From Soft to Hard Power: In Search of Brazil’s Winning Blend

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Abstract

This paper is the first of three working papers looking at the role and projection of Brazil as an emerging global power. Is Brazil’s rise on the global stage barely beginning, or has it already hit a plateau, held back by its numerous domestic challenges and the external constraints of the global governance system? In this first paper, we examine the soft and hard power components of Brazil’s ascension with a view to understanding the country’s strengths and limitations as it seeks to assert a more prominent role in global affairs.
Brazil's global standing is higher than ever

The world is witnessing a dramatic reconfiguration of the political and economic order. The erosion of US hegemony and the deep-rooted crisis in Europe have created a power vacuum which emerging states are increasingly looking to fill. Rapidly developing countries such as Brazil, China, India, South Africa and Turkey are not only challenging established economies in the international marketplace, they are competing – and sometimes joining forces – to play a more influential role in global affairs.

In the race for status and influence Brazil is fast gaining ground. Building on its economic successes at home and a dramatic reduction in poverty achieved over the past ten years, Brazil has established itself as a leader of the “Global South”. The South American giant Brazil derives considerable moral legitimacy from its political stability and democratic system, a rare combination among today's rising powers. Now the sixth biggest economy in the world,1 it is a key player in the G20 and a founding member of the BRICS group of emerging powers,2 and is making its presence felt at the United Nations and the WTO, where a Brazilian ambassador, Roberto Carvalho de Azevêdo, was recently elected as Director-General.

A remarkable feature of Brazil’s entry onto the global stage has been the country's dominant use of soft power to exert regional and global influence. The concept of “soft power” was framed by the American political scientist Joseph Nye to describe the ability of states and other entities of international relations to shape the preferences of others through attraction and persuasion (Nye, 1990). According to Nye, a state’s soft power arises from the attractiveness of its policies, political values and culture. It contrasts with more traditional forms of hard power, which rest on a state’s ability to leverage its military and economic strength to influence the behavior of others. Hard power tends to rely on a combination of threats, coercion and incentives, sometimes dubbed a “carrot and stick” approach, where the stick may take the form of military threats or economic sanctions, and carrots include the promise of military protection or the signing of preferential trade agreements.

Brazil is attractive and Brazilian leaders know it. Its political values, economic development model, popular culture and diplomatic confidence generate goodwill throughout the world. It is often portrayed as the country “who is friends with everyone”,3 Its commitment to

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1 According to the World Bank.
2 BRICS is an acronym that stands for Brazil, Russia, India, China and South Africa. The heads of state and government of these five large emerging powers meet on an annual basis to discuss issues of mutual interest and coordinate their views on foreign affairs.
multilateralism and the peaceful resolution of conflict makes it a cooperative player in the global governance system. At the same time, Brazil has managed to maintain an independent and autonomous foreign policy, and has shown more than once that it is not afraid to defy the Western powers.

For now, Brazil can be safely categorized as a “middle power” – a term whose definition is a subject of debate among scholars. Eduard Jordaan defines middle powers as “states that are neither great nor small in terms of international power, capacity and influence, and demonstrate a propensity to promote cohesion and stability in the world system” (Jordaan, 2003). More precisely, Brazil falls into the category of what Jordaan calls “emerging middle powers”.4 This refers to “semi-peripheral, materially inegalitarian and recently democratized states that demonstrate much regional influence and self-association”. According to Jordaan's definition, emerging middle powers advocate the reform of existing global economic rules and structures. They are keen participators in and often initiators of regional integration and cooperation, while at the same time seeking to distance themselves from the weaker states of their region.

The current crisis of the traditional western powers is making room for new players, in particular emerging middle powers such as Brazil. What remains uncertain, however, is Brazil's ability to take the next step and establish itself as a genuine “global power” or “great power”, capable of influencing global outcomes and advancing its own interests and political objectives. Indeed, its diplomacy has experienced a number of setbacks in recent years, which call into question the country's actual influence and weight on the world stage.

What would it take for Brazil to move from the status of “middle power” to that of a great or global power? Should Brazil look to further expand its soft power, its distinct competitive advantage? Or should it focus more strongly on developing hard power by expanding its economic and military capacities? Is there a winning mix of hard and soft power for the country to “finally fulfill its long-unrealized potential as a global player” (de Onis, 2008)?

