Brazil’s Foreign Policy—putting the B in BRICS

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In recent years Brazil has taken its ambitions of becoming a global power to the next level. The Portuguese-speaking giant has experienced major economic and social development over the past decade. As a result, it enjoys a strong military and growing influence both in the geographically defined Western Hemisphere and other regions of the economically defined Global South. Moreover, Brasilia has strongly lobbied for a permanent seat in the United Nations Security Council (UNSC), having already achieved backing from several nations and multinational blocs. It is no surprise that the country stands as the natural candidate to become the representative of Latin America and the Caribbean in the UNSC should structural reform ever occur. Furthermore, Brazil will ambitiously host two major sporting events in the coming years, these will be the 2014 FIFA World Cup and the 2016 Summer Olympics in Rio, which, if successfully organized, will enhance Brasilia’s credentials as a rising global power.

Nevertheless, it is necessary to highlight that not all is well in the Portuguese-speaking giant. Public security continues to be a matter of great concern, along with cases of corruption among high governmental levels. Perhaps even more worrying, the country’s economic growth rates appear to be stalling, which may signal the beginning of a potentially catastrophic burst of the “growth bubble” in the near future.

Problems aside, Brazil has been placed in an elite club of rising global powers known as the BRICS, an acronym drawn from the names of its member states: Brazil, Russia, India, China and, most recently, South Africa. In this report, we will focus on the implications of Brazil’s relations with each of its fellow BRICS countries.
BRICS

The acronym ‘BRICS’ started as an abstraction created by Jim O’Neil, a financial analyst at Goldman Sachs, in a 2001 research paper. No formal alliance originally existed among these nations prior to O’Neil’s research. His study, in fact, actually helped to promote the idea of closer ties between these countries. The BRIC’s (sans South Africa) inaugural summit took place in the Russian city of Yekaterinburg in 2009.

A plethora of articles have been written about the BRICS nations since then, but a clearer picture can still be painted regarding inter-BRICS relations. It is worth noting that to a considerable degree fractionalization already exists within BRICS as Brazil, India, and South Africa have created a loose alliance known as IBSA (another acronym of the three nations’ names). [1] The IBSA bloc predates BRICS as it was originally created back in 2003 and already has held several meetings. IBSA has even staged joint military exercises. But as with BRICS, IBSA is far from being a united bloc in spite of common foreign policy objectives among its three members (i.e. pushing for UNSC reform). The three-nation group will host its sixth summit this coming June in New Delhi.

In a March 2012 interview with the Council on Foreign Relations, the renowned British journalist and economist, Martin Wolf, provided a less idealistic view on BRICS. [2] He stated that, “these countries have basically nothing in common whatsoever, except that they are called BRICS and they are quite important…the grouping has very specific jealousies within it, particularly the two most powerful members – in terms of their potential, anyway – China and India. There’s a lot of mistrust between the two.” [3] In other words, Wolf was skeptical about whether there was a sufficient convergence of interests and views among the BRICS to form a united coalition. Meanwhile, Observer Research Foundation Vice-President Samir Saran and Associate Fellow Vivan Sharan published a February 2010 op-ed in the Indian daily The Hindu. In their commentary, the analysts explained that,

*The challenge for BRICS has always been, and continues to be, the articulation of a common vision. After all, the member nations are at different stages of political and socio-economic development. While some have evolved economically and militarily they are yet to succeed in enabling plural governance structures, while others who represent modern democratic societies are being challenged domestically by inequalities and fault lines created by caste, colour, religion and history. [4]*

