, volume 23, n°2, 1969.

<sup>44</sup> Jean-Jacques KOURLIANDSKY, «Le Brésil: une nouvelle puissance internationale?», *Revue Internationale et Stratégique*, 2004/4 (N°56) available at [www.cairn.info/article.php?ID\\_ARTICLE=RIS\\_056\\_0025&DocId=111718&Index=%2Fcairn2Idx%2Fcairn&TypeID=226&HitCount=5&hits=1d64+1d57+12c7+12b6+33d+0&fileext=html#retourmoteno14](http://www.cairn.info/article.php?ID_ARTICLE=RIS_056_0025&DocId=111718&Index=%2Fcairn2Idx%2Fcairn&TypeID=226&HitCount=5&hits=1d64+1d57+12c7+12b6+33d+0&fileext=html#retourmoteno14)

<sup>45</sup> *Ibid.*

<sup>46</sup> *Ibid.*

<sup>47</sup> Larry LUXNER, «Basking in Global Clout, Brazil Ponders Life After Lula», *Washington Diplomat*, September 2010, available at [http://washdiplomat.com/index.php?option=com\\_content&view=article&id=6857:basking-in-global-clout-brazil-ponders-life-after-lula&catid=210:september-2010&Itemid=234](http://washdiplomat.com/index.php?option=com_content&view=article&id=6857:basking-in-global-clout-brazil-ponders-life-after-lula&catid=210:september-2010&Itemid=234), consulted on June 3<sup>rd</sup>, 2011.

## B - Brazil, champion of multilateralism

Historically, Brazil has showed a preference for multilateralism, exemplified by active involvement in multilateral institutions since the end of the 19<sup>th</sup> century. Since then, Brazil has proved a strong intention of willingness to expand its role and responsibilities within this frame. Indeed, as an example the country offered its own candidate to head not only the WTO but also the Inter development Bank.

This incentive for multilateralism relies in Brazil's dissatisfaction with a unipolar world. The country's strongest activism is therefore focused on the cause of the Reform of United Nation Security Council (UNSC) as the country campaigned for a permanent seat along with the world's superpowers. Brazil argues the worthiness of its own permanent seat with its implementation as a major regional power.

Indeed, more locally, Brazilian foreign policy has, over the past decade, privileged political and economic integration efforts within the southern cone, thus strengthening long-standing relationships with its neighbors. Such efforts were liven up by Brazilian hosting and organizing forums where it could exercise its leadership and form coalition through consensus building concerning its position on both regional and global issue.

### 1 – Brazil's commitment to the «developing South»

#### 1.a - *Impetus to regional integration*

Brazil's foreign policy illustrates the country's unique position of a regional power in Latin America, as it combines the feature of a leader among developing countries in economic cooperation but also concerning collective security efforts. Brazil's regional as well as inter-national existence has been increasingly observed as a process closely related to the emergence of 'South America' as a specific group<sup>48</sup>, within the «international community»<sup>49</sup> thus this study will focus on this phenomenon to examine Brazil's impact in the region.

- **Economic integration**

#### *Mercosur*

After 21 years of military dictatorship and political instability that held on any regionalism incentives, Brazil could in 1985 start centering his foreign policy on the promotion of regional

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<sup>48</sup> Andrew HURRELL, *An emerging security community in South America?*, In Emmanuel ADLER and Michael BARNETT, *Security Communities*, Cambridge University Press, 1998, p. 229.

<sup>49</sup> I deliberately choose to use quotations mark regarding the expression «international community» as this term remains controversial, while its exact meaning has not be precisely assessed.

integration. The most representative achievement is the establishment of Mercosur, the southern common market officially created in 1991, with the Asunción Treaty, marking Brazil's first effort for regional integration. Mercosur was also based on a democratic commitment included in the Ushuaia Protocol<sup>50</sup>, part of the Treaty of Asuncion, which automatically expels any country who does not abide by the principle from the bloc. This "democratic clause" actually made Mercosur a respected international actor, thus legitimizing Brazil who played a leading role in the building of the common market.

Joining together Argentina, Paraguay and Uruguay, Brazil indeed took the lead to implement an organization aimed at promoting economic integration and political cooperation among the countries. Brazil's leadership and capacity of influence can be assessed through different elements. First, as underlined previously, Brazil dominates Mercosur in terms of area, population and economic level, with more than 2/3 of GDP (in US\$ billion), territory and population in the region (see Annex 3 for more information). Thanks to this predominance in the Southern Cone, Brazil will soon<sup>51</sup> dispose of 37 seats at the Parlasur, the Mercosur Parliament, while Argentina has 36, Uruguay and Paraguay 18 each<sup>52</sup>, as last May, Brazil approved the new system to elect representatives for Mercosur parliament. The Parlasur's role is to contribute to the strengthening of South American integration and the development of regional cooperation. It implies establishing mechanisms to help with the integration of Mercosur norms into the laws of the five member states. Even if the parliament was originally limited to an advisory committee for the foreign ministers of member states, it will, in the long run, contribute to the unification of the legislation in the member nations. Its preponderance in such an institution enables Brazil to keep certain control over the evolution of the integration process.

Brazil's leading role within the Mercosur can also be assessed by its dominant financial participation: the country provides 70% of the annual budget for the FOCEM (Mercosur's Structural Convergence and Institutional Strengthening Fund) a fund created to help small countries (Uruguay and Paraguay) opening to competition, thus expanding its influence<sup>53</sup>. Similarly, Brazil was also the biggest contributor to the budget of the Instituto Social del Mercosur, providing 88 976 dollar of the 227.952 total amount that was collected, along with Argentina, Paraguay and Uruguay

<sup>50</sup> Ushuaia protocol on democratic commitment in the southern common market, available at [http://untreaty.un.org/unts/144078\\_158780/20/3/9923.pdf](http://untreaty.un.org/unts/144078_158780/20/3/9923.pdf)

<sup>51</sup> So far, every Mercosur founder member, Brazil, Argentina, Uruguay and Paraguay had each 18 representatives at the Parlasur. In 2014, Brazil is supposed to have then 75 seats, Argentine 43, and Uruguay and Paraguay, still 18 each.

<sup>52</sup> «Brazil approves system to elect representatives for Mercosur parliament », *MercoPress, South Atlantic News Agency*, May 31<sup>st</sup>, 2011, available at <http://en.mercopress.com/2011/05/31/brazil-approves-system-to-elect-representatives-for-mercocor-parliament>, consulted on May 13<sup>th</sup>, 2011.

<sup>53</sup> «Brazil invested 1.7 billion dollars in international cooperation 2005-2009», *BBC Monitoring*, January 14<sup>th</sup>, 2011.

(See Annex 4). As a result, Brazil ensures his indispensability, as the country plays an essential role that supports the regional structure.

Finally, Brazil represents 58% of Mercosur's export, making the other member states' economies very dependent on their access to the Brazilian market<sup>54</sup>.

The Mercosur gives Brazil an opportunity to exercise leadership and shape strong support for his positions on both regional and global issues. These organizations' achievement reflects not only Brazil's leading role in the bloc, but also its incentive to show its region's capacity for autonomy related to the United States. Indeed, Mercosur and Unasur were often considered to counterbalance to similar United States initiatives, such as the Free Trade Area of the Americas (FTAA). It was a 2003 proposed agreement designed to remove or reduce the trade barriers among all countries in the Americas (except Cuba). Latin American countries did not really welcome the agreement. Venezuela unequivocally rejected the agreement, and in reaction President Chavez retorted with the Bolivarian Alternative for the Americas (ALBA), similar to the European Union model, designed to eventually come to a total economic, political and military integration of the member states. This alternative was officially launched in 2005, and include in addition to Venezuela, Bolivia, Ecuador, Dominica, Nicaragua and Honduras. As for Lula, he called the FTAA an «attempt at annexing Latin America» by the United States. Nevertheless, like the other Mercosur countries, he expresses himself against it «as it is currently being negotiated»<sup>55</sup>, and mainly demands that the agreement implies the removal of US agriculture subsidies, an issue that will be at the source of many disagreement between the United States and Brazil (examined in Part II). Still, President Lula's will always favor the enlargement of Mercosur over the pursuit of the FTAA. In fact, the realization of Mercosur has inspired, to a certain extent, confidence in the Southern cone that the region is able to settle internal problems, and address international issues without having to turn to the extra-regional power, the United States. As a result, divergence in Mercosur's and U.S. ambitions may cause overlapping trading systems.

In any cases, Mercosur has strengthened Brazil's position in the region; not only did this impetus for regional integration focused on trade, but also on regional security.

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<sup>54</sup> Eleonora MESQUITA CEIA, «How can Brazil's leading role in South America contribute to boosting security cooperation between the EU and Mercosur?», Institut Universitari d'Estudis Europeus, Working Paper n.78, July 2008, available at [http://jus.academia.edu/emceia/Papers/157940/How\\_can\\_Brazils\\_leading\\_role\\_in\\_South\\_America\\_contribute\\_to\\_boosting\\_security\\_cooperation\\_between\\_the\\_EU\\_and\\_Mercosur](http://jus.academia.edu/emceia/Papers/157940/How_can_Brazils_leading_role_in_South_America_contribute_to_boosting_security_cooperation_between_the_EU_and_Mercosur)

<sup>55</sup> «The geopolitics of orange juice», *The Economist*, September 12<sup>th</sup>, 2002, available at [www.economist.com/node/1325529](http://www.economist.com/node/1325529), consulted on June 8<sup>th</sup>, 2011.

- **Collective security efforts**

According to the Montesquieu *Doux Commerce* theory, the increasing creation of wealth induced by the development of trade in a region, increases the cost of a conflict. It therefore gives an incentive to moderation and peaceful tension settlement<sup>56</sup>. This theory can illustrate the progressive and parallel evolution of trade agreement and political cooperation, underlining the aspect of reciprocity of the theory. Yet Brazil went further: thanks to its commitment to multilateralism in the frame of its foreign policy, enhanced by non-intervention in other countries' affairs, Brazil could not only maintain peaceful relations with all ten of its neighbors, but also play a larger role in global affairs than its economic and geopolitical power would otherwise allow. While strengthening its power and trade relations in South America, Brazil also looked to increase its influence in the region by raising its commitment to the security issue.

### *Unasur*

Even though Brazil was not at the origin of the impetus for the Union of South American Nations (Unasur) in 2008, that gathered the 12 independent countries of the Southern Cone, the country played an influential role in the organization. Originally, the UNASUR was a political body, but it eventually, served as a forum that handled dispute resolution and the development of common policy. As Brazil shares a common border with every state in Latin America (except for Chile and Ecuador), any instability in this region may cause direct impact on Brazil's geopolitical border relations and industrial trade. Brazil therefore plays an important mediator role to help resolve issues and build security. As an example, Brazil showed its mediation skills during the 2010 Venezuela-Colombia crisis. In July 2010, Caracas broke off diplomatic relations with Bogota after Colombia accused it of hosting Colombian guerilla chiefs on its ground, which Venezuela denied; Brazil then offered to mediate the diplomatic crisis, since both Chavez and Uribe perceived Lula as a credible arbiter. On July 30<sup>th</sup>, 2010, an UNASUR extraordinary meeting was requested by Venezuela to tackle the growing tensions between the latter and Colombia. During the meeting Brazil proposed five points, which specified that both Venezuela and Colombia had to commit to resolve their issues via peaceful means. In addition, both countries had to fight against illegally armed groups, especially those related to drug trafficking. The proposal also appealed Venezuela and Colombia to avoid public declarations that could worsen the situation<sup>57</sup>.

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<sup>56</sup> Montesquieu, *L'esprit des lois*, Garnier Flammarion, 1979, Quatrième Chapitre, Livre XX, Chapitre 1, p. 10 « Le commerce guérit des préjugés destructeurs : et c'est presque une règle générale que, partout où il y a des mœurs douces, il y a du commerce; et que, partout où il y a du commerce, il y a des mœurs douces. »

<sup>57</sup> «Unasur convoca reunión extraordinaria ante crisis colombo-venezolana », July 25<sup>th</sup>, 2010, *BBC Mundo*, available at [www.bbc.co.uk/mundo/america\\_latina/2010/07/100724\\_unasur\\_reunion\\_extraordinaria\\_venezuela\\_colombia\\_lr.shtml](http://www.bbc.co.uk/mundo/america_latina/2010/07/100724_unasur_reunion_extraordinaria_venezuela_colombia_lr.shtml), consulted on July 3<sup>rd</sup>, 2011.



### *Unasur South American Defense Council*

Nevertheless, Brazil prove its incentive for regional security mechanisms when the country engaged, in March 2008, in the creation of the South American Defense Council, part of the Unasur, in order to develop mechanisms for regional security. It implies military cooperation for the settlement of regional defense, based on the principles of «non-intervention, sovereignty and territoriality<sup>58</sup>». Brazilian diplomacy achieved to persuade each member states of the Unasur to join the associated South American Defense Council, created to give an incentive to regional cooperation regarding security policies.

From the beginning Brazil and the other countries that undertook the project, Argentina and Chile notified that the objective was not to create a NATO-like alliance, with an international army. Yet it remains a cooperative security arrangement and stability in the region, which presents some example of success regarding conflict resolution.

### *Minustah*

Brazil also committed to security building through United Nations mission. The country has undertaken, for instance, considerable actions in Haiti, where it has run the U.N. Stabilization Mission (MINUSTAH) since 2004. The objective was to « restore a secure and stable environment, to promote the political process, to strengthen Haiti's Government institutions and rule-of-law-structures, as well as to promote and to protect human rights<sup>59</sup>. Brazil, with its subsequent military personnel contribution (1282 soldiers), could then be the largest peacekeeping contingent in Haiti (see Annex 5). For the first time, not only was a Latin American country handling such a responsibility, but it also managed to combine it with a military involvement of neighbor's countries<sup>60</sup>. It consisted of monitoring, restructuring and reform of the Haitian national police; but also assisting with the recovery and maintenance of the rule of law, public safety, and public order in Haiti as well as protecting local civilians and United Nations personnel. This commitment to regional integration fits in the scheme of Brazil's incentive to unify and develop cooperation within Latin American countries. This motivation was nonetheless not limited to the Southern Cone.

