

# **BRAZIL'S ROLE IN INSTITUTIONS OF GLOBAL ECONOMIC GOVERNANCE:**

## **THE WTO AND G20**

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**Abstract:** The article evaluates the extent to which Brazil's foreign policy actions, negotiating positions and diplomatic strategies in global governance institutions contribute to supporting its national interest and foreign policy aims. It compares Brazil's preferences and behaviour in the World Trade Organisation (WTO) and Group of 20 (G20). For decades, Brazil's primary national interest has been national economic development. The article argues that Brazil is moving from a material interests based definition of its prime national interest to a more complex one that includes both material and prestige/status based aspects. Research demonstrates that Brazil has become increasingly focused on gaining recognition as a leader of developing countries, sometimes even at the cost of realizing its full material interests. It considers the value of constructivist international relations theory to understanding Brazilian foreign policy.

**Key Words:** Brazil, WTO, G20, emerging power, global governance

The past decade has seen a major shift in global economic dynamism and power distribution. Ideological as well as pragmatic factors colour established and emerging powers' attitudes towards the emerging world order. Moreover, the growing political, economic, and ideological diversity present in the international system has dissipated the like-mindedness that guided post-war collaboration on issues of global governance. The impacts of the global financial crisis, Euro-zone troubles, and turbulence in emerging markets required both established and emerging powers to re-think their behaviour in arenas of global

economic governance. Although there are a plethora of institutions, organisations and networks that deal with issues of global economic governance, this article focuses on the World Trade Organisation (WTO) and Group of Twenty Leaders' Summit (G20). These organisations are particularly interesting, because even though they have different organisational logics, established and emerging powers formally sit as equals in both (i.e. with equal voting power). Moreover, Brazil plays an active and significant role in both of them.

The main aim of the article is to examine to what extent Brazil's foreign policy actions, negotiating positions and diplomatic strategies in global governance institutions contribute to supporting its national interest and foreign policy aims. It compares Brazil's preferences and behaviour in the WTO and G20 to explain how Brazil appears to be moving from a material based definition of its national interest to a more complex one that includes both material and prestige/status based aspects. It argues that by prioritising leadership of the Global South/developing countries, in addition to its own direct material interests, Brazil has shifted its foreign policy behaviour to the point where it sometimes seems to support positions that contradict its immediate material interests. The key sources for the analysis are public speeches and media interviews by top officials complemented by personal interviews with Brazilian diplomats. My aim is to provide evidence that provokes discussion rather than presents definitive conclusions on the evolution of Brazilian foreign policy. The analysis is developed in four sections: (i) Brazil's traditional foreign policy aims and negotiating strategy; (ii) Brazil's positions and actions in the WTO, with special reference to the 'Bali package' signed in December 2013; (iii) Brazil's positions and actions in the G20, with special reference to the St Petersburg Action Plan signed in September 2013; and (iv) an evaluation of Brazilian diplomatic strategy and foreign policy achievements as well as some

comments on whether established powers can hope to work with and accommodate Brazil's interests and preferences.

A secondary aim of the analysis is to consider whether traditional approaches to studying Brazilian foreign policy still provide a complete and convincing explanation for Brazil's evolving discourse and actions in the foreign policy arena. Traditionally, the academic literature emphasises liberal institutionalism when discussing Brazil's approach to issues of global economic governance, given its active engagement in international institutions and international regimes as well as its valuing of international law. However, recent diplomatic language and behaviour raises questions about the continuing validity of these interpretations, or at least their ability to provide an exhaustive explanation. The article briefly explores whether constructivism - with its emphasis on socially constructed relations and interpretations of international politics as well as attention to values, ideas and identities - might afford useful insights into understanding Brazil's positions in the WTO and G20.

## **FOREIGN POLICY AIMS AND STRATEGY**

The Brazilian Ministry of External Relations, known as the Itamaraty, has enjoyed considerable autonomy in handling Brazilian foreign policy. Regimes of all shapes and political inclinations typically adopted highly instrumental and pragmatic approaches to foreign policy. Although new elements have appeared (discussed later), they were accommodated within the traditional four features of Brazilian foreign policy. These features fundamentally shape Brazilian attitudes and actions in the WTO and G20.

The first feature and overarching goal of Brazilian foreign policy is to support the achievement of national development, more recently conceived of in terms of economic, social and environmentally sustainable development. Both Presidents Luiz Inácio Lula da Silva (2003-2010) and Dilma Rousseff (2011-2014; elected to a second term that began in

2015) have reiterated this often. Marco Aurelio Garcia, Foreign Policy Special Advisor to both presidents noted that Brazilian foreign policy ‘should not be understood as a way to project Brazil’s presence in the world, but rather as a substantial part of Brazil’s national project’.<sup>1</sup> Moreover, as Brazil’s economic and social progress gathered pace, Foreign Minister Antonio de Aguiar Patriota (2011-2013) pointed out: ‘times have changed, and we have changed with the times... Brazil broke new ground on social protection and the results are there for anyone to see’.<sup>2</sup> Brazil claimed agenda-setting influence when its domestic Zero-Hunger programme was transformed into a global endeavour with the launch of the Zero-Hunger Challenge by UN Secretary-General Ban Ki-Moon at the Rio+20 Conference in 2012. Also, Rousseff gave increasing emphasis to science, technology and innovation in Brazil’s dialogue and exchanges with the world.<sup>3</sup> Unsurprisingly, the strong developmentalist discourse within foreign policy thinking and the country’s self-identity as a developing economy and emerging power make it an attractive leader for other developing countries to follow.

