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NEW DIRECTIONS IN BRAZILIAN FOREIGN RELATIONS

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Opening Remarks

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THE HONORABLE ANTONIO PATRIOTA

Brazilian Ambassador to the United States

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PROCEEDINGS

MR. PASCUAL: Good morning. Welcome to the Brookings Institution and welcome to our newly renovated and not-yet-complete auditorium. I am glad that I host you here at one of the first events that we're having since the renovations have actually been completed.

It is a great pleasure to be able to share this entire morning today with a focus on Brazil, and I want to extend a special thanks to Mike Van Dusen who is Vice President of the Woodrow Wilson International Center for Scholars who has worked very closely with us throughout the process in shaping this conference. I want to give a special thanks to Ambassador Patriota whom you will hear from in

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a little while, but his counsel from the outset has been absolutely critical. I want to thank one of my colleagues here at Brookings, Dana Negro Ponte who has played such a central role in pulling together this conference and the thinking behind this conference. And there are many others who have been centrally involved and throughout the course of the day we will want to extend thanks to them.

We are very pleased that for the conference will have participation for at least part it from Governor Eduardo Campos, the Governor of Pernambuco. You will notice when he comes in because he will come with a delegation of virtually his entire cabinet from the state, and I apologize that they are not with us at the start, but they will join us in a little while, but we are extremely pleased that he is able to be here with us today.

Let me express special appreciation for a number of corporate sponsors, and include Petro Brasileiro Petrobras, Embraer Aircraft Holding, and Banco Ital, and I understand that Thomas Spolak from Embraer is here, and thank you, Thomas if you are here.

The focus on Brazil today is in some ways one should be obvious and yet simply hasn't been obvious enough in the conduct of American foreign policy and international policy. Indeed, I think that the United States and Brazil have a fundamental self-interest that should drive both of us today at a time when we are living in a globalized world. It has almost become a cliché to say that in this world where we don't know the meaning of borders, where there aren't boundaries that are defined by national sovereignty, where we have come to

understand that money and capital and people and knowledge can move around the globe in almost instantaneous ways that we need to develop new relationships, but the relationship between the United States and Brazil in this context is particularly important.

There is an opportunity side of this relationship and that opportunity obviously entails the potential in global finance, in the exchange of technology, in the development of markets, and for the United States it entails an understand and a recognition that those positive interrelationships are not just from a perspective of the United States giving, but from the perspective of the United States learning as well. But there is also an issue of global risks and threats, and I think it is important to take at the beginning of the conference a minute or two to reflect on the importance of the relationship between Brazil and the United States on these issues.

On the existential question of proliferation and the risk of nuclear proliferation, Brazil has been and must be and will be a leader. There are very few countries in the world that have given up nuclear weapons programs. As the Ambassador was telling me a little while ago, it was enshrined in the Constitution in 1988. Brazil has to be a leader in the development of a new nonproliferation and disarmament regime that can take into account the complexity of the global environment in which we live and can bring into it countries as diverse as India, Iran, and North Korea, and Brazil has the credibility having given up a nuclear weapons program to play that kind of role.

On the issue of climate change, there is no better issue to demonstrate the global nature of our interdependence. It does not matter where that next ton of carbon comes from, it ends up in the atmosphere and it mixes together and we all feel the effects and the impacts and, again, Brazil has been very much a leader. It has now almost become cliché to point to Brazil in its leadership role and development of ethanol, but that cliché has not sufficiently turned itself into a change of practice in the United States, such as Brazil's change in cars where 80 percent of the cars now run on some form of flex fuel. The implications for the rain forests are tremendous. The rain forests and deforestation actually account for 25 percent of greenhouse gas emissions, and the irony is that the more greenhouse gases that are emitted, the more negative the impact that they actually have on the forests, so there is an interrelationship here. Indeed, we have also seen that Brazil has been a leader on these issues for a long time and it was in Rio de Janeiro that the U.N. Framework Convention on Climate Change that really gave the very foundation to today's discussions on climate change that that agreement was actually signed.

On questions of conflict and peace, in many ways Latin America has not necessarily developed the same nature of organization and contributions to International peace and peacekeeping that other parts of the world have, but that has started to change. Today we see a Brazilian as the Commander of U.N. Forces in Haiti and the example that that has set of a willingness of Brazil to take a leadership role in dedicating its military to the promotion of peace in the hemisphere I think is particularly important.

Finally, the other global threat that we often see noted today, driving in this morning and listening to David Miliband talking about the global existential threats that we face today. David Miliband is the Foreign Minister of the United Kingdom, and he was talking about the need to recognize poverty and disease as one of those global threats and we have to come and understand the power of Brazil's engagement in the world economy and how that has lifted millions of people out of poverty but that the institution of the Bolsa Familia, the targeted programs that are focused on those who could be left behind, has been a critical part of this strategy, and the role that Brazil has actually played on issues such as health care globally and especially in Africa are especially important.

If indeed we see a Brazil that is playing this kind of central role internationally, one of the questions that we have to come back to is is Brazil given an adequate voice in our institutional structures and our multilateral structures. Here we come back to questions such as the United Nations Security Council and Brazil's participation in other structures of the International security system and how a voice can be adequately assured so that this kind of power and leadership can be given adequate representation in the international system. These are just I think some of the kinds of questions that I hope we can get at through our discussion and debate today.

Ambassador Patriota will give us an introduction into some of these issues, but before I pass the microphone to him, I would like to ask Mike Van Dusen to come up and share a few words with you. Mike I know from his period when he was at the at different times called the House Committee on

International Relations, the House Foreign Affairs Committee, both from 1971 to 1999, was really a fixture there and has served in every single senior position I think that existed on that committee. And for all of us who are involved in the conduct of U.S. foreign policy, we came to know and very much respect Mike as someone who was not only a key individual in the bureaucratic machinery, but someone who had a tremendous understanding of foreign policy and the issues that are confronting the United States and the challenges of U.S. engagement in the international community. It is a real pleasure to host this conference in conjunction with Mike and the Woodrow Wilson Institute.

MR. VAN DUSEN: Thank you, Carlos. That's an overly generous statement. Good morning and welcome to everyone. I want to join Carlos in thanking Dr. Negroponte and Paulo Sotero, and with Paulo, Alan Wright, for helping to put together this meeting this morning.

I guess you all have the bios of our speakers and I don't want to delay too much before Ambassador Patriota comes forward to speak, but I wanted to reflect for just a minute on two firsts. In a conversation with Paulo Sotero earlier this week, I discovered that it is a fact, and I would love any historian in this room to challenge it, that the first overseas visit by an American secretary of state was to Brazil 110 years ago when Secretary of State Root went to Brazil. It's an extraordinary fact as the United States emerged on the world scene. Again I put that out there with Paulo's consent for anybody to challenge it. By the way, Seward went to Alaska after he was secretary of state.

The second first is that we have with us today Ambassador Patriota who is one of Brazil's younger ambassadors and it is extraordinary that he is the first I believe Brazilian Ambassador to the United States whose assignment in Washington is his first ambassadorial assignment. Ambassador Patriota is an extraordinary friend of the Brazil Institute of the Woodrow Wilson Center and we have appreciated his support and collaboration. Without further ado, I would like to introduce to you Ambassador Patriota. Thank you for being here and we look forward to your remarks.

(Applause)

AMBASSADOR PATRIOTA: Thank you, Carlos Pascual, thank you Mr. Van Dusen. I think I have to start by thanking the organizers of the seminar and in particular Diana Negroponte who is really at the genesis of the seminar. She was present at a discussion we had at the Woodrow Wilson Center, and so Paulo Sotero is also one of the creators or one of the people who are at the origin of the idea of focusing on Brazil from a wider lens than is usually the habit here in Washington. We very often look at Brazil within an inter-American or as they call it here in the United States more than Brazil, an hemispheric perspective, and I thought that given Brazil's foreign policy interests in other regions of the world and something that is recognized by Secretary of State Condoleezza Rice and others in the U.S. government, its global reach, and it would be interesting to look at Brazil from a wider perspective. So I am very happy that we managed to get this organized and that we are here today. I thank all the people who came

from far away, Governor Campos will be with us very soon, and Ambassador Sergio Amaral, other ambassadors here present, and participants.

I think to summarize what is specific and interesting about the present moment in Brazil is that it is a moment of unusual promise, this because we have managed to reconcile economic growth while deepening our democratic roots, and diminishing inequality in advancing an important social agenda. A seminar such as this can help us to showcase this promising moment and hopefully improve the understanding of the American public of what is specific about Brazil right now.

If we look at the economic performance, it is the strongest economic performance in recent memory. Growth has been over 5 percent for the second quarter this year; exports have gone from \$60 billion in 2002, to an expected \$152 billion to \$155 billion this year. Inflation is down. The crisis associated to the foreign debt has been overcome. Reserves are at around \$160 billion. Rather than going from crisis management to crisis management, finally Brazil can breathe, look to the future and plan ahead. This has opened tremendous space for diplomatic activity, diplomatic activity which has not only focused on the region and I think in a creative way somehow modifying the geography or the geographic framework within which we operate by emphasizing MERCOSUR and the building block of the relationship with Argentina which has been the best in recent memory, but emphasizing the commonality among all South American countries and working hard for South American integration at a moment when all governments independently of their different degree of maturity

in their democracies, but all governments are democratically elected and all governments have a social agenda as well, so there is a strong commonality there.

But beyond looking at the region, what is perhaps most innovative and creative is the way that the foreign policy of the Lula government has looked to other regions by establishing partnerships for instance with South Africa and India through the India-Brazil-South Africa Forum which brings together the three multiethnic democracies of the three developing regions of the world, Latin America, Africa, and Asia, by building on this coalition to act within multilateral organisms such as the WTO, and to create the G-20 which independent of the results which I think have become more encouraging since the events last week for the Doha Round, but has already succeeded in modifying the dynamics at WTO making it more democratic, less of a club where the United States and the European prearrange or precook possible consensus and then present them to the rest of the membership for cosmetic modifications, and more of a truly interactive democratic environment.

Relationships with other African countries have developed. We are today the country in Latin America with the largest number of African embassies. This did not used to be the case until recently when Havana was the capital with the largest number of African embassies until 2 years ago, and President Lula is soon going to visit another group of African countries covering I think 20 countries in 5 years which is also an historic first, by the way.

The strategic partnership with China which came from the mid-1990s has developed into a complex relationship where we continue to have I

think a number of interesting complementarities with also challenges due to China's very strong economic performance. China poised to become Brazil's second-largest trading partner this year, but at the same time, a country with which we have developed what I think is described as the most ambitious south-south cooperation project in science and technology which is the China-Brazil Earth Resources Satellite.

So independently of what opinion one may have of whether the focus was correct to emphasize relationships in South America, bridges toward Africa -- welcome to Governor Campos and his group -- or not, I think the truth is that it is widely accepted that Brazil has attained a level of superior influence, outreach, interaction with the world as compared to previous periods. The interesting also, and defying some criticism that used to be pointed at Brazil during the first years of the Lula government, this has not taken place in detriment to relationships with traditional partners in the developed world. Much to the contrary, this year Brazil has become a strategic partner for the European Union, marking the first Latin American country to be considered in this category. The European Union already had strategic partnerships with India, South Africa, China, Russia, I believe, perhaps Japan, and opening new possibilities for political dialogue and economic cooperation with the European Union.

The relationship with the United States mentioned in the introductory comments by Carlos Pascual are going through a particularly interesting and I think promising chapter as well. This began I believe in 2004-2005. I remember in 2005 when I was Under Secretary for Political Affairs, I

attended the U.N. General Assembly where I was approached by Under Secretary Nick Burns who said we would like to develop a strategic political dialogue with Brazil. This is something we only have with four or five countries. At the time, the strategic dialogue with China was under the responsibility of Deputy Secretary of State Bob Zoellick, and Nick Burns was in charge of another four or five countries, again, a similar group as those who enjoy a strategic partnership with Europe, I believe it is China, in addition to China, India, Russia, in the case of U.S.-Australia-Japan, and then Brazil. In that same year, President Bush came to Brazil in November 2005 and notion of strategic dialogue was incorporated into the press communiqué that was adopted then. The interest in biofuels became more manifest and this led to the signing of the Memorandum of Understanding, and to the year of 2007, great interaction between the two governments at the highest levels. I just came from New York where President Lula and President Bush just met for the third time this year, so perhaps that is an historic first as well, three encounters in one year between Presidents of Brazil and the United States essentially to discuss a positive agenda. Last week in New York, discussions in New York centered on the Doha Round and it seems that we are making progress and that some flexibility has been introduced into the U.S. position on domestic support for agriculture which in turn I am convinced will impact very constructively on the exercise of the whole.

Brazil is sometimes compared unfavorably with the fast-growing Asian economies. We are of course very happy that the Asian economies are growing very fast and that large portions of their poorer populations are being

incorporated into the economic mainstream, but I think that this comparison leaves out some important distinctions. For example, Brazil is a thriving democracy with no internal interethnic or interconfessional conflict to speak of. We live in an area of peace with no interstate conflict in our continent. On the contrary, relations of peace and cooperation, economic, political and otherwise, with all neighbors.

We have given up military nuclear capacity as underlined by Carlos Pascual which also sets us aside from the other BRICs. In terms of a human-development index, Brazil and Russia, if you think of the BRICs as a category, are quite a way ahead of China and India. In fact, President Lula was just mentioning last week at the General Assembly that several years ahead of the target date set by the Millennium Development Goals which was 2015, we have already reached one of the main objectives which is reducing poverty by half. Our leadership role in combating HIV-AIDS was also mentioned here today and I think it also distinguishes us from some other large developing countries or large emerging economies. And of course, I think the economic performance itself has perhaps been better than sometimes seem to be the case if you compare uniquely the rate of growth of the economies of Brazil and India or China.