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<sup>58</sup> South America Defense Council document, available at <http://cdsunasur.org/es/consejo-de-defensa-suramericano/documentos-oficiales/59-portugues/130-tratado-constitutivo-da-uniao-de-nacoes-sul-americanas?date=2011-05-01>

<sup>59</sup> United Nations Stabilization Mission in Haiti Website, available at [www.un.org/en/peacekeeping/missions/minustah/](http://www.un.org/en/peacekeeping/missions/minustah/)

<sup>60</sup> Jean-Jacques KOURLIANDSKY, «Le Brésil : une nouvelle puissance internationale?», *Revue Internationale et Stratégique*, 2004/4, Numero 56) available at [www.cairn.info/revue-internationale-et-strategie-2004-4-page-25.htm](http://www.cairn.info/revue-internationale-et-strategie-2004-4-page-25.htm)

### 1.3) – *Lula's South-South Policy*

In his seven years in office, Lula transformed the Brazilian Foreign Policy with his dedication for the South-South cooperation; all the more that it appears to be in sharp contrast with previous president Fernando Henrique Cardoso's policy (1995-2001). In the eyes of the Brazilian government, the combination of leading powers of the South give the opportunity to create a «new geography in international trade»<sup>61</sup> and to shape a multipolar international order.

Brazil's prioritization of consolidating relations with neighboring countries and expanding ties with nontraditional partners in the “developing South” is a key element to the country's foreign policy. Since 2003, Brazil has been focusing on the South-South cooperation while the country was developing privileged relations not only with Latin America especially, as we saw above but also with other «Peripheries», that theorists distinct from the «Core». The Dependency theory, mainly originating from Latin America, with the contribution of former President but also professor and sociologist F. H. Cardoso refers to the idea that resources flow from a «periphery» of underdeveloped countries to a «core» of wealthy states, mainly the «global North», enriching the latter at the expense of the former. The two sides are subsequently not integrated into the world system the same way, as poor states are impoverished and rich ones benefit from the situation. Therefore, in order to counteract this phenomenon, Brazil showed incentive to develop a partnership with the Southern periphery, ending up in coalition as we saw above with the «G22» and commercial alliance.

Renewing dialogue with Middle East countries was also part of this incentive to reinforce South–South cooperation. Throughout most of its history, Brazil has maintained good and cordial though somewhat distant relations with the countries of the Middle East. During his eight-year term, President Lula made diplomatic visits to Egypt, Lebanon, Syria, Saudi Arabia the United Arab Emirates, Jordan, Qatar, Libya (twice, including once where he was a special guest of the African Union summit), Algeria, Palestine and Iran. Brazil returned the gesture and welcomed fourteen heads of state from Middle East countries and former Arab League Secretary General Amr Moussa visited Brazil three times during Lula's term. Brazil was actually the first Latin American and Caribbean country the Arab League offered an observer status to<sup>62</sup>. Lula was subsequently the first

<sup>61</sup> Quote from the UNCTAD secretariat background paper «The New Geography Of International Economic Relations, December 2006, available at [www.g77.org/doha/Doha-BP01-New\\_Geography\\_of\\_International\\_Economic\\_Relations.pdf](http://www.g77.org/doha/Doha-BP01-New_Geography_of_International_Economic_Relations.pdf)

<sup>62</sup> Elodie BRUN, *Les relations entre l'Amérique du Sud et le Moyen-Orient: un exemple de relance Sud-Sud*, Editions L'Harmattan, 2008, page 107.

Brazilian head of State to address himself to the Arabic League in December 2003<sup>63</sup>. This rapprochement to the Middle East country fits in the scheme of Lula's incentive to establish new trade geography, in order to balance commerce within global South countries. Indeed, for instance, Brazil has established an alliance with Iran to export its technological expertise, enhancing the Middle Eastern country's sugar cane industry development<sup>64</sup>.

Another type of example of Lula's South-South commitment is the IBSA Dialogue Forum, created in 2003, between Brazil, India and South Africa. This trilateral development initiative aims at promoting South-South cooperation based on a collective identity linked with democracy and their status of emerging countries. Through IBSA, the countries achieved numerous agreements concerning culture, the environment, education, health, energy, etc. In order to develop international security, a fund was created, with a budget of 3 millions dollars, aimed at financing developing project in Guinea-Bissau («Development of Agriculture and Livestock») or Haiti («Collection of Solid Waste as a Tool to Reduce Violence in Carrefour Feuilles»), among others<sup>65</sup>.

The most striking example of Lula's bilateral cooperation in the global South is probably China. Indeed, once again in contrast with Fernando Cardoso Administration, Lula's was very keen on bringing Brazilian-Chinese relations to a new level. Yet in 2005, under Lula, more agreements were signed with China than during both Fernando Henrique Cardoso's mandates.

At a political level, Brazil's South-South solidarity, as well as its non-intervention policy in other countries affairs was illustrated when the country made a shift towards China, during the UN Human Rights Commission forum in 2004. Brazil voted for a non-action motion that impeded the adoption of the resolution regarding China. This resolution was to encourage the Asian country to allow rapporteur inspections and to cooperate with the «international community» on Human Rights issues. Such a backing to China is not solely due to common «Southern» value and coalition willingness; Brazil was also allegedly expecting in return China's support for his incentive to become a United Nation Security Council permanent member, but China is still opposed to new entry to the UNSC.

President Lula's important diplomatic activities regarding China in his second year of in office also focused on the development of trade partnership. In 2004, during Lula's visit to PRC, implying a

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<sup>63</sup> Jean-Jacques KOURLIANDSKY, «Le Brésil : une nouvelle puissance internationale?», *Revue Internationale et Stratégique*, 2004/4, Numéro 56, available at [www.cairn.info/revue-internationale-et-strategique-2004-4-page-25.htm](http://www.cairn.info/revue-internationale-et-strategique-2004-4-page-25.htm)

<sup>64</sup> Nick MATHIASON, «Shell to do deal with Brazilian biofuel producer Cosan to secure future», *The Guardian*, February 1<sup>st</sup>, 2010, available at [www.guardian.co.uk/business/2010/feb/01/shell-cosan-brazil-biofuel-deal](http://www.guardian.co.uk/business/2010/feb/01/shell-cosan-brazil-biofuel-deal), consulted on July 3<sup>rd</sup>, 2011.

<sup>65</sup> Data found on the IBSA Fund website, available at [www.ibsa-trilateral.org/index.php?option=com\\_content&view=article&id=29&Itemid=79](http://www.ibsa-trilateral.org/index.php?option=com_content&view=article&id=29&Itemid=79), consulted on July 4<sup>th</sup>, 2011.

delegation of nearly 300 business-people and eight ministers, 14 agreements were signed between both countries companies, in addition to political understanding, mentioned above<sup>66</sup>. The cooperation included for instance an agreement between Petrobras and Sinopec, the Chinese petroleum corporation for the exploration of oil in third-party countries; or an agreement between the China National Machinery and Equipment Import and Export Corporation and the Central Termelétrica do Sul on the construction of a coal thermoelectric plant in Rio Grande do Sul; These agreements can exemplify the strengthening of Brazil/China bonds at the economic level. The Asian giant represents indeed a great opportunity for Brazil. This Asian BRIC has experienced tremendous growth over the past three decades and last year (August, 2010) it replaced Japan as the world's second largest economy, after the US<sup>67</sup>. The PRC's massive foreign exchange reserves and colossal consumption of oil, coal, iron, and other natural resources represent an opportunity for Brazil. As an illustration of this statement it has to be underlined that China has become Brazil's first customer since 2009<sup>68</sup>, subsequently dethroning the United States. As China's needs matches with Brazil's main exportations, Brazil will then benefit economically along with China. Indeed, as can show Annex 6<sup>69</sup>, classifying Brazil's main export products in the Chinese Market, Brazil comparative advantage in agriculture, minerals and manufactured good (automobiles), presented in Part I, enabled the country to be top-10 ranked exporter in these various field in China. For instance, in 2004, Brazil was the 2<sup>nd</sup> Oily fruits and seeds exporter, the 4<sup>th</sup> for Oils and fats, the 3<sup>rd</sup> for Ores, Scrap and Cinders, the 7<sup>th</sup> for iron and steel, and the 9<sup>th</sup> for automobile, tractor and parts. In addition, Brazil supplied, in 2009, 30% of China's total soybean import<sup>70</sup>; as China endures international pressure regarding the environmental issue, the country favored Brazil's unmodified soybean to modified ones from the United States.

Inversely, Brazil also represents a breeding ground for broader economic relations. According to the Washington Diplomat newspaper, only in the first six months of 2010, Chinese investment in Brazil exceeded billion, thus exceeding more than ten times all of China's previous investment in Brazil<sup>71</sup>,

<sup>66</sup> «Lula woos Beijing on trade ties », *BBC News*, May 24th, 2004, available at <http://news.bbc.co.uk/2/hi/business/3740227.stm>, consulted on July 17th, 2011.

<sup>67</sup> David BARBOZA, « China Passes Japan as Second-Largest Economy », *The New York Times*, August 15<sup>th</sup>, 2010, available at [www.nytimes.com/2010/08/16/business/global/16yuan.html](http://www.nytimes.com/2010/08/16/business/global/16yuan.html), consulted on July 24<sup>th</sup>, 2011.

<sup>68</sup> Data found on the Ministério do Desenvolvimento, Indústria e Comércio Exterior (MDIC) website, available at [www.mdic.gov.br](http://www.mdic.gov.br), consulted on July 28<sup>th</sup>, 2011.

<sup>69</sup> Although Annex 6 does not exactly matches the time frame of this study, it still provides a good overview of the overall notable increase in economic relation between Brazil and China.

<sup>70</sup> Zhiquan Zhu, *China's new diplomacy: rationale, strategies and significance*, Ashgate Publishing, Ltd., 2010, p. 84.

<sup>71</sup> Larry LUXNER, « Basking in Global Clout, Brazil Ponders Life After Lula », *Washington Diplomat*, September 2010, available at [http://washdiplomat.com/index.php?option=com\\_content&view=article&id=6857:basking-in-global-clout-brazil-ponders-life-after-lula&catid=210:september-2010&Itemid=234](http://washdiplomat.com/index.php?option=com_content&view=article&id=6857:basking-in-global-clout-brazil-ponders-life-after-lula&catid=210:september-2010&Itemid=234)

a fact that would potentially rank China in Brazil's top investor for 2010, while it was only 29<sup>th</sup> in 2009.

China has strengthened its position as a main supplier to Brazil of clothing, toys, and synthetic filaments, and was in 2004 (see Annex 7) the number one exporter in Brazilian market of sector of finished products.

Annex 6 and 7 enable to assess Brazil/China trade pattern: Brazil exports are not focusing on high value-added products and sectors in the Chinese market, but rather on primary sectors. Therefore, while China tends to focus on manufactured goods, Brazil's exports are rather from the beginning of the value chain. It is true that despite Brazilian commitment for research and development in the car components sector and although Brazil has increased its exports to the Chinese market (with Embraer, Embraco, etc), the latter are irrelevant in Chinese total imports in that field; China has a strong comparative advantage, with a labor force cost hardly «beatable».

This example actually illustrates the feature of emerging countries relation, marked by competition and cooperation. Indeed, despite the fact that China can be a serious competitor to Brazil, it also appears as a partner with common concerns, with whom to articulate strategies of economic development. Between 2000 and 2009, the share of developing countries in Brazil's trade grew from 37% to 57%<sup>72</sup>; it is then likely that the emergence of Brazil is also due to an increasing articulation with other emerging countries. This trend of rapprochement of emerging countries' policies also fits in the scheme of the incentive for a new multi-polarity, including more participation in the international system.

## 2 – Brazil's Claim For Recognition In World Politics

During an interview in November 2006, Lula said, « le Brésil desire avoir un role très fort au plan international». He nonetheless added «[Mais] le Brésil ne veut rien diriger, sinon être le partenaire de tous les pays»<sup>73</sup>. The former Brazilian president therefore started to develop strong ties, not only with his regional neighbors and global South countries, but also with most powerful one, which mirrors Brazil need for recognition on the world stage. Lula has for example courted the European Union, who has become a key partner for Brazil.

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<sup>72</sup> Data found on the Ministério do Desenvolvimento, Indústria e Comércio Exterior (MDIC) website, available at [www.mdic.gov.br](http://www.mdic.gov.br), consulted on August 2<sup>nd</sup>, 2011.

<sup>73</sup> Elodie BRUN, *Les relations entre l'Amérique du Sud et le Moyen-Orient: un exemple de relance Sud-Sud*, Editions L'Harmattan, 2008, page 60.

## *2.2. Ties with the European Union*

Since the end of the colonial period<sup>74</sup>, relations between countries of the European Union and Brazil were characterized as generally friendly and marked by a growing cooperation. This cooperation implied Mercosur, and negotiations between the Latin American bloc and the European Union represent a good illustration of inter-regional trade strategies. In addition, both of the regional blocs embody one of the most successful examples of regional blocks formation in the international scene. More advanced in its degree of integration, the European union in itself has often been considered as a reference by the Latin American country. Indeed, the experience of the European Union is widely seen as not just a case, but also the model for regional integration. It provides assistance to Mercosur through its 2007-2013 Regional Program for Mercosur, adopted in August 2007. This program provides €50 million to support projects in three priority areas: Mercosur institutional strengthening, Supporting Mercosur in preparing for the implementation of the Association Agreement, Fostering the participation of civil society to Mercosur integration process<sup>75</sup>. The European Union has interest in developing trade agreement with the Latin American bloc, not only to remove tariff and non-tariff barriers, but also as a strategy to protect the European common market. As head of international relations for Business Europe Adrian van den Hoever underlined, EU being concerned with Chinese competition in Mercosur, «an agreement with the South American block would help us to retain our bilateral trade relation»<sup>76</sup>.