A second feature of Brazilian foreign policy relates to an emphatic defence of sovereignty and autonomy. Brazil’s view is that autonomy refers not only to an obligation to respect national sovereignty/non-intervention in domestic affairs of other states, but also to maintaining policy flexibility in the domestic economic sphere. There is good reason to view Brazil as a ‘quintessential soft power’<sup>4</sup> privileging dialogue, mediation and bridge-building in its diplomacy. This emphasis on the possibility of cooperation without sole reliance on force

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<sup>1</sup> Cited by Jonathan Rathbone, ‘Foreign policy: Big ambitions’, *Financial Times*, 14 November 2010. Accessed on: [www.ft.com/cms](http://www.ft.com/cms). Also see Celso Amorim, ‘Brazilian foreign policy under President Lula (2003-2010): and overview’, *Revista Brasileira de Política Internacional*, v 53: special edition (2010), pp 214-240; Maria Regina Soares de Lima and Monica Hirst, ‘Brazil as an intermediate state and regional power: action, choice and responsibilities’, *International Affairs*, v 82:1 (2006), pp 21-40

<sup>2</sup> Antonio Patriota, Speech at the 39<sup>th</sup> Session of the Food Security Committee of the Food and Agriculture Organisation, Rome, 17 October 2012. Accessed on: [www.itamaraty.gov.br/discursos-artigos-entrevistas](http://www.itamaraty.gov.br/discursos-artigos-entrevistas)

<sup>3</sup> Antonio Patriota, ‘Diplomacia não é publicidade’, Interview in *IstoÉ*, 23 July (2012); accessed on: [www.itamaraty.gov.br/sala-de-imprensa](http://www.itamaraty.gov.br/sala-de-imprensa)

<sup>4</sup> Paulo Sotero and Leslie Elliot Armijo, ‘Brazil: To be or not to be a BRIC’, *Asian Perspectives*, v 31:4 (2007), pp 43-70

and material capabilities is best explained by constructivism. It is not that constructivism dismisses the role of power and interests in driving state behaviour, but rather that it acknowledges that states do not always act in their direct immediate material interests.<sup>5</sup> These views resonate in recent Brazilian diplomacy.

A third feature is the priority given to multilateralism and universalism.<sup>6</sup> Foreign Minister Celso Amorim (1993-1994; 2003-2010) clearly stated that 'we see multilateralism as the primary means of solving conflicts and making decisions internationally.'<sup>7</sup> Brazil has a long history of participation in multilateral international institutions from the League of Nations to the United Nations (UN) as well as its many agencies and institutions. In a typical statement by a Brazilian Foreign Minister, Mauro Vieira (2015- ) noted how Brazilian diplomacy was driven by the need to 'defend the country's interests in a world marked by increasing opposition, challenges and risks ... in harmony with the principles of multilateralism and international law...our interests are geographically and thematically universal.'<sup>8</sup> Brazil foreign policy also put much emphasis on universalism and multi-polarity, something that Patriota claimed 'demonstrated an ability to place Brazil ahead of the curve, because it led to diversification of partners'.<sup>9</sup> All the same, Brazil mainly was a 'rule taker' in the international system throughout the twentieth century. Only recently has it sought to shape global governance structures as a 'rule maker' and 'agenda-setter', what Sean Burges correctly suggested was part of a psychological transformation and recovery of *auto-estima* in

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<sup>5</sup> Ian Hurd, 'Constructivism', in Christian Reus-Smit and Duncan Snidal (eds), *The Oxford Handbook of International Relations* (Oxford University Press: Oxford, 2010), pp 298-316

<sup>6</sup> A useful discussion of this is found in Tulio Vigevani and Haroldo Ramanzini Junior, 'The changing nature of multilateralism and Brazilian foreign policy', *The International Spectator*, v 45:4 (2010), pp 63-71

<sup>7</sup> Amorim (2010), p 214

<sup>8</sup> Mauro Vieira, Speech at Investiture ceremony in Ministry of External Relations, Brasilia on 2 January 2015. Accessed on: [www.itamaraty.gov.br/discursos](http://www.itamaraty.gov.br/discursos)

<sup>9</sup> Antonio Patriota in an interview with *Brazil Confidential*, January 2012, accessed on: [www.itamaraty.gov.br/sala-de-imprensa](http://www.itamaraty.gov.br/sala-de-imprensa)

Brazil's foreign policy agenda.<sup>10</sup> So far, Brazil's demands for reform have mainly been mildly revisionist, unlikely to shake the influence of the established powers.<sup>11</sup> Brazil upholds its interests 'with pragmatism, without renouncing our principles and values'.<sup>12</sup> It is precisely this cooperative attitude towards multilateralism that makes Brazil the emerging power easiest to work alongside for the established powers. It displays 'all the signs of a responsible leader on the rise'.<sup>13</sup>

Two new elements have appeared alongside these traditional features of Brazilian foreign policy. First, there has been a gradual opening to societal interests and inputs, but with an emphasis on technocratic contributions that reinforce diplomatic relations and negotiating strategies. Second, foreign policy discourse has become more ideological, although the ideology-tinged language is often deployed at a rhetorical rather than practical level. Arguably, President Lula moved away from traditional pragmatism, when he turned to 'South-South' diplomacy and promoting greater international equity and social justice. Indubitably, he introduced more political objectives into diplomacy, such as increasing Brazil's international prestige and gaining recognition as leader among developing countries.<sup>14</sup> Amorim argues that while established powers were likely to question this independent attitude, actually it was 'fearless, not reckless - commensurate with Brazil's size and aspirations'.<sup>15</sup> Thus, Lula did not set aside material power or instrumental calculations of Brazil's interest. However, his actions were shaped by his understanding of the world and Brazil's identity within it as well as the need to change them to boost Brazil's national

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<sup>10</sup> Sean Burges, 'Auto-Estima in Brazil: the logic of Lula's South-South foreign policy', *International Journal*, v 60:4 (2005), pp 1133-1151

<sup>11</sup> Andrew Hurrell, 'Brazil: What kind of rising state in what kind of institutional order', in Alan Alexandroff and Andrew Cooper (eds), *Rising States, Rising Institutions: Can the World be Governed?* (Brookings: Washington DC, 2010)

<sup>12</sup> Amorim (2010), p 214

<sup>13</sup> Amrita Narlikar, *New Powers: How to become one and how to manage them* (Hurst: London, 2010), p 134

<sup>14</sup> See for example, Sean W. Burges, *Brazilian Foreign Policy after the Cold War* (University of Florida Press: Gainesville, 2009).