This paper begins with an overview of how Brazil has positioned itself as a champion of soft power and has gained political influence thanks its ability to project itself as a successful and engaging nation (Part I). We then analyze Brazil’s recent efforts to strengthen its hard power capabilities and explore the potential dilemmas that may emerge from Brazil’s dual use of hard and soft power as the country gradually moves toward global power status (Part II).

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4 Argentina, Malaysia, South Africa and Turkey are other examples of emerging middle powers according to Jordaan. States excluded from the middle-power category are non-Western nuclear powers (e.g. China, India and Pakistan) and alleged “sponsors of terrorism” (e.g. Iran).
I. A champion of soft power

What distinguishes Brazil's rise on the world stage from that of other emerging powers is its quasi-exclusive use of soft power to pursue its foreign policy goals, at least until recent years. By contrast, China and India derive much of their international stature from being nuclear powers. Turkey possesses the second largest army of the North Atlantic Treaty Organization. For its part, Brazil has historically favored diplomacy and engagement over overt force or military threats, and has so far not joined the nuclear race. Since the Paraguayan war of 1864-1870, it has lived peacefully with all of its neighbors. Celso Amorim, now Brazil's Minister of Defense, once described Brazil's approach as: "the use of culture and civilization, not threats (...) a belief in dialogue, not force."5

To increase its political and institutional influence on the world stage, Brazil is able to rely on a wide range of soft power resources. As explained by Joseph Nye, soft power “rests on the ability to shape the preferences of others”. This ability “tends to be associated with intangible assets such as an attractive personality, culture, political values and institutions, and policies that are seen as legitimate or having moral authority. If a leader represents values that others want to follow, it will cost less to lead” (Nye, 2004). Brazil possesses many of these intangible assets.

The sources of Brazil's soft power

The “Brasília Consensus”

The first source of Brazil’s attractiveness is the dynamism and performance of its economic development model. Between 2007 and 2012, its economy grew at an average rate of 4.2% according to the World Bank. The country was one of the last emerging markets to take a hit during the global financial crisis of 2008-2009 and the first to see recovery begin. Although Brazil’s growth record lags behind that of its BRICS counterparts, the country is widely acclaimed for its success in fighting poverty. According to the UN Economic Commission for Latin America and the Caribbean, the share of Brazilian population living in poverty fell from 37.5% in 2001 to 24.9% in 2009.6 In fact, the reduction of poverty has been even more drastic in China and India. However, when one considers the reduction of the poverty rate per unit of economic growth, Brazil did five times better than China or India, according to a study by Martin Ravallion from the World Bank (Ravallion, 2009). It is therefore no surprise that while China and India’s economic boom was accompanied by a rise of inequality in both countries, Brazil’s score

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5 “Brazil emerges as a leading exponent of soft power”, BBC News, 23 March 2010 (http://news.bbc.co.uk/2/hi/americas/8580560.stm)
6 Social Panorama of Latin America 2011, UN Economic Commission for Latin America and the Caribbean.
on the Gini index (which measures the rate of inequality) fell from 0.61 in 1990 to a historic low of 0.53 in 2010.

Government policies played a big role in this major accomplishment. In 2003, the government introduced its flagship social welfare program, Bolsa Família, which provides direct cash transfers to poor Brazilian families on condition that their children go to school and take part in government vaccination programs. About 12 million families, or a quarter of Brazil’s population, receive funds from Bolsa Família, making it the world’s largest conditional cash transfer program in the world. Initially inspired by the Mexican program “Oportunidades”, Bolsa Família has been replicated and adapted in almost 20 countries, including Chile, Morocco, the Philippines, South Africa, Turkey, and even the United States through New York City’s conditional cash transfer program “Opportunity NYC”. The program has greatly helped lift Brazil’s image as a nation capable of policy innovation and committed to social progress.⁷

Brazil’s strategy of tying economic growth to social inclusion, dubbed the “Brasília Consensus” (Casanova 2010, Campos Mello, P. 2012), refers to a development model based on a combination of macroeconomic stability (central bank independence, fiscal stability and a floating exchange rate), social expenditure (conditional income transfer program, increase in the minimum wage), the development of a strong internal market, and – to a greater or lesser extent – a protectionist approach to the management of natural resources. The Brasília Consensus is seen as an alternative to the “Washington Consensus”, a term used to describe a set of orthodox economic and social policies applied by the International Monetary Fund and the World Bank to Latin American countries in the 1990s. It also emerged as a ‘soft’ political alternative to the more radical set of socialist policies embraced by Bolivia, Ecuador and Venezuela since the 2000s. The re-election of Lula in 2006 and the victory of his political heir Dilma Rousseff in 2010 largely contributed to the moral legitimacy and political attractiveness of the Brazilian model, both within Latin America and outside the region. The current leaders of Uruguay, El Salvador and Peru owe much of their political successes to following the Brazilian path and emulating the policies and governing style of Lula. Latin American political leaders look to Brazil as a model.