But the European Union's interest has also been focusing on Brazil, as the European bloc has raised Brazil to the ranks of its strategic partner to tackle both global issues and develop bilateral cooperation. Brazil represents the largest market for the European Union in Latin America. According to the European Commission database, Brazil represents the biggest exporter of agricultural products to the European Union and accounts for 1/8<sup>th</sup> (12.4%) of total European Union's imports, in 2009. These figures enabled Brazil to rank as the European Union's 10th trading partner<sup>77</sup>. Inversely, the European Union, second Brazil's client after Latin America, accounted, in 2009 for 22,9% of Brazil's exports, while the US only represented 13,2% (see Annex 8). Symbolizing the premises of the two players' partnership, the first European Union/Brazil summit

<sup>74</sup> Brazil was a former Portuguese colony that achieved independence in 1822.

<sup>75</sup> For more information on the European Union External Action Regional Programme for Mercosur, available [http://eeas.europa.eu/mercosur/rsp/07\\_13\\_en.pdf](http://eeas.europa.eu/mercosur/rsp/07_13_en.pdf)

<sup>76</sup> «EU/Mercosur agreement: "too much fear from both sides"», *MercoPress, South Atlantic News Agency*, July 25<sup>th</sup>, 2011, available at <http://en.mercopress.com/2011/07/25/eu-mercosur-agreement-too-much-fear-from-both-side>, consulted on August 4<sup>th</sup>, 2011.

<sup>77</sup> Figures available on the European Commission's Bilateral Relation Section, Brazil, available at <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/brazil/>

took place in Lisbon, July 4<sup>th</sup>, 2007, under the Portuguese Presidency of the European Union. The objective was to develop bilateral cooperation regarding field where both blocs has an interest. This means an agreement dealing with biofuels and other renewable energy where Brazil proved to have a comparative advantage.

Moving in industrialized countries, Brazils aspire to join them in the close sphere of decision makers. The European Union External Actions considered that the new relationship that was develop «places Brazil, the Mercosur region and South America high on the EU's political map»<sup>78</sup>. These elements therefore consolidate the perception of Brazil as a legitimate actor on the international scene.

### *2.5 – Incentive to reform multilateral institutions*

While Brazil has been elected ten times to the United Nations Security Council (UNSC) the country has been claiming for years the right for a permanent seat in the demanded reformation and expansion of the UNSC. Today, only the winners of World War Two (United States, Russia, China, France and the United Kingdom) have a permanent seat and a veto right within the Council, which has been unchanged since its creation in 1946. For more than 60 years, the scheme of security decision maker experienced little changes, subsequently disregarding the transformation of today's multipolar international system. Former President of Brazil Lula da Silva declared during the General Debate of the 63<sup>rd</sup> Session of the United Nations General Assembly «The United Nations has spent 15 years discussing the reform of its Security Council. Today's structure has been frozen for six decades and does not relate to the challenges of today's world. Its distorted form of representation stands between us and the multilateral world to which we aspire. Therefore I am much encouraged by the General Assembly's decision to launch negotiations in the near future on the reform of the Security Council»<sup>79</sup>. The new presidency seems to follow the footsteps of Lula: «The reform of the United Nations and its Security Council is essential. It is just impossible... that we should still remain attached to institutional arrangements that were built in the post-war period<sup>80</sup>,» said Dilma Rousseff a few months ago, who took up Lula's struggle. Here, she argues, just like her predecessor, that the reform is a necessity to adapt the UNSC to the balance of the 21st century powers. She demands more representation, which would, in her opinion, render the UNSC

<sup>78</sup> European Commission's Bilateral Relation Section, Brazil, available at <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/brazil/>

<sup>79</sup> Speech found on the UN Member States Portal website, available at [www.un.int/brazil/speech/008d-CS-agnu-Open%20debate%20230908.html](http://www.un.int/brazil/speech/008d-CS-agnu-Open%20debate%20230908.html), consulted on August 18<sup>th</sup>, 2011.

<sup>80</sup> «New powers seek UN Security council reform», *The Sydney Morning Herald*, April 14<sup>th</sup>, 2011, available at <http://news.smh.com.au/breaking-news-world/new-powers-seek-un-security-council-reform-20110414-1dfyl.html>, consulted on August 22<sup>nd</sup>, 2011.

more legitimate<sup>81</sup>. The new president even said concerning the security issue, that the United Nations «is ageing»<sup>82</sup>.

Such actions clearly exemplify the questioning of an outdated system that does not reflect today's geopolitical situation. Brazil targeted not only the United Nations, but others global governance institutions such as the G8, as seen above through the G22 Brazil initiated, but also International Monetary Fund (IMF), criticizing their lack of representativeness as they no longer reflect the world balance of power<sup>83</sup>. Last year, during a visit to Angolan President Jose Eduardo dos Santos on June 2010, Lula reminded the necessity to reform major international financial institutions, asking for them to question their "obsolete dogmas" and focus primarily on development issue in the global South. Lula indeed declared «We need the World Bank and the International Monetary Fund to abandon once and for all their obsolete dogmas»<sup>84</sup> He condemned the «gap between rich and poor countries», which represents the principal imbalance of the world to him. He therefore urged financial organization to concentrate on the development of Africa, Asia and Latin America, as it would «directly enhance global growth and reduce this unacceptable and harmful imbalance»<sup>85</sup>.

Brazil finds justified its growing role on the world stage, as the countries has, as indicated in the 1st part, the 8<sup>th</sup> largest growth domestic product<sup>86</sup>, the fifth largest population<sup>87</sup>, and the 11<sup>th</sup> largest defense budget<sup>88</sup>. Brazil gained credibility as it headed peacekeeping mission and having gained financial stability, it could be a creditor and is now part of the top 15<sup>th</sup> United Nations budget contributor (See Annex 9). The country has proved his multilateral incentive, its capacity to generate coalitions, and its ability to cooperate with both of the global North and the global South. Such claim also reflects Brazil confidence to question the existing system; a confidence subsequently growing as the economy elevates to the rank of world power. Brazil's claims, positions and activities presented above have clashed with the United, which were at the origin of many contentious that will be examined in the Part II.

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<sup>81</sup> «ONU: Rouseff réaffirme la "nécessité" d'une réforme du Conseil de sécurité», *L'Express*, April 20<sup>th</sup>, 2011, available at [www.lexpress.fr/actualites/1/monde/onu-rousseff-reaffirme-la-necessite-d-une-reforme-du-conseil-de-securite\\_985048.html](http://www.lexpress.fr/actualites/1/monde/onu-rousseff-reaffirme-la-necessite-d-une-reforme-du-conseil-de-securite_985048.html), consulted on August 24<sup>th</sup>, 2011.

<sup>82</sup> *Ibid.*

<sup>83</sup> Celso AMORIM, "Governance must reflect global reality," *Financial Times*, November 14<sup>th</sup>, 2010, available at [http://search.ft.com/search?queryText=Governance+must+reflect+global+reality&ftsearchType=type\\_news](http://search.ft.com/search?queryText=Governance+must+reflect+global+reality&ftsearchType=type_news), consulted on July 28<sup>th</sup>, 2011.

<sup>84</sup> «Lula calls for World Bank, IMF reform», *Daily News*, June 25<sup>th</sup>, 2010, available at [www.dailynews.lk/2010/06/25/wld04.asp](http://www.dailynews.lk/2010/06/25/wld04.asp), consulted on August 4<sup>th</sup>, 2011.

<sup>85</sup> *Ibid.*

<sup>86</sup> Figure found on the World Bank website available at [www.data.worldbank.org/country/brazil](http://www.data.worldbank.org/country/brazil), consulted on June 18<sup>th</sup> 2011

<sup>87</sup> *Ibid.*

<sup>88</sup> Data found on the SIPRI Military Expenditure Database, available at <http://milexdata.sipri.org/result.php4>



## - PART II -

### Brazil's emergence clashing with US hegemonic position: disputes and tensions

This study of Brazil's emergence toward the path of a super power lead us to the conclusion that the country has increasingly been competing with the United States on three different levels; first, at a local level, bilaterally, thanks to Brazil's natural resources boosting comparative advantage, coordinated by a steady macroeconomic policy.

In addition, Brazil has managed to become a rival in the eyes of the United States at a regional level: not only did the country choose to shoulder the burden for regional integration, by supporting the emergence of 'South America' as a specific group within the international community in contrast with North America; but the country also committed to the «developing South», mainly by forming ties with other BRICS, China in particular. The incentive to develop regional and interregional multilateralism in the global South has strengthened Brazil's position on the world stage. The consolidation of Mercosur and the strong ties to other BRICs and developing countries support Brazil's diplomatic role in global affairs.

Therefore, at an international level, through multilateral institutions, Brazil has increased its presence and managed to righteously question the existing system. Subsequently, this phenomenon has led to tensions with the United States who cannot make do without Brazil. The country is reaching a status of importance closer to crucial United States allies such as Canada, the United Kingdom or Japan.

### A - Political Issues

Although the United States and Brazil share a number of common purposes, the countries' divergent foreign policies have led to sporadic disputes. Political issues, both regarding Lula's behavior in the region and abroad, and trade issues were at the origin of these tension.

## 1 – Southern Cone's Turn Left

For the last decade, and this, in sharp contrast to the 1990's, Latin America observed many dynamics of a turn to the left wing identity.

This shifting started when Hugo Chávez won the elections in Venezuela in 1999, marking a break with Rafael Caldera's policy within the conservative democratic party, the «*Convergencia Nacional*». Chávez and his «Bolivarian Revolution» moved away from the free market economy and neoliberal reform principles his predecessor implemented, to promote social welfare programs and income redistribution system. Thus was initiated the wave of leaders and movements widely labeled «leftist», that have encompassed Latin American country after another. Indeed, after Chávez's *Convergencia Nacional*, it was Lula's *Partido do Trabalhadores* in 2003 who set the tone; the same year in Argentina, left-Peronist Néstor Kirchner and his *Frente para la Victoria* won the elections and his wife Cristina Kirchner took up the torch in 2007; in Uruguay, 2005, the left-winged movement extended with Tabaré Vázquez and the *Frente Amplio*. Last year, José Mujica, took up the presidency, within the same left-wing party. Chile, where the 1973 *coup* allegedly orchestrated by the US four decades ago ousted a left government, elected another Socialist, Michelle Bachelet, who served as president of Chile from 2006 to 2010, after Ricardo Lagos presidency within the *Partido Socialista de Chile (2000-2006)*. Finally, as another emblematic figure of the South American left turn, one can mention Evo Morales' administration in Bolivia. Symbol of the struggle for indigenous and poor communities's rights, Morales implemented since 2006 socialist policies and nationalized various key industries.

This is how the leftist shift, which has shaped South America over the past decade, maintained its course and marked a break with previous governments. As a result, three quarters of the population of South America now lives under left-winged governments. Besides, we can also see here this tendency spread in the most powerful countries of Latin America, including all Mercosur members States (except for Paraguay).

One can wonder to which extent left governments, and more specifically Lula's represent a threat to the domination of the United States over the Western hemisphere.. It is true that this anti-capitalism is often associated, maybe too easily, with opposition to American imperialism. But such an equation is perhaps now an amalgam, when one knows that the United State remains the biggest trading partner and by far the largest source of investment capital in Latin America. This shift to the left, nonetheless, undeniably marks an incentive for more independence and a reaffirmation of the countries sovereignty. In 2003, the Bush's administration was reluctant to Lula as he was a leftist militant, who had started to counterweight the United States with the development of alliance with

the Arab world, for example. Brazil's effort to enhance South-South ties under the Workers party was not left unnoticed and has sometimes been criticized. For instance former Brazilian Ambassador to the United States Roberto Abdenur condemned the South-South diplomatic policy of Lula's administration, which he associates with an «anti-American» attitudes, arguing that «the diplomacy of the Lula's Government resembles the early years of military dictatorship; both are guided by ideological prejudices. This error comes from the direction of the current government and its alleged sympathy for leftist-populist, anti-American regimes»<sup>89</sup>.

For John Stiglitz, the American economist, the 2001 Nobel Memorial Prize in Economic Sciences and former Senior Vice President at the World Bank, this shift is mainly due to a failure of previous policies in terms of economic growth and poverty reduction often referred to as the «Washington Consensus», with multiple de-nationalization of key sectors of the economy previously state owned. Therefore, governments in Latin America «put a heavy emphasis on policies to reduce poverty and maintain a certain modicum of equality»<sup>90</sup>, to contrast with previous liberal policies. Indeed, when Lula took office in 2003, he launched the *Fome Zero* (Zero hunger) project, exemplifying his commitment to the worst-off, through the *Bolsa Familia* (the Family Grant). It includes a monthly benefit, a revaluation of wages, an education plan in order to break poverty's vicious circles from a generation to another and eradicate hunger. From 2002 to 2008, the unemployment rate fell from 9,2% to 8% and the poverty rate plummeted from 35% to 24% over the same period of time<sup>91</sup>.

This shift also reveals a will to show the ability of these countries to make their own choice, in their own right, without any concerns of United States expectations. Stiglitz underlines that «countries don't like the US coming in and changing their government from the outside. No matter where it is, in general it's not welcome»<sup>92</sup>.

This left turn also illustrates the development of common values and political views, liven up by a strengthening friendship among leaders, undoubtedly help Lula's diplomacy in Latin America. As a result the president could more legitimately voice his concern about particular cases in Latin America.

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<sup>89</sup> Interview between former Brazilian Ambassador to the United States Roberto Abdenur and the journalist Diego SCHELP for the leading weekly publication in Brazil, «Diplomacia de palanque», *Veja*, September 8<sup>th</sup>, 2010, p. 17-21, available at [cvshare.net/download/Amarelas\\_Abdenur.pdf](http://cvshare.net/download/Amarelas_Abdenur.pdf)

<sup>90</sup> Joseph STIGLITZ comments, found in the article of Matt KENNARD, «Joseph Stiglitz on the left turn in Latin America and the privatization of Iraq», *The Comment Factory*, April 27<sup>th</sup>, 2010, available at [www.thecommentfactory.com/joseph-stiglitz-on-the-left-turn-in-latin-america-and-the-privatization-of-iraq-2900/](http://www.thecommentfactory.com/joseph-stiglitz-on-the-left-turn-in-latin-america-and-the-privatization-of-iraq-2900/), consulted on August 23<sup>rd</sup>, 2011.

<sup>91</sup> D. VAN EEUWEN, *Le nouveau Brésil de Lula: dynamique des paradoxes*, Editions de l'Aube, Luxembourg, 2006, page 210.