<sup>15</sup> Amorim (2010), p 217

interest. Understanding these types of behavioural imperatives is precisely the focus of the constructivist approach.

Although Rousseff toned down her predecessor's ideological and politicised approach, she did not abandon 'South-South' leadership ambitions or development objectives in her foreign policy. As her Foreign Minister stated:

'we have been on the outside looking in for most of our history, and we know how it feels to be outside looking in. And this is what I think creates a special sensitivity to keep in touch with what some people call the G-172, all UN members who are not members of the G20.'<sup>16</sup>

Rousseff was the first to explicitly link the BRICS to Brazil's diplomatic activity in South America, when she piggy backed the BRICS Fortaleza Summit in August 2014 to a meeting of all eleven heads of state of the Union of South American Nations (UNASUR) in Brasilia. Although she was unable to maintain Lula's high profile on the international stage, both presidents benefitted from the effective negotiating skills of Itamaraty diplomats.

So, how did the Itamaraty contribute to achieving Brazilian foreign policy aims?

Hurrell and Narlikar discuss diplomatic negotiating strategies of emerging powers on a spectrum from strictly distributive ('value claiming') to integrative ('value creating').<sup>17</sup>

Mostly (and traditionally), Brazil preferred a more integrative approach in negotiations. Since 2003, there have also been numerous instances where it adopted distributive strategies (often against the inclination of professional diplomats). Evidence shows that this usually occurred to show solidarity with fellow emerging powers or to maintain its identity and leadership position among developing countries (in other words when it wanted to please its

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<sup>16</sup> Antonio Patriota, Transcript of Speech at the Woodrow Wilson Center, Washington DC, 31 May 2011. Accessed on: <http://www.wilsoncenter.org/sites/default/files/1310524380.pdf>

<sup>17</sup> Andrew Hurrell and Amrita Narlikar, 'A new politics of confrontation? Brazil and India in multilateral trade negotiations', *Global Society*, v 20:4 (2006), pp 415-433

‘followers’).<sup>18</sup> The next section discusses some examples of when Brazil acted as per the expectations and preferences of its followership rather than its immediate self-interest.

At his investiture ceremony, Vieira noted that ‘the valuable symbolism of our presence (*in various international institutions*) is no substitute for a results-driven diplomacy.’<sup>19</sup> As such, Brazilian diplomats like using what may be called ‘insider activism’ and ‘smart coalitions’, i.e. groups organised on the basis of shared interests (not identities), where the idea is to share information within the group so as to engage cooperatively across numerous issue areas. These types of actions reflected very technocratic approaches to negotiation and fit the Itamaraty style. Thus, Brazilian negotiators typically proposed research backed alternatives framed within institutionalised legal frameworks rather than simply appealing to distributive justice or other values (in contrast to the diplomatic style of its presidents). They have also become more accepting of input from civil society organisations, especially if the latter’s views are couched in technocratic language or provide information supportive of Itamaraty notions of the national interest (the crucial role of the highly competitive agribusiness sector is a case in point<sup>20</sup>). Bearing the above in mind, the analysis now turns to examining Brazil’s role in the WTO and G20.

## **BRAZIL IN THE WTO**

As a global trader, Brazil played a key role in the General Agreement on Tariffs and Trade (GATT), and continued to do so in its successor, the World Trade Organisation (WTO). Also, given the priority of development in Brazil’s national interest, any evaluation of its engagement in the WTO can be expected to measure the material benefits emanating

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<sup>18</sup> For examples of this behavior: Charalampos Efstathopoulos, ‘Leadership in the WTO: Brazil, India and the Doha Development Agenda’, *Cambridge Review of International Affairs*, v 25:2 (2012), pp 269-293; and Kristen Hopewell, ‘Different paths to power: the rise of Brazil, India and China at the World Trade Organization’, *Review of International Political Economy*, (2014) DOI: 10.1080/09692290.2014.927387

<sup>19</sup> Mauro Vieira (2015); Italics are my words.

<sup>20</sup> See Kristen Hopewell, ‘New protagonists in global economic governance: Brazilian agribusiness at the WTO’, *New Political Economy*, v 18:4 (2013), pp 602-623



from its membership. From the beginning, it decided to actively lead in the current round of trade negotiations, the Doha Development Round (DDR), which was launched in November 2001. Two points need to be borne in mind. First, the WTO's core mandate is to set trade rules, which it does via a process of negotiating rounds. It then monitors the implementation of rules via mechanisms for trade review and dispute settlement. Second, the WTO is not a development agency. While Brazil accepts this in principle, it is less happy about the fact that 'each of the previous eight rounds has resulted in asymmetrical deals favouring the largest most economically powerful states relative to (and sometimes at the expense of) their less powerful counterparts'.<sup>21</sup> It is this sense of frustration with the 'unfairness' or at least consistently asymmetrical outcomes of previous rounds that saw Brazil turn towards rejecting 'done deals' by advanced economies, accepting a North-South division of interests, and embracing solidarity with developing countries in general terms.