If I were to try to summarize what distinguishes the current period in foreign policy from previous periods, I would say that there is a degree of continuity in one fundamental aspect which has oriented Brazilian foreign policy for most of the past century, and that is namely putting foreign policy to the service of Brazilian economic and social development. Broadly speaking, this is

an agenda that succeeding governments have embraced, but what is perhaps new is that Brazil under the Lula government has also embraced an ambitious political agenda regionally and worldwide and a political agenda which is not only one of reinforcing preexisting relationship, but is also transformational to a degree. It is transformational, for example, in working toward South American integration. South America as a concept had been present at an initiative called IIRSA which looked at integration in terms of communications, transport, roads, but it had not been an agenda for increasing political discussion, increasing political dialogue, and perhaps some closer form of integration that will go beyond trade in the foreseeable future.

It was transformation as well in becoming involved in the only item in the Americas that is on the agenda of the Security Council, and you mentioned Haiti earlier, this was an investment in political capital, in military troops and military command that I think is yielding positive results but that also included some risks. It is also transformational, and I have mentioned that, in reaching out to Africa and reaching out to Asia and organizing a summit between South America and the Arab League countries for example, something that took a little while to be understood at first. There was apprehension that this might turn into an anti-Israel exercise, but care was taken to explain to Israel that this was essentially an exercise in economic and cultural cooperation, and I may say and add that our relationship with Israel has thrived in the past years and Israel is negotiating a preferences treaty with MERCOSUR and ultimately there was appreciation and understanding for the role Brazil was playing in that direction.

Finally, transformational in the sense that being a country that has recovered its commitment toward democracy, Brazil today also believes in transforming international decision making into a more democratic process. This was very visible in the creation of the G-20 at Cancun in the WTO context which as I mentioned helped to modify to a certain degree, we don't know if this is something that will stay but I believe it will with the WTO, the negotiating dynamics within the WTO. But also by President Lula taking for example the initiative of going from the social forum in Porto Alegre to the World Economic Forum in Davos, then trying to mix the social and economic agendas thereby illustrating to members of the G-8 that it is impossible to look at economic issues today without looking at the challenges posed by poverty, hunger, and exclusion. Which in turn led I believe or played a role in making the G-8 countries invite large emerging economies such as Brazil, China, South Africa, and India, to their annual summits, now we hear President Sarkozy speaking of a G-13, and this was mentioned again by President Sarkozy to President Lula last week.

Transformational as well in placing emphasis on the reform of the Security Council and United Nations reform, and independently of the results, of course it has been a frustrating exercise that has not yielded results within the timeframe that we imagined initially, I think it is fair to say that Brazil along with some others, India, and South Africa is being mentioned increasingly in this context, have consolidated its position as a credible contender for that place.

So having mentioned the fact that what I believe is new is this ambitious international political agenda, I think there are some interesting

conclusions to derive from that. One of them is that not only has this political agenda offered us increased opportunities for dialogue, for reaching out to other cultures and peoples, for learning more about the rest of the world, for interacting more with the rest of the world, it has had very beneficial economic and trade effects, in fact, more so than if we had insisted or placed all the eggs in the basket of the economic and trade agenda. It was interesting to note for example that when Under Secretary Burns went to Brazil last July, we had just placed a request for consultations with the U.S. and WTO on agricultural subsidies and the reporter asked, Is this going to create some tension for your visit here? Is this going to create turbulence in your discussions or some bad vibrations of any kind? He said, not at all. Today with Brazil we have a very wide agenda of issues which we discuss. This is absolutely natural that we should have disagreements at the WTO, the WTO is a place to solve problems and not to create them, and we also resort to the WTO in the same spirit, so this is not at all a preoccupation for the U.S. government. The point I try to make is that the widening of the political agenda has helped to dilute possible irritants on the narrower economic front.

Interestingly also, not only has it helped to boost trade and economic cooperation, I mentioned the I think very impressive growth in trade and if you look at some of the figures, it has increased by more than 200 percent for the Middle East, more than 200 percent for Africa, almost 400 percent for Argentina, it has also helped to shield Brazil from financial turbulence. This was a point that was highlighted last week at a conference organized by "The Miami Herald" where the Brazilian situation was compared favorably with that of

Mexico, very interestingly so, because Mexico being so integrated with the U.S. economic had become more vulnerable to the financial fluctuations emanating from the situation in the United States, and when a poll was made with all the participants at "The Miami Herald" conference and the question was asked, Which economy in the Americas do you look at with greatest optimism in terms of growth and increased relationship with the United States? It was surprising to me even that two-thirds of the respondents named Brazil way ahead of any other country with Chile in second, and Peru and Colombia down the line.

So with these thoughts, let me thank you again for organizing this seminar and giving me the opportunity to share some ideas with you, and I look forward to a day of very dynamic and interesting discussions. Thank you.

(Applause)

MR. PASCUAL: Ambassador Patriota, thank you very much and for the emphasis that you placed on Brazil's really global role.

I would like the first panel to come up. In terms of logistics, Governor Campos will speak in Portuguese and so for those who need the headphones for translation, make sure those are working.

As they're getting them set up, I would just one comment or observation that goes back to the discussion yesterday -- there the president of the Dominican Republic and the President of Argentina, as well as Ambassador Patriota, were giving a perspective that this is a time of globalization where some are saying that there is a fear of this and perhaps we should retreat, and in the United States, Fareed Zakaria observed that we have dealt with some of these

situations by in fact building walls at our border. And in the meantime you see Latin America actually saying let's open up, and instead let's invest in education and let's invest in technology, let's ensure that we can distribute the benefits, but that this is a process of change which cannot be stopped and so we have to understand how to engage in it. And I think that's a very appropriate way that you have started us off, Ambassador Patriota, with that kind of global vision and perspective.

Let me turn this over now to Paulo Sotero, the Director of the Brazil Institute at the Woodrow Wilson International Center for Scholars. Paulo, thank you for the leadership role that you played in pulling together the conference as a whole, and over to you.

MR. SOTERO: Thank you very much, Carlos. I would like to begin by adding some welcomes to the ones that were already given by Carlos and Mike Van Dusen. I first would like to really thank Diana Negroponte for all the efforts, and also Jason for the efforts that were put into this conference in organizing this conference. And I would like to recognize some people here who are very important to me, good friends, whose presence I value very much. Ambassador Osmar Chohfi, Ambassador from Brazil to the Organization of American States. Also Ambassador Roberto Alvarez from the Dominican Republic to the Organization of American States. Ambassador Tony Motley was U.S. Ambassador to Brazil and is a dear friend. Also my dear friend Ambassador Andres Rozental who was the Ambassador of Mexico to England and also the Deputy Foreign Minister of Mexico. And I also would like to recognize the

presence here of Michael -- the Director of the Latin American Program of the Wilson Center. Thank you all for being here.

For me it is a special privilege to be here because I learned a lot as a journalist coming here over 25 years. Actually, I tried to raise some hell in some conferences maybe asking some nasty questions, but it is nice to have the opportunity to give back and to organize something that is of use to other people.

For me it is a special honor and a special privilege to be here. This lineup represents more or less what the Wilson Center does. This is our mandate, to have the world of policy and the world of ideas together. So here we have the Governor of an important state in Brazil who is there governing. We have Professor Monica Herz from the Catholic University of Rio de Janeiro who thinks and writes and teaches foreign policy. And we have also Professor Antonio Barros de Castro who was a professor for many years and an excellent one and has now joined the fray as the chief economist of our development -- it is for me a special privilege to introduce the Governor of the State of Pernambuco. A few of you may know this, but Pernambuco is my second home in Brazil. I am from Sao Paulo, but this is the city that I had my first job as a reporter for -- in 1970 and it was in Pernambuco that I got my undergraduate degree in history from the Catholic University of Pernambuco. It was also in Pernambuco that I got a scholarship that brought me to the United States and that opened new ways for me.

The Governor will do something that I hope will be very useful to all of us. We talk about foreign policy and we sometimes talk or most of the time

we talk about it from the perspective of federal capitals, from the perspective of the ministries of foreign affairs, of the diplomats of international organizations. The Governor who is a very accomplished politician, a former Minister of Science and Technology, is going to talk to us about what foreign policy means when you are governing a state. What does it mean? All the controversies about what we know, in Brazil we have had a big major discussion internally about the direction of our foreign policy. The Governor was commenting yesterday evening about where he is and he gets offers of investments, for instance, they may come from Venezuela, at the same time he is in Washington trying to tell or telling the Americans to please look at the map. Take a good look at the map. See if you discover something about the possibilities of trade, investment, tourism, in the Northeast region of Brazil. I find that this perspective is very important because it translates foreign policy into a daily reality of a person who is in charge of the government. So I will pass the floor to Governor Eduardo Campos from the beautiful State of Pernambuco.

MR. CAMPOS: Good morning one and all. I would like to take this opportunity to express my appreciation for this opportunity to use the time to speak allotted to me in order to contribute to our discussions. I am not trying to reiterate things that have already been discussed by well-known Brazilian intellectuals, but will have an opportunity to discuss the current juncture in our country.

My statement is political in nature. Those of us who live in Brazilian politics all the time, those of us who belong to the generation that sees

the future of Brazil with a great deal of optimism, first given the fact that we are here in the United States, it is important to underscore that both of our countries are experiencing a very favorable political and economic juncture. Let me -- that we see the role of Brazil being recognized internationally not only U.S. authorities, but in the intellectual world in the United States, that comes to realize that Brazil internationally no longer plays a subregional role but has acquired strategic importance in its role contributing for greater balance in the world. This is certainly constructive for our bilateral relations given all the times that historically have brought us together.

It is important to underscore also that in the last few years, life in Brazil has moved far toward consolidating our road toward maturity in the Brazilian nation. Number one, our commitment with democracy. Our democracy is still incipient. We only started a few years ago historically speaking. We have come to realize that this young democracy has demonstrated considerable maturity in terms of alternation with government cycles and administrations and also in terms of the operation of institutions that have been reinforced and restructured in the political process of 1988.

And it is important to realize that there is a new generation of politicians in Brazil, one that is now vying for office and to have greater influence on the national thinking, and they also are vying for political power in Brazil. These are politicians who not very long ago had gathered together in a sense to build Brazilian democracy which in one way or another were trying to set the foundations for our economy so as to enable Brazil to experience the cycle of

growth that is now being experienced by Brazilian polity at this time. So this is perhaps a differentiating factor from other players, those who supposedly are enjoying the same level of Brazil in terms of worldwide presence. For some others, they may have a stronger role or play a stronger role than Brazil. Our commitment with democracy certainly is the differentiating factor between Brazil and other countries. These are democratic values that are deeply embedded in the souls of the Brazilian people.

Another important aspect is the fact that after 20 years of very difficult life in the Brazilian economy and having strong evidence of Brazil as a poorer country, a country whose economy was fragile, I am referring where I come from, Northeastern Brazil, this is the part of Brazil that closely resembles other areas in Latin America. We came to realize that Brazil has acquired the conditions, and Professor -- is here and he can talk about this with greater authority, this made us possible to start again on a very old Brazilian aspiration, that is that by having higher growth rates in our economy, this new start in the first Lula administration where the average growth rate was not too different from what we had experienced in the two previous administrations of Fernando Henrique Cardoso, this growth rate was only possible as a function of two basic drivers in our economy.

On the one hand, we grew considerably in our exports and this to be seen alone would have been highly visible in the Brazilian economy. And on the other hand, we also saw an expansion of domestic consumption as a corollary of a reacquired power of purchase with higher minimum wages, and the social

safety net and income distribution system, while characterized by a program called the Family Purse, and also of an additional instrumentality that was extremely important, one that is well known to American society, I am referring to access to credit lines. In the peripheral areas of Brazil, as we were working toward economic stability, hundreds of our regional and local banks had to close their doors. We ended up seeing many, many cities, towns, and townships that did not have even an agency of a bank, not to speak of a credit policy that would take into account the regional and socio- differences in our country. This was one of the first corrections implemented by the first Lula administration.

This economic cycle really had to ensure quality, quality in the process of growth, and this quality will only become more evident as we have growth and socio-inclusion as well as growth that will work toward offsetting the disparity that still exists within Brazil. Quality of growth is fundamental for the democratic stability of Brazil if Brazil is to achieve maturity in its path, and this clearly will have a very positive bearing not only on Latin America, but also on the rest of the world.

Thanks to our social policies that we are experiencing, we now are experiencing a rate of growth that is twice as high as the average in the last 20 years and we are also achieving this quality of growth so as to express this throughout the national territory while offsetting the disparities and also taking into account and respecting the enormous natural assets in Brazil. If this is to come to pass as we see it, just as we try to preserve democratic values, as we cherish our socio-accountability, and we try to honor all the commitments made

by our nation, just as we see the need for our country to undertake once again the process of growth and development, our national conscience now sees more and more the fundamental role that is played once we have better standards in education, as we have appropriate innovations, new development of science and technology according to our Brazilian needs, all this will impact the quality of our growth.

Finally, I would like to say that the Brazilian foreign policy as such, as it is a source of great encouragement and joy for us, it is also a challenge that is placed before us, a challenge in that you have those who are experts on Brazil can be called upon to assist us to disseminate Brazil even better, Brazilian diversity and the many opportunities that are not circumscribed exclusively in the part of Brazil that is better known. In fact, it is my understanding that Americans have studied my region of Brazil far more in depth in the past than today. In fact, you Americans were far more concerned with the social realities that we had faced in the past than now. I had an opportunity to say this to Ambassador Sobel this year in January. This was 6 days into office after having been sworn into office. He with the best of intentions made a point of calling upon the Governors of the Northeast, those who according to Brazilian experts, the states in the Northeast are now experiencing a renewal on the political scene in Brazil. He came to me seeking to see me and at the end told me that he had heard my concerns about the health situation in my state and he had found a ship to come and call into the harbor of Recife. I told him that I am very grateful, but he should take the ship elsewhere. The important thing was for him to really understand

what Brazil is all about, and Brazil is the Northeast and what we had to say then in a very clear and polite manner, in other words, what I told him is that we had to work toward establishing good, productive relationships and I asked him we have enormous potential in our tourist area. I go through and the most beautiful beaches in the Northeast are located in Pernambuco and I do not see any American hotel chain present there. Our international airport is really world class, it is very beautiful, and I find not a single U.S. flagged carrier.