**A country with 21th century values**

Beyond its domestic successes, Brazil has made efforts to project its political value system in three areas that have emerged as major global challenges for the 21st century: sustainable development, global peace and development, and the management of cultural diversity. In all these domains, Brazil has managed to establish itself as a leading voice and even a role model.

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Brazil is far from having a clean environmental record. The country has long been criticized for the alarming rate of deforestation of the Amazon basin as a result of the expansion of soybean production, cattle ranching and the construction of hydro-electric dams. Brasília has reacted by positioning itself at the leading edge of global environmental governance. In 1992, it hosted the historical UN Earth Summit in Rio, and in 2012, 20 years later organized Rio+20, the biggest UN event ever organized, with over 45,000 participants. In 2009, a few days after the closure of the UN Climate Change Conference in Copenhagen, Lula signed into law an ambitious National Climate Change Policy through which Brazil voluntarily committed to reduce greenhouse gas emissions by 36-39 percent by 2020. The country’s success in dramatically reducing deforestation rates in the Amazon over recent years, as well as its position as a world leader in renewable energies, has strengthened its standing as one of the most eco-conscious emerging powers.

In line with its long tradition of diplomacy and its commitment to multilateralism, Brazil has taken a leading role in several UN peace-keeping operations. A prime example is Brazil’s military commandment of the United Nations Stabilization Mission in Haiti (MINUSTAH). Over the years, Brazil has provided support to UN peace-keeping efforts in 33 countries, including Angola, Mozambique, Timor-Leste and Lebanon. Brasilia makes a point of linking global peace and security efforts with the wider promotion of development. Traditionally an aid recipient, Brazil has established itself as a global aid donor. Through the Brazilian Agency of Cooperation (ABC), the government provides assistance to 65 countries within and outside of Latin America. Its financial aid has grown threefold in the last seven years. Brazil’s aid efforts focus on the adaptation in other countries of public strategies and programs that it has already successfully implemented at home in the areas of agriculture, education, health, and governance.

Finally, a key element of Brazil’s historical narrative is its experience as a multicultural nation with a strong attachment to racial diversity. About half of the Brazilian population is classified as either black or of mixed raced. Most Brazilians are descendants of indigenous peoples, Portuguese settlers, African slaves, and immigrants from Europe, the Middle East and Asia who arrived from the 19th century onwards. For many years, the federal government of Brazil employed “um país de todos” (“a country of all”) as its official slogan, designed to symbolize the government’s active policy of inclusion through greater racial equality and tolerance towards cultural diversity. Brasilia frequently refers to this national ideal when conducting its various diplomatic initiatives. For example, foreign minister Antonio Patriota suggested that the relatively peaceful coexistence of Jewish and Arab diasporas within Brazilian society could serve

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as a model for a durable peace between Israelis and Palestinians. During his frequent visits to Africa, Lula systematically appealed to Brazil’s historical and emotional links to the African continent, referring to the “moral debt” his country had to Africa in its formation as a nation, a discourse strongly supported by Afro-Brazilian intellectuals and organizations.

The global reach of Brazilian popular culture

As signaled by Joseph Nye, a fundamental element of a country’s soft power is its capacity to use culture as an instrument to seduce others and shape their preferences. Here again, Brazil derives significant prestige and goodwill from its popular culture. In a global survey of 30,000 persons across 15 countries conducted by the social networking site Badoo.com, Brazil was voted the second “coolest nationality” in the world after the United States. Brazilian music, a key vector of its coolness, is generally associated with Samba and Bossa Nova. Somewhat surprisingly, the latest global hit was brought about by the boom of “Sertanejo Universitário”, a sub-set of Brazilian country music popularized by the 30-year old singer Michel Teló. His single “Ai se eu te pego” received close to 500 million views on YouTube from July 2011 to April 2013 (making it the 9th most watched video of all time on YouTube). The song was number one in at least nine European countries and was especially popular in Spain and within the Latino community in the US. Football is another well-known dimension of Brazilian culture. It remains the only nation that has won five World Cup football competitions. Despite its current loss of form, the popularity of the Brazil’s national team remains intact. According to the TV sport channel Eurosport, Brazil’s new football superstar Neymar was the most talked-about Olympic athlete on Twitter, with more than 19,570 mentions on the day of the opening of the 2012 Olympic Games in London.