Herein lay the heart of a process of strategy shifting that clearly emerged in the run up to the Cancun ministerial conference in 2003. In response to the joint European Union-United States agricultural proposal in mid 2003, the Brazilians turned to the recently created IBSA (India, Brazil, South Africa) Forum and proposed the creation of a coalition of developing countries to oppose it. This took shape as the G20-Trade at Cancun, a coalition which included India and others that often adopted stances at odds with Brazil's interests and positions in agricultural negotiations. Amorim clearly explained Brazil's shift in attitude when he wrote that Brazil was

'not interested in North-South confrontation... our platform is about levelling the playing field through the full integration of agriculture into the multilateral rules-based trading system. ... developing countries will not be reduced to the role of

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<sup>21</sup> Rorden Wilkinson, 'Of butchery and bicycles: the WTO and the 'death' of the Doha Development Agenda', *The Political Quarterly*, v 83:2 (2012), p 395-401; p 396

supporting actors in discussions that affect their development prospects. Consensus cannot be imposed through pre-cooked deals that disregard previous commitments... Trade must be a tool not only to create wealth but also to distribute it in a more equitable way'<sup>22</sup>

Brazil's leadership of the G20-Trade was an excellent example of its new 'Southern approach' and more politicised view of negotiations. Pedro da Motta Veiga shows how Brazil watered down its own market access ambitions so as to accommodate its partners concerns about food security and rural livelihoods.<sup>23</sup> Amorim spoke of it in terms of 'two parallel battles' one at the negotiating table and the other to win hearts and minds of the public.<sup>24</sup> Thus, Brazil demanded that the WTO deliver on the Doha Development Agenda (DDA) and a fairer outcome for vulnerable rural populations in developing countries. Brazil was reasonably satisfied with the immediate outcome at Cancun, and Amorim happily noted at a talk in London that 'it is not an exaggeration to say that the G20 for the first time in trade negotiations brought home the twin message on trade liberalisation and social justice'.<sup>25</sup> After Cancun, Brazil and India were definitively brought into the inner circle of negotiations in the so-called G4/New Quad. Unlike India, Brazil had both offensive and defensive interests in the round and was therefore in a position to push for constructive solutions and bridge building between North and South. Effectively, Cancun was a critical turning point and the two emerging powers were able to play agenda-setting roles in the DDR from 2003 onwards.

Before examining Brazil's positions on key issues in WTO negotiations, it is important to understand that traditionally the Itamaraty exercised a virtual monopoly on

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<sup>22</sup> Celso Amorim, 'The Real Cancun', *Wall Street Journal*, 25 September 2003. Accessed on: <http://online.wsj.com/news/articles/>

<sup>23</sup> Pedro da Motta Veiga, 'Case study 7: Brazil and the G-20 group of developing countries' in *Managing the Challenges of WTO Participation: Case Studies*, WTO Secretariat: Geneva (2005)

<sup>24</sup> Amorim (2010), p 219

<sup>25</sup> Celso Amorim, 'The Foreign Policy of the Lula Government', Lecture at the London School of Economics, London, 17 March 2004. Accessed on: [http://www.lse.ac.uk/newsAndMedia/news/archives/2004/Brazilian\\_ForeignMinister\\_Transcript.aspx](http://www.lse.ac.uk/newsAndMedia/news/archives/2004/Brazilian_ForeignMinister_Transcript.aspx)

multilateral trade negotiations. Its diplomats and negotiators were largely insulated from domestic politics, and both government and civil society had little input on specific aspects of the negotiations. Business was consulted occasionally, but only when it suited the Itamaraty to do so. The Ministry of Development, Industry and Trade tried to muscle in on the negotiations, but was limited to providing technical details and sectoral statistical data.

While the above scenario broadly remains in place, there have been some key alterations in practical terms during the DDR. Once it was clear Brazilian agricultural competitiveness allowed it to become a *demandeur* in trade negotiations, the Itamaraty became more open to agribusiness input into generating negotiators' technical positions. Negotiators worked closely with agribusiness sectoral organisations, such as the National Confederation of Agriculture (CNA) and Institute for International Trade Negotiations (ICONE).<sup>26</sup> However, it should not be forgotten that these exchanges were on the Itamaraty's terms. Interaction was based on technocratic criteria with a focus on knowledge and information-sharing. It would be a mistake to assume the Itamaraty had become open to broad societal interest representation. Thus, it could confidently partner India in the G20-Trade even though this implied adopting positions with negative commercial impacts on its own exporters (and even ordinary citizens). Thus, Itamaraty diplomats, alongside a group of technocrats (whether public or private sector), remain the key actors both defining and voicing Brazilian interests in the WTO. Crucially, their autonomy allows them to be flexible, but also consistent and coherent over time and across issues in negotiating Brazil's interests.

One can gain a better understanding of Brazilian interests in the DDR by examining its positions in three main issue areas. The first issue relates to Brazil's insistence that WTO negotiations be dealt with as a 'single undertaking' or in other words, nothing is agreed until

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<sup>26</sup> See Kristen Hopewell (2013) for a detailed examination of Brazilian agribusiness influence on trade negotiations.

all is agreed. This principle ensures that negotiators cannot pick and chose what suits them, opting out of agreements where they might be 'losers'. However, after years of stagnation in the Doha Round and increasing frustration with the comatose condition of negotiations, Brazil actually went along with the idea of an 'early harvest' at the Bali ministerial conference in December 2013. It believed that a limited but symbolic move forward might serve as an inducement for further agreement. All the same, at the Bali Opening Plenary, Foreign Minister Luis Alberto Figueiredo (2013-2014) was quick to point out that

'the early harvest model has already run its course and should not be repeated. We should now revert to a more ambitious goal ... done with a clear sense of priorities. And our first priority remains the removal of the most distorting trade measures, particularly in agriculture, that hamper full integration of developing countries into world trade'.<sup>27</sup>

Thus, Brazil compromised on specific aspects of the negotiations to support its broader principles and longer-term ambitions.