I see Americans who come here to work like Alcoa and Alain Belda, the CEO of Alcoa, tells me that Pernambuco has the best productivity and that the best workers are in Pernambuco, not to speak of the best examples of integration between the plant and the community. When I go to Atlanta, and Coca-Cola, and Coca-Cola's CEO tells me that the bottling plant of Coca-Cola in Suape, that plant has the highest productivity level of all the Coca-Cola bottling plants in the world. I told him all this in order to point to the innumerable opportunities that could enable us to enhance our infrastructure regionally, making it possible for the growth of Brazil to occur but within a balanced fashion domestically by bringing into the whole of society so that democracy and its values are not seem only as the values of the official part of Brazil, those who are known, in other words, we need something that reflects the true values of the Brazilian people. This is the challenge before our president. This is the political and historical emblem of President Lula's government and administration right after the Fernando Henrique Cardoso administration. We cannot upstage one

another, but we all to work together toward the construction of the Brazilian nation. Thank you very much.

(Applause)

MR. SOTERO: Professor Monica Herz, do you want to speak from there? I will not introduce every person because you have their bios. Professor Monica Herz, Director of the Institute of International Relations at the Pontifical Catholic University of Rio de Janeiro. I love to say that.

MS. HERZ: You remind me that the Pope is my boss.

MR. SOTERO: Yes, the Pope is her boss.

MS. HERZ: I would like to first of all thank the Brookings Institution and the Wilson Center for this invitation, in particular, Paulo Sotero and Diana Negroponte. It is a pleasure to be here today and be able to very briefly make some points regarding Brazilian foreign policy at this point.

I am in a very uncomfortable position of being the first academic speaker of the day, and as you know, academics like to criticize and put an end or at least try to put an end to the optimism present in the discourse of politicians. So forgive me if I point not a very rosy picture.

Foreign policy has become a theme in Brazilian politics in public debate in general. This is a very peculiar feature of the present situation which I am immensely happy to be part of. Many factors explain this new reality, globalization in general however you describe it, the greater knowledge about international norms and their effect upon our lives, the development of Brazil's international trade in recent years, the growth in Brazilian investment abroad, the

access to information via the media, the role this government's discourse had in mobilizing public opinion regarding international affairs, and the existence of an active academic community which was not a factor let's say 15 or 20 years ago studying international relations and discussing the subject.

At this point, unions, parties, the Parliament, specialists, spend time and energy discussing Brazil's role in the world, and this is a very significant change. Like very often happens, the debate tends to be framed in terms of two camps and of two labels, and like all academics, I am here to tell you that this simplifies the world and that we should go beyond these labels.

Just to mention a few that have been present recently, on one hand, autonomy with participation, on the other hand, autonomy with diversification; foreign policy reactive to the external environment vis-à-vis a foreign policy from within; these are terms that come up in the debate in Brazil presently, independent foreign policy reborn vis-à-vis a foreign policy subordinated to American hegemony, a foreign policy based on regionalism vis-à-vis a foreign policy based on globalism, an emphasis on south-south relations vis-à-vis an emphasis on relations with the West; a neoliberal foreign policy or a foreign policy linked to a strategy of economic and social development, a nationalist foreign policy vis-à-vis an internationalist foreign policy. All these labels help us on one hand, and they help us in terms of making the debate alive, but they also simplify as all labels do the world in the way they categorize it. Of course, we all know that there is more convergence and continuity as the Ambassador himself mentioned

between the previous foreign policy and Lula's foreign policy in both terms, but of course, there are differences.

There is one dilemma, and this is my main point, that faced the previous government and faces this government: How does a country that is on the periphery of the global distribution of power and is seeking to change this position in the present context of internationalization of authority behave, react, and construct a discourse? This is increasingly seen as a main interest, a main problem, a main dilemma, due to the reflection on the internationalization of power and authority in crystallizing the global web of international norms. A clear concern about Brazilian participation in the international decision-making process as was mentioned here earlier can be detected Fernando Henrique's and Lula's governments. There are several arguments put forward against Brazil's marginalization in spite of all the socioeconomic realities that we can discuss later. It is a country of cultural and ethnic diversity and of cultural and ethnic peace, it is a mixture of a first world and a developing country in terms of characteristics, the tradition of a coherent foreign policy and a sophisticated diplomacy, the peaceful nature of the country's international relations, all of this and much more justify Brazilian participation in decision-making processes in a more important and relevant role.

The participation in multilateral forums is the most obvious answer to this dilemma. It was given by the previous government and it is given by this government. Thus, the Brazilian government has been seeking to actively participate in the debate on the regulation of international commerce, on the

reform of the United Nations, among many other multilateral agenda items. The legalist tradition matches the strong emphasis on multilateral forums and the view that international norms protect to a certain extent Brazil from the influence of the sheer distribution of power, and I will come back to this point.

As a medium power with unrealized capabilities, the country's foreign policy guidelines accept the norms generated at the core of the system. Here there is of course a difference between governments, and I will come back to it in a second. But basically, both administrations have accepted the norms or at least the principles upon which the norms are based generated at the core of the system, seeking at the same time wider participation and greater autonomy.

Given the size of the country, its population, and level of industrialization, there is a deeply embedded expectation that Brazil is to play a greater role in world affairs. This is widespread and it is present in both camps, as if there were a dissonance between the country's potential and real power. This dissonance of course acquired new relevance in the international image of the country and the strategy of the government when Lula assumed the reins of power. The gap between the country's territorial, economic, political, and population attributes and its influence, is stressed over and over again. It is true that this has been always a problem, this dilemma has faced both governments, and also I could even go back further, but the timeframe is different, the timeframe with which both administrations work is different.

The president administration works with a much administration works with a much longer timeframe, not thinking in terms of months or years or

whatever, but in terms of destiny. This administration is influenced by a view that Brazil has a certain destiny, not a manifest destiny as the United States, but a certain destiny that is not fulfilled, and again, the issue of dissonance becomes stronger when you think in terms of this different timeframe.

Another difference, the realist tradition according to which international norms are created insofar as they express the interests of the most powerful states in the system, and the Grotian tradition which stresses the roles that norms play in conforming international society, are present in the analysis of both parties to this debate, but the emphasis is indeed different. The Lula government tilts the balance between realism and the Grotian tradition in the direction of the first. Looking at the changing international distribution of power, in particular the role of China and great agricultural exporters, diversification is the result of this perspective, trying to take a closer view at the changing power relations and the opportunities they create for Brazil. The G-3, IPSA, and the G-20, are clear examples of taking this into practice, taking it into strategic plans.

I just mention that one similarity between both camps is the lack of interest in defense capabilities. Brazil is among the regional powers such as India, Indonesia, Egypt, and is much, much more fragile country in terms of military capability. Of course, you can look at the region and call it a peaceful region, a zone of peace, even a security community some would say, but in fact, this is a debate that has been left aside and I believe there is social pressure for this debate to come into the public realm and for people to be able to express their opinion about the subject clearly. Foreign policy and defense policy have been

detached in Brazil and this is a concern of course a concern for the military, but for certain of several other sectors. This debate has to be faced, and if we have made a very clear option not to develop these capabilities, this clear action needs to be stated I believe more clearly, and is it really the best option for Brazil. This is very often put in terms of how the country has reacted to the nonproliferation regime. Brazil has chosen not to develop nuclear weapons. It is considered together with South Africa the best example of a rollback in terms of nuclear choices. But I would like to state that the fragility of the regime, the fragility of the norms, the lack of legitimacy of the regime, puts this debate also in the public realm and I would say that the more we debate it, the more we talk about, the best options we will be capable of making.

In order to answer the question how to deal with this Brazilian dilemma, and I should just on the side say that is of course not only a Brazilian dilemma, the resources available are these coalitions, the development itself, and finally, the region. The diversification of efforts stem from the idea that power is fungible, and I think this is a characteristic of this government much more clearly than in the case of the previous government. The previous government would stress that Brazil has become a responsible player in the international community and responsibility seems to be more fungible than power. Many of the failures of the Brazilian current foreign policy stem from a false expectation about the fungibility of power. If Brazil is a very important player in terms for instance of international agricultural commerce, this does not make Brazil an important player in every issue area and it does not furnish the country with leverage in

every issue area. Again, whereas responsibility may be fungible, power is not, and we have to discuss which resources need to be developed and which we actually have.

Finally, regionalism is as I said an answer to the Brazilian dilemma. Regionalism fits well with the hegemonic perspective on the international system where a division of labor between global and regional mechanisms or institutions is put forward, where regional hegemons have a role to play regarding the maintenance of stability and order, and Brazil has to a certain degree fulfilled this role, but only to a certain degree. The role of mediator in crisis situations both domestic and international has been a choice of, again, both governments. In fact, one of the interventions in Venezuela took place during the transition between one government and the other, but these are always situations in which the principle of sovereignty is not put in jeopardy where invitation is made for crisis resolution. The idea of connection between regional integration and development is much stronger in the current government, the development of a regional infrastructure though launched during the previous government is very much a part of the current government's project and I am sure that Dr. Castro has more capacity to talk about this and the role of the Economic Development Bank in this process.

In spite of the discourse on a regional common destiny and the turn toward the left in many countries, this is a region deeply divided. South American or Latin America both regions but in different ways remains deeply divided in terms of concepts of democracy, different economic models, different

relations with the United States, and different attitudes toward international norms. Although this government as well as the previous government has focused on the region, have focused on the region partly as an answer to the dilemma I mentioned, the systemic conditions and also the domestic conditions do not allow the government whatever it chooses to do to put forward a project that is very successful. Domestically, many sectors lost interest in regional efforts. There is I would say a reaction to these regional efforts. Brazil has not been capable of making the investment in terms of compensating smaller countries and in terms of building institutions which is necessary for it to have a firm regional base and, of course, this is only one of the answers to the dilemmas faced by the country and that puts it in a different position from the very commonly mentioned position of a status quo country. Brazil is not of course questioning its borders, but I think it is questioning a lot, and we should take this into consideration. Thank you very much.

(Applause)

MR. SOTERO: Thank you, Monica. I would like to ask now Professor Barros de Castro to take the floor, and to include in your remarks, professor, I would like you very much to talk a bit about the investments that our National Bank of Economic and Social Development have planned or is doing in South America.

MR. DE CASTRO: Thank you for the invitation.

The first point I want to raise is a remembering. As you all know, it is convenient to stress, Brazil grew very quickly in the past, about more than 6

percent on average in the 1950s, approximately 6 percent in the 1960s, and then 8.6 percent in the 1970s, certainly a Chinese or Indian rate of growth in present times, the latest stage.

This is one of the reasons why it is basically inappropriate to compare rates of growth of Brazil, China, and India today, because Brazil has already gone from a primary economy to an industrialized one. It is strange to say this now, but it is true. In 1980 we completed an industrial system which is there. Let us keep this in mind. The second point I want to raise is that although we had a remarkable victory over inflation with the a real plan, and then a few years later although once more we escaped the 1998-1999 crisis with an entire modernization of our economic policy regime adopting let us say a state-of-the-art regime, our growth did not come back. We had the last decade of the 1980s, but even after controlling inflation and adopting a state-of-the-art regime of economic policy, growth did not come back.

In fact, in the worst years at the very beginning of this century, we had the lowest growth in Latin America, we had 2 percent growth between 2001 and 2003, an average of 2 which could be compared only with Haiti in Latin America, many writers, many analysts both in Brazil and here thought that the problem was basically that we had already gone beyond a point of no return, the expression was used more than once. What did it mean? Many things. But basically, our public debt was more than 50 percent of gross domestic product, and foreign debt about 40 percent, and the public debt in particular was very short and dollarized.

Let's go to the third point, and later on I will try to articulate them and go to the final part of it. The Brazilian economy answered to the late opening of our economy which only happened in the 1990s and as you know was quite different from what happened in Latin America. We had fast modernization of industry and by and large we maintained the industrial structure inherited from our catch-up process in the 1970s. We revitalized our industrial system. Without any doubt there were losers, enterprises, some disappeared and even sub-segments of industry disappeared. No doubt. But basically the system was maintained, and this is absolutely different from what happened in Latin America. So we did not specialize. Instead of a labor-intensive specialization like Mexico or Central America, instead of natural-resources specialization like in Chile, by the way, a very successful one, we combined every kind of industry. We maintained the big natural-resource processing industries of the 1970s, we maintained and developed our -- industry, and mainly we developed our skill-intensive industry, basically mechanical-electrical. A friend of mine coined the term the mechanical-electrical Brazilian fortress. There is such a thing, very efficient, very competitive and so on.

The basic result of this was that our export of manufacturing, once we had the possibility to export after devaluation in 1999, grew very quickly indeed. As a matter of fact, if you take the very first years of this century in which we were basically in crisis as I said already, in fact in those years we tended to become a sort of late nick (?) newly industrialized country. We were a nick in the 1970s. We somehow came back to that at the end of the 1990s and the

very beginning of this century. It is important to see the implications of this. We tended to be the supplier of manufacturers in Latin America, in fact, a manufacturing hub in Latin America. I could provide data showing that in 2004 which is the best year from this point of view from the point of view of the argument I am developing, in that year we were really apparently becoming the manufacturing hub of Latin America.

Now comes my fourth point which may be the more important one. Somehow we were committing a mistake. In fact, we sort of did not know, in fact we did not know, neither private interests, neither firms nor government, that a giant was imposing himself all over the world. This we know what I am talking about, I am talking about China, who did the same choice Brazil did. Somehow I could go much deeper in this point but I have no time. He is becoming the world manufacturing hub, but with cheaper labor, cheaper capital, larger scales, better infrastructure nowadays, and with one characteristic not with Brazil, that contrary to Korea, the Chinese also did not start developing technologies or try to start develop technologies. Only now in the last 2 to 3 years they started doing whatever they could do, copying and so on and so forth as we did, and they went on quite well. They have another big advantage, and I am not going to talk about this, they have an undervalued exchange rate as you in the United States know very well.

