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**Brazil's Rise as an Emerging Power: Implications for the U.S. and Europe**

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**1. Introduction: Emerging Powers in Global Politics**

The last 20 years have witnessed the economic emergence of several countries, which are considered today to be “pivotal states”, “regional powers”, and “emerging powers” in world politics. These emerging powers encompass countries such as China, India, Brazil and Russia, (the BRICs), which have in common both that they have experienced rapid economic growth and that they seek to influence the global economy and world politics to a greater degree than they did before their rise.<sup>1</sup> The BRICs have become leading exporters and lenders (especially China to the US) as well as holders of currency reserves, and they (plus Mexico) are expected to surpass the GNP of the G7 industrialized countries by the year 2040. The reasons for the assignment of a new role, and often of increased power, to these states are their demographic and geographic size, their economic and military capacities, and their political aspirations.

The countries defined here under the rubric of ‘emerging powers’ dominate their neighbors in terms of power over resources, that is, population, territory, military capacity and gross domestic product. In addition, they articulate a wish to change the distribution of power in the international system and to assume leadership roles in global governance. The crucial question with regard to emerging powers in international economic governance is whether they can be integrated into reformed ‘Western’ institutions of global governance or whether they will create new institutions outside the existing ones. In order to maintain global public goods such as economic stability and interdependence as well as sustainable liberalization according to the ideas and values dominant in the transatlantic community,

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<sup>1</sup> Industrialized emerging powers such as Germany and Japan have also acted as anti-status quo powers by trying to increase their influence in world politics, e.g. by aspiring for a permanent seat in the UN Security Council. This paper, however, will focus on the newly industrializing emerging powers, especially Brazil.

Europe and the US must develop strategies to maintain the participation of emerging powers and further integrate them into reformed multilateral institutions. This challenge will demand not only greater consensus among the countries of the transatlantic community, but also a greater willingness to compromise vis-à-vis the emerging powers by creatively adapting Western ideas and values to new circumstances. The current financial and economic crisis underlines the need for better global economic governance, but also highlights the divergences in policy approaches both within the transatlantic community and between the West and the emerging powers. A better understanding of the reasons for divergence and of the possible strategies for joint global action constitutes a timely endeavour.

Brazil has figured prominently among the emerging powers, on both the regional and the global level. Globally, Brazil has articulated its aspiration for influence especially through the co-founding of the G20 (which counteracted EU-US trade initiatives), through the bid for a permanent seat in the UNSC (which ultimately failed) and through closer ties with other emerging powers such as India and South Africa (IBSA) and China. Regionally Brazil has tried to strengthen its power base through Mercosur in the 1990s and through the creation of the Union of South American Nations (UNASUR) more recently. Brazil has been articulating a more nationalist and anti-Western foreign policy since the accession to power by President Luis Inacio Lula da Silva combining fiscal prudence (and reaching investment grade in 2008!) with assertiveness in trade talks and anti-status quo stances regarding the distribution of power in international organizations (such as the IMF and the UNSC). While remaining moderate compared to President Hugo Chavez of Venezuela, President Lula's administration challenged the US and Europe by demanding a more "equal" distribution of international wealth and power and by emphasizing that "our great challenge is to design a new international trade and economic geography" (see e.g. Amorim 2003, Lula 2005). This goal has been followed, for example, by challenging and partly substituting established global governance fora with new South-South initiatives (such as the G20 and IBSA) and by trying to integrate South America without considering the participation of the US or even Mexico.

## **2. Implications for Europe and the US**

Brazil has benefited widely from integrating into the the Bretton Woods institutions, especially by joining the IMF and undertaking liberalization via GATT, and later, the WTO. Brazil has reached its recent economic growth largely through exports and foreign direct investment. But these benefits and the accompanying positive 'socialization' have been largely confined to material gains, while ideas on how politics should govern the market and on how the international system should be organized continue to diverge. This ambivalence has become ever more apparent politically, the more successful the emerging powers have become economically. Thus, in the last decade, Brazil not only demanded more status and power in global governance (e.g. in the UN Security Council and the IMF), but has also frequently distanced itself from Western models of capitalism and emphasized divergent ideas

on the roles of the state and the market in governing the economy nationally and multilaterally. In addition, Brazil's definition of core elements of international cooperation such as national sovereignty and self-determination also frequently diverge from Western ideas on these points. Alternative approaches to economic governance such as regional cooperation (Mercosur, UNASUR etc.) and national policies (large currency reserves, partly state-driven economy) underline divergent ideas and paths. Recently, Brazil's government articulated that the financial and economic crisis stemming from Western countries would not only weaken the US and Europe economically, but would also undermine its economic ideas and models. In sum, while Brazil's economic success in the last ten years was achieved largely through integration into the world market and its established institutions, this did not lead Brazil to assimilate more to Western ideals and institutions but instead enabled it to distance itself from them.