The second issue relates to Brazil's status as a developing country. It faces a real diplomatic dilemma in view of the conflicting requirements for recognition as an emerging power alongside continuing status as a developing country. In recent years, there has been considerable pressure on Brazil to 'graduate' out of receiving WTO mandated special and differential treatment (SDT) as a developing country. Although a middle income economy, it insists that the large number of poor and the high levels of regional poverty and inequality keep it economically vulnerable and deserving of developing country status. However, on closer examination and in my interviews with diplomats, it soon becomes clear that it is not

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<sup>27</sup> Luiz Alberto Figueiredo, Statement of Minister of External Relations of Brazil, WTO Bali Ministerial Conference, Bali, 4 December 2013. Accessed on: [http://www.wto.org/english/thewto\\_e/minist\\_e/mc9\\_e/stat\\_e/bra.pdf](http://www.wto.org/english/thewto_e/minist_e/mc9_e/stat_e/bra.pdf)

the loss of the material provisions, but the loss of identity as a developing country that is at stake. Brazil resists 'graduating' because it fears that it would mean losing legitimacy as the representative and leader of developing countries. These concerns partly explain Brazil's actions in Bali, as discussed below.

The third set of issues relate to Brazil's resistance to adding new issues to WTO negotiations before older ones are resolved. It is specifically adamant that advanced economies make progress towards ending export subsidies and liberalising trade in agricultural goods. Basically, it resists creating new WTO disciplines around what are essentially behind border issues (such as government procurement, investment, labour and environmental standards, etc.), where monitoring compliance is difficult (this logic allowed room for trade facilitation to be an exception among new issues). Moreover, even if Brazil were inclined to more flexibility on some counts, it was unlikely to cross sides and risk losing support from many developing countries (not to mention other emerging powers).

While the headlines were hogged by the Indians and Americans during the Bali meeting, it was a Brazilian (albeit in the position of WTO Director General) that played a significant role in getting all the delegations to agree to the ten texts covering three areas in the negotiations: trade facilitation; agriculture; SDT for least developed countries (LDCs). It was generally acknowledged that Roberto Azevêdo, who only became Director General in September 2013, deserved huge credit for his effort before and during the ministerial to get an agreement. He emphasised the importance of transparency and inclusivity in preparation of the conference texts. He is said to have met with 45 delegations during the Bali meeting and even extended it by a day to ensure all were on board to sign the first legally binding agreement in the history of the almost nineteen year old organisation (at the time).

Brazil was quietly satisfied with Azevêdo, the Itamaraty-trained diplomat, who had been their chief negotiator at the WTO in Geneva. However, given the above concerns and positions, was Brazil satisfied with the content of the ‘Bali package’? The Trade Facilitation Agreement (TFA) was the main legally binding part of the texts agreed at Bali. Generally, Brazil had decided to adopt a positive line on Section I of the trade facilitation text, which dealt with technicalities of cross-border trade. Brazil saw this as an opportunity to improve its trade related bureaucracy: upgrading customs procedures, increasing coordination between various government agencies, and benefitting exporters in terms of diminished red-tape and faster processing of traded goods. Shortly after signing the agreement, Brazil clarified that nine of the twelve articles in TFA-Section I were already implemented, while the other three would soon follow.<sup>28</sup> Moreover, in the spirit of TFA-Section II (assistance for relevant capacity building in developing countries), Brazil almost immediately offered technical and financial assistance to some of its African and Latin American trade partners (thus, bolstering its development cooperation credentials).

Although Brazil realised that TFA was a major priority of the advanced economies, it conditioned its agreement on some sweeteners being added for developing countries, such as a peace clause on food security (public stockholding and subsidised food aid for the poor and support for vulnerable farmers), an agreement on cotton, a trade in services waiver and preferential rules of origin for LDCs as well as a best endeavour promise for duty free quota free (DFQF) market access for LDCs. More interestingly, Brazil seemed willing to forgo its own interests on some of these issues. Most prominently, it set aside demands for ending subsidies for agriculture in specific cases and agreed to allow DFQF (the latter item created apprehension in the domestic textile and apparel sector).

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<sup>28</sup> The three incomplete aspects relate to article 3 (consultation solutions); article 7 (express dispatch) and article 11 (free transit). See Sandra P. Rios and Fabrizio Sardelli Panzini, ‘O Pacote de Bali: implicações para a política comercial brasileira’ CINDES *Breves* no. 82 (2014). Accessed on: [www.cindesbrasil.org](http://www.cindesbrasil.org)

In many ways, the ‘Bali package’ reflected WTO business as usual, where gains were asymmetrical (the North got a legally binding agreement on its priority; the South received best endeavour promises).<sup>29</sup> All the same, it provided Brazilian negotiators and trade experts much food for thought. Specifically: should Brazil rethink its position on single undertaking and SDT? Are small harvest and plurilateral agreements better than no agreement at all? What would ‘graduating’ mean for Brazil’s leadership of the South? How should it respond to its exclusion from negotiations for mega-regional accords (such as the Trans Pacific Partnership and the Trans-Atlantic Trade and Investment Partnership), which threaten to transform the global governance of trade? Some of these themes are taken up in the conclusion.