The fifth point which I want to stress is that China brought many opportunities to Brazil, in the natural resources face of Brazil, in the natural resources dimension of Brazil, which is quite considerable as you all know,

ethanol -- and so on. On the other hand, China defies frontally our industrial system. This has not been that we have no opportunities as far as manufacturing is concerned. I am not saying so. But there is a line that no one knows. Where is it exactly? No one can draw this line. There is a line between industries that some are obviously being favored, others are obviously being damaged, but the line here in between is different, it is difficult, very difficult, to define. And even it is not sectoral. For instance, as far as the capital goods industry is concerned, we are completely divided into small segments that it is going to be hard to survive, and other segments that are going very well indeed, our capital industry is growing 16 percent this very year, with imports of capital equipment growing close to 30 percent, so there are opportunities even in this industry, but again it is not easy to understand, to localize, to focus, to clearly back them, and many great problems arise from this. Together with this point I want to stress the fact that in the last few years, say 2004, 2005, and 2006, in which growth is accelerating, the typical pattern of Brazilian growth is very much changed. We have always been led by industrial growth. No more, at least at this point, during these last phases.

Let me add another big question, and I am going to the end of the exposition. What I want to stress is that Brazil as many here know doubled exports from 2003 to 2006. But more than that, the cycle of indebtedness and particularly foreign indebtedness was finished finally. One data can synthesize this. In 2002, our foreign debt was 33 percent of gross domestic product, and it dropped to 3, from 33 to 3. I do not think this happens often in history. Next year

it will disappear and we even may become a modest creditor of the world. My English fails more than once, but at this point notoriously.

Now going really to the end of the exposition, I want to say that we generally committed mistakes on forecasting, broadly speaking, everybody, because several transformations are going on very intensively that we did not forecast. Some are backed by the government and mainly by this government, the second government of President Lula. Others are not. Others are historical transformations, historical structural transformations. The first of them is we are going through a credit revolution and this is a positive consequence of stagnation. During stagnation, 25 years of semistagnation, firms were clearly underleveraged, and now they are becoming normal, and the government is backing this very clearly and consciously. Families also somehow are going through the same process.

The second dimension which has already been mentioned here is the emergence of a new middle class, enough poor people as consumers, not only as citizens but also as consumers, I think Sergio Amaral will deepen this point, this is a normal change, it is the best possible change, from our point of view and it is going on strongly. I will not provide you with data. I think the press has enough, and specialized studies have even more of course, so I will not speak about that. I will only say that there are several factors contributing to this transformation, the emergence of C and D classes as consumers. There is government behind, there is policy behind, yes, but there are many other things. For instance, the rate of exchange. Although I am an industrial economist and I

hate overvaluation by profession, I must say that poor people are selling untradables and buying tradables. Of course, they are being privileged by privileged by being favored. To finish this point, I would say that we are going through two-and-a-half great transformations, a credit revolution, the emergence of C and D classes also as consumers, and the half one is the spread, modest, that is why I mentioned a half transformation, of innovation as a competitive behavior. We do have now a technological policy. In fact, the Governor of Pernambuco gave his contribution to this as Minister of Science and Technology and this is obviously a field in which Brazil is affirming and gaining weight.

Finally, and now I am in my last point effectively, we are -- trying to develop some thoughts about strategy let's say, and we are working as a small group with two scenarios. One scenario we call it the reactive scenario. By reactive we mean that things are being accommodated and proffered, used rationally and so on. It is a reactive scenario. Even the government is reactive in the sense that demand pressures arrive and they filter them as well as they can, as well as the government can, and that is so. If this goes on, I think there is no doubt that we can maintain a rate of growth of say 4 percent, 4-1/2, something like that. And by the way, if this happened, somehow an important gap will be closed. In which sense? In the sense that with 30 years, if we make projections on Goldman Sachs data, you would notice that Brazil would be the sixth largest economy in the world, and this is closing the gap in the sense that we would have and we will have the fifth population, the fifth area, and the sixth, it's equilibrated. This is only I said in 30 years more. I am not speaking about tomorrow.

But then there is this strategic scenario strategic scenario about which I cannot go very long, but this is a transformation scenario in which neither private firms nor government are going to be reactive. They would be really creative. It is not a fantasy. We are trying to develop heavy arguments to show that it is possible, and I will mention only just to effectively finish one. What? Ethanol would in this case be not the mere production of a combustible, of a fuel, that would be the matrix of bioproducts and the vehicle to entering a new world of biotechnology, bioproducts and so on, in which Brazil has plenty of reasons to be well located, perhaps a leader in some cases. In this case, if this were successful, we would be fighting, maybe for the fourth, of course leaving for the United States, India, and China, the three, without saying the order, first places.

(Applause)

MR. SOTERO: Thank you, professor. We are running a little bit behind, but while you Americans start thinking about how we are going to change the G-8, you have 30 years as a professor; I would like to see if you have questions for our guests. This is the time. Cindy Arnson from the Wilson Center?

MS. ARNISON: Thank you, Paulo. This is a question I think for Monica Herz, but also others could answer it as well. You made reference in your talk to the longstanding sense of Brazil's destiny and of its potential future as a leader in South America and in world affairs. I was wondering if you could expand more on the question of whether or not the Lula administration is taking

concrete actions to realize this destiny in a way that is different from previous governments in Brazil.

MS. HERZ: I think it is trying to do things, obviously. You want to know if it is trying to do things in a different way comparing to the previous government, obviously, and I think in a sense I answered your question in my presentation when I said that the stress is on power relation and who has in each issue area more influence in looking at strategic partners that are medium and regional powers. I think the stress on these regional and medium powers in terms of being able to use strategic coalitions, strategic partnerships, in order to put forward the Brazilian position regarding more participation, and not leadership, but more participation in the decision-making process would be the main difference. I could go on, but he may kill me.

MR. SOTERO: Let's try other questions. Identify yourself, please. Could you say your name again?

MR. WOGART: Peter Wogart from the German Institute of Global and Regional Studies. My question is on interest rates. Brazil obviously was a champion a long time of high interest rates and that has hurt growth as everybody knows. Now we have a period where even the Fed is giving up, everybody is decreasing interest rates, putting liquidity in the economy, it's in the world economy, and what is Brazil doing in this case? Because that will be important for small industries and not only industries which your banks are supporting.

MR. DE CASTRO: As a short answer, I will say that the rate of interest is going down continuously and it is going to continue this movement, and we are used to high real interests. We are close to real interests a year, 7 percent, which would be killing for a normal country, would be a killing rate of interest. Not for us. It's good enough. We are used to that financially. This is a long, long -- you see, our firms have adapted to it, our families are adapted to it and so on. So if we can go gradually, gradually, gradually, from 7-1/2 to 7 to 6-1/2 to 6, this is the hypothesis behind the usual scenario. It will go on growing slowly say at 4 percent which is good enough for us. But there is the other ambitious scenario in which perhaps it would be necessary to try to make more progress, but I have no time.

MR. SOTERO: Thank you very much. Do you have a question for the Governor, because I have? This is the next question, that I would like someone to address a question to the Governor, and I have a beautiful one. Governor, I would like to ask you this. You mentioned the story, your reaction to the offer by the United States of that hospital ship to dock there at Recife. I remember before you became Governor there was another that happened. I was in Brazil and I read that Venezuela had sent an airplane to pick up some people in Pernambuco to get their eye surgery in Venezuela, cataract operations, and in Brazil we have some of the best eye surgeons in the world. This is a way to ask you because we know by reading the papers that there has been a dialogue and Venezuela has been very interested in relations with Pernambuco, the oil, et

cetera. How do you see it from your perspective as the chief executive of the state?

MR. CAMPOS: As a matter of fact, there is an agreement for cooperation maintained by Venezuela and Petrobras. This framework agreement dates back to 1980, an agreement for the establishment of 600 retail points of the Venezuelan oil company in the Northeastern part of Brazil for diesel distribution, and once Petrobras discussed the possibility of establishing a refining plant and all the states in the Northeast in fact wanted to have a plant of that type, and this would also be used for diesel production, in other words, heavy oil, because Brazil imports diesel oil, something to the order of \$2 billion.

Some of the states attempted to come up with partnership agreements of different sorts -- came to an agreement with Saudi Arabia, others sought different partners, and Venezuelan oil companies and based on that agreement dating back to the 1980s, they offered Petrobras a partnership on a refining plant in Pernambuco, in our state. This was announced in 2005. I was not in office then. Of course, this brought us great joy for everyone.

This partnership involved 50 percent holding by the Venezuelans and 50 percent Petrobras. Brazil would then be entitled to a 50-percent share in the oil prospecting in the Orinoco River Basin. This fifty-fifty partnership brought this whole agreement to a deadlock during 2005-2006, until by January of this year an agreement was established for a new form of equity of holdings. Essentially, Petrobras would have 60 percent of the refining plant and would be the lead player in the process, whereas in Venezuela, the Venezuelan company

would hold 60 percent equity, the specialized company that would do the prospecting. In fact, the refining plant is now being built by Petrobras and the Orinoco River Basic prospecting has not yet been launched. So at the moment that this will be completed I think by August 2010, Venezuela may or may not come up with the 40-percent equity holding of the refining plant. It so happens that Petrobras is in a great hurry to have that done and this makes economic sense for Petrobras. This is very strategically very important for the region and will certainly our state in a different stage because together with the refining plant we are connecting a dovetail operation with all kinds of oil and PET, and essentially we are also starting in the textile industry.

MR. SOTERO: I would like now to just go around and collect some questions, because this will be the final round for questions. Jose Raul Perales also from the Wilson Center?

MR. PERALES: This question is for Professor Herz or certainly for some of the other panelists. Most analysts ascribe a certain quality to leadership and certainly hegemony which is the provision of public goods, and this has been an issue that has been brought up in other regions of the world. I just wanted to ask the panelists what kinds of public goods do you see Brazil providing in the international system or certainly in the American system? And if so what is this government doing in terms of providing such goods?

MR. SOTERO: Thank you, Jose Raul.

MS. HERZ: Excuse me. Did you mean regionally or in the system as a whole.

MR. PERALES: It all depends on what kind of hegemony the country wants to play. If it's regional hegemony, what kind of public role is it providing in the region?

MR. SOTERO: Any questions? Johanna?

MS. MENDELSON FORMAN: Thank you. So I don't have to say my name again, Johanna Mendelson Forman. I have a question addressed to something that Monica Herz raised, but I think the Governor could also answer this as well. You mentioned a lack of discussion about the projection of power, of civil-military discussion, about nonproliferation, and if I understood what you said, you said that unless these discussions take place, that the whole concept of Brazil positioning itself not only in a multilateral world but in a general globalized area will not be achieved. I was wondering if you could elaborate a little further on what that public discourse would look like given the history of Brazil's last 50 years and what factors are needed to be done.

And I also thought that since none of you mentioned the position of Brazil in either MENULSTA (?) or in its leadership in the Group of Nine Defense Ministers that you would obviously have something to say about that as part of the public discourse.

MR. SOTERO: Is that it? Monica?

MS. HERZ: Public good. I totally agree that in order to put forward, to try for a position of leadership, we need to put forward an agenda in terms of public good. I would say that regionally Brazil has helped very significantly, though I will not be able to elaborate how, to consolidate the

democratic paradigm and that is a provision of public good. It has also, and MENULSTA is a case in point, been willing both regionally and internationally to provide public goods in terms of conflict resolution. It systemically has been willing to open the debate, and I think that in a sense can be analyzed as a public good, though of course it is also good debate, and Paulo is looking at me.

The fact that Brazil is putting the debate on these regimes on the agenda, the fact that Brazil is putting on the agenda the problems of certain regimes such as the nonproliferation regime, I think is a provision of public good and I could give other examples.

Regarding power projection and the nonproliferation regime, I am not sure I understood exactly what you were asking, but I will just try to make clear what I was trying to say, which is that in a certain sense, Brazil is not a status quo country and that is what I am trying to stress here, that the discourse on a responsible country that accepts international norms as they are has in fact changed, and I think, Cynthia, this is a significant change in terms of the previous government, and this has to be taken into account. Brazil like many other countries is questioning the legitimacy and the functioning of certain international regimes and there needs to be space both domestically and internationally for a public debate on this, specifically on defense and now the nonproliferation regime relates to defense and the Brazilian option of not having nuclear weapons, I think in this case it is important that this issue is debated within Brazil. Our relationship with the nonproliferation regime, of weapons of mass destruction in general, needs to be discussed within Brazil because we do not have a sufficient

base, a public base, for the posture adopted by the government since the beginning of the 1990s.

MR. SOTERO: Professor, do you have anything? With this we would conclude this. The intermission which was to last 15 minutes has just been shortened to 5 minutes, so in 5 minutes, everybody back here.

(Recess)

MR. HAKIM: Good morning. I want to welcome you to the second session. I'm Peter Hakim from the Inter-American Dialogue. They initially invited me to be a speaker, and then they demoted me to be a moderator. But I was able to negotiate a few minutes at least of speaking time in exchange for being pushed to the moderator position, and so let me use that time while people are wandering in.

Let me just say -- and I think this was illustrated in the first session -- Brazil has clearly gained an enormous new expanded presence, influence, prestige in global affairs. I don't think there is any doubt we sort of see this in many things. I think that it began to emerge really probably during the last presidency of Fernando Henrique Cardoso, was continued, perhaps reinforced and strengthened during the government of Lula perhaps reflecting a rather special, maybe extraordinary political leadership that Brazil has had over the past 13 years, will have for 16 years. It's hard to think of any other country in Latin America that's had this kind of leadership over an extended period of time, in fact.