<sup>92</sup> Joseph STIGLITZ comments, found in the article of Matt KENNARD, «Joseph Stiglitz on the left turn in Latin America and the privatization of Iraq», *The Comment Factory*, April 27<sup>th</sup>, 2010, available at [www.thecommentfactory.com/joseph-stiglitz-on-the-left-turn-in-latin-america-and-the-privatization-of-iraq-2900/](http://www.thecommentfactory.com/joseph-stiglitz-on-the-left-turn-in-latin-america-and-the-privatization-of-iraq-2900/), consulted on August 23<sup>rd</sup>, 2011.

## 2 – 2009 Honduras' Political Crisis

Brazil and the United States have also divergent approach concerning hemispheric countries. The 2009 Honduras' political crisis exemplifies these tensions. Two years ago, after 27 years of uninterrupted democracy, Honduras experienced intense political instability. On June 25<sup>th</sup>, 2009, President Manuel Zelaya (Liberal Party) planned to organize a non-binding referendum in the prospect of amending the constitution that would eventually allow him to serve for an additional term. This incentive was, however considered to be illegal by the Supreme Court and the Congress. The army thus refused to provide material to organize the vote. As a result, President Zelaya demanded the resignation of the head of the military command and Ministry of Defense General Romeo Vasquez; ignoring the Supreme Court's warning, he decided though to proceed on the referendum, appealing to the Law of Citizen Participation, passed in 2006. On June 28<sup>th</sup>, 2009, just before the polls opening for the non-binding referendum, the Honduran army surrounded the presidential house to detain President Zelaya for his noncompliance with Supreme Courts's decisions rendering the non-binding referendum as unconstitutional. As a result the President was sent to exile in Costa Rica. He was charged with crimes against the form of government, treason to the country, abuse of authority and usurpation of function, to the detriment of Public Administration and the Hondurian State<sup>93</sup>. Zelaya was then quickly replaced with the President of Congress, Roberto Micheletti, who held office for 7 months.

At the international level, Micheletti's government, was, nonetheless, not recognized by a single country. Indeed, the «international community» quickly reacted regarding the events of June 28<sup>th</sup>, 2009. More specifically, the United States criticized the ouster and called for Zelaya's immediate return. This reaction was emulated by all regional groupings in the hemisphere. As a result, on July 4<sup>th</sup>, 2009, the member states of the Organization of American States (OAS) unanimously voted to suspend Honduras<sup>94</sup> from the organization for an unconstitutional disruption of the democratic order, appealing to the Article 21<sup>95</sup> of the Inter-American Democratic Charter. This decision was

<sup>93</sup> Hondurian judiciary power («Poder Judicial de Honduras») press release of June 25<sup>th</sup>, 2009, available at [www.poderjudicial.gob.hn/general/noticias/Comunicado\\_Especial](http://www.poderjudicial.gob.hn/general/noticias/Comunicado_Especial), listing the following charges: «Jose Manuel Zelaya Rosales a quien se le acusa como responsable, a titulo de autor de los delitos contra la forma de gobierno, traicion a la patria, abuso de autoridad y usurpacion de funciones, en perjuicio de la administracion publica y el estado de honduras».

<sup>94</sup> Ginger THOMPSON and Marc LACEY, «O.A.S. Votes to Suspend Honduras Over Coup», *The New York Times*, July 4<sup>th</sup>, 2009, available at [www.nytimes.com/2009/07/05/world/americas/05honduras.html?pagewanted=all](http://www.nytimes.com/2009/07/05/world/americas/05honduras.html?pagewanted=all), consulted on August 20<sup>th</sup>, 2011.

<sup>95</sup> Article 21 of the OAS charter, adopted by the General Assembly at its special session held in Lima, Peru, September 11<sup>th</sup>, 2001: « When the special session of the General Assembly determines that there has been an unconstitutional interruption of the democratic order of a member state, and that diplomatic initiatives have failed, the special session shall take the decision to suspend said member state from the exercise of its right to participate in the OAS by an affirmative vote of two thirds of the member states in accordance with the Charter of the OAS. The suspension shall take effect immediately», available at [www.oas.org/OASpage/eng/Documents/Democratic\\_Charter.htm](http://www.oas.org/OASpage/eng/Documents/Democratic_Charter.htm), consulted on August 16<sup>th</sup>, 2011.

noticeable and received widespread attention, as it was the first time the OAS suspended a country since Cuba, in 1962 after the communist revolution.

Tensions between the US and Brazil rely in the disagreement about the validity of Honduras government. When the United States' government and several others including all but one of Honduras's Central American neighbors, considered Honduran election to be valid, Lula continues to oppose the country's re-entry into the Organization of American States (OAS). Such statement directly counters Secretary of State Hillary Clinton will to readmit Honduras to the OAS. While, in June 2010, she indicated, referring to the coup, «these interruptions of democracy should be completely relegated to the past. Honduras's free and fair elections last year should qualify the country for re-admission»<sup>96</sup>, Brazilian Deputy Foreign Minister Antonio de Aguiar Patriota contended «Honduras's return to the OAS must be linked to specific means for ensuring re-democratization... It is essential to create conditions for former president Zelaya to fully participate in the political life of Honduras. We cannot allow the coup of June 2009 in Honduras to become a new encouragement to undemocratic adventures»<sup>97</sup>. No agreement could therefore be reached and Honduras re-admission was postponed. Venezuela and Brazil maintain their declination to restore diplomatic ties with Honduras<sup>98</sup>, in opposition with the United States who kept on urging the OAS to readmit Honduras. For all that, they did agree on sending an international commission to investigate the political and human rights situation in Honduras within two months. The Central American country was only re admitted to the OAS, a year later, on June 1st, 2011; but Brazil set his conditions and indicated it would send an representative to witness former Honduran president Manuel Zelaya's scheduled return to his country on Saturday, as a pre-condition to readmit the Central American nation to the OAS.

This example can illustrate Brazil capacity to counterbalance United States' plan and position, in multilateral institutions. In this frame, Brazil's clout is larger than in the UN for example as its power and responsibilities are similar to the US. In addition, for hemispheric countries concerned with different issues, Brazil appears as a legitimate actor, while the United States have suffered from a deficit of credibility to intervene in Latin America.

<sup>96</sup> United States Secretary of State Hillary Clinton's intervention at the OAS General Assembly, on June 7<sup>th</sup>, 2010 available at [www.oas.org/en/media\\_center/speech.asp?sCodigo=10-0045](http://www.oas.org/en/media_center/speech.asp?sCodigo=10-0045)

<sup>97</sup> «Hillary Clinton urges the OAS to readmit Honduras», *BBC News*, June 8<sup>th</sup>, 2010, available at [www.bbc.co.uk/news/10256459](http://www.bbc.co.uk/news/10256459), consulted on August 17<sup>th</sup>, 2011.

<sup>98</sup> «Ousted Leader Is Set to Return to Honduras», *The New York Times*, May 11<sup>th</sup>, 2011, available at [www.nytimes.com/2011/05/12/world/americas/12honduras.html](http://www.nytimes.com/2011/05/12/world/americas/12honduras.html), consulted on August the 18<sup>th</sup>, 2011.

### 3 – Foreign Policy regarding Cuba

Cuba is probably one of the biggest bones of contention when dealing with US foreign policy. Since the Cuban Revolution of 1959, relations deteriorated substantively to reach the point where the United States does not carry formal diplomatic relations with Cuba. The United States has maintained an embargo that makes it illegal for the American companies to do business with Cuba. This situation has more or less remained the same for 50 years, except for some reinforcement of travel restrictions under President Bush, followed by the incorporation of flexibility from President Obama's administration.

On the one hand, the United States have, since 1982, define Cuba as «Rogue State», i.e among the countries which have «repeatedly provided support for acts of international terrorism»<sup>99</sup>. The United States remains therefore the only one with such a firm position that keeps the Island diplomatically and economically isolated. Indeed, the United States are the only country on the continent which has not re-implemented normal relations with Cuba. On the other hand, Brazil, who has opposite positions concerning Cuba's role in hemispheric affairs, has supported Cuba. Brazil is strongly opposed to the United States embargo against the island; not only does it consider to be unfair to Cuba's inhabitants but it also stagnates the democratization process in the area. Brazilian defiance from what the US would expect regarding Cuba, i.e. support and limited intelligence with the island, took several forms. Lula's friendship with Fidel Castro exemplifies this idea. Indeed, Lula visited Cuba's First Secretary of the Communist Party in February 2010, suffering from health problems. Cuba state media reported «the emotional meeting was an expression of the existing friendship between the two leaders and the brotherhood that unites the two countries»<sup>100</sup> demonstrating the strong tie between the two heads of state, without regards to the United State's opinion. This visit was not a one off, as Lula had already come to Cuba twice in two years, when Fidel Castro's health started to decline.

Completely confronting the United States embargo, Brazil has helped Cuba to recover from the global economic recession through the proposal, for example, of helping Cuba develop small and medium businesses in order to boost for economic growth, through a shift from public to private sector for a million of workers<sup>101</sup>. Such attention to the island is not solely friendly as Cuba is prized

<sup>99</sup> List of «State Sponsors of Terrorism», available on the US Department of State website, available at [www.state.gov/s/ct/c14151.htm](http://www.state.gov/s/ct/c14151.htm)

<sup>100</sup> «Brazil's Lula says Fidel Castro is "exceptionally well"», *BBC News*, February 25<sup>th</sup>, 2010, available at <http://news.bbc.co.uk/2/hi/8536454.stm>, consulted on August 29<sup>th</sup>, 2011.

<sup>101</sup> «Brazil offers Cuba help to develop small businesses» *BBC News*, September 21<sup>th</sup>, 2010, available at [www.bbc.co.uk/news/world-latin-america-11381472](http://www.bbc.co.uk/news/world-latin-america-11381472), consulted on August 29<sup>th</sup>, 2011.

for some of its natural resources; the state-controlled oil giant Petrobras has been exploring Cuba's offshore to drill for oil while the Brazilian construction firm Odebrecht drove project of remaking the aging Cuban port of Mariel into a modern container terminal. Still, Brazil's interest in the island also works with good relations with Cuba. Some partnerships were even developed: Brazil officials indicated that Petrobras will partner with its Cuban counterpart to produce oil in the Caribbean country. Petrobras planned to invest 8 million US dollars<sup>102</sup> in the first stage, has seven years to complete exploration and would remain on the island for more that two decade if hydrocarbons were found. Raul Castro declared in return that he «was totally confident that Petrobras would find crude oil in the Gulf of Mexico because other countries (US and Mexico) already have, we have a small production and we trust Petrobras»<sup>103</sup>.

Once again, Brazil acts independently from the United States' conviction, by surpassing their embargos with financial support. It illustrates this time, Brazil's choice no to follow the United States perspective and claiming to have radically different view, even on contentious topics. But the country went even further: in the scheme of its multilateral tradition, Brazil even supported countries that represented a threat to the peace in the view of the United States.

#### 4 – Brazil's Ties To Iran And The Nuclear Issue

Symbol of power, of scientific performance, a deterrence tool with a stabilizer effect or a dangerous element; the nuclear weapon has, since its invention, generated different views regarding security issue in the world. While the «international community» has a hard time to impede the atom-bomb proliferation, and more and more nuclear power station are getting built, the question of the use of the atom remains a bone of contention. The United States' fear of terrorism has led the country to be uncompromising on the nuclear issue. Therefore, Brazil's close and supportive ties to Iran has clearly exasperated Washington and marred unsettling United States/Brazilian relations in recent years. Iran represents a «Rogue state» to the United States, labeling then Iran, since 1984, as another «rogue» state, which represents a threat to security. The United States' concern about Iran focusing on the development of nuclear weapons has contributed to worsening the countries' relations. But Brazil remains a defender of Iran's nuclear program, henceforth contending, despite several evidences to the contrary and worries of the «international community», that it is only focused toward civilian purposes.

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<sup>102</sup> «Castro's first overseas visit to Brazil, says Lula da Silva», *Mercopress, South Atlantic News Agency*, November 3rdth, 2008, available at <http://en.mercopress.com/2008/11/03/castro-s-first-overseas-visit-to-brazil-says-lula-da-silva>, consulted on August 20<sup>th</sup>, 2011.

<sup>103</sup> *Ibid.*

In May 2010, Washington was particularly irritated when, Brazil joined with Turkey to negotiate an agreement with Iran in order to put an end to the drive led by the new UN sanctions against Iran because of its continuous violations of UN resolutions concerning its nuclear development activities<sup>104</sup>. The two regional powers Brazil and Turkey thus took the risk in travelling to Iran to broker over the country's controversial nuclear program. In fact, Brazil and Turkey negotiated over a controversial deal with Iran, the latter was meant to ship up to 1,200 kilograms of low-enriched uranium out of the country in exchange for nuclear fuel<sup>105</sup>. The reaction of Secretary of State Hilary Clinton was swift and disapproving. She firmly condemned both Brazil and Turkey for pursuing the negotiations; such cooperation being perceived as a threat to the brittle agreement among the five permanent members of the UNSC to impose new sanctions on Iran for non-respect of its nuclear treaty obligations. Henceforth, while Lula claimed it to be a success, Washington perceived Brazil's interference as irresponsible and not helpful. On June 9, 2010 when the U.N. Security Council voted 12-2 to pass sanctions against Iran, only Brazil and Turkey then opposed (Lebanon abstained). Such a strategy not only mirrors Brazil's will to demonstrate a different stance from the West's approach regarding Iran, but also the country's increasing self-confidence in world politics.

The United States has a clear reluctance to approve and support Brazilian voluntarism and dynamism at the international level, especially on contentious topics such as the nuclear issue. Following to Lula's announcement to greet President Mahmoud Ahmadinejad in November 2009, Representative Eliot Engel, Democrat of New York and chairman of the House Subcommittee on the Western Hemisphere declared «This state visit is a gross error, a terrible mistake». He contended that Iran President is «illegitimate with his own people, and Brazil is now going to give him the air of legitimacy at a time when the world is trying to figure out how to prevent Iran from having nuclear weapons. It makes no sense to me, and it tarnishes the image of Brazil, quite frankly»<sup>106</sup>. As a result, Iran will surely remain a bone of contention in the United States-Brazil relations, not only because of Brazil's defense of Iran's uranium enrichment program, but also because the United States believes that Iran's driving force is to build a nuclear bomb. The tension may remain as long as no clear evidence, sufficient to conclude either that Iran is pursuing weapon purposes or that its intentions are peaceful, has been uncovered.