Nevertheless, in spite of the absence of a united front, there have been numerous inter-BRICS initiatives. For example, the South African government has reported that, “Russia has expressed interest in cooperation with South Africa in the construction of nuclear power plants. South Africa’s Integrated Resource Plan 2010 indicates that nuclear power should form part of the energy mix by 2030, with the first plant coming online as early as 2023.” [5] Moreover, the BRICS nations continue to attempt major joint projects; among the most potentially game changing moves being discussed is the creation of a BRICS development bank, a project that has since become bogged down over disagreements over which country would host the bank. Nevertheless, experts believe that this project will eventually take form. COHA Senior Fellow and visiting professor at the Australian National University, Dr. Sean Burges, argues that, “my forecast is that this is going to happen because current IFI rules are preventing Brazilian, Indian and Chinese firms from snagging more infrastructure projects in Africa.” [6]

BRAZIL AND RUSSIA

Brazil and Russia have enjoyed over 180 years of peaceful but modest diplomatic relations. [7] The history of these ties is long and generally uneventful, however they were substantially strengthened following the fall of the Soviet Union and the subsequent birth of the Russian Federation. It has only been in the last two decades that this bilateral strategic partnership has been pursued in a consistent manner. The many agreements signed by both countries, such as the Brazil-Russia Cooperation Treaty (1997), the Brazil-Russia Military Technology and Transfer Pact (2003), and the Brazil-Russia Strategic Alliance (2005) are but a few of the examples of their increasing cooperation. [8] Today, Brazil is Latin America’s largest trading partner with Russia, and one of the leading suppliers of agricultural products and consumer goods.
Regarding military ties, Brazilian President Dilma Rousseff, signed an agreement in February 2013 to purchase Russian anti-aircraft weaponry. This decision is significant as it will increase Brazil’s military strength in terms of defense capability and potentially spur greater militarization throughout Latin America – whether the region is or is not in an arms race is debatable. The agreement, according to General Jose Carlos De Nardi, head of the Joint Chiefs of Staff of the Brazilian Armed Forces, would envisage the construction of a factory in Brazil and the exchange of military technologies. The exchange will also open the doors to more bilateral negotiations with the possibility of preparing a contract for future purchases and joint development of new defense products. [9] The deal’s origins date back to meetings held in 2012 between Rousseff and Russian President Vladimir Putin. [10] However, it was in February 2013, during a meeting between Prime Minister Dmitry Medvedev and Rousseff in Brazil that the plan was further consolidated. Medvedev’s agenda was primarily in agreement with General De Nardi, but he also addressed issues such as energy, petroleum, hydropower, nuclear power, and defense with the Brazilian head of state, according to reports from the Press Secretariat of the Presidency. Amid discussions over the logistics package for investment in Brazilian highways, railways, ports, and airports, Rousseff also used the meeting to invite Russian companies to participate in the infrastructure building process. [11]

**BRAZIL AND INDIA**

The relationship between Brazil and India owes its historical origins to the Portuguese Empire. This link goes back five centuries, probably the longest relation between Brazil and a BRICS nation. [12] The Portuguese connection led to the exchange of several agricultural crops between Brazil and India in the colonial days. [13] Diplomatic relations were officially established in 1948, and relations between New Delhi and Brasilia have strengthened ever since, as exemplified by the establishment of IBSA and BRICS. [14] Although geographically the two countries are separated by great distance, they share common values such as democracy and development aspirations. Both are developing countries, important cultural, and trade actors in their regions; both are relatively politically stable, democratic, secular, multicultural, and multiethnic; and both have booming trillion dollar economies. [15]

The two countries avidly advocate for a permanent position in the UNSC for developing countries as they both believe the UNSC should be more democratic, legitimate, and representative. The G4 (a loose political alliance between Brazil, Germany, India, and Japan) is believed to be an innovative way to achieve this goal. Brazil and India are also involved in the IBSA initiative. IBSA, as well as BRICS, should be a great tool to advance economic growth and diplomatic understanding between the countries.

