Latin America Working Group

Rio de Janeiro, Brazil

15 – 16 December 2011

-- Rapporteur’s Report --

The Inter-American Dialogue co-hosted the twenty-first meeting of the Latin America Working Group with the Getulio Vargas Foundation on December 15 – 16 in Rio de Janeiro, Brazil. The group is now in its 10th year, having begun as the Colombia Working Group in 2001, and has expanded its reach to explore issues across the Andean region. This year, the working group was opened further to examine the challenges and opportunities facing Latin America as a whole. The meeting was supported by the Open Society Institute and CAF.

The meeting opened with sessions covering the current political and economic situation in Brazil, including the challenges facing the Dilma Rousseff Administration. Participants then discussed Brazil’s role in shaping regional institutions. The group also analysed the government’s environmental agenda and noted the disconnect between Brazil’s international environmental policies and the way environmental questions have been addressed at home. The second day began with a session exploring the human rights agenda in Brazil, with a particular focus on how the Rousseff government’s approach has differed from that of former President Lula. Participants ended the meeting with a discussion on the changing nature of security challenges in Brazil and the region, in particular the impact of drug trafficking.

Session 1: Politics

Democratic consolidation in Brazil began in earnest with the transition away from military rule in the 1980s. Suffrage was granted to all citizens in 1985 and followed swiftly by the drafting of the 1988 Constitution and first democratic elections in 1989. Yet while the working group agreed that Brazil was now governed by a democratic system, they had questions about the quality of democracy over the last two decades. In particular, they raised concerns around citizen security, education, and the value of economic and social rights in the political system.
While there is no real threat of democratic backsliding in Brazil, members expressed concern that the country suffered from endemic corruption at all levels and across all branches of government. Worryingly, according to the latest Latinobarómetro poll, Brazilians also have less trust in democracy than their Latin American neighbors. In particular, the system is distinguished by constant party switching, which suggests a lack of stability. These problems are further complicated by the sheer number of parties in both the Senate and Congress. According to participants, many Brazilians are unable to distinguish between political parties, or identify their platforms and ideologies.

As recent scandals have wracked the Rousseff Administration, participants argued that the corruption evident in the highest levels of Brazilian politics is rooted in the concentration of executive power combined with a fragmented party system. The reliance on coalitions and the disparity between the number (and influence) of ministerial positions held by each party has generated animosity and directly contributed to the corruption scandals that have seen the resignation of six ministers in the first year of the Rousseff Administration. Some participants suggested that a more equitable transfer of power to these disgruntled (and disgraced) parties would reduce the likelihood of further scandals.

The participants disagreed on how they viewed the role of Brazil’s strong executive. Some saw the imbalance of power, and its concentration in the presidency, as essential to the functioning of Brazilian democracy. Others countered that it resulted in excessive control over budgetary decision-making and had bolstered Lula’s attempts to further consolidate power through control of the media. By comparison, Rousseff had taken a step back from the media in a positive move that strengthened democratic governance in Brazil. Yet many group members were less concerned, arguing that with national newspaper readership so low (and concentrated among elites), traditional, written media had become irrelevant as a check on democracy. It remains to be seen what role TV will play.

The working group ended the session in agreement that Brazil must work to improve the quality of its institutions and increase political participation, particularly between elections. Bar any major upsets, they agreed that Rousseff would likely be re-elected in 2014. They argued that her party (Partido dos Trabalhadores) worked well on “auto pilot”, suggesting that very few changes needed to be made to keep Brazil on track.

Economics and Political Economy

Brazil is now unquestionably a middle-income country, with strong economic growth, bolstered by a growing domestic market and commodity exports to China and elsewhere. However, participants remained divided on how they measured Brazil’s success, to what degree Brazil had been successful compared to other emerging markets, the key factors influencing Brazil’s success, and how to ensure continued growth and development.
Some participants were critical of Brazil’s much-vaunted success, noting that while the country had largely escaped the economic downturn of 2008, per capita incomes have not grown as expected. Moreover, they highlighted the historically poor performance in Brazil before 2008, noting that economic success has been relatively recent. This growth has been accompanied by an increasingly expensive real, while the country has experienced a current account deficit despite favorable terms of trade. Other participants echoed this pessimism by questioning whether Brazil, in describing itself as Latin America’s economic powerhouse, should measure its progress against other global powerhouses. Even within the region, Brazil is investing less than Argentina, Mexico, and Chile in other Latin American countries, and has lower exports of goods and services. Brazil’s balance of trade is negative and it continues to import consumer goods. Fellow economic “powerhouse” Singapore, by comparison, exports the equivalent of over 100 percent of its GDP.