Besides, Brazil's personal nuclear program may arise as an even more controversial issue than Iran

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<sup>104</sup> «The Tehran tango - the Turkish-Brazilian deal leaves Iran enriching uranium and is unlikely to satisfy the West », *The Economist*, May 17<sup>th</sup>, 2010, available at [www.economist.com/node/16152554](http://www.economist.com/node/16152554), consulted on September 4<sup>th</sup>, 2011.

<sup>105</sup> « A step closer to sanctions », *The Economist*, May 18<sup>th</sup>, 2010, available at [www.economist.com/node/16156412](http://www.economist.com/node/16156412), consulted on August the 29<sup>th</sup>, 2011.

<sup>106</sup> Alexei BARRIONUEVO, «Brazil Elbows U.S. on the Diplomatic Stage», *The New York Times*, November 22<sup>th</sup>, 2009, available at [www.nytimes.com/2009/11/23/world/americas/23brazil.html](http://www.nytimes.com/2009/11/23/world/americas/23brazil.html), consulted on August, 3<sup>rd</sup>, 2011.



for the United States-Brazil relations. Although the United States considers it unlikely that, today, Brazil is planning to develop an atomic weapon<sup>107</sup>, since the country has ratified the Nuclear Nonproliferation Treaty (NPT). Nevertheless, Brazil has refused to sign the NPT's additional protocol, which implies more thorough inspections of enrichment facilities than the NPT itself; this decision was perceived by the United States to weaken international non-proliferation efforts. As for Brazil, the country contended it was entirely within its rights, and denounced in return the United States failure to actively pursue its nuclear disarmament. The United States/Brazil's clash on this issue will get harder to manage since Brazil's and several other emerging countries' that developed strong ties, weapons capacity is becoming closer to the United States' own weapon power.

Brazil's turn left and its behavior regarding issues they disagree on with the United States, illustrate the Latin American country confidence, which has ended up by clashing with the hegemon. For all that, Brazil doesn't intend to revolutionize liberalism, one of the United States fundamental values. Being an insider of globalization, Brazil wants to take advantage of it, and is actually struggling against the protectionism of industrialized countries, especially the United States.

## A - Economic Issues

Brazil's enjoy strong trade surplus, with its positive commercial balance. Exports are then crucial for the country to support its growth. Brazil thus willed to voice its concern to protect his competitiveness. This could be exemplified by Brazil's leading role in the Doha round of the World Trade Organization (WTO) talks. In 2003, Brazil headed the G-22 group of developing countries, campaigning for the reduction and eventually removal of developed countries agricultural subsidies as part of any settlement. This sector, which represents 36% of its exports and supports its trade surplus, is actually crucial for Brazil: the country is ranked as the 3rd main agriculture exporter in the world, after the United States and the European Union, but before China (See Annex 10). Several cases, mainly involving Brazil as a complainant regarding United States protectionism, can illustrate the countries tension over the economic issue. Brazil has actually been much more aggressive with the U.S. in trade disputes, taking the first world power in front of the WTO Dispute Settlement Unit. The WTO counts 15 dispute between the two countries over the last 17 years; 11 of which includes Brazil as a «complainant» mainly regarding anti-dumping and subsidies issues. Two examples can illustrate this trade issue between the United States and Brazil.

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<sup>107</sup> «US 'sure' of Brazil nuclear plans», *BBC News*, October 5<sup>th</sup>, 2004, available at <http://news.bbc.co.uk/2/hi/americas/3715556.stm>, consulted on July 23<sup>th</sup>, 2011.

## 1 – The Cotton Case

The agriculture sector was at the origins of tensions between Brazil and the United States. In 2002, Brazil initiated the WTO Dispute settlement case against the United States regarding subsidies for cotton farmers. Indeed, just like the orange juice case, cotton sector is also important for both countries, as the United States is the main producer and Brazil the 5<sup>th</sup> in the world<sup>108</sup>.

The panel that was created at the DSU ruled in favor of Brazil, as it considered that United States did not abide by its WTO commitment, because of his agricultural support payment and export guarantee. As a consequence, in 2005, the United States Congress brought some modifications to the agricultural support program, but the WTO panel considered these actions to be insufficient. Brazil therefore decided in March 2010 to impose retaliatory measures against the United States, worth \$829 million<sup>109</sup>.

These measures implied two different consequences: first, Brazil planned a sharp tariff rises for cotton products, raising them to 100% from current rates of 6%-35% (worth \$591 million); finally, Brazil also threatened to use the WTO ruling that offered the possibility to «suspend certain obligations» to respect TRIPS Agreement<sup>110</sup>, which would have hurt the United States pharmaceuticals and chemicals industry. Such a measure is possible if «the amount of retaliation that it is entitled to is so high that it could not reasonably hope to exhaust it by targeting goods alone». Brazil's government declared that it intended to have recourse to this possibility to the value of the “remaining annual amount of retaliation to which Brazil is entitled” (worth \$238 million). In the DSU history, it is not the first time the WTO allowed such retaliation: nevertheless, no country actually concretized it. If Brazil were to apply these measures, it would then be the first country to do so.

The United States, whose US Trade Representative spokeswoman underlined the disappointment to Brazil's reaction<sup>111</sup>, bent to the rules, to avoid these hard retaliatory measures<sup>112</sup>. Both countries then reached an agreement, three months later in June 2010. It stated that the United States would make some short-term modifications to his export credit guarantees, but it would also bring financial

<sup>108</sup> International cotton market data for 2007 found on the UNCTAD website, available at <http://unctad.org/infocomm/anglais/cotton/market.htm>, consulted on August 23<sup>th</sup>, 2011.

<sup>109</sup> «Picking a fight», *The Economist*, March 9<sup>th</sup>, 2010, available at [www.economist.com/node/15656630](http://www.economist.com/node/15656630), consulted on August 25<sup>th</sup>, 2011.

<sup>110</sup> Dispute DS267, «United States Subsidies on Upland Cotton facts», on the WTO website, available at [www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds267\\_e.htm](http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds267_e.htm), consulted on September the 3<sup>rd</sup>, 2011.

<sup>111</sup> «Picking a fight», *The Economist*, March 9<sup>th</sup>, 2010, available at [www.economist.com/node/15656630](http://www.economist.com/node/15656630), consulted on August 25<sup>th</sup>, 2011.

<sup>112</sup> *Ibid.*

support, reaching \$147.3 million a year<sup>113</sup>, to a fund for Brazilian cotton farmers. In return, Brazil accepted to momentarily suspend its retaliatory measures; the country added it was willing to find a permanent agreement once the Congress has adjusted, in 2012, its subsidy program, as the current United States farm law, (including subsidies for U.S. cotton producers) is set to expire<sup>114</sup>.

This example illustrates, this time, Brazil's capacity to make the United States give in; and follow its will. The country did not fear to threaten the United State to use extreme measures to make the United States abide by the WTO commitment.

When the contentious topic of agriculture is linked to another very important sector, disputes can become even fiercer as what is at stake is more important. Energy and the sugar cane production was an important issue for Brazil and the USA as both countries are fighting for the first place as world's leader in this sector.

## 2 – The Orange Juice Case

According to the United Nation Conference on Trade and Development (UNCTAD), citrus fruits are, in terms of value, the first fruit crop in international trade. The UNCTAD divides the citrus sector into two different markets: «fresh citrus fruits market, with a predominance of oranges» and «processed citrus products market, mainly orange juice»<sup>115</sup>.

The production of the latter, orange juice is highly concentrated, as the only two countries, on the same continent, dominate the market: the United States with the State of Florida, and Brazil with the State of Sao Paul (see Annex 11). Both countries production represented together 85 percent of the world orange juice market in 2005<sup>116</sup>, exemplifying another topic where the two countries fight for the first place.

Nonetheless, the destination of the production is very different and can explain the afterwards; while Brazil exported almost its entire production 99%, the United States domestically consumed 90 percent of Florida's production, leaving little room for exportation<sup>117</sup>. As a result, the citrus sector appears to be crucial for Brazil, not only because the country is the top producer, but also because, most of the production being exported, it supports trade surplus. The United States imports little

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113 Sewell CHAN, «U.S. and Brazil Reach Agreement on Cotton Dispute», *The New York Times*, April 6<sup>th</sup>, 2010, available at [www.nytimes.com/2010/04/07/business/07trade.html](http://www.nytimes.com/2010/04/07/business/07trade.html), consulted on September 7<sup>th</sup>, 2011.

<sup>114</sup> *Ibid.*

<sup>115</sup> Data found on the Citrus Fruit Market section of the UNCTAD website, available at <http://unctad.org/infocomm/anglais/orange/market.htm>, consulted on August 29<sup>th</sup>, 2011.

<sup>116</sup> *Ibid.*

<sup>117</sup> *Ibid.*

quantity of this good from Brazil, and most of imports by the European Union and Japan come from Brazil. Subsequently, while Brazil tries to expand its exportation, the United States mainly attempts to protect its market. Consequently, Brazilian orange juice was prevented from actually competing with Florida juice, which would always be cheaper.

This behavior created tension and led to two others WTO's Dispute Settlement Body (DSB) case between Brazil and the United States, the Orange Juice Case (Dispute DS250 and DS382)<sup>118</sup>.

In 2008, Brazil had claimed that the method used by the United States to calculate when its orange juice was dumped, or sold at less than cost price on US markets, was illegal. Brazil condemned here the use of a methodology called «zeroing», which did not precisely reflect the average price of their exportation. Such an unfair calculation enabled the United States to impose extra duties on Brazilian orange juice, hindering its exports. Thus, On November 27<sup>th</sup>, 2008, Brazil brought the case to the DSB, as the country considered the United States' practices and methodologies to be inconsistent with their obligations under the WTO Agreement. More specifically, Brazil denounced the non-respect of, among others, Articles II (defining the scope of the WTO), VI:1 and VI:2 of the GATT 1994, Articles 1, 2.1, 2.4, 2.4.2, 9.1, 9.3, 11.2 and 18.4 of the Anti-Dumping Agreement, and Article XVI:4 (about Miscellaneous Provisions) of the WTO Agreement<sup>119</sup>. The Panel, that was created to handle the dispute, found the United States had indeed acted inconsistently with Article 2.4 of the Anti-Dumping Agreement when the United States Department of Commerce used «zeroing» to calculate margins of dumping. As a result, the Panel recommended that the DSB request the United States to abide by its obligations under the Anti-Dumping Agreement. Subsequently, on June 17<sup>th</sup>, 2011, three years after Brazil initiated the WTO Dispute settlement case against the United States, both countries informed the DSB that they had found an agreement regarding the period of time (9 months) the United States had to implement the DSB recommendations.

### 3 – The biofuels' Market: Fighting The First Place

In response to sharp rises in oil prices, governments have had no choice but to begin questioning the traditional energy systems and to find new solutions to remain competitive. Brazil successfully managed to play the field, imposing himself as a leader in energy policy: not only does it yields almost half<sup>120</sup> of the world's production of ethanol and contest for the 1<sup>st</sup> largest producer with the US, but also succeeded in producing large amount of enriched uranium for their nuclear energy

<sup>118</sup> Data found on the WTO website, for Brazil/United States disputes, available at [www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds382\\_e.htm](http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds382_e.htm), consulted on September 3<sup>rd</sup>, 2011.

<sup>119</sup> All GATT Articles of the legal texts section are available at [www.wto.org/english/docs\\_e/legal\\_e/04-wto\\_e.htm](http://www.wto.org/english/docs_e/legal_e/04-wto_e.htm)

<sup>120</sup> Yves-Michel RIOLS, « Le Brésil carbure à la canne à sucre », *L'Express*, October 1<sup>st</sup>, 2005, available at [www.lexpansion.lexpress.fr/economie/le-bresil-carbure-a-la-canne-a-sucre\\_24416.html?p=3](http://www.lexpansion.lexpress.fr/economie/le-bresil-carbure-a-la-canne-a-sucre_24416.html?p=3), consulted on June 23<sup>th</sup>, 2011.

program. This was made thanks Brazil's large amount of resources, as the country is the 6<sup>th</sup> world's largest with 278 700 tones of uranium<sup>121</sup>. Furthermore Brazil achieved to produce 85% of its electricity thanks to hydropower technology<sup>122</sup>.

The development of alternative energy resources enabled the country to reduce its reliance on foreign oil. This was lived up by an enlarged domestic production as Brazil did not, for all that, give up on fossil energy: After several major oil fields discoveries since November 2007, one being described as « the largest-ever deep-water oilfield discovery»<sup>123</sup> with its probable 5-8 billion barrels reserves potential, Brazil subsequently became self-sufficient in oil. Brazil has therefore a foot in producing every main source of energy, which guarantees the country a relative autonomy. Conscious of the potential of his country, President Lula contends in 2006 to the newspaper *Le Monde*: «Brazil will be, in 20 or 30 years, the largest energetic power on earth»<sup>124</sup>. The Brazilian government appears as the good pupil as it has launched a national program to promote the production as well as the consumption of sugarcane ethanol since 1975, after the first oil crisis, giving incentive to a diversification of sources of energy. Brazil has indeed been widely considered as a world pioneer and leader regarding energy policy in order to reduce efficiently its dependence on foreign oil thanks to a commitment to increase domestic production and development of alternative energy resources. For that, the country has often been referred to as the «Arabie Saoudite du XXI<sup>e</sup> siècle»<sup>125</sup> with its *petrole vert*.

Out of the 2.3 million<sup>126</sup> car sold every year, Brazil achieved to reach that 90% of new vehicles sold in Brazil are «flex-fuels», capable of running on fuel blends ranging from pure ethanol to pure gasoline. Hence the fact ethanol now represents over half of all fuel pumped in Brazil<sup>127</sup>.

Such achievement is made possible thanks to the ability of Brazil yield almost 27.8 billion liters of ethanol every year, 17% of which is exported, whereas the rest is consumed domestically<sup>128</sup>.

