Submerging Brazil?

João Augusto de Castro Neves, Washington D.C.

AFTER A FEW YEARS AS ONE OF the darlings of the new global economic order, the tide seems to have turned against Brazil. Two consecutive years of disappointing economic growth have been sufficient to sour the expectations of both commentators and market participants and all but demote the country as an emerging power. In policy circles in Brasilia, the fact that the country deserved not one mention in US presidential debates was widely perceived as a sign of disregard. Attempts to rekindle an illusive rivalry by pointing out Mexico's inevitable overtaking of Brazil as the region's main economy have also fueled concerns.

Is Brazil reliving a not-so-distant past and entering the bust phase of yet another boom-and-bust cycle?

Much of what is driving the general pessimism is the recurrent habit of many international relations pundits of viewing the world in terms of inexorable—and ever faster—power transitions among major powers. The problem has less to do with power transition itself than with the excessive expectations that followed the global financial meltdown of 2008–09. While the US and other developed economies were in a downward spiral, emerging countries like the BRICS kept growing and shouldered the weight of the global economy. To many, this process was a harbinger of a tectonic shift in geopolitics: the "rise of the rest."

Is Brazil reliving a not-so-distant past and entering the bust phase of yet another boom-and-bust cycle?

Brazil was never at the center of this process, at least from a geopolitical perspective, but several years of sustained economic growth gave more international visibility to the "B" in BRICS. Despite persistent social inequalities, its general domestic situation (political, economic, and social) has improved considerably, and like other large emerging powers Brazil has become more assertive regionally and globally. In doing so the country started to redefine its own national interests in ever-expanding terms. Brazilian multinationals conquered markets, more and more immigrants flocked to Brazil for a better life, and decision-makers started to flex their muscles on the global stage.

But two years of disappointing economic growth have deeply dampened expectations, not only toward Brazil but also with respect to other emerging countries. As a result, broken BRICS—the "*demise* of

castroneves@eurasiagroup.net

the rest"—has become the newest fad in pundit-land jargon.

One of the many problems with these premature assessments is that they tend to view international relations as a fundamentally zero-sum game: If one is down, the other has to be up. Not a lot of attention is given to the fact that some (not all!) economic challenges that emerging markets have endured in the past two years were influenced by continuing difficulties in developed economies. Furthermore, part of the frustration has to do with misperceptions and excessive expectations. The BRICS never represented a new and emerging world order. What glued these countries together was not shared viewpoints about what the world should look like but a slight overlapping of individual strategies aimed at better enhancing each country's international standing.

The economic situation in Brazil today is unarguably less favorable than before and is likely to remain so for some years, at least compared to the first decade of this century. And for a country with limited military resources situated in a relatively nonstrategic region (from a U.S. perspective), projection of Brazil's global power is predominantly a function of long-term economic activity. Thus, the Japan of the 1980s and even the Brazil of the early 1970s serve as cautionary tales about seeking a path to great power.

But while it is always prudent to talk about rising powers with a grain of salt, there are reasons to believe that the current pessimism toward Brazil is overstated.

While it is always prudent to take talk about rising powers with a grain of salt, there are reasons to believe that the current pessimism towards Brazil is overstated.

While growth is at the moment lackluster, unemployment is still very low. Furthermore, the growth of the middle class is a sign of a structural shift in Brazil's demographics, which will have many repercussions in policymaking — including foreign policy. Finally, beneath the chatter created by some (overly) aggressive policy responses to the economic downturn (pressure on the banking sector and power utilities, to name a few), important structural reforms have begun to take shape (in public pensions, savings accounts, payroll exemptions, and concessions for transport infrastructure, among others). Of course, many challenges lie ahead and Brazil's place in the world will depend greatly on the longer-term impact of these reforms — and whether the government will continue to pursue them.

For a country for which international prestige has always been one of the goals of its foreign policy, to be excluded from headlines may feed an alleged "inferiority complex" in Brasilia. But when one thinks of China and the Middle East, no mention is certainly a good thing when it comes to U.S. presidential debates.