Trade between Brazil and India is growing at the impressive rate of 35 percent per year, despite a decreased economic rate of growth in both countries and the physical distance between them, as Brazil’s ambassador to India has pointed out. [16] The implementation of an air service agreement between the two countries is expected to overcome this gap. According to information available from the Indian Ministry of External Affairs, “bilateral trade reached a figure of $62 billion USD in 2012...This is the first time in the history of economic and commercial relations between the two countries that the bilateral trade has crossed the $10 billion USD mark.” [17] The report also explains that further areas of cooperation include,

* oil and gas, automobiles, IT, pharmaceutical, engineering goods, bio-fuels, agriculture, allied areas (the bulk of Brazilian cattle livestock is of Indian origin and Brazil still imports fresh embryos from India to rejuvenate its cattle breed), and agro-food sectors. [18]

Oliver Stuenkel, professor of international relations at the University of São Paulo-FGV campus, has strongly advocated for greater BRICS and IBSA relations, especially between India and Brazil. [19] In a September 2010 commentary for *The Times of India*, he explained that, besides trade interests, notable common democratic values exist between the two states. As Stuenkel argues, “Brazil and India are the two principal emerging powers whose citizens enjoy a human rights-abiding liberal democratic system.” [20]
Brazil and China

Even before BRICS was established, Brazil was regarded as having the potential to be the new China; whether or not this will become a reality is yet to be seen. According to studies, both countries have been hit in varying degrees by the global economic downturn. Brazil’s current GDP growth has barely been above 1 percent, a huge difference compared to its rapid 7.5 percent expansion in 2010, and well below the 3.1 percent average expected for 2013 in Latin America. China, on the other hand, although decelerating, has the growth rate of 7.4 percent, still much better compared to most nations. [21] However, studies have shown that, public contentment and perceptions of living standards appear not to have followed the same path. According to happiness indexes and gauges of consumer sentiment, Brazil has maintained a strong “feel good” factor, while many in China feel worse off. [23]

There could be many explanations for this phenomenon. An article in the British daily, The Guardian, regarding Brazil-China relations says inequality could be part of the reason. The article explains that, “the nominally capitalist and communist nations are moving in opposite directions from those that might be expected from their ideological labels.” [24]

Relations between Brazil and China began in the early eighteen century, and although disrupted by the creation of the People’s Republic of China in 1949, diplomatic relations officially reconvened again in 1974. [25] More recently, former Brazilian President Luiz Inacio Lula da Silva along with 450 Brazilian business representatives visited China in 2004 to confirm the growing economic and political relationship between, not only the two countries, but with Latin America as a whole. [25] Over the past decade Beijing has aggressively sought the natural resources needed to sustain an emerging superpower, and Latin America would be its most obvious and natural choice. China’s trade with Latin America reached $241.5 billion USD in 2011, and as has also replaced the United States as Latin America’s biggest trading partner. [26] China became Brazil’s largest trading partner in 2009. [27] Additionally, “Former Brazilian President Lula and many in the Brazilian media consider China to be Brazil’s most promising business partner and a strategic ally due to China’s rapidly rising demand for raw materials and agricultural produce.” [28]

Chinese investments in Brazil are concentrated mainly in the energy, mining, steel, and oil industries. Beijing’s investment portfolio infuses the Brazilian economy with capital and a huge growth potential, but often encourages questionable practices as well as unfortunate consequences. The country’s interest in raw materials benefits a few big Brazilian suppliers, but in turn exports back cheap manufactured goods which undercut Brazilian rivals both in domestic and regional markets. This deindustrialization trend happens not only to Brazil, but to all of China’s trading partners in Latin America. In addition to deepening Latin America’s dependence on the export of natural resources, many have good cause to grieve over the corrupt Chinese practices of buying up land from peasants and paying below-industry wages.