<sup>121</sup> Figure found in the International Energy Agency (IEA) and the OECD Report, World Energy Outlook 2006 available at [www.iea.org/textbase/nppdf/free/2006/weo2006.pdf](http://www.iea.org/textbase/nppdf/free/2006/weo2006.pdf), page 378.

<sup>122</sup> Figure found in the International Energy Agency (IEA) and the OECD Report, World Energy Outlook 2006 available at [www.iea.org/textbase/nppdf/free/2006/weo2006.pdf](http://www.iea.org/textbase/nppdf/free/2006/weo2006.pdf), page 479.

<sup>123</sup> «The next oil giant?», *The Economist*, March 19<sup>th</sup>, 2009, available at [www.economist.com/node/13348824](http://www.economist.com/node/13348824), consulted on September 5<sup>th</sup>, 2011.

<sup>124</sup> Sylvie KAUFFMANN and Paulo PARANAGUA, «Comment Lula gère un futur géant», *Le Monde*, May 24<sup>th</sup>, 2006.

<sup>125</sup> Yves-Michel RIOLS, «Le Brésil carbure à la canne à sucre», *L'Express*, October 1<sup>st</sup>, 2005, available at [www.lexpansion.lexpress.fr/economie/le-bresil-carbure-a-la-canne-a-sucre\\_24416.html?p=3](http://www.lexpansion.lexpress.fr/economie/le-bresil-carbure-a-la-canne-a-sucre_24416.html?p=3), consulted on September 6<sup>th</sup>, 2011.

<sup>126</sup> Oxford Analytica, «Long-Term Ethanol Outlook Hopeful», *Forbes*, October 7<sup>th</sup>, 2009, available at [www.forbes.com/2009/10/06/brazil-ethanol-outlook-business-oxford-analytica.html](http://www.forbes.com/2009/10/06/brazil-ethanol-outlook-business-oxford-analytica.html)

<sup>127</sup> *Ibid.*

<sup>128</sup> Brazilian Sugarcane Industry Association (UNICA), «Quotes & Stats», available at [www.english.unica.com.br/dadosCotacao/estatistica/](http://www.english.unica.com.br/dadosCotacao/estatistica/).

Several elements can show why Brazil achievement as for the ethanol issue can trouble US commercial strength.

Firstly, Brazil managed to offer the world's lowest-cost production of ethanol.<sup>129</sup> Subsequently imposing itself as a dangerous competitor, as the US cannot align to such prices. Each country is competing with the other for first place of the world's largest ethanol producer, thus clearly sharpening the competition between these two producers.

The United States reaction was to turn to protectionism by imposing high tariffs blocking ethanol Brazilian exports. The US allows duty-free access for sugar-based ethanol from many countries in Latin America as well as in the Caribbean, even including preferential treatment; but Brazilian ethanol suffers from protectionist measures including a 54-cent-per-gallon tax, plus a 2.5% tariff<sup>130</sup>. Such particular measures reflect a fear of the United States toward Brazil competition and tries to hinder the other's potential.

Nevertheless, despite these disagreements, the United States and Brazil have managed to come to an agreement and genuinely cooperate on different issues. Brazil and the US have actually never considered themselves as opponents, even if their respective goal for supporting growth has led to tensions. The last examine the other aspect of the features of the United States/Brazil diplomacy, marked by chequered relations, which is cooperation.

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<sup>129</sup> Report from the International Energy Agency (IEA) and the OECD World Energy Outlook 2010, available at [www.worldenergyoutlook.org/docs/weo2010/weo2010\\_london\\_nov9.pdf](http://www.worldenergyoutlook.org/docs/weo2010/weo2010_london_nov9.pdf)

<sup>130</sup> Ribeiro PRETO «Lean, green and not mean», *The Economist*, June 26<sup>th</sup>, 2008, available at [www.economist.com/node/11632886](http://www.economist.com/node/11632886), consulted on September 3<sup>rd</sup>, 2011.

# - PART III -

## Brazil as a strategic partner for the United States

### A - Economic and Diplomatic Opportunities in Brazil

Through different examples of tensions dealing both with politics and economics issue, it was demonstrated that Brazil's increasing global prominence and involvement on an array of issues was inevitably leading to disputes with the United States. For all that, as illustrated the last example, tensions can turn into cooperation where everyone gets something out of it.

In 2010, Brazil was the United States 10<sup>th</sup> largest goods trading partner, worth \$59<sup>131</sup> billion in total (two ways).

#### 1 – Brazilian's Market Opportunities

##### 1.a – *Common Interests: from Competition to Cooperation*

In order to utterly encompass the biofuel issue, it has to be examined how this source of contention has turned into an example of cooperation.

In March 2007, the United States and Brazil, the two largest producer of ethanol-in the world, signed a Memorandum of Understanding in order to promote better cooperation with regards to ethanol and biofuel. The agreement implies (I) technology sharing between the United States and Brazil; (II) technical assistance to build domestic biofuels industries in third countries; and, (III) multilateral efforts to advance the global development of biofuels<sup>132</sup>.

Since March 2007, the agreement concretized, and the two countries have moved forward on all three aspects of the memorandum. As for the technology sharing regarding biofuels, several high-level visits have been made aimed in order to enhance bilateral cooperation in this field: a group of

<sup>131</sup> According to the Office of the United States Trade Representative data on Brazil, available at [www.ustr.gov/countries-regions/americas/brazil](http://www.ustr.gov/countries-regions/americas/brazil).

<sup>132</sup> «Memorandum of Understanding Between the United States and Brazil to Advance Cooperation on Biofuels», United State. Department of State, March 9<sup>th</sup>, 2007, available at [www.state.gov/r/pa/prs/ps/2007/mar/81607.htm](http://www.state.gov/r/pa/prs/ps/2007/mar/81607.htm), consulted on September 20<sup>th</sup>, 2011.

Brazilian scientists visited, in September 2008, the United States Department of Energy and Department of Agriculture Laboratories. As for the United States, a team of scientists visited Brazil in November.

Regarding the technical assistance to third countries, United States/Brazilian help were indeed brought to the Dominican Republic, El Salvador, Haiti among others, with the help of the Organization of American States (OAS), and the U.N. Foundation (UNF). More than a year later, in 2008, cooperation on biofuels extended with new partnerships with Guatemala, Honduras, and even with African countries such as Guinea- Bissau or Senegal.

As for global efforts, the United States and Brazil established a partnership with the International Biofuels Forum (IBF), in order uniform biofuels industry standards and codes the end of 2007. IBF members include Brazil, the United States, the European Union, China, India, and South Africa.

For the United States such an agreement was an opportunity to benefit from having more energy producers in the region. As for Brazil, it wishes to broaden its goal of developing ethanol on the world stage. Furthermore, as underlined a Congressional Research Service report for the American Congress<sup>133</sup>, the partnership would also help to the improvement of the image of the United States in Latin America, where the country has suffered from a deficit of credibility and many criticisms, worsen by the left turn studied above, in the region. In addition, the memorandum was perceived as a way to minimize the influence of oil-rich Venezuela and President Hugo Chávez, whose relations with the United States have been marked by heavy tensions. Indeed, since 2001, the beginning of the George W. Bush administration Chávez has been particularly tough with the United States economic and foreign policy. For instance, Chávez declared in 2007 «the imperialist, mass murdering, fascist attitude of the president of the United States doesn't have limits. I think Hitler could be a nursery baby next to George W Bush<sup>134</sup>»; it has to be noted that since Obama's presidency, alike provocations have relented. By building bounds, Brazil and the United States help supporting the biofuels industry in Latin America. This «ethanol diplomacy» therefore aimed at improving the United States/Latin America relations. This example shows the ability for the two countries to cooperate even on such a competitive market were both fights for the first place, and despite the fact Brazil has to endure tariffs from the United States.

Cooperation can also be appreciated through the interest the United States can have to invest in Brazil's economy.

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<sup>133</sup>, «Ethanol and Other Biofuels: Potential for U.S.-Brazil Energy Cooperation» CSR Report for Congress, September 27th, 2007 available at <http://fpc.state.gov/documents/organization/93476.pdf>

<sup>134</sup> «Anti-Americanism in Venezuela», *BBC News*, April 20<sup>th</sup>, 2007, available at <http://news.bbc.co.uk/2/hi/europe/6572615.stm>, consulted on September 4<sup>th</sup>, 2011.



## 1.1) *Brazil as a Foreign Direct Investment (FDI) Host country*

The Economist Intelligence Unit, a research and analysis resource unit who delivers business intelligence and advice decision-makers to companies, financial institutions, governments and universities, ranked Brazil 44<sup>th</sup> on the attractiveness of business environment in its *World Investment Prospects* (period 2006-2010). In comparison with the other BRICs, Brazil is long before China, ranked 51<sup>st</sup>, India 58<sup>th</sup>, and Russia 59<sup>th</sup><sup>135</sup>. Thus, the country appears as an interesting place for FDI destinations, and is indeed the largest recipient in Latin America. Foreign investments are crucial, as together with exports and consumption, it represents the three economic growth engine. It is true that (FDI) have played an important role in the country's industrialization, as foreign investors were interested not only in the Brazilian outsized domestic market, but also in the technology-intensive industrial sector. Brazil, who has been quite liberal regarding foreign capital inflows this last decade, has then greeted FDI with sympathy, the latter being perceived as a boost for employment but also modernization of the economy.

The United States has been the top foreign investor for Brazil: United States' FDI (stock) reached, in 2009, \$56.7<sup>136</sup> billion.

As an example, the American aircraft manufacturer Boeing announced last year its incentive to sign off on a series of partnerships with Brazil's domestic defense contractor Embraer. This would mean a «clear package of technology transfer»<sup>137</sup> as the assembly and manufacture of parts (nose, wings and tail) of the Boeing's F/A-18 Super Hornet fighter jet would be transferred to Brazil, potentially in Sao Jose dos Campos (São Paulo state), which represents one of the most important industrial centers in Latin America. The agreement between Boeing and Embraer, has also been perceived as a way for the United States to strengthen Boeing's offer to supply the Brazilian Air Force with 36 fighter jets; such a contract would be worth \$4-7 billion.

The United States has several took the opportunity to invest in Brazil in order to revive its sells; for example, the country's automaker General Motors invested \$1 billion in order to avoid problems and support demand in the region<sup>138</sup>. As underlined President of General Motors for South America,

<sup>135</sup> Data found on the «World Investment Prospects to 2010» of the Economist Intelligence Unit, Table 14, p38, available at <http://download.china.cn/en/pdf/060906.pdf>

<sup>136</sup> According to the Office of the United States Trade Representative data on Brazil, available at [www.ustr.gov/countries-regions/americas/brazil](http://www.ustr.gov/countries-regions/americas/brazil).

<sup>137</sup> Boeing's vice president for Europe, Israel and America Joseph McAndrew' quotes in the article of Jaylan BOYLE, «Brazilian Military Spending Continues», *The Rio Times*, November 23<sup>th</sup>, 2010, available at <http://riotimesonline.com/brazil-news/front-page/brazilian-military-spending-continues/#>, consulted on September 13<sup>th</sup> 2011.

<sup>138</sup> «General Motors to Invest \$1 Billion in Brazil Operations», *Latin America Herald Tribune*, November 21<sup>th</sup>, 2008, available at [www.laht.com/article.asp?CategoryId=12396&ArticleId=320909](http://www.laht.com/article.asp?CategoryId=12396&ArticleId=320909), consulted on September 13<sup>th</sup>, 2011.

Jaime Ardila, «It wouldn't be logical to withdraw the investment from where we're growing, and our goal is to protect investments in emerging markets»<sup>139</sup>. Therefore Brazil was perceived by the United States as a back up solution while the country was stricken by the 2008 financial crisis; general Motors almost went bankrupt<sup>140</sup>. As for Brazil, the country shows actually its capacity to face the crisis. While the effects of the crisis were globally spreading around, Lula's administration's mitigated the crisis effect through a \$100 billion injection in the local economy, to support productive sectors, providing tax reduction to both manufacturers and consumers, and lowering the Brazilian Central Bank interest rates<sup>141</sup>. Brazil therefore appeared as a more stable market to falls back on.

In addition to the fact Brazil's has represent an interesting solution and opportunity for some Unites Sates economic issue, the Latin American country has also proved its interest at a political level.

## 2 – The United States Interest in Brazil's Mediator Role

In the first part it was demonstrated how Brazil's commitment and dynamism helped to expand its foreign policy both with the «Core» and the «Periphery». In fact, Brazil's position enables it to present itself as a mediator between the great powers and the smaller nations. In other words, Brazil plays the role of an intermediary or local interlocutor between industrialized and developing countries, the country's actions being reinforced by its BRICS status.

### 2.a – Brazil's Effort to Help Western World Multilateral Relations: the Case of Iran

President Lula declared in 2003 «I would like to stress that our rapprochement with the Arab world shall not affect the good relations we have with Europe and the United States»<sup>142</sup>; meaning that South-South ties should not be at the expense of Brazil's relations to the global North.

Despite the fact Brazil's ties to Iran were deemed dangerous and disappointing from some politicians (i.e. Iran President's visit in November 2009 - Part II, 4 – Brazil's ties to Iran and the nuclear issue -), the Obama administration said it could hopefully help to the improvement of

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<sup>139</sup> *Ibid.*

<sup>140</sup> Micheline MAYNARD, «G.M.'s Troubles Stir Question of Bankruptcy vs. a Bailout», *The New York Times*, November 12<sup>th</sup>, 2008, available at [www.nytimes.com/2008/11/13/business/economy/13bankruptcy.html](http://www.nytimes.com/2008/11/13/business/economy/13bankruptcy.html), consulted on September 13<sup>th</sup>, 2011.

<sup>141</sup> Jonathan WHEATLEY, Brazil's leader blames white people for crisis, *The Financial Times*, 27 March 2009, available at [www.ft.com/intl/cms/s/0/ae4957e8-1a5f-11de-9f91-0000779fd2ac.html#axzz1ZBKL8xmM](http://www.ft.com/intl/cms/s/0/ae4957e8-1a5f-11de-9f91-0000779fd2ac.html#axzz1ZBKL8xmM), consulted on September 4<sup>th</sup>, 2011.