And, you know, just one simple fact, of course, suggests the growth and prestige when out of the 190 countries that are not members of the

Security Council of the United Nations, Brazil is one of the four that's considered that should be the next, one of the next members. And that's an extraordinary group that it joins with Germany, Japan, and India. And I think that that wouldn't have been the case even 10 years ago to be sort of automatically considered if there is a new group. And I think it does show the extent to which Brazil has gotten, like I said, this presence, prominence, and influence.

Let me say, it's precisely that, that I wanted to turn to the panel and say, here's what I am hoping to get from this panel, if I can. I'm not asking you to alter your statements, but in sort of what I look for when I hear people talk about Brazil, Brazil's international policy, Brazil's policy in South America.

First, what is it that explains, in fact, this growth of influence, presence, prestige of Brazil over the past period? I suggested one thing, just the prestige of its leadership that, like I say, two extraordinary presidents. But I think there is another potential factor: One is its gains internally, in other words, Brazil has changed. It's sort of had an economic emergence as well, bringing inflation under control; the sort economic opening to the rest of the world, the sort of vast improvement in economic management, generally macroeconomic management, internal gains and the democratic progress, the establishment of a democracy, the increasing attention to social issues, increasing recognition.

And then there's a third possible reason for this growth is the quality of Brazil's diplomacy, the power of its international strategy. Is Brazil's strategy sort of, is it an effective, constructive, is it contributing to this influence or not? You know, is Brazil's focus on South America, for example, an appropriate focus? In other words, why choose that focus rather than the

hemisphere -- I had a discussion with the Ambassador over that recently. Why not focus very hard on Mercosu, or why South America is that mixant.

What about the South/South relationship? There's some criticism of that, that really the great benefits that would be had by linking with the big markets in Europe, the United States, maybe China now. But South/South, what does Brazil get out of that? And should it be working harder on free trade agreements and all, or is it sort of a mistake? In other words, what is the Brazil strategy? Does it make sense? Does it add to Brazil?

And the second question, which I think is even more important in some ways, is what has Brazil gained from this growth in international influence, international prestige? What is it that sort of the citizens of Brazil gain from Brazil's new presence in the sort of global community? What are -- you know, one can sort of divide that a little, sort of the economic gains -- does it really gain economically by the new-founded prestige? You know, or and one can point to a number of things.

Certainly, it's being considered for a seat n the Security Council. It doesn't have it yet, and I don't know what the prospects are that it may have it. Is it important or not? It certainly has a great deal of influence in the negotiations at Doha, and, but the fact is we don't have an agreement at Doha. And so what is the gain? And it's growth of influence, but similarly Brazil probably was influential in stopping an inadequate free trade area of the Americas, but we don't have any agreement on integration in the hemisphere not. We're not even negotiating toward it. Is that victory or not?

And we could talk further. Mercosu, this was once -- I think one foreign minister called it Brazil's destiny. There are questions about how strong it is now. In other words, Brazil has certainly gain prestige, as I said, gained influence, gained presence. Is that a contribution in some respect to Brazil?

And, lastly -- and this I'm sure everyone will talk about -- what if any changes would you suggest in Brazil's international strategy?

With that, I'm going to turn now -- I just -- Paulo, you suggested an order for the speakers, but I already -- we already agreed on an order; is that okay?

MR. SOTERO: If that's the order we have --

MR. HAKIM: Right, but we've --

MR. SOTERO: If we remain on time I don't have to leave early, so --

MR. HAKIM: All right, I'm going to ask each speaker to try and keep their remarks like I did, brief. Twelve to fifteen minutes, if we can. Sergio, you're No. 2 on my list.

DR. AMARAL: Okay.

MR. HAKIM: Well, let me -- I got to tell you who he is. You know Sergio Amaral is -- I forgot to introduce the panel I was so excited about speaking. Sergio Amaral, first he's a good friend.

DR. AMARAL: I hope so. That's my best quality.

MR. HAKIM: There were many events that we've participated together here at the Brookings Institution when he was the DCM at the Brazilian Embassy. He went on, he was -- served as Minister in the Cardoso government --

two ministerial roles: Social Communication, Commerce and Industry Minister. He was also an Ambassador to England and to France, and I probably have missed something, Sergio, but he'll excuse me.

DR. AMARAL: That's okay.

MR. HAKIM: Good friend. Thank you.

DR. AMARAL: No comment.

Good morning. I would like to thank Brookings, and particularly Dana Montenegro, Wilson Center, particularly Paulo Sotero, the Brazilian ambassador and the Brazilian Embassy for their support to this meeting, and say I'm very pleased to be back, and, I would add, to be back in a more comfortable situation, because I'm not a diplomat, I'm not a member of the government. I'm, an independent observer, and I have more freedom to say what I think and perhaps be more provocative. So perhaps I'll raise questions rather than provide answers.

And I would like, despite the questions Peter raised and the stimulus he has made on a very wide discussion on Brazilian foreign policy and diplomacy -- which I agree it creates the presence of Brazil -- divide the presence of Brazil abroad -- I'll try to stick to the subject which I think is a very important one, which is new directions in Brazilian foreign relations, particularly changing relations in South America and changing relations of Brazil with South America - - which from my point of view is a very important subject.

And I would say that there are many reasons for that, some of them coming from the fact that Brazil and South America as a whole, they opened up their economies. And when I used to talk about Brazil abroad as ambassador, I

always pointed out that everybody knows Brazil was discovered in 1500, but very few people know that Brazil only found out that the world exists very recently, around 10 years ago. And this is a big change.

The second source of huge transformations in South America and in Brazil, and I would even say Latin America, is that despite the fact that there are big differences in Latin America, Latin America tends to evolve in the weights. In the '80s we had democratization; in the '90s economic reform; and now in the 21st century we have the emergence of social movements, and they brought about important and positive changes. The difference is that in some countries where such changes met solid institutions, the social movements were absorbed by the parties. And that's one of the positive aspects of the contribution by PT, the Workers Party in Brazil.

Now, where these new movements and very strong movements met weak institutions and weak parties, they tended to bring about populist movements and populist governments. And such governments not only have different domestic policies and difficult to design social and economic policies, but they have a strong impact on their foreign policy. And this is the case, certainly, of Bolivia and of Venezuela.

In Brazil, the new government by Lula in 2002 brought innovation and change to foreign policy. The first aspect -- and I would quote a political analyst I respect very much, Marcos Sequiera -- was that Lula, in order to avoid a disruption of the economy, was forced, more than option but by necessity, to keep a very orthodox economic policy. But in order to do that, to be able to do that from a political point of view, he was forced to resort to all the symbolic options

available to compensate an orthodox economic policy with some issue which could talk and which could be well accepted to important segments of his party. And foreign policy was one of these symbolic tools he was induced to adopt.

The new vision of foreign policy also coincides with the itinerary of President Lula as a trade union leader, and if you read his speeches, you'll see very often developing countries have to unite in order to negotiate better with the developed world.

It also coincides with some of the perceptions of the itinerary of the Workers Party, the affinities with Cuba, with China, with Venezuela, and with Bolivia. This set of elements tended to restore a North/South perspective in Brazilian foreign policy, and a perspective of a world where there were political and ideological affinities. As a "collate's crop", this different elements brought about changes in foreign policy with different regions -- for instances, closer relations with Europe and with Africa, and at the beginning a cooling off of relations with United States. At some point, divergences seemed to prevail over convergences.

While the United States, under the trauma of 9/11 resorted to unilateral action, Brazil was a moment of strengthening and for good reasons a multilateral approach: divergence on UN reform in the Security Council; divergence on Iraq; divergence on the protection of some universal values and issues such as the environment and care to, or such as the international criminal court.

We were on different sides on most important international elections in WTO, in OES, and IDB. And we have differences, fundamental

differences on hemispheric affairs. While the United States promoted FTA, Brazil favored an enlargement of Mercosu and Indian community as a source of South America integration. There was no conflict, no serious conflict, but as a former U.S. ambassador used to say, it was difficult to connect, was official, said was a missing relationship. Peter Hakim, I think, mentioned sometimes the missed opportunities.

After a few years the political realities that we're facing, the United States and Brazil, imposed themselves on both sides, and a correction of the roadmap, I think, too, place in the two countries. For the U.S., the Iraq deadlock pointed out to the need to new responses to unconventional threats. The advantages of multilateral consultation on the complex issues of the international agenda, the importance of diplomacy, of building up consensus and mobilizing support, soft powers in many cases may be more successful than military force.

In Brazil, a vision of the world along the lines of a North/South perspective and ideological affinities showed the limits. It was China together with Africa that brought the world towards a permanent seat at the Security Council. Surprisingly, it was Cuba that requested an investigation on ethanol. It was Eduard Morales in Bolivia whom Brazil supported from the beginning that not only occupied the petro-blast plants in Bolivia but forced D'Lula into taut and in some cases unreasonable negotiations.

In the meantime, Companero Chavez had turned from an asset to a liability. During Mercosu Council in Rio de Janerio at the beginning, the Brazilian government didn't hide any longer its impatience with regard to media staff profile and never-ending speeches by Chavez.

A few weeks later an open argument, public argument broke out between the Brazilian Minister for Communication and the Venezuelan ambassador on the legitimacy of constraints on television in Venezuela. The public "criticisms" [sic] by Chavez of the Brazilian senate mobilized the parliament and the President Lula himself against the Venezuelan president.

The Bolivarian initiative is one of the reasons of a stalemate in South American integration. Chavez went to the point of assigning a Venezuelan ambassador the role of mobilizing Bolivarian groups in Peru, in Uruguay, and in Argentina. Proposals like Mercosur and the Continental Gas Pipeline were not supported by Brazil, and the prospect of accession of Venezuela under Chavez -- not Venezuela and I stress under Chavez -- to Mercosur may bring not the Viagra which Chavez prescribed but the kiss of death to the subregional integration of Mercosur. For different reasons, Mercosur basic assumption is the integration of market economies and democracies -- and Chavez doesn't seem to go in neither direction.

It is to be argued whether Venezuela under Chavez conforms to the democratic clauses of Mercosur or to ask whether the democratic clause of Mercosur only applies to Paraguay. The Senate will certainly argue about the rather unusual procedures for Venezuela's accession. Venezuela may become a full member of Mercosur before some crucial issues like the terms, conditions and deadlines for the incorporation of Mercosur free trade, and external ties by Venezuela are agreed upon.

Venezuela is certainly welcome to Mercosur, but if it conforms to its rules, not like Eduard Morales said, that he would join Mercosur in order to

change the rules of Mercosu. I wonder what the European Union would think if Romania, which had been negotiating for years, would say that they would join the European Union in order to change the rules of the European Union,

And, finally, Chavez unleashed an unprecedented arms race in South America with the purpose of Sukhoi planes, submarines, helicopters, 100,000 Kalashnikovs in order to organize a militia of one million people. What for? Against whom? I hope it's against the United States, because the far more remote country than the neighboring countries in South America. But it doesn't make sense, either the United States or with the neighboring countries.

At the end of the first mandate of President Lula there was a vivid and open argument as it was shown in the previous panel on foreign policy. The business community was unhappy for the lack of business opportunities and bilateral agreements. The national media was clearly against some aspects of the foreign policy. The Academy was confused and divided, and foreign policy had brought modest results on many issues like "convivisies" trade agreements, South American integration, and Mercosu. Brazil run the risk of losing the national consensus it had always had on foreign policy.

The second mandate of President Lula starts with corrections on the roadmap. A closer dialogue with the U.S. in many areas and a concrete project for cooperation, instead of a strategic partnership a moderation role vis-à-vis Chavez in assertiveness, vis-à-vis Morales, increasing relations with Chile and Peru, which reflects a search for balance and the "titchmit" concern that Chile might look elsewhere with what it was not getting in the region and move towards

integration with Asia, and more realistic approach in order to repair Mercosu.

These are positive developments in the right direction.

I'd like to focus now on the two specific issues which were raised in the program which is integration in South America and integration in the area of energy. Integration requires a shared vision converging economic and political projects as our policies. What we have now in South America, three different visions: One is the FTAA, which is supported by Chile, by Peru, by Colombia, possibly by Paraguay and Uruguay. We have the extension of Mercosu which has always been the position of Brazil in diplomacy and the right position in the merge with Indian countries in that we have the Bolivarian integration. I don't know whether it has solid grounds or it makes noise and has money.

Germany was the father of the European integration as to this first condition, which is a shared vision; another point, which is the capacity to construct a community of interests. Chavez and Morales, unfortunately, jeopardized the most promising area for integration which is energy. There is complimentarity in South America. Many countries have an energy surplus like Venezuela, Bolivia, Ecuador, to some extent Colombia. And Brazil has a strong demand for energy. Chile and Argentina also.

But who, which foreign investor is going to invest in regional projects when we had the experience which was pointed out by Venezuela and by Colombia? We live in a paradox today, which is that on the one hand there is liquidity in the world; on the other hand there is a demand for infrastructure projects in South America, and we cannot do the matchmaking, because there is a government risk in many countries. Bureaucracy for the projects, licensing,

judicial insecurity, institutional insecurity, uncertainty as the regulatory framework.

On the other end -- and I'm going to run now because I'm finishing my time -- I think they have two very positive elements for integration: One is the increase in trade. Increase in trade in South America, in Latin America from 2001 to 2006, trade within Mercosu increased by 76 percent and trade with the Indian group by 100 percent. Trade with Brazil with respect to Mexico 123 percent.

There's also substantial increase in Brazilian investment in neighboring countries. For instance, from 2001 to 2005 56 percent towards Chile, 400 percent towards Venezuela, 650 percent towards Peru. And there are important cases of Brazilian investment in Uruguay -- I won't give the names, it's a long list -- and in Argentina. Brazilian companies invested in the last 30 months the amount of \$7 billion which, for our standards, is a quite high development.

In some cases these investments start to raise problems, but they created a community of interest. If the accession of Venezuela is to be approved by Senate, a large responsibility is in the hands of Brazilian engineering, civil construction companies which are supporting this accession before Brazilian Congress.