The global appeal of Brazilian popular culture is a particularly relevant component of Brazil’s soft power since the values surrounding most Brazilian cultural products are largely positive and engaging – a perfect echo of Brazil’s image as a warm and cooperative nation. A good example is the country’s most famous brand, Havaianas, the colorful rubber and plastic flip-flops which are now sold in 80 countries and have become a symbol of the Brazilian lifestyle. Another powerful vector of Brazilian culture is capoeira, a martial art combining dance, music and spirituality. Capoeira was created by African slaves in Brazil nearly 500 years ago as a means of self-defense and emancipation. It is now a popular sport among young people from all over the world, especially in large urban centers. ABADÁ, the Brazilian Association for the Support and

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9“Brazil’s foreign minister gathers country’s Arabs and Jews”, The Times of Israel, 12 July 2012
Development of the Art of Capoeira, is present in 42 countries. Looking ahead, Brazil’s cultural influence – and the soft power that comes with it – is bound to reach a new high as the country steps into the global spotlight by hosting the 2014 FIFA World Cup and 2016 Olympic Games.

Weak spots in Brazil’s soft power

Brazil’s soft power matrix does, however, have a number of weak spots which may over time undermine the country’s credibility and attractiveness in the eyes of the world. A first weakness is the quality of education, a key factor of prestige in today’s knowledge economy. Brazil is the only BRIC country not to have any universities listed in the top 100 of the world’s major university rankings. Its largest and most reputable university, the University of Sao Paolo, ranked only 139th in the 2012-2013 edition of the QS World University Ranking. The degree of internationalization of Brazilian universities and the presence of Brazilian students abroad are also very low. In 2011, there were a mere 9,000 Brazilians on US campuses, compared with 260,000 Chinese and Indian students. To reverse this trend, the government of Brazil launched a program called “Science Without Borders” in July 2011, which provides scholarships to Brazilian undergraduate students for one year of study in US universities in the fields of science, technology, engineering and mathematics.

Brazil’s global projection also suffers from a number of domestic problems which continue to blight society and damage the country’s global image. Despite considerable progress in reducing crime in recent years, Brazil’s murder rate remains more than four times higher than in the United States. The wave of homicides that followed a police strike in Salvador in February 2012 suggests that the problem of urban violence runs deep and could take years to be resolved.

Corruption is another ill often associated with Brazil. Graft scandals involving Brazil’s politicians and businesses have become so frequent that they triggered a wave of popular protests across Brazilian cities throughout 2011. The country may, however, be in a position to turn this long-standing weakness into a strength. In August 2012, the Brazilian Supreme Court opened what many describe as the biggest corruption trial in Brazil’s history. The trial, which is to look into a cash-for-votes scheme involving 36 officials from the former Lula administration, has being hailed as a sign of political health in a country that has long been marred by impunity.

II. A hard power nation in the making

Over the last ten years, Brazilian leaders have relied heavily on the country’s soft power – the admiration and influence it derives from its diplomatic capabilities, socio-economic model, and cultural projection – as a means to increase Brazil’s international status. But a closer look at
what Brazil has actually achieved as a result of its new stature calls for a more cautious judgment. A number of recent events suggest that the country does not yet have the capacity to influence global outcomes and to play a decisive role in international affairs. In other words, Brazil is not yet the “great power” or “global power” it aspires to become.

In particular, Brazil’s diplomacy has experienced a number of major setbacks in recent years. Its campaign to land a permanent seat at the United Nations Security Council fell short of receiving the crucial endorsement of the United States and China. Brazilian diplomats have even struggled to receive backing from their Latin American neighbors: Mexico and Colombia see themselves as possible contestants for a permanent seat, while Argentina publicly opposed Brazil’s demand in 2004. The US decision to endorse India's bid\textsuperscript{10} and to ignore Brazil’s was a major blow for Brasília.\textsuperscript{11} Likewise, Brazil was never able to convince other BRICS to rally around a single candidate for the presidency of the World Bank. Other examples of Brazil’s shortcomings were its failed attempts to act as a mediator between Iran and Western powers in 2010 and during the Honduran crisis of 2009.