<sup>142</sup> Elodie BRUN, *Les relations entre l'Amérique du Sud et le Moyen-Orient: un exemple de relance Sud-Sud*, Editions L'Harmattan, 2008, page 107.

Washington/Teheran relations. Indeed, regarding this diplomatic visit, Ian C. Kelly, a State Department spokesman declared «We would hope that all our friends and allies would understand that this is really a critical moment for Iran itself. We would hope that Brazil would play a constructive role in trying to get Iran to do the right thing and fulfill its international obligations<sup>143</sup>». In return, Brazilian officials notified that Lula would «try to sell Iran on the benefits of a Brazilian-style nuclear program, which is constitutionally limited to civilian use»<sup>144</sup>. Despite all the criticism Brazil/Iran negotiations have caused, Lula actually agrees with the United States, on the fact that Iran has to abide by international atomic energy regulations; What the Brazilian is against is sanction, that Lula deemed less effective than dialogue.

In May 2010, Lula was informally appointed to be an intermediary between Iran and Western countries to mediate the crisis over Iran's nuclear ambitions. The objective was to make sure that Iran's nuclear fuel was only dedicated to medical purposes, while diminishing the country's bomb-building potential. As presented in Part I, the latter implied that Iran send 1,200 kg of low-enriched uranium to Russia and France, so that it can be transformed into fuel to be used as a support to fight against cancer, through the fabrication of isotopes for the treatment. Despite the fact the outcome was unsatisfying for the United States, it was perceived as an achievement for Brazil. It still demonstrates that Iran is willing to deal with Brazil and that the Latin American country's opinion is not ignored by Iran.

That is why the United States should more genuinely use Brazil multilateral skills to influence the outcome regarding Iran. As the «rogue state» supposedly represents a threat to the United States' security, an opportunity to influence the country through Brazil should be seized more often, instead of sanctions, which seems to fuel Iran's President provocations.

As presented in the first part, Brazil's mediation activities also enabled the country to help ease tensions between the United States and Latin America countries.

## 2.1b *Brazil, A Sub-Regional Hegemon as an Intermediary In Latin America*

Indeed, Brazil could exercise its influence in the region, as the country is perceived as a legitimate actor in this area. But such a position can also be perceived as an opportunity for the United States. As Stéphane Monclaire contends, if Brazil often disagrees with the United States, the country is not

<sup>143</sup> Alexei BARRIONUEVO, «Brazil Elbows U.S. on the Diplomatic Stage», *The New York Times*, November 22<sup>th</sup>, 2009, available at [www.nytimes.com/2009/11/23/world/americas/23brazil.html](http://www.nytimes.com/2009/11/23/world/americas/23brazil.html), consulted on August, 3<sup>rd</sup>, 2011.

<sup>144</sup> *Ibid.*

looking for being considered as a systematic opponent<sup>145</sup>. As a testimony of their cordial relations, Lula was, in 2009 the first Latin American head of state to visit Obama at the White House. The biofuel Memorandum exemplified this possibility of cooperation, but it also stresses the incentive from the US to go through Brazil in order to improve its relations with Latin American countries. Indeed, United States/Latin America relations have historically been complex and the left-winged movement presented in Part II was another source of tensions. The great challenge for President Obama in Latin America has been to handle the negligence of his predecessor; Bush's behavior regarding Latin America has fed anti-Americanism. Brazil has been perceived as a potential solution to that problem. The country's mediation capacity relies in the fact that Brazil has maintained good relations with both Southern and Northern countries, which grants him with being perceived as a legitimate actor; while he was be the head of Brazil's Workers Party on the one side, fitting then in the leftist turn scheme in Latin America, Lula has proven himself on the other side, to commit as much to capitalism as to socialism in his drive to support its economic growth and competitiveness on international markets. Brazil was therefore able to be considered as a mediator by both the United States and Venezuela for example. Lula was appointed as a «mutually acceptable go-between»<sup>146</sup>, Obama and Chavez could make the first step toward building the United States/Latin America ties in general, a possibility that was much less likely under Bush' administration.

Brazil has remained a good opportunity to build a bridge between Washington and the Latin American left-winged governments. For all that Brazil's role in Latin America has sometimes been question, in particular by its local neighbor; as case that illustrate the idea that Brazil still have some obstacles to face to become a real threats for the United States hegemony.

## **B - Brazil's Flaws and Obstacles: a leeway for the United States**

Although few analysts deny that Brazil's international importance has increased substantially over the past decade, most believe that nonetheless, the country has to overcome significant challenges to be considered as a world power. Brazil still has to deal with internal problems that could hinder its economic soaring. Such flaws can actually represent an opening for the United States. To follow on

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<sup>145</sup> Stéphane MONCLAIR, Le Brésil et la quête d'un nouveau statut international», *Questions internationales*, numéro 18, Mars-Avril 2006, p 72.

<sup>146</sup> Tim PADGETT, «Brazil's Lula: A Bridge to Latin America's Left?», *Times*, March 14<sup>th</sup>, 2009, available at [www.time.com/time/world/article/0,8599,1885113,00.html](http://www.time.com/time/world/article/0,8599,1885113,00.html), consulted on September 20<sup>th</sup>, 2011.

Brazil's role in Latin America, it has to be noted that despite the fact the country has been perceived as a legitimate actor, Brazil's influence and aspirations have nonetheless been questioned in the region; particularly by Argentina, its traditional local rival.

## 1 – Argentina: A Local Competitor Hindering Brazil's Emergence

As underlined in the first part, Argentina and Brazil have inherited several of territorial tensions originated from the colonial period. Still, despite different periods of tensions, the countries relationship cannot be defined as hostile, for the last two centuries. While Argentina is the second economy, has the 2<sup>nd</sup> largest population and area among Mercosur countries (see Annex 3), the country has been in Brazil's shadow; still, they are in competition on many levels and their respective defense policies mirrored reciprocal suspicions; Both countries have asked, over the last decade, for consultations before the WTO with the other, concerning, every times, protectionism and anti dumping measures<sup>147</sup>.

Argentina has in addition twice non-tariff trade barriers over six months, between 2208 and 2009. As a justification, President Cristina Fernández de Kirchner declared that «Argentina's "monstrous" \$4 billion trade deficit in 2008 with Brazil made it logical to take steps since Argentina industry was less developed than that of its biggest trading partner». She added «fiscal benefits to Brazilian industry and the recent devaluation of Brazil's currency protected Brazilian interests»<sup>148</sup>. Reminding of her country' disadvantage, she took the necessary measure to protect Argentine market from Brazil harsh competition. High quality global journalism requires investment. The Argentine foreign ministry's top official, Alfredo Chiaradía even condemned the fact that his country was associated with protectionism: «I think Argentina is being unfairly labelled when countries who do much more serious things are not labelled [as protectionist]. In the current world crisis, how is a country like Argentina supposed even minimally to protect jobs»<sup>149</sup>, expressing the idea that Argentina had no choice but to have recourse to trade barriers to withstand the crisis.

<sup>147</sup> See the three Argentine/Brazilian dispute, DS190, DS241, DS355, over safeguard and anti-dumping measures on the Dispute Settlement WTO website, available at: [www.wto.org/english/tratop\\_e/dispu\\_e/find\\_dispu\\_cases\\_e.htm?year=none&subject=none&agreement=none&member1=BRA&member2=ARG&complainant1=true&complainant2=true&respondent1=true&respondent2=true&thirdparty1=false&thirdparty2=false#results](http://www.wto.org/english/tratop_e/dispu_e/find_dispu_cases_e.htm?year=none&subject=none&agreement=none&member1=BRA&member2=ARG&complainant1=true&complainant2=true&respondent1=true&respondent2=true&thirdparty1=false&thirdparty2=false#results)

<sup>148</sup> Jonathan WHEATLEY and Jude WEBBER «Argentina and Brazil push against protectionism», Financial Times, March 26th, 2009, available at [www.ft.com/intl/cms/s/0/58726da0-1a3c-11de-9f91-0000779fd2ac.html#axzz1Z0LHQUQR](http://www.ft.com/intl/cms/s/0/58726da0-1a3c-11de-9f91-0000779fd2ac.html#axzz1Z0LHQUQR), consulted on September 6<sup>th</sup>, 2011.

<sup>149</sup> *Ibid.*

Argentine position with regards to Brazil's emergence was also illustrated at the political level. Argentina is actually the biggest obstacles for Brazil's admission to the United Nations Security Council. Indeed, Argentina opposed to its regional rival candidature, calling instead for an enlargement of the number of non-permanent seat at the UNSC. The country does not believe in the idea of an expanded UNSC being more balance or representative; on the contrary, Argentina contended that if some states were granted the admission to the UNSC, not only it would contribute to exacerbate existing inequalities in the council; but it would also alter their attitudes and voting behavior, influenced by Brazil's national perception of issue at hand and not by the regional representative role the country would supposedly have<sup>150</sup>. This reluctance to Brazil's admission is rather the expression of Argentina's fear of the influence Brazil could gain, which would definitely seal its role as a regional hegemon in Latin America.

## 2 – Brazil's Internal Flaws

In addition to this regional obstacle that might hinder Brazil's expansion, the country has suffered from internal dysfunctions, which could also limit Brazil's potential to genuinely question the United States hegemony. The following selected issues show another facet of Brazil's growth, as its factors imply an underside aspect: the human rights issue will deal with the labor factor of growth, while the environmental issue will focus on the land factor.

### 2.a – *The Human Rights Issue*

Despite Lula's administration efforts to struggle against poverty and social inequalities, criminality through urban crime and drug cartel, remains an alarming issue for the citizen's security in Brazil. Fighting criminality has sometimes implied law enforcement, while police in Brazil's metropolis had recourse to tough methods to control high violence, which caused some human right militant group. In 2009, Human Rights Watch carried on research to evaluate the level of human right violation in Brazil. The report specified that «police officers in Rio de Janeiro and São Paulo routinely resort to lethal force, often committing extrajudicial executions and exacerbating violence in both states»<sup>151</sup>. Indeed, over the period 2003-2011, more than 11,000 people have been killed by police forces. Justifications were found as police officers claimed for the use of self-defense, since, in Brazil «Police officers are permitted to use lethal force as a last resort to protect themselves or others», as declared José Miguel Vivanco, Americas director at Human Rights Watch. Police forces'

<sup>150</sup> Dimitris BOURANTONIS, *History and politics of United Nations Security Council reform*, Routledge Editions, 2005, p. 61.

<sup>151</sup> 2009 Human Rights Watch report on Brazil, available at [www.hrw.org/news/2009/12/08/brazil-curb-police-violence-rio-s-o-paolo](http://www.hrw.org/news/2009/12/08/brazil-curb-police-violence-rio-s-o-paolo)

corruption also implies illegal detentions to extort money or favors; a phenomenon worsened by the fact that, according to the 2010 United States Department of States report for Brazil and human rights, near 90% of prisoners could not afford an attorney<sup>152</sup>. Despite the fact Brazil made some efforts regarding laws providing criminal penalties for official corruption, these practices are still common and represent a source of revenue: according to the US Department of States report, the Brazilian government recovered \$390 million diverted from public funds, which represents a 35% rise compared with 2009<sup>153</sup>. The combination of urban crimes and police violence and corruptions results in high level of insecurity for the citizens. Brazil has an annual homicide rate reaching 25 of 100,000 people, which is actually more than twice the United States rates (11 per 100,000 inhabitants)<sup>154</sup>. These alarming figures reveals the weaknesses of the Brazilian criminal justice system; gangs and cartels multiply, sometime to the point of paralyzing big cities. It was the case in May 2006, when a prison-based gang network called *Primeiro Comando da Capital* (PCC) organized street combat and demonstration, which blocked the city of São Paulo for several days; 150 people, including 38 policemen, were killed, while 82 buses were burnt and 17 bank branches assaulted<sup>155</sup>. In the nighties, The PCC was creating to denounce the prison's poor conditions and would be today, supposedly exercising influence over more than 140, 000 prisoners in the Sao Paulo prison. As alerted *The Economist*, the gang seems to have «colonised the criminal underworld» and «prisons are becoming centres of criminality»<sup>156</sup>; Yet, according to Julita Lemgruber, a sociologist at the Universidade Candido Mendes in Rio de Janeiro «A third or fewer prisoners really have to be there. If the rest were punished in less drastic ways, they would be removed from the influence of the worst criminals ». This fact then echoes and is subsequent, to a certain extent, to police force systematic detentions: as officials use massive imprisonment, mere delinquents, in contact with more dangerous criminals, are then enrolled in organized crime. Julita Lemgruber recommends putting the emphasis on investigation rather than on mere repression.

Another problem regarding the human rights issue is the lack of child protection. Firstly, it is to be noted that in Brazil, near 9% of birth were not recording in 2008, which would represents around 248,000 children who does not hold a birth certificate<sup>157</sup>. Unregistered births then give scope for

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<sup>152</sup> US Department of States, Bureau Of Democracy, Human Rights, And Labor, 2010 Country Reports on Human Rights Practices, available at [www.state.gov/documents/organization/160156.pdf](http://www.state.gov/documents/organization/160156.pdf).

<sup>153</sup> *Ibid.*

<sup>154</sup> Teresa A. MEADE, *A Brief History of Brazil*, Infobase Publishing, 2009, page 222.

<sup>155</sup> «The mob takes on the state, A prison gang shows its deadly power and flatfoots the politicians», *The Economist*, May 18<sup>th</sup>, 2006, available at [www.economist.com/node/6950391](http://www.economist.com/node/6950391), consulted on September the 12<sup>th</sup>, 2011.

<sup>156</sup> *Ibid.*

<sup>157</sup> US Department of States, Bureau Of Democracy, Human Rights, And Labor, 2010 Country Reports on Human Rights Practices, available at [www.state.gov/documents/organization/160156.pdf](http://www.state.gov/documents/organization/160156.pdf).

child abuses, prostitution, illegal work, etc. Child exploitation remains a problem in Brazil: according to a 2008 study from the Brazilian Institute of Applied Economic Research, 5% of children aged 5-14, (1.7 million children) worked in the Brazilian economy<sup>158</sup>.