In conclusion, in the 21st century, globalization and regionalization go hand in hand. This would be the trend for hemispheric integration, but, unfortunately, FTAA has been politicized. It has become a symbol. It was overburdened with high expectations of a "double T-O plus" in the area of trips, investment, environment, social issues. It is very difficult.

South American integration, unfortunately now, is more remote than before. We are divided by three different visions of integration, and integration can no longer be led by states in South America. The Travassos challenged in Bolivia; Itaipu may be challenged by Paraguay -- what is a very unusual situation because Paraguay's contribution for Itaipu was only half of the water, and it has today 50 percent of the assets. Today a project like Itaipu would not take off.

Countries which invest are perceived in South America like Exxon on the Bayou were perceived in the past. The integration by private investment may be jeopardized by government risk. Despite all of that, integration keeps being a cherished goal for public opinion, for the business community, and for politicians. Everybody knows what is the way: It's to build a joint vision of integration and a community of interest; but the road seems to be blocked, at least partially blocked now.

Governments go in different directions and hesitate on the way to take. Failure or success will show the way, but while we have such a commodity boom as we have now, all governments will be able to claim that they are in the right direction. When this boom declines, we'll be able to realize the adjustments that will have to be made, and some areas of convergence will be construed.

Thank you very much.

(Applause)

MR. HAKIM: Thank you very much. That was a really brilliant presentation, and I hope we all get a chance to read this. I presume you're going

to send a copy around. It was, as you said, provocative, and I think -- I hope we have a chance to discuss this.

Next speaker, Amaury de Souza, is also a long-term friend. Since we first met when he was a graduate at the time, I think, he's really emerged as one of Brazil's leading social/political analysts -- and I could probably put a string of other besides social and political. And he covers just an extraordinary wide range. I hadn't quite realized -- I had only seen him as more of an urban analyst, a sort of domestic palliative, go out in the list, and now I find out he's one of the leading writers on foreign affairs in Brazil as well.

In any event, he is a wide-ranging and deep intellect, and we're delighted to have you here, Amaury. Thank you for coming.

DR. de SOUZA: Thanks, Peter, for the kind words. Let me thank the Brookings Institution and the Wilson Center, which I consider to be a normal matter, of sorts, since I was a Fellow there in 1984.

I would like, in addition to my own views on relations between Brazil and South America, to report on a specific document that was recently produced by the Brazilian Center for International Relations which is a nonprofit think tank in the foreign policy area which is supported by private donors and the Foundation grants. We have quite an interesting discussion there, and I was privileged to be part of a task force that analyzed Brazil's foreign policy towards South America.

I would also like to add that I have been running for the Brazilian Center for International Relations a survey of, a little opinion on Brazil's foreign policy in South America, and I would like to bring whatever views and analyses

we have developed in the task force and what I have learned from several interviews on the matter of the relations between Brazil in South America.

We changed, the region changed, in very marked ways in past years. The external environment for Brazil's regional strategy is not the same as it was under the Cardoso administration. But sometimes we don't realize how much of this impinges on the way we have been conducting our foreign policy for the region. Let me exemplify by one particularly hard decision, namely, the admission of Venezuela into Mercosu.

Yesterday, for the second time, the House Foreign Relations and Defense Committee of the Brazilian Congress decided to postpone the vote on the admission of Venezuela to Mercosu to October 24.

Well, there were two reasons mentioned by the committee's chairman for doing so: One is that several members of the committee pointed out that Venezuela should first comply with requirements set down by the admission protocol such as to take concrete steps toward adopting the Mercosu's common tariff, the TEC, and to stop the problem of trade liberalization and the associated liberalization schedule. Negotiations on this matter have been stalled since March. We have been creating work group upon work group, but nothing develops.

Secondly is the boeing of President Chavez, his own brittle use of foreign relations in order to promote his own domestic political ambitions. And that was the fact that about a week and a half ago, in a visit to the Amazon, President Chavez again accused the Brazilian Congress of making decisions under the heavy hand of the American empire. The reaction was predictable: Brazilian

legislators have felt particularly insulted by this interference in our domestic politics.

But this serves to exemplify how much our immediate neighborhood has changed. It's now an area of increased turbulence, political and otherwise, and I'm sad to say that in the works that we have developed in the task force on South America, we came to the recognition that Brazil's foreign policy has been mostly, or almost exclusively, reactive. The government has no clear strategy for the region, especially now that the foreign environment has changed so markedly.

Our basic question in the task force was a very simple one: What are Brazil's objectives in the region? What do we want from our neighbors? Which position do we aspire to, regionally? What is in the national interest? -- Which is a question that has never, at least not often asked in the formulation of foreign policy. Relatively, as the ambassador pointed out, there is a line of continuity that links international relations with national development -- but this is a broad inspiration for foreign policy -- but what are, clearly, Brazil's national interests at this juncture? And how should foreign policy be formulated in order to achieve them?

One might say that we spend quite some time discussing the issue of Brazil's leadership in the region. In fact, it was only when President Chavez successfully off-bid Brazil in that role that we start having second thoughts about the matter. In fact, Brazil's claims to regional leadership have been largely rhetorical.

It reminds me of a story. It's of the old lady that used to pray to God every week to win the lottery. She would say, "Oh, God, I have been a faithful servant for the past 70 years. Please let me win this week's lottery." The next day came and she didn't win the lottery.

So she would pray again, "Oh, Lord, I've been a faithful servant for the past 70 years. Please let me win in the lottery." And one day God decided to answer her and said, "Okay, but at least buy a lottery ticket."

It's very much the situation of Brazil: We want to be the leaders in the region, but we do not and have not committed resource, economic or otherwise, to play a leadership role. And I think this is the reality that we have to recognize, whether we have what Brazilian diplomats have for a long time referred to as "a surplus of power" to try and implement such an ambitious agenda for the region.

We do have increasing involvement with our neighbors. This is a reality. So much so that increased proximity has bred not only better relations and more friendly relations but also discord and conflict. But it has progressed perhaps too fast from the foreign policy view of open regionalism with a very strong emphasis on trade, to what might be called a profound view of integration covering nontrade areas all the way into the environment, immigration, and even the correction of social and economic inequalities in the neighboring countries, and, ultimately, new validations on the agenda.

Among them we can mention energy -- especially energy requirements by Brazil -- infrastructure, trade with neighboring countries as was pointed out here has been increasing very rapidly, plus national climb by

environment, now climate change, and its possible disastrous effect on the Amazon Basin. So it's not for lack of new issues that Brazil has not developed a more coherent and a more realistic strategy for South America.

A great deal of this involvement has come from the increased investment of Brazilian companies in the region. Several of these companies -- financial, industrial services -- have started their transition toward a multinational range of operations, and this has created some new problems for Brazil's foreign policy. For one, we are beginning to understand that we cannot expand our investments without a proper regulatory framework, especially clauses to perfect Brazilian investments abroad.

We also have as part of the new agenda, as I have mentioned, a range of border issues -- transborder issues actually -- goods trafficking, arms trafficking, collective security matters, illegal immigration, and many others. Of special interest are our security concerns. Several of our neighbors have started very ambitious weapons acquisition programs such as Chile, Peru, and Venezuela.

Now, let us grant that a part of this is just a normal reequipping of armed forces. Military hardware has a lifespan, and all over the continent time is running for most of our aircraft carriers, ships, but if we don't deal now with this matter, we may be faced with what used to be an issue that we considered a few years ago to have been completely solved, which is arms race in the region. Some of our neighbors are purchasing state-of-the-art aircraft. Actually, Venezuela has supremacy in the air at this point in time, and these acquisitions are moving toward very sophisticated missile weaponry, naval capabilities and so forth.

So these issues require, as I was suggesting -- and this has been a conclusion of the task force -- that we should move toward a new strategy; that civil society and the Congress should share with the foreign relations ministry the issue of Brazil's foreign policy toward South America. So far, this issue has been confined to the very competent and respected hands of Brazilian diplomats, but it's time -- it's high time -- for Congress to have more of a saying in the conduct of foreign relations as well as the business community and civil society in general.

The interesting point in the task force -- and here I end my presentation -- is that they could not agree on what should be the adequate strategy for Brazil in South America. Rather, the task force was divided two models of integration: One model might be labeled "profound integration." That used to be the old dream of Mercosu, starting as a territory union and then moving forward toward the Common Market European Union style. That brings the fear because Mercosu -- and shall we read here Brazil and Argentina which are the core of the regional arrangements -- could never make up their minds on whether to beat them by integration among themselves, or to broaden the number of partners. This has always stalled effective action, effective integration within the Southern Cone, what would have been, if it had been done, a model of integration for the rests of South America.

This profound integration was contrasted within the task force --

MR. HAKIM: Amaury --

DR. de SOUZA: I'm finishing.

MR. HAKIM: -- I'll give you a couple of more minutes.

DR. de SOUZA: Thank you.

MR. HAKIM: Okay.

DR. de SOUZA: This -- one minute will do, thank you, Peter -- is what the task force chose to label "selective integration." And this is the recognition that to have a profound European Union style integration with our neighbors, it's not inevitable and may not be even desirable; that Brazil should have a very specific agenda of where it should act and what it should expect from the neighbors. Be very selective in where we place our resources and where we place our efforts in foreign policy.

I think that this conclusion of the task force to a large extent mirrors the divisions that one can find today in Brazilian elites in general regarding foreign policy toward the region.

Thank you.

(Applause)

MR. HAKIM: That was terrific, Amaury. Thanks very, very much. Very, very, very interesting. And how did this wind up? You divided the task force, and there was no report, or there was a report?

DR. de SOUZA: We do have a report.

MR. HAKIM: You do have a report, and it's back and forth?

DR. de SOUZA: The report will be available in two --

MR. HAKIM: To three weeks, good. And at Brookings, I presume, no?

DR. de SOUZA: (Off mike)

MR. HAKIM: Okay, and I just want to say, Amaury, just be careful what you wish for, to have the Brazilian Congress involved in foreign policy, some of us who watch the U.S. Congress are not sure at times.

But in any even, let me turn to Riordan Roett. We first met in Brazil as well. I'm not sure, Riordan, whether you were a recent graduate at the time, or a young professor, or still a student, but -- you don't look like a student today.

But, Riordan today heads the Western Hemisphere program of Johns Hopkins University. He's written widely about Brazil, one of the most respected analysts on Brazil, but he's also written on many other countries and many other issues. And I think he's still the only person that has written an article on Paraguay and foreign affairs, is that correct?

MR. ROETT: Correct.

MR. HAKIM: So Southern Cone specialist, Mercosu specialist, Riordan Roett.

MR. ROETT: Thank you very much. For those of you who are particularly astute -- and, obviously, all of you are -- you recognize one fact with regard to the program: I'm the only American speaker, besides Peter who is a --

MR. HAKIM: (off mike)

MR. ROETT: No, wait, wait, wait, wait, wait, wait -- for Peter, as our distinguished moderator.

Now, I felt, therefore, I had to justify my time here, which I will make sure I don't go overtime so Peter doesn't have a heart attack, in that I arrived in Brazil actually 45 years ago. And I'm sorry that the Governor Eduardo Campos

is not here because I arrived in the midst of his grandfather's campaign to be governor of Penam Buku in 1962.

So my contacts with the governor's family goes back a very long way, and Miguelan Aisch, more of the distinguished members of the regional hegemonic powers of the 1960s was indeed one of the most colorful and powerful figures in Brazilian politics until 1964. So in a sense that justified, I suppose, my inclusion in this panel in that I go back as far as that in Brazil, and I can actually remember, which one of you do, Miguelan Aisch and the campaign of Cobra 1962.

The title of the conference is an interesting one because I do follow Brazilian foreign policy since 1962, and if you go back to 1962, we've been debating this since 1962. When I got to Brazil in 1962, we were bemoaning the collapse of Jonyo Quadros's independent foreign policy within -- went through, of course, Sean Guggula and his lurch to the left and his collapse in 1964.

We then lurched back to the special relationship with Marie Shault, Estero Bronku for three years with the strong ties to the United States because of various reasons -- Ryan Walters, the model adopted in 1964 by Roberto Campos and others. We then discovered grandeza beginning in 1967.

Now, those were great days, the grandeza days in which actually Brazil believed it would become a hegemonic power. I'm not even quite sure we used "hegemonic power" as a phrase, but grandeza, we knew what we meant, and we retired -- "we" being collectively the "prenable conus," who are present, including myself, and we retired the World Cup in 1970, when I was living in Rio de Janeiro writing my first book on Brazil.

That all collapsed in 1982 with the debt crisis. We then went through a feckless period until 1994, and the REAL Plan, and here we are talking about in due direction in Brazilian foreign policy. Well, why can we talk about a new direction in Brazilian foreign policy in 2007 when all the previous ones failed? In part, my good colleague Barros explained very carefully this morning why: Because for the first time since 1962 we have a coherent economic and financial set of policies in place in Brazil, which are admirable.

I'll be chairing a panel in about two weeks in terms of, what does it mean for Brazil to become investment grade? Now, 10 years ago we wouldn't even mention "investment grade" in Brazil in any serious meeting. We are now talking very seriously about Brazil achieving within a relatively short period of time investment grade status, which is an extraordinary path towards becoming a realistic brick in terms of the 21st century.

So there is then, therefore, a great deal to be said about a new direction in Brazilian foreign policy. While I was looking at President Cardoso's memoirs yesterday -- I don't always spend a lot of time reading people's memoirs -- but President Cardoso in his memoirs made a very interesting comment about Brazilian foreign policy when he said that another longstanding -- this is a quote -- "dream of Brazil was to have a permanent seat on the Security Council of the United Nations." I supported this initiative. But I also mused that it would be more useful for Brazil to aspire to a seat in a body, the G-7, who are composed of the largest economies in the world. If Brazil succeeded in growing its economy and alleviating poverty, then power and influence would come naturally.

And it may well be that is where we are in the sense that the data are very clear that poverty is being reduced in Brazil for the first time in history; that we indeed have achieved a set of economic and financial policies that work, that aren't make-believe. In Argentina they're make-believe. In Venezuela they're make-believe. In many of the other countries in the region, the policies are make-believe; in Brazil they're not make-believe for the first time. So magical realism is dead in Brazil in terms of policymaking.