Low productivity and a difficult business environment are two major inhibitors to Brazil’s growth, according to participants. In 2011, Brazil ranked 126th out of 183 in the World Bank’s Doing Business Index, dropping six places since 2011. Some group members argued that President Rousseff has followed a classic developmentalist model that combines state intervention, trade protection (particularly regarding China), loose fiscal policy, risky monetary policy, and a hesitance to implement structural reforms. They further criticised Rousseff’s social policy outcomes, arguing that while 7 – 10 percent of GDP was now being devoted to education, that there had been no changes to teacher training or hiring and firing practices, and no debate on curriculum. Some participants further cited a lack of attention to youth development – including education and vocational training - as a reason for Brazil’s failure to reach its economic potential.

Yet other participants questioned what they saw as an overly pessimistic analysis. They criticised the reliance on the Doing Business Index as a measure of Brazil’s actual or potential performance. Indeed, they argued that international institutions such the World Bank and Inter-American Development Bank have been positive about Brazil’s performance, particularly after the 2008 global financial crisis. Some group members praised Brazil’s comparative performance, noting that less than a decade ago Brazil and Mexico had been treated as having similar economic clout. Brazil has now streaked ahead, bolstered not only by the Chinese market but also the consolidation of a domestic market, which has not occurred in other Latin American countries. According to one participant, Brazil has also benefited from consolidation of its soft power; in particular in the diplomatic arena. Brazil has taken advantage of opportunities, and played a key role in establishing the G-20, arguably the most powerful global governance grouping today.

Yet participants disagreed on the direction Brazil should take in the future. While some members favored a greater focus on increasing productivity, others argued that social gains should be prioritized, noting that education forms the basis of a productive workforce. The question becomes how best to target Brazil’s economic growth strategy and how to prioritize public budgets.

**Regional Governance**
Although Latin America is important to Brazil, participants felt the region was often poorly articulated (or in some cases completely absent) in its national and foreign policy agenda. This is partly due to Brazil’s efforts to promote itself as a global actor. It has also been difficult for the country to forge a regional identity given the economic and political asymmetries in the region. Participants acknowledged that while regional institutions, especially Mercosur, did not offer many economic benefits, they still held political promise for Brazil. Moreover, Latin America remains the most important market for Brazil’s manufactured products, a sound reason to build good relations with its neighbors.

Some group members argued that Brazil has put its efforts into regional institutions that create a distinct space for Latin America, such as UNASUR, Mercosur, and CELAC, rather than the OAS. This is supported by much of the discourse on the rise of Brazil as a potential counterweight to US influence in the region, suggesting that Brazil is seeking a space not dominated by the US. Yet according to other participants, Brazil’s reluctance to cooperate on regional issues such as energy, security, and human rights, reflects a hesitance to deal with the Latin American region as a whole. Instead, Brazil prefers to focus on its neighbors in South America, regionally or bilaterally. Some suggested this was an attempt to avoid comparisons with Mexico, its traditional counterweight in the region.

There was agreement that the asymmetries within the region meant that for many South American countries it was easier to deal with Brazil in a multilateral rather than bilateral forum. Some South American countries, such as Colombia, have also felt politically and culturally distant from Brazil, and may also prefer to foster other regional or global relations. Yet others argued that while regional governance entities could not exist without Brazil, the notion that Brazil simply did not have the resources to become a real regional power. Its ambitions may also be stymied by a certain level of resentment towards Brazil from other South American countries.