A possible remedy for these diplomatic setbacks would be to boost the country's hard power credentials. Proponents of hard power suggest that to win the respect of its peers, a country must keep a leading edge in the global competition for economic, technological and military power. As it happens, Brazil has recently embarked on an unprecedented “catching up” process which could go a long way towards strengthening the country’s hard power capabilities. First, it is taking steps to consolidate its status as the world’s sixth largest economy. Second, it is looking to gain increased bargaining power from its position as a global supplier of key natural resources. Third, it has become a big source of investment abroad by actively promoting the internationalization of its largest domestic companies. Last but not least, Brazil is slowing establishing itself as a military power with a proactive defense agenda.

**Brazil catching up**

*The world’s sixth largest economy*

According to the London-based Centre for Economics and Business Research, Brazil overtook the United Kingdom in 2011 to become the world’s sixth 6th largest economy by nominal GDP. With a $2.469 trillion GDP and relatively strong growth prospects, it is only a matter of time


before its economy overtakes those of France and Germany. But perhaps the biggest marker of Brazil's growing economic power, beyond the sheer size of its GDP, is its new-found independence from international lenders. As President Dilma Rousseff explained in a recent speech to Harvard University, Brazil, once a country with a massive public debt, now holds a debt-to-GDP ratio of only 36.5 per cent. In less than ten years the nation has gone from being a debtor to a creditor nation vis-à-vis the IMF. Brazil today holds foreign exchange reserves in excess of USD 360 billion and is one of the biggest buyers of US treasury bonds. The Brazilian economy is characterized by a strong domestic market thanks to the first-time inclusion of 40 million Brazilians in the middle class.

To be sure, Brazil has its fair share of economic problems. Its achievements in cutting poverty through socially-oriented public policies were largely made possible by the boom in global demand for commodities, particularly from China. The Brazilian agricultural and mining sectors have immensely benefited from the rise of commodity prices and increased levels of exports. However, the danger for Brazil is getting hooked on the export of commodities, as in the colonial era, while its industries and services are rapidly losing competitiveness (Valladao, 2012). The risk of de-industrialization is a concern shared by many sectors of Brazilian society. The country recently faced an influx of manufactured goods from China, with total imports from China increasing by up to 35% between 2010 and 2011. Industry groups blame exchange rate misalignments, which are thought to favor Chinese exports, but many observers point to the general lack of competitiveness of Brazilian companies.

Brazil’s competitiveness deficit is frequently illustrated by the country's disappointing standings in the world’s major economic rankings. Brazil ranks 53th in the 2011-2012 Global Competitiveness Index published by the World Economic Forum, slightly above India (56th) but behind China (26th), Chile (31th) and South Africa (50th). In the 2012 edition of the Global Innovation Index published by INSEAD and the World Intellectual Property Organization, Brazil (58th) ranked lower than China (34th), Chile (39th) and South Africa (54th), but higher than India (64th). Brazil’s worst rating comes from the Doing Business Index, a tool developed by the World Bank Group to evaluate the ease of starting and operating a local business. Brazil ranks 126th, well behind South Africa (35th), Chile (39th) and China (91st). Its relatively poor performance in the rankings will come as no surprise to domestic and foreign investors who have taken to complaining about the "Brazil cost", an expression used to describe the

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12 "Brazil's view on global economic and environmental governance", speech by Dilma Rousseff, President of Brazil to the Harvard Kennedy School of Government, Boston, 10 April 2012
13 "Brazil’s China imports surge 35%", The Rio Times, 4 October 2011
operational complications and added costs associated with doing business in Brazil. These include excessive bureaucracy, a byzantine tax system, high labor costs, the underdevelopment of infrastructure, and corruption.

Dilma Rousseff is well aware that in order to keep Brazil growing and achieve its full economic potential the country needs to address its structural weaknesses. In August 2011, Rousseff launched the "Plano Brazil Maior" ("Bigger Brazil Plan"), a nation-wide program to boost the competitiveness of Brazilian goods and services through tax incentives for exporting companies and labor-intensive sectors. The plan offers financial aid to encourage research and development by Brazilian firms with the support of FINEP, Brazil's innovation agency. In August 2012, Rousseff announced a USD66 billion investment package designed to kick-start public-private partnerships aimed at improving the country's ailing road and rail systems. A bigger challenge for the Rousseff administration will be to engage in a comprehensive reform of the tax system, which is unanimously regarded as excessively complex and cumbersome for the private sector. With payroll taxes and mandatory pension fund contributions representing up to 38 percent of employees' gross wages, few – including the labor unions – would dispute that tax reform would boost productivity and help generate economic growth and job creation. However, in the absence of agreement between the federal government and the country's states and municipalities, progress on this front remains blocked.