## **BRAZIL IN THE G20**

In the aftermath of the Asian Financial Crisis in the late 1990s, Brazil was invited to participate in the G20-Finance. In the following years, this group of finance ministers and central bank governors of twenty systemically important economies met on a regular basis. Brazil happened to be hosting a G20-Finance meeting when the global financial crisis hit in September 2008. Brazil’s Finance Minister Guido Mantega (2006-2014) immediately suggested that the same group of economies meet at a leaders’ summit to address the challenges of responding to the crisis.<sup>30</sup> Thus, Brazil was particularly pleased when US President George Bush (2001-2008) agreed to upgrade the G20 into a Leaders’ Summit, the first of which was held in Washington DC in November 2008. The upgrade effectively meant

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<sup>29</sup> Rorden Wilkinson, Erin Hannah & James Scott, ‘The WTO in Bali: what mc9 means for the Doha Development Agenda and why it matters’, *Third World Quarterly*, v 35:6 (2014), pp 1032-1050

<sup>30</sup> This was not the first time that a leaders’ summit was proposed. Already in 2004, the Canadian Prime Minister Paul Martin had suggested the value of holding such a meeting.

that Brazil could also shake off the unequal status it had been given as one of the ‘Outreach Five’ in the G7/8 led ‘Heiligendamm process’.<sup>31</sup>

Brazil’s influence in the G20, as also in the BRICS, relies on presidential diplomacy and networking, in direct contrast to the technocratic approach utilised in the WTO. This implies much depends on the personality and style of the president (and not just on institutionalised roles played by trained diplomats). In keeping with the nature of these informal club-like groups, Brazil often uses G20 and BRICS summits (often held close together) as a sounding board for Brazilian foreign policy preferences and pragmatically avoids making any sticky alignments or binding commitments within these groups. This approach works exceptionally well in the BRICS group, since it keeps options open by ‘playing up what the BRICS have in common and playing down issues on which they disagree’.<sup>32</sup>

Brazil was comfortable with the gradual shift in the G20’s focus from that of ‘crisis breaker’ to ‘steering committee’ for global economic and financial governance. In the G20, it consistently demanded reform of the international financial institutions, especially International Monetary Fund (IMF) quota and voting shares, greater control over international capital flows and regulation of the banking sector, action on global imbalances and exchange rate volatility, orderly exit from quantitative easing (QE), and a better balance between monetary and fiscal policy approaches to addressing post-crisis recovery.<sup>33</sup> Brazil’s positions in the G20 responded to its specific macro-economic concerns and global economic conditions at the time of each summit, but there also was a consistent underlying thread to its

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<sup>31</sup> Denise Gregory and Paulo Roberto Almeida, ‘Brazil and the G8 Heiligendamm Process’, in Agata Antkiewicz and Andrew Cooper (eds), *Emerging Powers in Global Governance: Lessons from the Heiligendamm Process* (Centre for International Governance Innovation: Waterloo, 2008)

<sup>32</sup> Andrew Cooper and Asif Farooq, ‘BRICS and the privileging of informality in global governance’, *Global Policy*, v 4:4 (2013), pp 428-433, p 432

<sup>33</sup> A clear expression of these concerns appears in Dilma Rousseff’s speech at the 67<sup>th</sup> Opening of the UN General Assembly, New York, 23 September 2012. Accessed on: [www.itamaraty.gov.br/discursos](http://www.itamaraty.gov.br/discursos)



arguments. Moreover, it repeatedly made clear that it not only enjoyed participating as an equal at the top table of global economic governance, but also accepted the responsibilities that came with this status. It understood the crucial importance of the G7 trusting it would act as a responsible stakeholder rather than exhibit ideologically motivated radical revisionist stances. In fact, Brazil made every effort to justify its place in the G20 on the basis of efficiency and effectiveness rather than equity alone.

At the G20 Seoul Summit (November 2010), Brazil raised the alarm about exchange rate misalignments and ‘currency war’.<sup>34</sup> It highlighted the need for fiscal consolidation, but without cutting off incipient fragile recoveries around the world. At the G20 Cannes Summit (November 2011), Rousseff agreed to consider contributing to European rescue funds, but only within the context of the IMF (she rejected any call for direct contribution into the European Stability Fund). By February 2012, Mantega made clear that Brazilian contributions would be on two conditions: strengthening the EU’s ‘firewall’ and implementing IMF voting share reform. Brazil rejected the German position that the two issues should be treated separately. At the G20 Los Cabos Summit (June 2012), Brazil alongside all its BRICS partners, agreed to increase contributions to the IMF. Brazil pledged US\$ 10.2 billion. Few could have predicted even a decade ago that Brazil would not only become a creditor nation, but also would be contributing funds to bailing out international banks and European governments. Obviously, its deteriorating macro-economic performance in 2014-15 has dampened confidence in Brazil.

Alongside its fellow emerging powers, Brazil met with some success on its fundamental demand for a greater voice for emerging powers in the IMF. In 2006, Brazil’s IMF quota share was raised from 1.42% to 1.78%; in 2010 it was further increased to

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<sup>34</sup> Guido Mantega is credited with first using this term. NB that Brazil also took this issue to the WTO, thus making an explicit link between exchange rate policy and trade competitiveness.

2.32%.<sup>35</sup> Once implemented, Brazil would rank tenth in the IMF distribution of quota shares, an important acknowledgement of its rising status in the global economy. Disappointingly, although actively engaged in various high profile debates related to global financial and currency related issues, it seldom achieved a favourable response from the established powers. More intriguingly, it often failed to get consistent (or even any) support from its fellow BRICS on a range of issues: from ‘currency wars’ to what it believes is an impending ‘monetary tsunami’. Thus, both government and diplomats remain frustrated with the paucity of tangible achievements in reforming various aspects of the global financial architecture.