This suggests that a successful participation of Brazil and other emerging powers in a system of global economic governance still influenced by Western ideas requires ideational integration of emerging powers and not just their material integration through increased economic and status gains. The latter refers, for example, to increased quotas in the IMF and new seats in the UN Security Council and must be seen as complementary to ideational integration, which affords consensus-building on common ideas and values. Therefore, the West has to be ready to not only cede power but also to find a common ideational denominator on the role of global governance vis-à-vis the market, new security challenges, national sovereignty etc. which, in turn, may require the West to diversify its own ideas in these areas. A precondition for this new strategy is, of course, an intense, inner-western dialogue on ideas and identity since an ideationally divided West will not be taken seriously by emerging powers and will achieve suboptimal results in negotiations with emerging powers to shape new global governance. In addition, a split West cannot lead and offer models of governance to emerging powers, which therefore might choose alternatives such as regional South-South institutions or unilateral action. The latter would undermine the ability of governance institutions to provide the *global* public goods desired by the transatlantic community.

In light of these arguments, research and policy have to take new directions and leave behind well established lines of thought. For example, the focus on the international distribution of power over resources, as well as neorealist zero-sum considerations seems ill-equipped to understand the processes mentioned above since they end in a descriptive account and comparison of economic and military capacities without being able to explain or prescribe the behavior of Western countries and of emerging powers. A focus on institutions also fails to create enough analytical clarity since institutionalist arguments would predict behavioral convergence through the common socialization processes of member states, which obviously cannot explain the trend towards the creation of new South-South institutions. Finally, international institutionalism alone cannot grasp the domestic sources of governmental preference formation and is therefore weak in both explaining divergence and convergence as well as in suggesting new possibilities for integrating different ideas on new global

governance towards a new consensus or compromise. Because of these deficiencies, it seems necessary to look at domestic ideas and interests in Brazil to understand its ambivalent policies between cooperation with the US (and Europe) and antagonizing them. Also, in order to understand the implications for Europe and the US, it seems necessary to analyze domestic ideas and interests within European countries and the US, since they might partially also diverge.

### **3. Ideas and Interests: Explaining the International Implications of Brazil's Rise**

*Interests.* With regard to Brazil, domestic ideas and interests can well explain its international performance and the implications for Europe and the US. Economic interest groups are sharply divided between competitive exporters (mainly agrobusiness and mineral resources, but also parts of industry) on the one hand, and uncompetitive protectionists (mainly traditional import substitution industry and services) on the other. As a consequence, the government is lobbied by antagonistic groups which make it demand liberalization on agriculture vis-à-vis the EU and the US in WTO negotiations but unable to offer substantial liberalization in industry and services.

*Ideas.* The cleavage of interests is mirrored by a cleavage of societal ideas and values. On the one hand, parts of the Brazilian elite (military, governing PT, ISI-industry) and the public have shared traditionally nationalistic and developmentalist thoughts. Throughout the past century, Brazilian leaders from most different political camps such as the Presidents Getulio Vargas and Goulard, the Generals Golbery Couto e Silva, Medici, Figueiredo and now President Lula have been articulating a dependencia-style discourse which attributes the reasons for Brazil's backwardness largely to the world market and to the influence of the industrialized countries. This "terceiromundista"-discourse consequently advocates distancing from the West and closer cooperation with other developing countries. Among the core ideas of this course figure a prominent role for the state in steering the economy and a great emphasis on non-interference into the domestic policies of other countries. In addition to these ideational elements, all political parties and the population in general have traditionally viewed Brazil as natural "leader" in South America. Both the demand for leadership and developmentalist nationalism have been dominating foreign (economic) policy during the Lula administration. The other – smaller - ideational political camp, argues that Brazil would benefit more from becoming the "ultimo dos primeiros" ("last of the first") than being the "primeiro dos ultimos" ("first of the last") by opening economically, cooperating more with the industrialized world, and, finally, consequentially joining the OECD. This line of thought is, of course, supported by exporters and is similar to Mexico's strategy since the end of the 1980s. During the administration of President Cardoso the influence of both camps on policy making was more balanced than today.

The constellation of domestic interests and ideas shortly sketched above implies for Europe and the US that Brazil will most probably continue to pursue its rise in an ambivalent fashion mixing economic cooperation with political distance from the West and the wish for greater economic independence.