**Resources the world needs**

Brazil has the world's fifth largest land mass. It is the largest country in Latin America and in the southern hemisphere. It also has the most arable land in the world (more than 400 million hectares, of which only about 12% is currently under cultivation). It possesses one third of the world's fresh water reserves and is home to about to 10% of the earth's iron ore deposits. What is more, Brazil has recently discovered that it is sitting on vast amounts of unexploited off-shore oil deposits. According to government estimates, these deposits, located below layers of rock and salt off the Atlantic coast, represent 50 billion barrels of recoverable oil. Today Brazil is the world's ninth largest oil producer. By 2020 it should be in the top five.

From the perspective of Brazil's hard power, the interesting element here is not only that Brazil possesses extraordinary natural resources, but that they are resources that the world *needs* and will need in increasingly large amounts in decades to come. Between now and 2050, the United

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19 “The miracle of the cerrado”, *The Economist*, 26 August 2010

20 “Brazil’s oil boom: filling up the future”, *The Economist*, 5 November 2011
Nations estimates that the global population will rise from 7 billion to 9 billion. According to the FAO, global demand for food will nearly double, while increasingly crops will also be used for bio-energy and other industrial purposes. Brazil will therefore become a strategic supplier of agricultural products for much of the planet. The same is true of oil. The discovery of oil reserves means that the country will play a vital role in shaping demand and supply at a regional and global level. By granting exclusive rights to the semi-public Brazilian oil company Petrobras as lead operator for the exploration and development of its offshore fields, Brasília has made sure to retain the upper hand on this globally strategic resource.

_Brazil's multinational companies_

Another facet of Brazil’s hard power matrix is the expanding cohort of large domestic companies that are engaged in operations abroad and overseas\(^{21}\). Multinational corporations often constitute one of the most visible aspects of a country's economic power. In 2005, only three Brazilian firms were listed in the Fortune Global 500 ranking of the world's largest companies. In 2012, there were eight of them: Petrobras, Banco do Brasil, Banco Bradesco, Vale, JBS, Itaúsa, Ultrapar Holdings and Grupo Pão de Açúcar. While they may be late entrants in the international arena, Brazilian multinational companies are quickly catching up and even becoming global industry champions. JBS has established itself as the world leader in the beef sector. Its competitor Marfrig, also from Brazil, has become the largest global meat supplier to McDonald’s outside of the US. The construction and engineering services company Oderbrecht has grown to be a global leader in public sector infrastructure projects with a particularly strong presence in Africa. In the extractive sector, Vale is the world’s biggest producer of iron ore and the second largest producer of nickel. Petrobras became the world’s fourth biggest company by market capitalization in 2011, ahead of PetroChina, Microsoft and General Electric.

Brazilian multinational firms are not mushrooming as fast as those from China and India, however. Out of the “100 New Global Challengers” identified by the Boston Consulting Group in a 2013 report on the most promising multinational companies from emerging markets, 30 were Chinese, 20 were Indian and 13 were Brazilian. One of the key difficulties for Brazilian companies looking to go global is the cost of capital. Although they have come down, Brazil’s interest rates are still among the highest in the western world, making the financing of large cross-border operations extremely costly. The government of Brazil has come to the rescue through the “Banco de Desenvolvimento Economica e Social” (BNDES), the country’s state-owned development bank (Casanova, 2010). BNDES is the largest development bank in the world and Brazil’s first lender. Its loan portfolio is three times bigger than that of the World

\(^{21}\) The rise of Brazilian multinational companies is the subject of a second working paper by the authors.
Bank. In 2009, BNDES financed Perdigão's acquisition of Sadia, leading to the creation of Brasil Foods, one of the world's ten largest food companies. By driving a series of consolidations in the ethanol, paper, finance and telecom industries, BNDES has acted as the government's financial arm and facilitated the emergence of national champions, thereby elevating Brazil's status in today's “eat or be eaten” global economic environment (see the second working paper of these series for more on this subject: Casanova and Kassum (2013) Brazilian Emerging Multinationals: in search of a second wind. INSEAD)

The building of a military power

Brazil has long eschewed the development of military power as a means to assert a more prominent role in regional and global affairs. According to the Stockholm International Peace Research Institute, its defense expenditure in 2011 was USD 33.5 billion, or 1.5 percent of its GDP, considerably less than nations such as China, Russia and India. Still, this represents a 30% increase since 2001, and Brazil has now entered the top ten global military spenders. Furthermore, the country has recently engaged in an unprecedented shopping spree aimed at replacing aging equipment and strengthening its military capabilities. In particular, Brazil seeks to acquire nuclear-powered submarines, helicopters, as well as 36 jet fighters for which it is currently evaluating offers from French, Swedish and US constructors. The country is also taking steps to reinforce its own defense industry. Its goal is to increase exports of defense and security materials, as well as the number of Brazilian companies providing military goods and services.

