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One year after the crisis: what changed in the Brazilian global economic agenda?

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The developments of the economic crisis throughout the year and the perspectives from the Copenhagen climate change conference were the drivers of the evolution in Brazil's international position in relation to the global economic agenda. Especially in the case of the climate change agenda, Copenhagen's perspective generated intense debates inside and outside government circles and the evolution of Brazil's foreign positioning is mainly a result of the interplay between among forces and its dynamics in 2009.

What is it that changed in the Brazilian global economic agenda one year after the crisis? Attempts to answer this question analyzing the evolution of the Brazilian position in three negotiation 'chessboards': G20, the trade and the climate change agendas.



Brazil and the G20

Because the crisis hit Brazil from the foreign sector side – generating lack of investments to exports and a drop in foreign demand – the values which oriented the Brazilian participation in the G20, initially, were the demands for facilitation of access to commercial credit and the discourse against protectionism.

Throughout the first months of 2009 it became clear that the restriction to commercial credit for Brazilian exports could be managed with domestic instruments and that the aggravation of protectionism did not have the intensity that was feared.

Particularly since the third G20 meeting in Pittsburgh (September 2009), Brazil began to demonstrate outright interest in the theme of reducing the international macro-economic imbalances. At the heart of this interest lie the governmental concerns with the strong movements in the rise of foreign exchange rates which the Brazilian currency went through in 2009, largely reflecting the entrance of foreign capital in the country. Because the Brazilian economy perspectives indicate that this movement tends to intensify over the next few years, the Government's concern goes beyond this point in time and projects itself to the future.

Brazil begins to have a bigger interest in this process as the rise in currency is regarded, inside the government, as a negative spillover from other countries' policies. In the words of Nogueira Batista Jr (2009)¹, 'some large countries, notably China, are reluctant to accept the appreciation of their currencies.(...) If a country as large as China refuses to absorb a sig-

nificant part of the dollar depreciation, the burden falls upon the countries with fluctuating currencies – especially those which maintain high interest rates and offer good perspectives for foreign investments. Brazil is one of these countries'².

Brazil's trade agenda: from responses to the crisis to the post-crisis period

Brazilian responses to the impacts from the crisis are concentrated in the trade policy sphere, in support measures for exports. These measures emphasize the expansion of public financing mechanisms for exports, the reduction of credit costs (reduction of interest rates) and the substantial increase of Treasury resource allocation in order to level out interest rates. There was no significant movement for imports, except for the frustrated announcement of the introduction of automatic import licenses in January 2009.

In the negotiated economic policy sphere the main development observed in the Brazilian position amidst the crisis was the reduction, as of 2009, of the country's effort to "push" for the conclusion of the Doha Round.

Also, the priority given to the South American integration themes lost momentum in 2009. In this case the increasing political polarization among South American countries, which was close to military conflict, was held more accountable for this loss than any political calculation.

¹ Nogueira Bastista Jr., P. (2009).

² Brazilian authorities announced, before the Saint Andrews meeting, that they would propose the adoption of fluctuating currency regimes as a standard by the G20 countries.

The appreciation of the Real, due to its impact on the competitiveness of Brazilian production and exports, is the central element in the post-crisis scene in regards to the Brazilian trade policy. This is the phenomenon which “pushes” the governmental agenda that supports exports and generates protectionist pressures among the sectors that compete with the imports in the domestic market.

In the negotiated trade policy sphere, Brazil seems to have already assimilated the fact that the Doha Round was not concluded, but the experience acquired from this Round and the difficulties that marked its negotiation can make Brazil less resistant to discussions over the governance reform of the WTO. Up to now, Brazil has adopted a very cautious stand on most of the themes related to multilateral trade governance and avoided supporting movements which alter the status quo in a any relevant way³.

A wider receptiveness to multilateral governance topics, combined with the perception of the emergence of new protectionist risks arising from the intersection among the trade and climate change agendas (but also food security, energy security, etc), could renew the Brazilian interest in multilateralism. This is so because these themes bring in the risks of the imposition of new trade barriers to Brazilian exports, but also the introduction of new subsidy schemes which can have very distorting effects on the trade and investment flows.

Brazil's stance on climate change negotiations

The year 2009 saw a surprising development in the political environment in which the theme of negotiations in climate change is debated in Brazil. The net result of this development is Brazil's change from a defensive stance, strictly aligned with those of other developing countries – countries with high carbon emissions – such as China and India, to a moderately offensive one. This posture was consolidated on 13 November, when Brazil announced its voluntary emissions reduction target, having as a reference the emissions level created in 2020 under a ‘business as usual’ scenario.

For civil society, the most expressive development in 2009 in terms of the negotiating position was found in the business sector (industrial and agribusiness). A significant part of the business community, organized in three coalitions, announced, between July and September, documents demanding changes in the official Brazilian position in the climate change negotiations. These documents reflect heterogeneous views among the business sectors but share the common interest in a more intense activism by the Brazilian government in climate change negotiations.

³ Motta Veiga, P. e Rios, S.P. (2009).

Conclusions

The positive assessment of the Brazilian performance in the crisis and the optimistic views on the economic perspectives and investment opportunities which will unfold over the next years converge in favor of the development of the stances of Brazilian negotiation in the negotiating realms considered here.

Specifically throughout 2009, three developments in Brazil's negotiating positions are worth mentioning:

- the commitment with a voluntary target, but quantified and trackable, for the reduction of greenhouse gas emissions in the climate change negotiations;
- in the G20, the change of priority given to issues related to the international macroeconomic imbalances, from the Pittsburgh Summit, in September; and
- the decision to provide credit to the IMF, through the purchase of US\$10 billion in IMF bonds

These three movements in Brazil's positioning in the global economic negotiating arena are flagrant, firstly, for being typically 'individual'. In other words, they reflect Brazilian initiatives as actions of an individual and autonomous actor in the international scene, distancing itself from the movements articulated with other countries, such as the BRICs or 'developing countries'.

Secondly, these movements point to a more significant Brazilian involvement with global governance themes. As it was seen in a previous paper, traditionally there is no space for global governance agendas in the Brazilian policy formulation matrix, Brazil's negotiating stances translate essentially into a combination of the 'national interest' and 'developing countries' interest. The credit concession to the IMF and the development of the Brazilian stance up against the climate change negotiation indicate that there is something new in this scenario.