Rising Brazil: Implications for the United States



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Talk of Brazil as a rising power is not new. It first peaked, because of our breakneck growth, in the 1970s and had Secretary of State Henry A. Kissinger pushing for a strategic partnership. It then vanished in the 1980s as stagnation and inflationary pressures brought the Brazilian economy to a halt. Many joked that "Brazil is the country of the future … and will always be."

Now the view of Brazil as an upwardly mobile country is back. The economy has grown without significant inflation, fuelled both by the boom in commodity prices and by competitive industrial exports. Since 2001 shares in the Brazilian stock market have been up by 350%, and macroeconomic policies have produced consistently good results. For all the turbulence of recent months, equity markets are vibrant and healthy, and the biggest Brazilian companies are expanding abroad fast.

A member of the BRIC club (along with Russia, India and China), Brazil's is a story of structural change. Globalization has transformed it dramatically for the better. Once a laggard in opening up its economy, and a reluctant (and inconsistent) follower of the Washington consensus, it has now reaped enormous benefits from freer trade and finance. In the last decade it cut poverty by a quarter while reducing income inequality. In 2008, for the first time, the largest chunk of the Brazilian population belonged to the middle class. This is the largest economic expansion in a generation, and both Brazil and Brazilians are more affluent than ever before.

Of the four BRICs Brazil is the richest in income per person. In 2007 the United States traded with and invested in Brazil more than with either India or Russia; its investment in Brazil also surpasses investment in China if Hong Kong is excluded. According to IMF figures, Brazil's economy ranks ahead of Russia, India, and South Korea. It alone accounts for over half the wealth of South America as well as over half its population.

Brazil's geography helps, too. Ensconced in South America, it has managed to avoid too many security entanglements. It is the only BRIC that does not possess (nor aspire to acquire) nuclear weapons. Unlike China and Russia, it is a stable and resilient democracy. Unlike India, it has peacefully reconciled ethnic and cultural diversity. While its military spending far surpasses that of its neighbors, it has not sought the capability to control them. And while it shares it borders with 10 of them, it has not fought a war in its neighborhood in 140 years. Instead, it has sought to embed its relative power in a network of regional institutions, making itself the major institution builder on the continent.

It is important not to exaggerate the positives. For all its growing prosperity, there are over 33 million people (just over 15% of the

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total population) who live in desperate poverty. Brazil is one of the five most unequal societies in the world. Crime is rampant in all major cities. While the pillars behind economic growth are sound, a prolonged recession abroad could well exacerbate decay at home.

But all in all Brazil is doing better today than at any time in a generation. As a major beneficiary of accelerating globalization, Brazil exemplifies one way to take advantage of freer trade and liberal global institutions while working to reduce the pain of disruption. The current crises of global finance and legitimacy therefore have strategic significance for Brazil. They could seriously harm Brazilian interests. Major international financial turmoil, for instance, could reverse the positive economic trend.

The diffusion of power away from the West, and the dramatic expansion of international actors vying to be heard could mitigate the influence of an emerging country that lacks traditional power resources. That is why Brazil will seek to moderately reform global governance in a post-crisis, post-Bush-doctrine world. It has a stake in preserving the core principles that have underwritten its recent emergence.

As the global economic center of gravity migrates to the BRICs and other developing countries, Brazil will try to ensure that the transition is orderly and legitimate. As a mildly revisionist state when it comes to the dominant rules of the game, Brazil will seek partial adaptation rather than outright revolution. Its designs are moderate compared to those of the other BRICs, and it will operate smoothly within the new international architecture.

But if Brazil is to become a stakeholder in international society, it must engage.

From Washington's standpoint, Brazil has been an ambiguous participant in the global order. It is not a swing state in the global balance of power, nor does it aspire to become one. Its strategic emphasis is domestic: national development and autonomy in the face of liberal hegemony. Brazilians have never shared the American view that the postwar order of 1945 was about openness, inclusion, and multilateral governance. From their point of view American hegemony is not quite as user-friendly as its proponents suggest.

As the Obama administration seeks ways out of the current financial and legitimacy crises, it should look at Brazil. Brazilian leaders are risk-averse. They avoid announcing new foreign policy doctrines. But in recent years they have sponsored a major transformation in the way Brazil interacts with the wider world. They are quietly reshaping South America's political and institutional landscape and have become major donors in distant lands like Haiti and Angola. Their newfound activism is apparent in global institutions old and new, from the UN to the WTO to the expanded G-8. The Brazilians have also sponsored new diplomatic connections with India, China, Russia, and South Africa with a view to affecting the global order as we know it.

As a major beneficiary of globalization, Brazil is not challenging the American worldview. But as an emerging country with a long history of frailty and dependence, it seeks protection and a hedge against risks. While Brazil will try to blunt the sharper edges of US hegemony, it will not undercut American interests. On the contrary, it may well help advance them in consequential ways.

The US administration ignores current strategic developments in Brazil at its peril. The danger is real that the Obama administration will translate the apparent lack of need for a special policy for Brazil into an attitude of benign indifference. That would be a serious strategic mistake.

If a working partnership is ever to succeed, some deeply ingrained perceptions in Brazil will have to be dislodged by continued cooperation. Brazil and the US are not natural allies — shared interests on their own do not automatically produce alliances. A partnership, if it is to exist at all, must be engineered.