Where will Brazil’s foreign policy go next?

The Brazilian Economy — In recent years, Brazil has gained prominence in the G20, become a creditor of the International Monetary Fund (IMF), and attracted worldwide interest to its domestic market. However, some analysts consider this more fortuitous than the result of consistent government policies. What is your opinion?

José Botafogo Gonçalves — Brazil’s current reputation is the result of both the importance of its relations with other countries in the world and the performance not only of the Brazilian state, in charge of diplomacy, but also of other institutions, such as environmental NGOs and Brazilian multinational corporations.

In the Lula administration, Brazil’s presence was consolidated, because Brazil rode the global boom of the last eight years, which caused high demand for both its agricultural and mineral raw materials. And Brazil can grow significantly more because of its economic stability. So we cannot say that the government had no influence on the country’s growing international presence. Going forward, the tendency will continue to be greater affirmation of Brazil on the world stage.

Do you think the Rousseff government, with Antonio Patriota in charge of the
Foreign Ministry, will change the current foreign policy path?
It’s unlikely. From my almost 50 years in diplomacy, I have seen that the Brazilian presence has always asserted itself from consistent policies. There will be corrections of what might be considered points off the curve, as in policies related to Iran, Honduras, Venezuela, and Bolivia. “South-South relationship,” “generosity with neighbors,” “give more importance to social peace” — all are part of selling a foreign policy that is modernizing and transforming itself. But basically not much has changed.

Brazilian foreign trade has been heavily influenced by China, which today is the main destination for our exports, on the one hand because we are benefiting from high commodity prices, on the other because we are harmed by exchange rate appreciation, which is an obstacle to increasing exports of manufactures. How do you analyze this situation?
The problem lies not only in the relationship with China. We also have problems of competitiveness within industry. We have logistics that are long overdue for reform. Investments in infrastructure are only beginning to gain momentum and this has a bearing on competitiveness that far outweighs the drawbacks of tariffs and even the exchange rate. And since we’re talking about the exchange rate, clearly the overvaluation of the real is a problem that can be attributed not to China but to an internal imbalance in Brazil. This has meant that for a long time the country has had to finance its public deficit by issuing government bonds that, to be attractive, have to pay high interest.

We also have an agenda of internal reform that is long overdue: tax, fiscal, labor, and infrastructure reform. If Brazil is to participate in the growing competition, we need to do our homework, which has been far from satisfactory in recent years. This is the great challenge to President Rousseff’s government. Foreign policy can go no further if Brazil doesn’t do its homework.

Do you consider the strategy of the Lula government of giving priority to relations with developing countries and the South-South axis to have been positive?
First, I do not see much evidence of preferential treatment for these markets. Greater market penetration in the Southern Cone was due to the creation of Mercosur, which dates from long before even the Cardoso administration. But one issue that very few people mention that can be attributed to the Lula government and has real relevance was supporting the transnationalization of Brazilian corporations by facilitating loans to exporting companies. The policy of the Central Bank and the Ministry of Finance to support Brazilian investment abroad is relatively new. Formerly, even during the Cardoso government, to invest abroad

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was regarded as a sin; you had to invest in Brazil. That has changed, and it is more important than whether or not we make trade agreements.

Can we say that Mercosur has advanced?
From the standpoint of trade, exports continue to increase, although Mercosur has been very disappointing from an institutional standpoint. There was institutional paralysis and the common market halted. The government focused on enhancing bilateral relations, which is not bad but falls short of what might be preferable.

In its last meetings in San Juan and in Foz do Iguaçu, members decided to work further on institutionalizing Mercosur. We have wasted a lot of time, but this will be overcome; and as members invest more in infrastructure, that will create a new dynamic for trade.

Has Brazil overused what you call ‘strategic patience’ in relation to other members of Mercosur?
Strategic patience is still valid. There was some criticism of the aid that Brazil gave to Paraguay, and perhaps the Itaipu issue could have been resolved differently. But I think investing in making Paraguay a stronger state and a stronger economy is of great interest to Brazil.

What about Bolivia and Venezuela?

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The issue of Bolivia is more complicated because it has taken hostile positions for no reason. Brazil must have patience and not respond to provocations from Evo Morales, because inevitably Evo Morales will leave while Bolivia will continue and will always be a supplier of energy products. Already a cautious policy is needed with Venezuela because I think the government of Hugo Chavez will end badly. Everywhere in the world, contrary to what many say, capitalism is modernizing, is correcting its defects. And he wants to build a socialism that he calls 21st century, but that is really 19th century.

What advice would you give to the Rousseff foreign relations team?
My recommendation would be to lower the tone of international speech, avoid the pyrotechnic actions that President Lula was able to take because of his enormous international prestige, and seek better alignment with internal governance in order to promote Brazil’s economic development. The Foreign Ministry can be an important channel, for example, for increasing financing to Brazilian investments abroad, negotiating agreements on investment protection, discussing new trade agreements. You do not need a very different discourse from the current one. It only takes practice, and a management more focused on more clearly defined goals.