Let me make four quick points with regard to the context -- and we talk about context a great deal in this town. And the context I'd like to talk about is that nothing is static, say, for the Bush White House policy on Iraq. But in the rest of the world everything changes and everything is in flux.

The first is the great debate which no one's mentioned about the decline of the United States. Now, Paul Kennedy at Yale University first raised this issue in his very interesting book on the rise and fall of the great powers, 10, 12 years ago. We then went into a kind of a hegemonic slump in terms of the discussions about the rise and fall because we were, of course -- "we," the United States and not Brazil -- we were, of course, the most important power in the world, the only power in the world, we thought, during the 1990s after the end of the Cold War -- the collapse of the Soviet Union -- the success of the first war in the Middle East, if you want to call that a success. And it became a very important part of U.S. foreign policy that indeed there would be no rivals.

Well, recently, there have been a series of books by Niall Ferguson and Charles Krupjune, my colleagues, Andrew Basevich that really raised the issue of the beginning of the decline of the empire. Now, that has real

implications for a country like Brazil or India or China, because if the empire is declining -- and one's the model, you know, the United Kingdom? -- apparently, we're not going to collapse. But if you take a look at the realities of America today -- and you can imagine what the poor next president has to deal with -- he or she in January of 2009 -- in terms of twin deficits, in terms of the war, in terms of the social deficit at home, in terms of infrastructure and the other issues that will confront the next government, and the growing sense that we are now overextended and can no longer afford the overextension, then the context of international relations begins to change.

On example: Secretary Hank Paulson, our Treasury Secretary, is in charge of the strategic dialogue with China, basically to push the Chinese to do things that the Chinese don't want to do. Well, there was a very important Chinese delegation here in Washington in May, I guess, and basically the Vice Premier of China publicly stated: Don't push us.

Now, 15 years ago, it's difficult to imagine that anybody would arrive in Washington and basically state to the Secretary of the Treasury and, indirectly, to the White House: Get off our back. Don't push us. Well, it's happening, and therefore the whole issue of decline is very important. And, as I said, nothing, of course, is static, therefore for Brazil, for India, for South Africa, or the emerging important developing countries, the status, the role of the hegemon is clearly one that has to be taken into analysis, under analysis, in terms of their own insertion into the emerging and very, very problematic international context at the present time.

Second, as our former speakers have pointed out, my second point is nothing is static in world affairs, and nothing is static in regional affairs. We have two trends, as my colleagues have pointed out, going on. You know, one is a rather nice trend, which isn't going very far in terms of regional economic integration, stymied in part by the Nozwela, stymied in part by the failure to come up with an FTAA with inability to reach Doha round, and we have two trends on the ideological side as well, which Brazil, obviously, is well aware of but needs to be constantly monitoring -- as Awaury just pointed out -- that the antimarketeers in the hemisphere is increasingly strong, the Venezuelas, the Chiles -- I'm sorry, the Venezuelas, the Bolivias and the Ecuador. We may have, who knows, Uruguay? The Frente Amplio has announced, since Tabare Vasquez will not run again for a second term, the Frente Amplio wants to take Uruguay after the elections, and they will win next year in the Venezuelan -- to the Venezuelan model.

We don't now what's going to happen in Peru where Mr. Lantrem Omalla is still a very strong factor, and I wouldn't give you 10 cents for Paraguay, which I did publish an article *Foreign Affairs* -- (inaudible) -- 10 cents for Paraguay after the elections next year if we're going to get Mr. Oviedo as president. These are regional realities with which Etamalati, the president, and Brazilia have got to be very, very much aware of. And, as my colleagues have pointed out, these inconsistencies, they're moving quickly, and I'm not really sure they're moving in the right direction. You can decide what the right direction is.

Third, another important trend, I think, is political, institutional uncertainties. Now, the United States has always made the mistake in believing

that if countries have elections, they're democratic. Well, of course, that's not true. We know very well that elections are formalities, but what really matters is the institutional realities behind those elections.

For example, the United States supported COLPEI and AD in Venezuela for decades, believing that they were democratic parties in a democratic polity. They, of course, were kleptomaniacs, robbing Venezuela blind, which prepared the way for Hugo Chavez in 1998. But we clung to the belief that an AD and a COLPAI -- and, of course, they look like us, they talk like us, hey dress like us -- were a good people. Nothing bad would ever happen in Venezuela.

You may think nothing bad has happened in Venezuela, but, of course, this administration believes something terrible has happened in Venezuela. So Brazil has to be very much aware as it consolidates its democratic institutions, and that consolidation process, obviously is far from being over, as my colleagues have pointed out; that the trend in other countries is not necessarily going that way.

One might just take the case study of Bolivia. What if Bolivia did break up -- which, of course, it won't -- but what if, indeed, Santa Cruz in the south became autonomous? Who are the largest soybean growers in Bolivia? Brazilians. Other interests, geopolitically in that part of the world with which Brazil would have to become very much involved and very much concerned.

There are these kinds of geopolitical issues with which Brazil is obviously competent to deal, but again it's the uncertainties, the unpredictability, post-Cold War, post-U.S. hegemonic presence in the region, that Brazil is going

to have to deal with, very much as India has to monitor what is happening in Pakistan and, quite literally, China looks at Japan and Korea as well, so that we generally -- each of the new emerging leaders has a set of interesting priorities they going to have to prioritize and address and deal with whether it indeed is coming up with a reasonable approach to the region, as Awaury points out, or whether it is indeed having to monitor not just what is happening with their neighbors, regionally, but clearly in the context internationally.

And fourth and finally, Brazil has to deal with, as we all do, a whole set of new players. It's been mentioned by Awaury -- and I had a chance to exchange views with the U.S. Southern Command on Monday at a different conference -- and there is deep, deep concern in the Southern Command about Venezuelan arms purchases. As the ambassador pointed out, he would turn -- hope that the arms were turned against us, but I think the belief in the Southern Command is that the arms may be turned elsewhere south.

And the implications of that for Brazil's foreign policy, our foreign policy, and for others is extraordinarily, extraordinarily delicate. And this is a situation in which we really have never found ourselves before with an oil-wealthy country having all the money they need to buy as many arms as they need without any clear prescription for their use and/or their distribution, or their export elsewhere in the region. Therefore a country like Brazil, as has been pointed out, without a large military budget, without a belligerent military but clearly with borders that front on many of the countries in the region, needs to be concerned about these trends.

The president of Iran, of course, was recently in South America, a rival of China. All of these new actors which were not present during the Cold War -- and many of us in Washington would welcome the Cold War back -- it was a much easier time to deal with international affairs; it's gotten terribly messy now -- but all of these new plays need to be monitored by Brazil.

Why? Because Brazil is the focus of much of this attention; that is, in terms of its economic leadership, its political leadership; its ability and its capacity to begin to participate and to formulate alternative strategies, whether they be in the trade area or whether they be in the biofuels area, conservation, et cetera, as the ambassador mentioned this morning. These are not new realities in the 21st century that neither Brazil nor we have had to face before.

So in closing, we must remember nothing is static, everything is changing. It's changing in rather rapid ways, some of which we can't predict.

Second, the internal dynamics in many of the states of the region don't necessarily favor a clear democratic Pacific foreign policy for any country in the region. But since Brazil is the major player in the region, this is an even greater burden for the decision-makers in the context of Brazil.

And, finally, we, the United States, you, Brazil, are now having to contend with the new players, new kind of players in the region, whether it be a arming Venezuela; whether it be a China interested now in minerals and raw materials and foodstuffs, but also a China that's beginning to invest in the energy sector, and a China that will as it grows, as was pointed out this morning, become more interested in the kinds of provisions that the Latin American countries are able to provide.

And, of course, I don't have any idea what the

president of Iran was doing in Bolivia, but I'm sure all of you have an answer for that, as well.

Thank you.

(Applause)

MR. HAKIM: Thank you very much. You may be the only American to speak to us, but you did us all very proud. Thank you.

Let me say that I didn't quite get an answer to all the questions I raised, and let me just try to sum up a little bit if I can, very quickly, because we have about 20 minutes for conversation now, and I want to have a conversation.

But it seems to me that no one disputed the fact that Brazil really has emerged as a global player, as a regional player that has a greater presence and a greater influence and a wider prestige than it had before. I mean I think that that almost seems to be taken for granted in all of the presentations.

At the same time, there was a sort of discomfort, if you like, with Brazil foreign policy; in other words, that it wasn't quite up to the task of managing this new emergence, that they didn't quite have a strategy moving ahead. I think the results of the CEBRI Report, the fact that it divides in two -- not to say that it's wrong-headed but that it's certainly not yet quite adequate to manage this new emerging skin -- and that in many respects that the new emergence, we feel, domestically, is doing a better job, particularly in managing its economic -- it's economy, than we quite have now.

So that's more or less put it in very general terms. I could go into more detail, but we want to hear from you. I want to give the ambassador a

chance, if he wants, to respond to any of this, not to be too provocative, of course.

Why don't you just stand up there, I think would be the easiest.

MR. PATRIOTA: Okay.

MR. HAKIM: Or here. We have a microphone here.

MR. PATRIOTA: Well, I'll try to be as brief as I can, but I'd really like to make two essential points, I think. And one of them illustrates having the usefulness of having a debate at an institution like Brookings, which doesn't only analyze Brazil with an inter-American perspective. Because, if you look at the rest of the world -- and I think we need to have that kind of perspective when we study international relations -- and I think South America is today unique in having the only leaders that were democratically elected. Of course, elections are not the entire story, but without elections, you can't even start to claim to be democratic.

Let's face it, Saudi Arabia is an entirely different category, for example -- so democratically-elected governments and all governments trying to face the challenge of dealing with social inequality.

I thought the comment by Sergio Amaral about social movements and the way some countries in the region are capable of absorbing those into the political party system is one model and probably a more desirable model, and other experiences where this has not taken place. But whether we like it or not, this is a trend that is here to stay, and I think it has a progressive aspect to it. It's empowerment of the excluded whether in Bolivia, whether in Venezuela, whether in other parts. And without an empowerment of the excluded, we will have very, very fragile situations, as we had in the past.

So looking at the rest of the world, frankly, let's look at China: the tensions that it has in the Korean Peninsula to deal with, tensions with Japan, a potential war with Taiwan if Taiwan declares independence.

Let's look at the Indian situation in the subcontinent: belligerence with Pakistan, a nuclear arms race -- something which is unthinkable in a region such as Latin America which was the first region to proclaim itself a denuclearized zone. So perspective here is important.

The other aspect is, let's look at different periods. Those who consider that perhaps there is not sufficient leadership or coherence to our South American policy should perhaps compare it with other times. I don't think has ever been as much interchange, as much contact, politically at all level, between members of academia, civil society, among South American countries as in the past recent years.

And if we want to look at trade, for example, the figures are absolutely daunting, very impressive. With Argentina trade grew by 388 percent from 2.4 billion to 11.7. With Latin American countries, (inaudible) members, 218 percent from 9.9 billion to 31 billion.

Investment is growing. Professor Castro here, next to me, was just showing me a list of projects financed by Dan Diaz: in Venezuela, in Ecuador, in Peru, in Chile, and Argentina, Uruguay, all dealing with infrastructure, and this is something entirely unprecedented in the region as well.

So not to minimize or ignore tensions that do exist, I think there is much to be said about us going through a period of enhanced cooperation and enhanced relationship.

Now, another point -- and I would finalize here -- that I think also is worth pointing out, is that one doesn't judge foreign policy excesses only but what -- by what is happening, but also by what was avoided. We had in South America four or five situations of governments toppled by popular management stations: in Argentina, in Bolivia, in Ecuador. In Venezuela we know the polarization of society. These situations could have deteriorated in civil war, into blood baths. I think that if it wasn't for very attentive and discreet diplomatic activity by Brazil, we would have had a difficult transition from Sanchez De Lasada to what we have today.

Similarly, in Ecuador. In Venezuela, polarization could have led to civil war if it were not for the group of friends of Venezuela, and the group of friends of Venezuela were not the group of friends of Hugo Chavez. They included the United States and AZNOT Spain. These were all Brazilian initiatives. I think these are all indicative of leadership.

Thank you.

MR. HAKIM: Thank you very much, Mr. Ambassador. We're now going to open up -- I think what I'm going to do is take four or five comments and then turn it back to the panel for the last five or six minutes.

Monica, I'm going to get to you, but let me get to the people who haven't had a chance to participate. Why don't we go right over here? Go ahead. Dan and then Margaret.

SPEAKER: -- with the Center for Latin American Strategic Studies in Bogota.

Given the regional security challenges some of which (inaudible) de Souza and Professor (inaudible) mentioned, what are Brazil's national security priorities, and how do those priorities influence its foreign policy?

And also, if I may, what are your views on the need for greater cooperation and security of maybe having made the kind of organizations to deal with the arms race or some of those securities?

MR. HAKIM: We have a third panel --

SPEAKER: And, lately, and also on the role of development on any security of privacies.

MR. HAKIM: Right behind you, and, Stan Gacek. Tell us who you are, Stan.

MR. HAKIM: Thanks, Peter. Stan Gacek AFL-CIO.

Ambassador, Amaral made a very, very important reference to how social movements in Brazil over the last you know, certainly over the last two decades, confronted weak institutions and parties, and this had a definitive impact on Brazilian politics, democratization, and I couldn't agree with that more.

My question is this: Purchase of the proverbial lottery ticket notwithstanding, as Dr. Amaury pointed out, is this -- is the influence of civil society -- has the influence and mobilization of civil society in the opinion of any of the panelists, had an effect, had any kind of direct effect at all on Brazilian foreign policy?

Obviously, in the rule of government there is a minister who is actually designated to sort of deal with that issue, among other ministers, but one in particular, Luis Dulci, a general secretary of the Brazilian presidency.