First, interest groups will continue to have antagonistic interests (to each other and towards US and European interest groups) leading Brazilian trade policy to have positions often opposed to those of the US and the EU. This will only change substantially, when Brazil's protectionist industry becomes more internationally competitive. Second, Brazil's elite and population will continue to strive for leadership, which makes Brazil a difficult partner for the West because of its structural anti-status quo stance. This feature may be changed by giving Brazil more saying in international bodies such as the UN and the IMF. The moderation of Brazil's position in the WTO negotiations after it joined the other big players in the G5 preparatory group (EU, US, Australia, India, Brazil) in 2004 points in this direction. Third, the political dominance of nationalistic-developmental discourses and the perception of the international system as "unequal" and dominated by the West will most probably lead to continuing Brazilian efforts to strengthen South-South cooperation in creating multilateral institutions without Europe and the US. This could only be reversed if the West would integrate Brazil systematically as an "equal" partner and if the OECD-orientation would dominate in Brazil's domestic politics. Both seem unlikely due to the path-dependent nature of nationalistic developmentalism and leadership aspirations and due to the large import substitution industry. On the other hand, this conscious and gradual<sup>2</sup> non-assimilation towards Western values and institutions will probably be accompanied by Brazil's continued de facto economic integration with the West through direct investment, technology and trade. All three economic strings with the West will not be substituted by Southern partners for the foreseeable future and will continue to constitute the most important external driving force for Brazil's economic development.

In order to understand the implications of Brazil's rise for the US and Europe, it is also important to analyze domestic interests and ideas in the US and major European countries because their composition determines the specific and in cross-country comparison possibly diverging consequences of Brazil's rise. With regard to economic interests, the US and European countries roughly possess similar competitive structures, this is, a large part of the agricultural sector feels threatened by Brazilian products while large parts of industry and services lobby for liberalization due to their generally more favorable competitive position. However, major differences between the US and Europe exist with regard to ideas, as continental Europe with its big coordinated market economies (Germany, France, Italy) seems to be ideationally closer to the Brazilian economic policy ideas while the US traditionally follows a more liberal market philosophy. This ideational proximity could lead to Europe and Brazil being better able to reach consensus on matters of global economic governance through international organizations than the US and Brazil. In this regard, it seems crucial for the transatlantic community to better coordinate its positions and enter into an intense dialogue in order to reach consensus on matters of global governance if it wants attain joint influence. The global financial and economic crisis might trigger such a transatlantic rapprochement with regard to economic matters.

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<sup>2</sup> Brazil is, of course, *also* shaped by „Western“ values, this is, politically by democracy, religiously by Christianity and economically by market-oriented thinking. The differences towards US and European ideas and values is gradual, not fundamental in nature.

More difficult seems to be a new transatlantic consensus on global security governance as the persisting differences on NATO reform, Afghanistan, and Iran make clear. These divergencies also shape the transatlantic security relations under the new Obama administration. Embedding emerging powers such as Brazil in global security organizations (such as the UNSC) will remain very difficult as long as this transatlantic divide continues. In this regard, Brazil has already chosen “a world without the west” (Barma/Ratner/Weber 2007) in initiating South American and South Atlantic security mechanisms. In addition, a revitalization of the military nuclear programme seems possible today. Another contentious issue is the question of how far the US and Europe will be willing to accept the non-interference definition of national sovereignty and the rejection of Western “humanitarian interventions” in other countries, both of which are crucial ideas for Brazil. On these points, the US and Europe seem to share a common ideational ground which might give them greater leverage vis-à-vis emerging markets. However, national sovereignty constitutes *the* core value for the BRICs in their construction of new regional and global governance mechanisms, also for the democracies Brazil and India. Therefore, a sophisticated strategy is required from the US and the EU with regard to the role of national sovereignty in global governance, requiring modifications in Western ideas and values as far reaching as the necessary compromises with regard to economic interests. Both will be difficult to reach in light of domestic ideas and interests predominant in many Western countries. However, transatlantic initiatives on global governance might be promising not only in order to better negotiate with emerging powers, but also in order to make new EU and US positions more acceptable to domestic groups through the political ‘import’ of legitimacy from multilateral initiatives.

#### **4. Conclusion**

Brazil’s rise has three core implications for the US and Europe. First, Brazil will most probably continue to cooperate with the West in pursuing economic gains while simultaneously enhancing South-South cooperation in order to change the international distribution of power and satisfy its pursuit of leadership, even though it has had severe problems in attaining followership in its immediate neighborhood (see Schirm 2007). Second, in its goal of creating “a world without the west” Brazil will be joined by other emerging powers such as Russia, India and China and some developing countries. However, this coalition is very heterogeneous in its political (democracy/authoritarianism) as well as economic (exporters/protectionists) features and will therefore only achieve modest success in establishing new international governance. Third, Europe and the US can prevent a further split between the West and Brazil and incorporate Brazil in global governance initiatives by giving Brazil more power and status in international organization and by establishing a new ideational consensus on those principles which should guide global economic and security governance. Thus, compromising in trade negotiations is as necessary as the political upgrading of Brazil in international organizations and pursuing a consensus-seeking dialogue on values and ideas for joint global governance initiatives.

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