Notwithstanding these frustrations, so far, Brazil has put considerable effort into complying with obligations agreed in the action plans and communiqués signed at G20 Summits. The University of Toronto’s G20 Information Centre provides regular reports on compliance of each G20 participant on a selected range of collective commitments in the twelve-months after the signing of the action plan at the end of each summit. As per its evaluations, Brazil generally scores quite highly, usually in the top half of the twenty states monitored for the compliance report.<sup>36</sup> The latest full compliance report refers to the St Petersburg Action Plan (September 2013). It focused on a range of issues including global growth and job creation, QE exit, cooperation against tax evasion and ‘financing for investment’ (especially securitisation of infrastructure loans and public-private partnerships). Compliance was monitored for 16 priority commitments, and the final compliance report noted that the G20 achieved an average compliance score of +0.44 or 72% (better than final compliance scores for the London, Pittsburgh and Toronto summits). The UK and Germany

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<sup>35</sup> Note that China’s quota share jumped from 2.98% to 6.39% and India’s from 2.44% to 2.75% in the 14<sup>th</sup> General Review of Quotas at Seoul. Once implemented all the BRIC economies will be among the top ten quota shareholders of the IMF. As of 27 January 2015, 163 members having 79.64 percent of total quota had consented, although the US had not yet ratified the agreement ([www.imf.org/external/np/sec/misc/consents.htm](http://www.imf.org/external/np/sec/misc/consents.htm)).

<sup>36</sup> G20 Information Centre Compliance Reports (see website: [www.g20.utoronto.ca/compliance](http://www.g20.utoronto.ca/compliance)). Also, note information on the methodology for calculating these scores.

scored highest with 88% compliance, while Brazil only achieved 66% compliance, unusually putting it in the lower half of the group.<sup>37</sup>

Although Brazil's interests overlap with advanced economies in some areas, it believes it has a revisionist vocation and a representative function (as the voice of developing countries) at the G20. This sometimes limits its choices and actions. All evidence suggests that it is highly unlikely to push for radical changes in global governance structures, but it strongly advocates revising them to create a more inclusive international system.

Brazil was sceptical that the informal network structure of the G20 was the obvious arena to manage the process. In 2008, Amorim expressed this view clearly: 'The G20 was a positive step *in dealing with the financial crisis, but* it will not meet the expectations and interests of all. The UN can and should contribute to this debate.'<sup>38</sup> Brazilian diplomats have always preferred to engage in more formal multilateral institutions, where their material resources, negotiating skills, and technocratic approach are most likely to prosper. So although Brazil is likely to be pro-active and willing to engage with the concerns of established powers on broader issues of global governance that deal with the provision of global public goods (including issues such as climate change, food security and health), it would rather not turn to the G20 as *the* forum for elaborating international regimes around these issues. Significantly, Brazil might accept discussing these matters at the G20, but it still insists on sticking to the formal multilateral organisations for decision-making in these spheres.

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<sup>37</sup> G20 Research Group, *2013 St Petersburg G20 Summit Final Compliance Report*, G20 Information Centre, University of Toronto, 15 November 2014. Accessed on: [www.g20.utoronto.ca/compliance/2013stpetersburg](http://www.g20.utoronto.ca/compliance/2013stpetersburg)

<sup>38</sup> Celso Amorim, Speech at the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, Doha, 30 November 2008; Italics are my words. Accessed on: [www.un.org/webcast/ffd/2008/statements/081130\\_brasil\\_en.pdf](http://www.un.org/webcast/ffd/2008/statements/081130_brasil_en.pdf)

## EVALUATING BRAZIL'S SUCCESS

The above analysis showed Brazil played an active role in both the WTO and the G20, institutions with very different characteristics and memberships. Its achievements in both organisations suggest the range and flexibility of its policy-makers and diplomats. In both cases, its positions and actions displayed revisionist preferences, but via constructive engagement and consistent adherence to international law. Although it favoured formal institutions that allowed for technocratic arguments, it did equally well in club-like settings where personal relationships and informal discussions provided opportunities to influence key players. Moreover, in both settings, it became more evident over time that Brazil's shifting strategy often tied in to its desire to be recognised as representative and leader of the Global South. Thus, although focused on bridge-building and constructive dialogue with established powers, when push came to shove it increasingly sided with its 'followers' rather than staying focused on its own immediate national interest (as best illustrated on issues of food security and DFQF).

On the one hand, one could argue Brazil was becoming a prisoner of its followers' expectations. It even seemed willing to sacrifice immediate development interests in exchange for gaining recognition as leader of developing countries and benefitting development elsewhere (not that these interests are mutually exclusive). On the other hand, the Itamaraty argues that solidarity with developing countries 'is not contradictory with defence of our own interests... It will bring benefits to Brazil ... This dialectic relation between national interests and the exercise of solidarity has been a fundamental aspect of President Lula's foreign policy'.<sup>39</sup> Crucially, South-South cooperation expands Brazil's participation and stature in international politics, and provides a platform for more assertive behaviour demanding global governance reform.

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<sup>39</sup> Amorim (2010), p 225

The starting point for any evaluation of its achievements should surely be whether it performs well in terms of its self defined foreign policy goals. The first section of the article set out three main aims of its foreign policy: domestic development, international rule-making influence, and finding recognition as a major emerging power with rising prestige in the international community. These aspects form the basis of the following brief evaluation.

Although this article cannot develop a full analysis of development outcomes, it would be fair to say that the full arsenal of trade and industrial policies, not to mention social policies (e.g. the well known conditional cash transfer programme, *Bolsa Familia*), did not produce the expected and hoped for results. Both the academic literature and media reports identify a range of obstacles hampering development and also citizen dissatisfaction (e.g. the street protests in 2013 demanding better public services, improved infrastructure, enhanced job opportunities, etc.). However, it is difficult to lay the blame for development outcomes on foreign policy.