The main sector concerned by children labor is agriculture, and more especially cotton, manioc, pineapple, rice, and tobacco. Because child labor feature implies hidden and informal work, some of the consequences were physical injury, such as «dismemberments, gastrointestinal disease, lacerations, blindness, and burns caused by applying chemical products with inadequate protection». As Brazil comparative advantage mainly relies on agribusiness, the country's exports and growth are therefore, to a certain extent, supported by practices that do not respect human right. The United States took advantage of this weakness of Brazil, who faces some criticism for the «international community»<sup>159</sup>. For example, while the United States were to be accused by the WTO of abusing of zeroing method presented above, their answer as a «Respondent» consisted in the first place to avoid condemnation and to find flaws in Brazil's complain. Indeed, as United States juice producers were frustrated by the fact that picking and transporting oranges in Florida costs nearly four times as much as it does in Sao Paulo state, they accused Brazilian juice companies of exploiting their workers and using child labor<sup>160</sup>. Event though the United States had to face the consequences anyway and were condemned by the WTO, it illustrates the country capacity to take advantage and emphasize on Brazil's internal problem.

### 2.1) - *The environmental Issue: Growth At The Expense Of Amazonia?*

The Amazon rainforest is a vast region of Latin America, drained by the Amazon river and spread over 4,5 millions km<sup>2</sup> and 9 countries. Amazonia has been an object of interest for several reasons: its capacity of carbon dioxide absorption, which granted the region with the nickname «world's lung»; its endowment in fresh water reserves, as it represents 1/5 of the world's rivers<sup>161</sup>; its extremely diversified animal life and lush vegetation, as more than 15%<sup>162</sup> of the worlds lived there; Such assets and such a surface made the region particularly attractive. Today, humans occupy 1/5 of the Amazon territory, which is at the origin of deforestation process. According to the World Wild

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<sup>158</sup> *Ibid.*

<sup>159</sup> US Department of States, Bureau Of Democracy, Human Rights, And Labor, 2010 Country Reports on Human Rights Practices, available at [www.state.gov/documents/organization/160156.pdf](http://www.state.gov/documents/organization/160156.pdf).

<sup>160</sup> Robert PLUMMER «Brazil feels the squeeze in juice war». *BBC News*, September 21<sup>th</sup>, 2006, available at <http://news.bbc.co.uk/2/hi/business/5357866.stm>, consulted on September 5<sup>th</sup>, 2011.

<sup>161</sup> World Wild Fund (WWF), <http://www.wwf.be/fr/?inc=page&pageid=209>

<sup>162</sup> «Souhaite ministre écolo mais pas trop», *Courier International*, June 5<sup>th</sup>, 2008, <http://www.courierinternational.com/article/2008/06/05/souhaite-ministre-ecolo-mais-pas-trop>, consulted on September 5<sup>th</sup>, 2011.



Fund (WWF), half of Amazonia will have disappeared in 20 years if the rhythm of deforestation stays the same.

As Brazil has more than half of Amazonia surface<sup>163</sup>, the country and its public policies in the region played an essential role in the rainforest evolution. Brazil's contribution to deforestation is way superior to its neighbor: while the country clears 22,5 km<sup>2</sup> every year, Bolivia, the following one in the deforestation ranking, «only» destroys 2,2 km<sup>2</sup> of the rainforest. Lula's administration was concerned by the environmental issue and effective efforts were made to slow down the deforestation process (see Annex 12). Nevertheless, such achievement were mainly due to the former Environment Minister and ecology militant Marina Silva; while Lula's concerns were more focused on satisfying great land-owners, complaining about bureaucracy procedure to obtain necessary environmental authorization to invest in the region. President Lula even said during a speech in November 2006 that the environment and Indians were a hindrance to economic growth<sup>164</sup>. This idea fits in the project he launched in 2006, the «Plano de Aceleração do crescimento», Growth Acceleration Program, which includes massive public investment and public/private partnership and is worth \$240 billion between 2007 and 2010<sup>165</sup>. This support to economic growth implied infrastructures building and intensification of agriculture exports. That is how, after thirty years of commitment for the protection of the environment within the Worker's Party, Marina Silva quitted the government denouncing the fact growth and great economic and financial interest remained a clear priority, which did not fit in the scheme of her environmental policy. Thus was revealed the intra-partisan struggle: while Marina Silva was establishing more strict environmental policies and land allocation process, Lula's Administration kept on favoring agricultural interests over conservation. It implied construction of roads, cattle ranching and agriculture activities; elements that sustained the economic growth. Therefore, while Brazil is ranked as the 8<sup>th</sup> largest economy in the world, it is also reported to be the 4<sup>th</sup> largest greenhouse gas producer emitter<sup>166</sup>.

As a more accurate example, one can mention the biofuels impact on deforestation; indeed, while biofuel were originally deemed cleaner than petroleum fuels in terms of greenhouse gas emissions,

<sup>163</sup> Lykke E. ANDERSE, *The dynamics of deforestation and economic growth in the Brazilian Amazon*, Cambridge University Press, 2002, pages 11.

<sup>164</sup> Direitos humanos se conquistam na luta, «Entidades repudiam declaração de Lula sobre povos tradicionais», available at [www.direitos.org.br/index.php?option=com\\_content&task=view&id=2239&Itemid=2](http://www.direitos.org.br/index.php?option=com_content&task=view&id=2239&Itemid=2), consulted on September 10th, 2011.

<sup>165</sup> Steve KINGSTONE, «Lula pins hopes on economic plan», *BBC News*, January 23<sup>rd</sup>, 2007, available at <http://news.bbc.co.uk/2/hi/americas/6289943.stm>, consulted on September 12<sup>th</sup>, 2011.

<sup>166</sup> Larry ROTHER, «Brazil, Alarmed, Reconsiders Policy on Climate Change», *New York Times*, July 31<sup>st</sup>, 2007, available at [www.nytimes.com/2007/07/31/world/americas/31amazon.html?pagewanted=all](http://www.nytimes.com/2007/07/31/world/americas/31amazon.html?pagewanted=all), consulted on September 14<sup>th</sup>, 2011.

recent studies that include the deforestation factor in the calculation revealed that biofuels could cause larger greenhouse gas emission than petroleum<sup>167</sup>.

Once again growth and the development of agriculture export have appeared as a threat for the rainforest.

Marina Silva's campaign and program within her Green Party might have been a first step to promote and handle the environmental issue; but the latter was not elected as Dilma Rousseff, Lula's Worker's Party won the 2010 elections. The last part examines the perspective of the new leader Dilma Rousseff, but who is still within the same political party.

## C - Dilma Rousseff's Administration Perspective

With the new presidency, it is appropriate to inquire if Lula's footsteps and initiatives will be perpetuated in the field of trade and foreign investment policies. How will the Rousseff administration deal with trade disputes with the United States? It has first to be reminded that despite these inevitable tensions and disagreements, which arise as both countries' power assert themselves, United States/Brazil relations are generally cordial. As an example, President Rousseff addressed her willingness to strengthen relations with the United States, as one of the priorities under her administration; «I believe that the U.S. has a great contribution to give to the world. And above all, I believe that Brazil and the U.S. have to play a role together in the world. For example, we have great potential to work together in Africa, because in Africa we can build a partnership to make available agricultural technologies, biofuel production, humanitarian aid in all fields»<sup>168</sup>. She also reminded and stresses the importance the United States have had for Brazil: «None of us in Brazil will be comfortable if the U.S. carries high rates of unemployment. [In the context of global crisis] the recovery of the U.S. is important for Brazil because the U.S. has an extraordinary consumer market. Today, the highest trade surplus of the U.S. is with Brazil»<sup>169</sup>.

When asking whether Brazil, under her presidency, will continue on the economic path set out by President Lula, Dilma Rousseff chose to first emphasize the previous administration achievements, underlining that inflation managed to be controlled, the flexible exchange-rate regime and fiscal was strengthened, and that Brazil is now part of the countries with the lowest debt-to-GDP ratio (2,2% deficit). Nonetheless, she addressed her willingness to assert herself in her administration that « will

<sup>167</sup> Timothy SEARCHINGER, «Use of U.S. Croplands for Biofuels Increases Greenhouse Gases Through Emissions From Land Use Change», *Science*, Volume 319, pages 1238-1240, available at [www.whrc.org/resources/publications/pdf/SearchingeretalScience08.pdf](http://www.whrc.org/resources/publications/pdf/SearchingeretalScience08.pdf)

<sup>168</sup> Lally WEYMOUTH, «An interview with Dilma Rousseff, Brazil's president-elect» *The Washington Post*, December 3<sup>rd</sup>, 2010, available at [www.washingtonpost.com/wp-dyn/content/article/2010/12/03/AR2010120303241\\_2.html](http://www.washingtonpost.com/wp-dyn/content/article/2010/12/03/AR2010120303241_2.html), consulted on September the 20<sup>th</sup>, 2011.

<sup>169</sup> *Ibid.*

be different from President Lula's». She added that «President Lula's administration, which I was part of, built a base from which I will advance. I will not repeat his administration because the situation in the country today is much better than it was in 2002. I have underway government programs that I helped develop, like the one called My House, My Life, which is a housing program»<sup>170</sup>.

The new president arrival can then represent an opportunity to define new relations based on more transparency, just like the arrival of Barak Obama gave scope to redefine the United States relations with Latin America, with more flexibility. Both countries will have to focus on a more productive and trustful bilateral relationship. The evolution of their relations will lie in how carefully Dilma Rousseff's administration will handle Brazil's foreign policy; so will the way President Obama choose to face Brazil's emergence and growing role on the international scene.

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<sup>170</sup> Lally WEYMOUTH, «An interview with Dilma Rousseff, Brazil's president-elect» *The Washington Post*, December 3<sup>rd</sup>, 2010, available at [www.washingtonpost.com/wp-dyn/content/article/2010/12/03/AR2010120303241\\_2.html](http://www.washingtonpost.com/wp-dyn/content/article/2010/12/03/AR2010120303241_2.html), consulted on September the 20<sup>th</sup>, 2011.

## Conclusion

This study has demonstrated how Brazil has looked, over a decade, to demonstrate its independence from the United States. It relies in the fact that the country has plainly proved its capacity to pursue regional and global aspirations with actually a minimal backing or cooperation with the United States. Brazil committed to broadly diversify his relations on the global stage, targeting the consolidation of his ties with both industrial and developing countries. In addition the country has made a priority increasing its presence in multilateral institutions, claiming for more recognition through the proposal of its candidacy as a permanent member at the UNSC. Such aspirations have bothered the United States, as Brazil was imposing itself as both a harsh competitor but also sub regional hegemon.

Despite their tense relations, Brazil and the United States have never considered themselves as opponents. Contrary to Venezuela and Chávez's open anti-Americanism, willing to form a united South America to counter the United S. economic and political «imperialism»<sup>171</sup>, Lula is less radical in his point of view. Emphasizing on the necessity to «maintain political solidarity when facing challenges from countries outside the region» Lula da Silva called nonetheless noted that anti-Americanism was not a «hallmark of the regional trade bloc»<sup>172</sup>. Both governments are disposed to tolerate even significant disagreement and cooperate in specific cases. In a nutshell, state-to-state political relations between the United States and Brazil primarily consist in, today, prudent coexistence, possible collaboration when common interests and minimal clash.

Thus, greater efforts will be necessary in order to implement constructive relationship between the United States and Brazil. Still, conflict and disputes may be more common than partnership, as most of the issues concerned are crucial and determinant for both countries. Such a phenomenon is actually quite expected when two powerful countries have to contend with one another. Indeed, Brazil/United States relations will progressively will be more alike the European Union/United States or Japan/United States, with the particularity of being on the same continent; stimulating as much partnership and sharpened competitiveness. Cases multiply at the WTO Dispute settlement,

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<sup>171</sup> Natalie OBIKO PEARSON, «Chávez Hosts 6-Nation Trade Summit», *The Washington Post*, July 5<sup>th</sup>, 2006, available at [www.washingtonpost.com/wp-dyn/content/article/2006/07/04/AR2006070400589.html](http://www.washingtonpost.com/wp-dyn/content/article/2006/07/04/AR2006070400589.html), consulted on September 24<sup>th</sup>, 2011.

<sup>172</sup> *Ibid.*

while partnership flourish, even on contentious topics, illustrating the chequered relations Brazil and the United States are getting through.

But for now, referring to the Cardoso's theory, the nuanced potential of Brazil as a threat to the United States is linked to Brazil position in itself: not a Periphery anymore, but not a Core yet. This status of incomplete power makes more complex the appreciation of Brazils position as, assuming his position of influence weakens the argumentation regarding solidarity and the opposition Periphery/Core.

If the United States wishes to conserve its position as a global leader, it will need to implement a foreign policy strategy of genuine cooperation with its sub-regional rival; by getting on the wrong side of Brazil, the Unites States may loose even more credibility in Latin America. Inversely, Brazil has no interest in adopting an anti-american foreign policy towards the United States and the country doesn't intend to do so; as Dilma Rouseff stresses the North American giant role for Brazil in an interview with *The Washington Post* preceding her investiture, «I consider the relationship with the U.S. very important to Brazil. I will try to forge closer ties with the U.S. I had great admiration for the election of President Obama»<sup>173</sup>

Both countries have interests in maintaining regional stability on the continent. By combining their forces, Brazil and the United States, the two largest food exporters, would substantively increase the probability of renewing the ailing Doha Round regarding trade issues. Nevertheless, such a possibility would imply confessions for the United States and Brazil; which previous respective administrations were not willing to make. Nevertheless, Obama's administration openness to dialogue and the arrival of Dilma Rouseff at Brazil's presidency give scope to potential redefinition Brazilian/United States relations. Handling tensions and disputes transparently and with respect will still be a prerogative to preserve cordial relations.

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<sup>173</sup> Lally WEYMOUTH, «An interview with Dilma Rouseff, Brazil's president-elect» *The Washington Post*, December 3<sup>rd</sup>, 2010, available at [www.washingtonpost.com/wp-dyn/content/article/2010/12/03/AR2010120303241\\_2.html](http://www.washingtonpost.com/wp-dyn/content/article/2010/12/03/AR2010120303241_2.html), consulted on September the 20<sup>th</sup>, 2011.

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