Participants also noted the implications of Brazil’s nuclear strategy in the region. They agreed that Brazil erred in failing to sign the additional protocol on the nuclear non-proliferation treaty but they did not consider nuclear development a threat. Brazil, they agreed, was unlikely to establish a nuclear weapons program. Instead, they felt that the issue presented Brazil with the opportunity to reaffirm the region’s commitment to non-proliferation. This would mean cooperating with Argentina and Venezuela. They also argued that it opened the space for a positive dialogue on nuclear energy in the region.

**Environment**

Brazil is one of the most bio-diverse countries on the planet, accounting for 15 percent of the world’s animal species and 12 percent of its fresh water. Yet environmental and climate change policy has caused tensions in Brazil, particularly given the need to boost economic growth through industry. Participants highlighted civil society concerns around animal trafficking, deforestation, the expansion of agriculture in fragile ecosystems, and the increase in mining activities.
In the 1990s, the desire for growth led Brazil to the forefront of the international climate change model that allows for “common but differentiated responsibility” along with BRICs partners, China and India. Over the next decade, the country successfully reduced emissions while maintaining growth of 3.5 percent. Yet in 2008, the government faced a standoff with environmental groups and scientists, as well as defection in its own ranks. Environment Minister Marina Silva resigned first from the ministry and later the PT, announcing her candidacy for the 2010 presidential elections under the Green Party.

The working group noted that the Lula Administration responded with legislation to combat climate change and protect the Amazon region. President Lula joined French President Sarkozy in criticizing US and Chinese climate change policies, a reversal of their earlier strategy. They argued that President Rousseff has taken a more technocratic approach to environmental policy, avoiding political appointments to the ministry. Yet reforms to the Forest Code have alarmed some environmental groups. Participants noted that Rousseff faces a growing Brazil with energy requirements for both industry and transportation that threaten its commitment to lowering emissions.

Participants debating the Forest Code highlighted President Rousseff’s uneasy approach to environmental issues. They noted a lack of laws to curb lobbyists who spent more money weakening the Code than they did on the last presidential elections. Other participants were concerned about Rousseff’s handling of the Belo Monte demonstration, though noting the difficulty in balancing indigenous rights with the need for energy security.

Brazil’s energy strategy reflects this conflict. The country is rich in renewable sources, including hydropower, ethanol, nuclear potential, wind power, and solar power. And yet it is also exploiting oil and gas reserves. Some participants argued that the recently-discovered pré-sal reserves are being given preference over renewable sources, evidenced by what one participant described as a “mega capitalization of [state-owned oil enterprise] Petrobras”.

Many of the participants expressed that it would be unwise for Brazil to dismiss hydroelectric projects such as the Belo Monte dam, which has been at the center of human rights and environmental debates. Latin America maintains one of the cleanest energy matrices in the world, largely due to the reliance on hydro power. If hydroelectric projects are unable to go ahead, the region will be forced to increase reliance on coal, a far dirtier fuel source (abundant in Colombia). Responding to a query on nuclear power, one participant argued that Brazil’s desire to reinvest in nuclear power was in order to maintain the technology and skills up to date, rather than the result of an energy deficiency.

**Human Rights**

Brazil’s approach to human rights has taken a different focus under President Rousseff. On the international level under President Lula, Brazil aligned itself with some of the
worst human rights offenders. However, since the end of the Lula Administration, Brazil has played a different role, supporting Europe on human rights issues, including the appointment of a special human rights rapporteur in Iran. Yet working group members recommended the government engage more domestically, particularly on the rights of marginalized groups, such as women and Afrodescendants, both of which now comprise the majority of Brazil’s population. There has also been limited progress in the area of gay rights or reducing homophobia.

Some participants felt that Brazil could be more assertive in the international sphere. They argued that while Brazil has privately criticized the US and Europe for failing to act on a number of human rights cases, such as violence against protestors in Bahrain, they lack the confidence to fight on the grounds of universal jurisdiction. Brazil has also disappointed the human rights community in siding with the BRICS against intervention in Syria. Moreover, they argued that President Rousseff has overreacted to national human rights concerns. After the Inter-American Human Rights Commission decision to suspend construction of the Belo Monte dam, Brazil withdrew its candidate for the Inter-American Human Rights Commission, recalled its ambassador to the OAS, suspended $6 million in funding, and refused to comply with the Commission’s recommendations.