Brazil's new interest in defense may come as a surprise given the absence of external threats and the country's historical attachment to diplomacy. "It is good if people think you are nice, but they must also think that you are capable of being bad," explained Colonel Pedro de Pessoa, commander of the Brazilian Army's Peace Keeping Operations Training Centre.22 Concretely, Brazil needs a modern navy to patrol its territorial waters and protect its deep-water oil and gas assets. Brazil is also keen to control its southern borders: in what has been described as one of the largest military operations in the history of South America, in August 2012 Brazil launched a spectacular operation along the nation's borders with Paraguay, Argentina and Uruguay in which 9,000 army, navy and air force troops were deployed to reinforce security against arms smugglers and drugs traffickers. The Amazon region needs constant patrolling due to its porous frontiers and the threat to national security they create, including illegal logging. In Celso Amorim's words: “You can’t belong to the group of seven largest economies in the world and not think that someone could be interested in your resources, in the case of Brazil, energy, oil, the Amazon region, bio-diversity, our capability in the production of food”.

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22 "Brazil seeks to expand its influence", BBC News, 23 March 2010
### Dilemmas ahead

Brazil’s efforts to consolidate its status as the world’s sixth biggest economy and to establish itself as a global supplier of key natural resources, an agricultural superpower, and a regional military player, should make a significant contribution to reinforcing its hard power. In the near future the country will be in a position to deploy a particularly rich blend of hard power and soft power resources (see Figure 2). However, Brazil’s dual use of soft and hard power to exert its influence is already starting to create major dilemmas, which may represent significant obstacles to the country's progress on the world stage. These relate both to Brazil’s regional strategy and to its ability to reconcile its growing economic and military power with the image of a "peaceful giant" it has long projected.

![Figure 1: Brazil hard and soft power matrix](image)

### Finding the right regional balance

Brazil’s regional strategy will require a careful balancing act on the part of its diplomats. On the one hand, it must be careful not to overplay its role of regional leader so as not to upset other South American nations, such as Argentina, Chile, Colombia and Venezuela, who are increasingly ill at ease with Brazil’s economic – and increasingly military – domination of the region. For instance, Brazil’s new emphasis on controlling its borders, notably through military means, is starting to prompt the kind of resentment in South America that used to be generated by the US.
Some in the region have even started to refer to Brazilians as the “new gringos”. Likewise, Brazil’s global ambitions and its participation in extra-regional diplomatic groupings (e.g. IBSA, BRICS) may generate resentment among its neighbors if its enhanced status does not translate into clear benefits for the region – or if it decides to reduce its regional engagement to pursue global ambitions.

Such a balance may not be easy to achieve, especially taking into account the complex interplay in the process of regional integration in Latin America. Venezuela, which champions the Bolivarian Alliance for the Americas (ALBA), an anti-imperialist coalition between Bolivia, Cuba, Ecuador, Nicaragua and other smaller states from the region, formally joined Mercosur in July 2012. Many observers believe that Venezuela’s entry into South America’s premier trade bloc will create a political counterweight to Brazil’s historical dominance of the group. Brazil’s regional ambitions may be further impacted by the decision of the presidents of Chile, Colombia, Mexico and Peru to launch a new regional group, the Pacific Alliance, in June 2012 to mirror the Atlantic-facing Mercosur bloc and to distance themselves from Brazil’s leadership.