In terms of international rule-making influence, Brazil certainly played a vital role in international institutions from WTO to G20 and beyond in the past fifteen years. Its influence as a rule-maker stemmed from its many identities: largest economy in the Latin America, major developing country, leader of the Global South, and member of the BRICS. Both established powers and developing countries often consulted it formally and informally on a wide range of issues affecting multiple international regimes and global governance structures. More importantly, Brazil not only had the technical capacity but also the willingness to contribute with constructive interventions to shape global governance institutions. Its diplomatic traditions, emphasising dialogue and bridge-building while respecting autonomy, were essential to its image as a pragmatic and sensible negotiating partner.

However, recent years have seen Brazil's positions being fashioned by an overt desire to be identified as a key emerging power and acknowledged leader among developing countries. In practical terms, this ambition has manifested itself in the shift to more distributive bargaining strategies, demonstrating its influence as a blocking rather than a constructive force. The dangers of such a strategy are many, most importantly: does it make sense to allow concerns with identity and status to subvert more pragmatic material interests? Moreover, such negative approaches to gaining influence might solidify one's reputation as a veto player, but only reveal weak capabilities as a rule-maker or positive agenda-setter. From the point of view of established powers, it might make sense to engage Brazil sooner rather than later, so as to avoid it entrenching more confrontational patterns of behaviour. This would strengthen systemic legitimacy (because of Brazil's developing country and regional leadership credentials), and also 'send an important signal to other aspiring powers on the merits of choosing less disruptive pathways to power'.<sup>40</sup>

Finally, have these domestic and international achievements (or failures) led to an overall increase in Brazil's international prestige? Yes, the past decade has seen Brazil emerge as an essential interlocutor and it is likely to be included in most discussions related to global economic governance. Brazilian citizens have assumed the leadership/directorship of key multilateral institutions such as the WTO and the UN Food and Agriculture Organisation (FAO). It is part of the prestigious club of emerging powers, the BRICS. As such, it is an equal contributor to the new BRICS development bank and the contingency currency reserve pool announced at the BRICS Summit in Fortaleza in July 2014. Brazil is also a strategic partner of the European Union and separately with a number of European states.

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<sup>40</sup> Narlikar (2010), p 136.

However, Brazil's growing influence cannot be taken for granted. On the one hand, the current negotiations for mega-regional trade agreements deliberately exclude Brazil (as well as the other BRICS). Although not yet finalised, and depending on what is signed, these agreements could shape global trade and investment flows (without any Brazilian input) even as they by-pass the multilateral regime (Brazil's priority arena for such discussions). On the other hand, it bears noting that Atlantic facing European established powers (including the UK) are in some sense competing with the growing influence of the Pacific Rim countries. Brazil shares European geo-political and geo-economic frustrations on this point and much can be said for boosting the strategic relevance of the Atlantic to include South Atlantic states (especially Brazil and South Africa).<sup>41</sup> Brazil also needs to beware that Western established powers may prefer to accommodate emerging powers in informal groups such as the G20, rather than to extensively reform formal international organisations that have 'substantive missions and voting mechanisms'.<sup>42</sup> As already mentioned, Brazil does not favour acting in these informal institutional spaces.

Finally, does constructivism provide a better explanation than more traditional international relations theories? The analysis demonstrated how strategic behaviour and national interest are socially constructed, based on how state actors perceive the world, the identities they hold about themselves and others, and their shared understandings about the institutions within which they participate. A direct focus on material interests does not provide a thorough explanation of Brazilian foreign policy and negotiating positions. Instead, as constructivists argue, these are better analysed as a response to social relationships (a sense of community), historical experience (collective memory), and a drive for social recognition

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<sup>41</sup> See Robert Dover and Erik Jones, *The Role of the EU in promoting a broader Trans-Atlantic Partnership*, Report prepared for European Parliament Directorate General for External Policies, Brussels (2013).

<sup>42</sup> G. John Ikenberry and Thomas Wright, *Rising Powers and Global Institutions* (The Century Foundation: New York, 2008), p 30

and prestige.<sup>43</sup> It is these features that come across in the rhetoric and practice of South-South diplomacy and the push for recognition as a major power. Constructivism presents the best alternative to materialism, while not abandoning rationalism.<sup>44</sup> It also seeks to explain how norms, ideas and the rhetoric of statecraft can see an alternative to anarchy and focus on developing 'communal cooperation in the future'.<sup>45</sup> This is best exemplified in the acceptance among developing countries and the WTO of Lula's message linking market access to social justice and the ability of Brazilian diplomats to embed this in their coalition management strategies.

To conclude, the above analysis has shown that Brazil's leadership style is based on particular development-friendly values and solidarity with its followership. However, this is unlikely to be enough to gain major power status. Brazil needs to do more. It must rethink the norms and concepts that drive its foreign policy positions. It needs to move beyond simply incrementally adapting to a changing context. It must actively engage in deeper processes of learning that meaningfully change its attitudes and actions. It should reconsider its leadership strategy and seek to overcome the tension inherent in its developing country identity and its emerging power status. Graduation fears might result in Brazil's marginalisation fears becoming a reality. For all of Brazil's talk of engaging with a changing world, it sometimes seems that Brazil itself is afraid to change.

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<sup>43</sup> Alexander Wendt, *Social Theory of International Relations*, (Cambridge University Press: Cambridge, 1999).

<sup>44</sup> Hurd (2010), pp 311-312

<sup>45</sup> Jennifer Sterling-Folker, 'Competing paradigms or birds of a feather? Constructivism and neoliberal institutionalism compared', *International Studies Quarterly*, v 44: (2000), pp 97-119