Other group members criticized both the Lula and Rousseff governments for failing to improve citizen security. Although violence has escalated in some urban areas, as well as in the northeast of the country, little has been done to address problems of extortion, police training, or reports of police brutality. In Rio de Janeiro, deaths resulting from “acts of resistance” against the police are three times higher in Brazil than the US, one participant noted. Yet they also cited positive responses, including establishing a body to investigate cases involving police officers in São Paulo. They also noted that police forces are looking for ways to reward the service – increased holidays and financial bonuses, among others – for not using excessive force.

Overcrowded prisons and deplorable conditions were other issues raised during the session. According to one participant, the prison population has tripled largely in response to a discriminatory application of drug laws that fails to distinguish between drug use and drug trafficking, allowing for the incarceration of large numbers of poor drug users.

One of the few highlights on the human rights agenda under President Rousseff has been the freedom of information laws passed in 2011. Mexico has become a model in the region, establishing an independent commission to implement the law, while Brazil had held out after many of its neighbors had passed similar legislation. The final law in Brazil is wider in scope than many other Latin American countries, covering all branches of government. Importantly, it extends beyond government to include government-funded non-profit organizations and state-owned enterprises, such as Petrobras.

Mexico’s freedom of information legislation was cited as one success story for the region; the Mexican government has received over 7,000 requests since 2002. However, other participants noted that the implementation of the law has been patchy. One
participant suggested that the strength of freedom of information laws was inversely related to the strength of governments; Mexico is characterized by persistent factionalism in both the Senate and Congress, while in Brazil’s strong presidential system, freedom of information legislation came late on the scene and only after President Lula resisted the reforms. Responding to a critique of freedom of information laws as benefiting the private sector, which makes the majority of requests, group members highlighted the economic benefit to taxpayers by lowering the cost of contracts as they are more widely scrutinized.

**Security and Defense Policy**

The major security concerns for President Rousseff are violent crime, drug trafficking, and border security. Some participants cited the pacification program in Rio de Janeiro as a successful example of reducing urban violence. Yet they also noted that while the drug traffickers may have left the pacified favelas, they are now pushing violence into smaller cities. As homicide rates have dropped in Rio de Janeiro and São Paulo, states with weak police presence have seen a rise in violence.

They agreed that trafficking of arms, drugs, and people has become a major problem for the country; police and military forces now patrol the Amazon borders. Some participants questioned whether the role of the military was changing. Brazilian participants countered this claim, noting that the distinction has often been vague and the military has often provided state services (including health care) in remote areas. However, using the border guards for non-state threats is a new function. Some participants were concerned that the experience of Latin America has shown that the use of the military in internal affairs led to a dangerous polarization of the armed forces.

Linking the discussion back to earlier sessions, one participant suggested that Brazil’s security experience was becoming its niche area, which could be leveraged to increase its global influence. They cited the role of Brazilian forces in Haiti, which drew on experience patrolling favelas in Rio de Janeiro. However, they felt that Brazil’s reluctance to accept the “responsibility to protect” principle limited their influence globally. Group members also argued that Brazil needed to better define its goals, to think beyond the UN Security Council as an end in itself.

Other participants focused on Brazil’s place within the changing context of security in the region. Once the center of the security crisis – particularly drug-related violence in the favelas during the 1990s – the focal point has shifted to Mexico and Central America. However, while violent crime has been reduced in Brazil, the drug problem continues unabated; Brazil has become both an important transit route but also a growing domestic market.

The group further highlighted a number of distinctions between Brazil’s security and defense policy and the strategy in other parts of the region. Brazil’s policy agenda is based on advanced technological capacity and encompasses both a space program and development of a civil nuclear program, both of which are supplied by national
manufacturers. Brazil is also the only Latin American country that seeks a seat on the UN Security Council. Some argued that Brazil was seeking to become a regional military manufacturer and technology hub, such as France has become in Europe.

The session ended with a positive outlook for Brazil’s foreign policy, with a recognition that the nation has a talent for mediation; -- one that will likely boost its global profile and bring success in the international sphere.