Living up to the country’s projected values and image

In the meantime, Brazil’s new economic status is forcing the government and society to deal with a new challenge which has long been associated with first world countries: a growing number of illegal immigrants from poorer neighbors like Paraguay, Bolivia and Haiti, as well as from more distant nations like Pakistan, India, Nigeria, Congo and the Ivory Coast. Faced with an influx of thousands of Haitians across its Amazonian frontier, the Brazilian government reacted by awarding temporary visas to those already in the country and cracking down on new arrivals of undocumented immigrants, including deportation. Many observers in Brazil and abroad criticized these restrictions for ignoring the humanitarian plight of Haitian refugees, and as a serious departure from justice minister Paulo Abrao’s stated ambition to establish “an example to the world of an immigration policy that is open and democratic, that reflects our historical welcoming tradition”. Brazil, which traditionally lambasted the US and Europe for their restrictive immigration rules, is beginning to adopt the same kind of selection which favors skilled professionals from rich countries while restraining an influx of poor foreign workers. In

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24 Although it is still too early to analyze the consequences, President Chávez’s death on March 5th 2013 could be an opportunity for Brazil to reinforce its power in South America.


the eyes of the world, Brazil’s desire to project itself as an open and multicultural nation is increasingly put to the test.

Brazil’s image as a “peaceful giant” is also starting to reach its limits. Its diplomacy has long complemented its support of multilateralism with an almost visceral attachment to national sovereignty and the principle of non-intervention. Indeed, Brazil has historically refrained from getting involved in other countries’ internal affairs, even when they carry risks for its own security or economy (Hakim, 2010). Such a policy has helped establish Brazil’s reputation as a nation with no enemies, which maintains warm relations with countries along a wide political and ideological spectrum. However, Brazil’s growing stature, visibility and influence on the world stage also mean that the international community has increasingly high expectations of its contribution to global peace and security. In such a context, Brazil’s decision to abstain from voting UN Security Council resolution 1973 (establishing a no-fly zone to protect civilians in Libya during the civil war of 2011) and its passive attitude towards the violence in Syria met with widespread criticism from Western countries and also the Arab world.27 Many observers believe that Brazil’s timid support for the Arab Spring has already significantly eroded its credibility as a democratic and progressive leader of the “Global South”.

**Brazil going forward**

“If I were just sitting in a room betting on the future of rising countries, I’d bet on Brazil first,” former US President Bill Clinton told a forum of bankers in São Paulo in August 2012. For years, this kind of optimism has dominated political, economic, social and cultural commentaries on the country. This sentiment is hardly new. In 1941, the Austrian novelist Stefan Zweig described Brazil, his adopted homeland, as “the country of the future”, adding that it was “destined undoubtedly to play one of the most important parts in the future development of our world”. Brazil’s economic miracle during 1960s and early 1970s, while under military dictatorship, briefly caught the world’s attention before slowly vanishing and finally giving way to the “lost decade” of the 1980s and the Brazilian financial crisis of 1999.

This long history of hope followed by disappointment has led Brazilians to joke resignedly “Brazil is the country of the future and always will be”. But this time may be different. “First, the world has changed, and second, Brazil has changed”, as Celso Amorim said.28 The crisis among the traditional powers, in particular the US and Europe, is opening new space for the emerging powers. The current power vacuum calls for new structures, new models and new ideas to

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address planetary challenges such as global peace and stability, sustainable development, and food security. Based on its achievements at home as a policy innovator and an economic achiever, and abroad as a leading exponent of multilateralism and South-South relations, Brazil is increasingly seen as a possible purveyor of solutions and leadership.

The decade of the 2000s, under the presidency of Lula Da Silva, was marked by Brazil’s ascension to the world stage and the country’s strategic positioning as a champion of soft power. Brazil stood out among other emerging nations thanks to its pro-active diplomacy and its global projection as a self-confident and engaging nation, eager to share the recipe of its domestic success with the rest of the world. As a result, Brazil has gained worldwide prestige and admiration. But, as experience has shown, it has yet not won the recognition it merits, particularly in terms of influencing global outcomes and joining the exclusive club of the UN Security Council’s permanent members.

The decade since 2010, under the presidency of Dilma Rousseff, could be marked by a progressive shift towards a greater emphasis on hard power. Rousseff’s focus on domestic affairs and the strengthening of Brazil’s economic, industrial and military capabilities could be interpreted as the second stage in its ascension towards global power status. The fact that Celso Amorim, the mastermind of Brazil’s international projection, was Minister of External Relations under Lula and is Minister of Defense under the Rousseff administration is symbolic of this strategic inflection.

The challenge for Brazil is to define its own winning mix of hard power and soft power, i.e. what Joseph Nye (2009) has called “smart power” in order “to counter the misperception that soft power alone can produce effective foreign policy”. Through a combined (and compatible) use of its hard and soft power resources, Brazil should be well positioned to fulfill Stefan Zweig’s prophecy and become a truly central player of the new global order.
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