Despite generally having a friendly and relatively close trade relationship with China, Brazil has publicly criticized many of Beijing’s policies, especially in regards to the so-called Currency War. [29] Brazil has also criticized U.S. policy, advocating against escalating economic tension concerning trade and currency. Although many believe China is using economic diplomacy in Latin America to undermine or threaten the United States, as well as the relatively recent Latin American return to democracy, that hypothesis has yet to be proven correct. [30] Brazil’s well-established, working democracy is not threatened by China’s ideology. Still, China’s presence may affect political and economic developments in other parts of Latin America in terms of how to hone productive cooperation among China, the United States, and Latin American nations. Stanford University Research Fellow William Ratliff argues that although it is a constant challenge to get China and the United States to get along, so far in Latin America they have done relatively well. [31] Nevertheless, the meeting of the two nations has been complicated by the Latin American countries that require this engagement. The region’s particular characteristics could either draw China and the United States into greater cooperation or worsen the relationship, depending on Latin America’s readiness and its capacity to mediate between Washington and Beijing.

One of the most recent agreements between the governments occurred during the BRICS Summit in South Africa. It has been reported that Brasilia and Beijing have agreed to a three-year arrangement in which they will
trade using the other parties’ currencies, amounting to about $30 billion USD per year. This has been interpreted as a challenge to the U.S. dollar. [32]

The relationship between Brazil and China is obviously a profitable one; the only question remaining is whether or not Brazil and the rest of Latin America will ensure this will be a mutually profitable relationship rather than one skewed towards China’s interests.

### Brazil and South Africa

The dynamics between Brasilia and Pretoria may be the least known of the intra-BRICS relationships, but there have been some interesting developments on issues such as binational governmental support of commerce-related initiatives. For example, in July 2010, the presidents of both nations signed a Strategic Partnership Declaration and a Memorandum of Understanding on Cooperation in the field of Intergovernmental Relations, to increase diplomatic relations. [33] Later, in November 2011, the Brazilian Ministry of Development, Industry and Foreign Trade (MDIC), the Brazilian Ministry of External Relations (MRE), and the Brazilian Trade and Investment Promotion Agency (Apex-Brasil), organized a delegation of entrepreneurs that traveled to South Africa. At the time, Apex-Brasil President Mauricio Borges stated,

> the African continent is a prominent destination for Brazilian exports, especially manufactured products with higher added value. The region presents itself as an important platform for internationalization and the installation of new industrial plants. [34]

Some facts regarding concrete figures over South African-Brazilian trade include,

> Over the period January – August 2011, Brazilian exports to South Africa totaled to $ 1.12 billion USD. During the same interval, Brazil imported $ 806.48 million USD from its South African counterparts. Brazilian exports comprised chiefly of frozen poultry, whole birds ($ 134.44 million), motor vehicles with internal combustion engines (US$ 71.23 million), road tractors for semi-trailers (US$ 70.99 million), cane/beet sugar and chemically pure sucrose ($58.8 million USD) as well as iron ore agglomerates and concentrates ($ 36.27 million USD). [35]

In terms of cooperation regarding social initiatives, South Africa has tried to learn from Brazil’s “Fome Zero” program, which combats hunger and poverty in the Portuguese-speaking country. Back in February 2012, a delegation of South African government officials, including members of the National Developmental Agency (NDA), the South African Social Security Agency (SASSA), Provincial Heads of Government (HOD), and the Department of Rural Development and Land Reform, visited Brazil to learn more about the successes of the aforementioned program. South Africa has launched a similar campaign called “Food for All Campaign.” In a media interview, Vusi Mandonsela, Director of South Africa’s Department of Social Development, explained that,

> The objective of South Africa’s visit to Brazil was to understudy how the country has managed to reduce poverty, hunger and malnutrition within a space of over a decade. As part of our mission, we visited the City of Belo Horizonte in the state of Minas Gerais, where the genesis of the Brazilian Journey began, to a society free from hunger and poverty. [36]