Again, I know all of the members of this panel can afford to be provocative, and so I will be, too. And I know this is not a -- you know, I've been on a panel about U.S./Brazilian relations, but Dr. Roett made the reference to the declining empire, so I do want to -- I do want -- I just want to ask: How would Brazilian opinion-makers, civil society, as well as government actors as well, how do they see the current debates on U.S. security, U.S. international relations, and U.S. trade affecting the future formulation of Brazil foreign policy?

Obviously, I'm making a particular reference to the 2000 electoral campaign.

MR. HAKIM: Margaret, you've been patient.

MS. KECK: I'm Margaret Keck, and I'm from the other Johns Hopkins, the one in Baltimore.

I have two questions only. One of them is this: In addition to seeing Brazil as a constructive force in the region, a great many countries in Latin America have been somewhat ambivalent about increases in Brazilian power in the past. And I haven't heard anyone address this, and I'd be very interested in seeing your views of the extent to which past or traditional ambivalence about Brazilian creeping hegemony in South America contributes to the maintenance of these different views of what the future of the region is about.

The second question comes from the fact that I've heard a lot more discussion of defense issues at this conference than I have for quite a long time in discussions of Brazil and foreign policy and so forth.

When you talk about -- and this is partly for Amaury and it also relates to what Monica Herz said before -- when you talk about rediscussing the things like the

nonproliferation treaty, does that mean that you're advocating a complete reconsideration of Brazil's participation in the nonproliferation treaty? Or does it simply mean a process by which Brazil considers its relationship with that process in relation to other kinds of security issues?

MR. HAKIM: Thank you, Margaret.

Monica, you're going to have the last question this round.

MS. HERZ: Okay, this is not really a question.

MR. HAKIM: You'll have to make it simple.

MS. HERZ: Yeah, I'll make it very (inaudible).

MR. HAKIM: This is a simpler panel.

MS. HERZ: Yes, I just want -- I want to -- I just want to make two points: First, in line with what the ambassador said, it is very unfair to call what is happening in Latin America "turbulence." I think that much -- it's complex, it's very different from one country to the other, and it is very complicated to compare what's happening in Venezuela to what is happening to other countries in the Andean Region and in other parts of Latin America.

And the second thing I would like to point out is that there is no national consensus, as Amaury experienced himself. There is a debate, this is a good thing, and it will take time for us strategic projects to build up. This is not something a government can do and impose on society as, of course, you know better than I do.

And I would like to also stress that it is very questionable whether there is an arms race in Latin America. I think that we should be very careful about talking about an arms race today in Latin America. Ambassador Schulp is

here, and he knows that the OES has been doing a very good job in reporting and stimulating confidence-building mechanisms. They function quite well, and, of course, arms race is something that can have many different forms of analysis. It's also a technological issue. I would be more concerned with the way in which the (inaudible) be militarized by its own government, and I think it's more of an internal affair than an external affair.

MR. HAKIM: Thank you very much, Monica.

Let me just ask a question. The U.S. is in the midst of its presidential season, and, during this season, we have a game that we play: What if the democrats win? Or what if Hillary Clinton wins? Or what if Barack -- is that going to make any big change in the way we deal with X-issue -- foreign policy, Latin America.

The question is that there'll be a new president in Brazil in 2010. Question: Will there be any -- can anyone imagine any major change in direction of Brazilian foreign policy? In other words, really, or is Brazilian foreign policy really shaped by its interests and its institutions, and the ideas and values they have to such a degree that there's not going to be any major change?

Why don't we go in the same order? Do you want to start us off, Sergio?

DR. AMARAL: There's a long list of questions.

MR. HAKIM: Well, you can pick and choose, obviously, --

DR. AMARAL: How is my question from yours?

There's only way to compare foreign policy by Republicans and Democrats; it's having alluded to foreign policies we have now, as compared to the foreign policy we had before. And I think there's a difference.

And there is a difference of concept, and to the extent that for Brazil the strength of multilateralism is a very important thing. And this is the basic difference you may have between Brazilian foreign policy and the foreign policy the United States had during the Republican government.

I think that difference has been reduced recently, but I think that there is still a difference and this difference influences, I think, the quality of the relationship.

I do think that defense and security have come for the first time perhaps in the history of Brazil to the top of the Brazilian agenda. It's not only the fact that countries are buying arms -- and they are. If you take the figures in Venezuela, they are in Chile, they will be in Peru -- Peru has just approved \$600 million for purchasing arms, and I think there are reasons for that. It's not only the fact that Venezuela started; countries face serious threats from drug trafficking, and from organized crime. This is a reality.

It's also a reality that the folk are entering the Brazilian territory in the Amazon region, perhaps at the beginning to have some rest, but in order to escape the persecution of Colombian Police and an army they are entering. They are settling, and they are Muslims, and there is a concern for that, I think there are good reasons for that. And defense came to the top. The government has just ordered an overall study of this Brazilian strategy in order to guide the policy of

purchasing arms, and I think this is the right approach. It doesn't make sense to buy arms without knowing exactly what your strategy is going to be.

I think it's a very important point, and for me it's the key point to understand a Latin America in our day, is the emergence of social movements. We cannot understand what's going on in the continent without understanding that this is a new force. As Patriota, the Ambassador of Brazil stressed, it's a positive point to have been discussing. And, remember, in my discussion with the multilateral institutions, they have always been saying you have to empower the people.

This is what is happening, and this is very positive. If you have to solve our social problems, it's not by granting; they are requesting, they are organizing, this is positive. The problem is not with the social movement, it's with the political institutions when they are not strong enough. And in this case, we tend to go in the direction of populism. I hope this can be overcome, and in defense of heritage, the improvement of the social conditions.

I think the main contribution by Brazil to the relations with our neighbors is the traditional approach of Brazil. Brazil has always played a moderating role, vis-à-vis its neighbors. This comes from the empire, because we're always concerned with the fact that we were surrounded by Spanish-speaking countries which had somehow a different culture, and we never tried to impose or to build our leadership because this might bring us a reaction, the union of our neighbors.

Of course, this kind of concern doesn't exist, but whenever -- and it's rare -- whenever we proposed to be leaders, we have problems with our

neighbors. And when we are more cautious -- and I think the Cardoso administration was very cautious, very prudent -- we can exercise a moderating role, and we are invited to try to solve some problems.

MR. HAKIM: Just a few --

DR. AMARAL: I think just one point, which is very important: I think it to be very silly from the part of Brazil, and I have no indication of that, if we start to raise the issue of nonproliferation, I think that some people in Brazil think and say we're wrong to give up nuclear -- and we didn't give up nuclear energy -- but to enter the TNP. I think this is a big mistake because, if we keep going as we are now, we will develop a nuclear energy as we're doing. We are completing an enrichment process plant without any problem. But if we raise the nonproliferation issue, we will be put on the list of countries which are suspect. And we are not, because we are doing this development for technological reasons.

MR. HAKIM: Amaury? Agree or disagree?

DR. de SOUZA: I will follow the reverse order of Ambassador Amaral's answers. So let me say I did not in any moment to raise the issue of nonproliferation, whether it's adequate or not for Brazil. I think it's was Professor Monica Herz that mentioned that, so she, of course, would be, I believe, glad to answer the question.

I stand together with Ambassador Amaral on this matter. I don't think we should in any event repeal our adherence to the nonproliferation treaty. And as far as I know, only within the Foreign Relations Ministry have been raised the proposals that we abandon the nonproliferation treaty. I never heard it from the side of civil society. Therefore, no. That's my answer to that.

I would go one step further and say the following: Yes, I think that the social movement is a very important component of the Latin America, but they have been in the past and the results have been disastrous. It was disastrous that they're wrong. Many others -- Bolivia, what is the numbering of this most recent revolution? The 5th? The 11th? No, the solution is obviously not just the simple empowerment of social movements by populist dictators. The solution is the creation of real, strong democratic and political institutions, including a very strong judiciary, including freedom of the press, including organization of civil society. There is no way out of representative democracy for Latin America. This has always been a "dyspopia", a negative dyspopia based on the central mobilization of the poor.

Fourth, let me go with a little bit more detail, very briefly, Peter, about what I was saying on security issues. I only mentioned in response to Professor Monica Herz the possibility that we might lose one of the greatest achievements of South America which was ending arms races in the region. I'm not saying that the arms race is inevitable and that it will happen, for a very simple reason. You have to realize that several Latin American countries are rearming themselves for one basis reason: They all --South America not Latin America because Mexico has a different pattern, and Central American (inaudible) are not part of this game.

But South American countries sort of modernize in a large scale their arm and force more or less at the same time, World War II. Whether you ask hardware. Since military hardware has a lifespan between 30 and 40 years, one day these countries must start reequipping their arm and forces.

So that's why it's happening more or less at the same time -- well, for several reasons: Venezuela went one scale higher in those games. For all the extent that from (inaudible), it was the fault of United States, because Chavez at the beginning wanted to buy Empire Air, Brazilian aircraft Super Tucanos for their Air Force. The United States blocked that deal.

Then he resorted to Spain to "Sulta Fair" Military Systems. But since Sulta Fair is a subsidiary of General Dynamics in the USA, the Defense Department blocked the deal. In a sense, Chavez was delivered to the Russians, and once he got there to buy the Sukhoi jet planes, he bought everything else, including Kalashnikov plants.

MR. HAKIM: Amaury, I'm glad there's an American on the panel here.

DR. de SOUZA: He will be able to -- (inaudible).

Well, let me just mention the following: In the case of Brazil, -- and I couldn't agree more with Ambassador Amaral that our greatest force has been a very low profile -- when you are a giant among much smaller neighbors, you have to behave this way. And this I think we share with China. China is the only other country that has as many neighbors as Brazil. We have nine, small as the same number.

So we have to be very careful, and that's the local (inaudible) a way of exerting effective moderating influence in the area. But it's local (inaudible) with a deterrence capability in place, and Brazil does not have a deterrence capability at this point. All arms enforcement there has been (inaudible). And they have been fashioned, my view, to a large extent by the

military governments, which year after year, during 20 years, reduced the budget for the arm enforcement.

It is time that we make a major investment, and this major investment, now a base, has to take into account not only the traditional military hardware because warfare has changed. Warfare worldwide is more in the nature of the rural insurgencies and urban insurgencies than anything else. We don't really have clashes of armies or things of the sort. So Brazil must create a new arms enforcement from scratch. And it will have to be based in the Amazon because that's where the press to our national securities are located, and it has to be focused on the South Atlantic.

Mind you, we never forgot the lessons from the Malvinas Falklands affair.

MR. HAKIM: Amaury --

DR. de SOUZA: It's very hard to get protected if you are in the Atlantic South, very hard to be protected by your allies either in the U.S. or the European Union. It took a major operation for Britain to invade the Malvinas and the Falklands. So we should have a defensive arm enforcement navy down in the South Atlantic with nuclear submarines built by ourselves. We shall revive our arms industry, the domestic arms industry to supply the Brazilian arm enforcement.

It's a different game, and in this game what we have to make sure is that we don't pass the wrong message for our neighbors because we are the greatest risk to start another arms race in South America, being the biggest.

MR. HAKIM: Amaury, thank you very much. It's worth another article.

DR. de SOUZA: I do it.

MR. HAKIM: That's all you need.

MR. ROETT: There was a very interesting interview with President Lula last Sunday in the *New York Times* which I guess most of you read, but to answer Margaret Keck's good question, quote President Lula: "We in Latin America are not trying to look for a leader. We don't need a leader. What we need to do is build political harmony because South America and Latin America need to learn the lesson of the 20th century. We have the opportunity to grow, we have the opportunity to develop ourselves, and we lost that opportunity. So we still continue to be poor countries. What I want is to govern my country well."

And I think that puts a name to this hegemonic leadership by Brazil. Brazil is still a poor country.

MR. HAKIM: Sure.

MR. ROETT: And Lula understands that, and he's made progress, but the next president, and the president, and the next president, and the next president will need to make that -- continue that progress. So my travels around the region each year indicate that there is no concern about a Brazil attempting to become the hegemony in the region, and Brazilians are very much aware of that, and Lula clearly indicates that to be the case as well.

Second, I agree on the proliferation issue, I'm not going to get into that. My concern, though, is again back to these elections that, yes, we're having elections, but we, in three countries -- Venezuela, Ecuador, and Bolivia, the

elected -- democratically-elected officials -- are now acting undemocratically and are attempting to overthrow constitutions, reduce political party influence, and to concentrate reelection permanently of themselves. That is not democratic.

So I think we need to be very concerned about people who get themselves elected democratically and then act undemocratically in an attempt to perpetuate themselves in power as Morales, Chavez, and probably Corea -- if Corea survives, and he probably won't -- are trying to do in terms of their constitutional procedures in their own countries.

And, finally, the broader question, I think of Brazil's national security parities have been well dealt with by my colleagues, and, quite clearly, those are the kind of concerns the next government is certainly is going to have to deal with. And Peter's question, very, very briefly, about what happens in January 2009, nothing. Because the next president, Democratic or Republican, he or she is going to be so concerned with Iraq, with the social deficit at home, with the twin deficit, trade and fiscal, and the other manifest issues: Our infrastructure is collapsing around us, highways, railroad, et cetera, and the fact that the American people are increasingly protectionist and increasingly isolationist means that the next president will have not much room to maneuver and, therefore, it's a free game for anybody else.

MR. HAKIM: Riordan, thanks very, very much.

Sergio, Amaury, this was a terrific panel. Let's give them all a hand.

(Applause)

And then I turn it back to your leader.

MS. HERZ: I want to thank all our speakers this morning for presentations which were varied and contradictory. We face a situation where the United States is cutting its aid by \$40 million -- \$2 million in Brazil -- that we can only provide ship visit to show our commitment to Brazil, but I think that this morning we have shown the Brookings and the Woodrow Wilson Institution will do more than a ship visit, and that we will continue a dialogue that we (inaudible) -- we will print out the transcript of the paper syllabus today and continue the dialogue.

Thanks to all of you.

(Applause)

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