Furthermore, South African scholars are also fomenting greater analytical projects on BRICS. For example, a think tank called the South African Institute of International Affairs (SAIIA), based in Johannesburg, has promoted the analysis of African relations with the rest of the world, including Brazil, as well as South Africa’s relationship with the BRICS nations. [37]
Nevertheless, not everything has been ideal in the relations between Brasilia and Pretoria. For example, in June 2012, Brazil took South Africa to the court of the World Trade Organization (WTO), over tariffs that Pretoria had imposed on chicken imports from Brasilia. [38] According to reports,

**South Africa imposed extra tariffs ranging from 46.6 percent to 62.9 percent (depending on the exporting company utilized) on whole chicken and chicken breast imports from Brazil, alleging that the Brazilian suppliers were dumping their products on the South African market. These tariffs were in addition to pre-existing 5 percent tariffs on whole chickens and 27 percent on chicken breasts. The Brazilian Ministry of Development has estimated that the South African measures are costing the Brazilian economy $70 million USD a year.** [39]

In a 2012 SAIIA publication, the think tank explained that “it is, firstly, not clear what South Africa’s motivation for joining the BRICs is and what it seeks to gain from its membership. It is also not evident what South Africa’s strategy towards the BRICs is, and how this fits into the country’s wider global strategy.” [40] In addition, SAIIA’s Dr. Mzukisi Qobo and University of Cape Town’s Dr. Mills Soko discussed how South Africa’s BRICS membership will affect the aforementioned loose IBSA alliance. [41] With regards to the Brasilia-Pretoria relationship, relations remain in good shape, in spite of the aforementioned “chicken war.” Even if the IBSA and BRICS do not create a united bloc, they have arguably helped bring both governments closer together.

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**THE ROAD AHEAD**

Brazil is Latin America’s rising star and it certainly has ambitious policy goals, such as a permanent seat in the UNSC to go along with its rising status. With that said, its relations with its fellow BRICS nations, while strong, cannot be compared to the exemplary rock solid alliance between the United States and the United Kingdom, which is dubbed as the “special relationship.” It is preposterous to assume that close diplomatic and commercial relations, along with some military arms sales, translate into a military alliance between Brasilia and Beijing, or Brasilia and New Delhi. Military issues are not at the center of the BRICS initiative - naval exercises between the IBSA nations notwithstanding. Non-idealistic analyses of BRICS’s future see the loose grouping, as a commercial-oriented bloc to increase inter-BRICS trade and perhaps achieve some kind of unified stance on foreign policy issues. The underlying goal would be to challenge Washington’s supremacy over the global economic order.

Nevertheless, the fact that BRICS failed to agree on the creation of a development bank in South Africa gives validity to the idea that this alliance is still made up of governments, which have clear foreign policy goals and may not “give in” to the aspirations of other group members in order to promote the group’s unification. As for Brazil’s relations with each BRICS member, they have been generally positive in spite of occasional incidents such as the “chicken war” with South Africa or the dispute with fellow BRICS nations over the headquarters of the group’s development bank. Nevertheless, as long as Brazil’s economy continues to grow and its domestic politics remain stable, it should easily find willing trade partners in Pretoria, New Delhi, Beijing and Moscow.

As an addendum to this analysis, Guido Mantenga, Brazil’s Minister of Finance, has declared that the BRICS heads of state and ministers of finance aim to have the final details of the proposed BRICS development bank finalized in 2014. [42] It will be interesting to see if this a premonition that comes true, signaling that Brazil and fellow BRICS nations can agree on major projects, or if this will be just another in a list of empty promises.

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Founded in 1975, the Council on Hemispheric Affairs (COHA), an independent research and information organization, was established to promote the common interests of the hemisphere, raise the visibility of regional affairs and increase the importance of the inter-American relationship, as well as encourage the formulation of rational and constructive U.S. policies towards Latin America.

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[6] Burgess, Sean. COHA Senior Fellow. E-mail interview with the authors, April 18, 2013.
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[19] To read Professor Stuenkel’s work on these issues, see his blog: Stuenkel, Oliver, “Post-Western World,” http://www.postwesternworld.com/
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