

# Brazil

## CONTEMPORARY HISTORY

When Portuguese explorers arrived in Brazil in the early 1500s, they saw Brazil as the ideal place to grow sugar cane. They enslaved the indigenous population and brought millions more slaves from Africa. Some 300 years later, in 1822, Brazil declared its independence from Portugal. This was in the wake of Portugal's occupation by the French armies of Napoleon.

Slavery was not abolished until 1888. By then, intermarriage between the Portuguese, indigenous people, former slaves, and various other European, Middle Eastern, and Asian immigrant groups had given Brazil a diverse ethnic and cultural heritage.

In 1930, Brazil began a series of military dictatorships. In 1930, the fascist Getulio Vargas took over the government and ruled for 25 years. In 1964, a coup ushered in a military dictatorship until 1988.

In the late 1970s and early 1980s, foreign loans fueled an economic upward spiral. When this economic boom died out during the debt crisis in the mid-1980s, the military handed power to a civilian government. The first free election took place in 1989. This election began a transition to democracy with the victory of Fernando Collor de Mello. However, three years later he was charged in a major corruption scandal and was forced to resign. Fernando Cardoso, the next president, pushed Brazil to move towards greater free trade and oversaw the privatization of government-owned industries. But a region-wide recession beginning in the late 1990s led to mounting budget deficits. The government was forced to devalue the currency, the real, in 1999.

Brazilians' unhappiness with the recession from 1998-2002 contributed to the election of a left-leaning president in October 2002. President Luiz Inacio Lula da Silva came from a poor background with very little formal education. Lula's political platform was based on a crusade against hunger, injustice, and corruption.



## Brazil: Facts

### Flag

The color green represents Brazil's vast jungles; gold represents its rich mineral wealth. The words mean order and progress. The globe and scroll were inspired by the Portuguese coat of arms. The number of stars represent the number of states.



Capital	Brasilia
Government	Federal Republic
Government Head (President)	Luiz Inacio Lula da Silva
Economy	Capitalist
Independence	1822
Area (sq. km)	8,512,000
Population (millions)	196
Adult Literacy	88.6%
Pop. Growth Rate	1.228%

Source: CIA World Fact book. Military data for year 2006. All others for year 2008. GDP figures are in Purchasing Power Parity. Tuberculosis data for year 2006 and Health Care % of GDP for year 2005 from WHO.

With military dictatorships finally a thing of the past, Lula was the first of several moderate-left democratic presidents elected in South America in the last few years. He refused to blindly follow advice from such international financial powerhouses as the IMF. Yet he has followed a fairly conservative economic path combined with a greater emphasis on social spending. These policies aided by the currency devaluation in 1999 have led to sustained growth. Booming exports have contributed to an economic recovery. Lula's popularity rose with the economy. However, in the summer of 2005, a corruption scandal involving at least 16 members of his political party tarnished the president's reputation. He had been elected on an anti-corruption platform. But Lula has not been directly connected to any wrongdoing. He was re-elected in October 2006, with 61% of the votes. The next election is in October 2010.

### BRAZIL TODAY

**A** developing country, Brazil is the largest country in South America. The world's fifth largest country in size, it is slightly smaller than the US. With abundant natural resources, Brazil was the most successful country in terms of growth in the 20th century. But it has the most unequal wealth distribution in the world. It struggled in the 1990s with crippling inflation, closing out the decade in financial collapse.

The current head of the government, President Lula, has restored Brazil pride along with the economy. He has succeeded in marrying economic growth with a more compassionate approach to the poor. A man with no formal education, it is said he has a real instinct for politics. He revels in raising the international profile of Brazil. So it is probably no surprise that he is lobbying for a permanent seat on the UN Security Council.

Mr. Lula has become the informal head of Latin America, overshadowing Mexico's president. He stands up to the developed countries, talking tough to entities like the IMF regarding what his country can and cannot do. The President is very vocal at WTO negotiations regarding subsidies developed countries provide to their farmers. He has walked away from the negotiating table and taken many of the developing countries with him when the developed countries have refused to downsize their subsidies. It is estimated such farm subsidies cost Brazil about \$3 billion a year in lost trade. Brazil plays an important role in global environmental

issues. First, it is the keeper of the vast Amazon rain forests. These forests are disappearing at an alarming rate every year due to development. Along with the disappearing forests, the livelihood of indigenous people, plants and animal species are threatened. Second, to wean itself off of expensive oil imports, Brazil has shifted to flex-fuel cars. Such cars can run on either ethanol or regular gas. The country produces its own ethanol out of sugar cane, and exports it to other countries. However it has recently been determined that ethanol contributes to ozone, or smog, so it will not be a hoped for long-term solution to global warming.

## Human Rights

**U**nder the previous military government in the 1970s and 1980s, countless human rights violations occurred. Many people still want those who were part of the military governments to be brought to justice for such unfair treatment. President Lula's administration has opened files from the military archives, establishing a reference center on political repression during that era. The center has documents, files, and victims' statements available for public viewing.

Under the 1988 constitution, human rights are guaranteed in Brazil. However, police violence continues to be a widespread and longstanding human rights concern. Few such crimes are investigated. In 2004, the government passed a constitutional amendment to make human rights crimes federal offenses. The change will allow certain human rights violations to be transferred to federal court. By transferring these cases to the federal government, cronyism will not be as great a factor.

The rights of the remaining indigenous population in the Amazon forest continue to be compromised by destruction caused by peasants and ranchers moving into the area. Recent efforts by NGOs and the Brazilian government have led to the identification and protection of Indian territory through the creation of reserves. But such plans need careful monitoring to make sure the rules are being obeyed.

President Lula has made helping the poor a cornerstone of his presidency. As part of the plan, he has instituted "Bolsa Familia", or the Family Stipend pro-

gram. It is modeled after micro financing, a successful international program that allows poor women to start businesses. Under Bolsa Familia, poor families are given cash payments with certain conditions. They must have their children vaccinated, their health monitored, and the children must stay in school. If these conditions are met, the cycle of poverty repeated from generation to generation can be broken. The cost of the program is relatively modest, at about .5% of annual GDP.

Bolsa Familia is contributing to the fact that school attendance is up and child labor rates are down in Brazil. Since 2001, the inequity gap in Brazil has improved by an astounding 20%. Thus, the program has been expanded to include almost 25% of the Brazilian population. It is looked upon as a model for social programs in other developing countries.

Brazilian industry has long relied on child labor. In 1920, 40% of workers in the textile industry were children. In the 1980s, child labor rates were increasing. But with the switch to democratic governments, policies were put in place to discourage child labor. Today, the country has progressive child labor laws that aim to protect children and prohibit youth under 14 from working. In 1994, the National Forum on the Prevention and Eradication of Child Labor was established. This, along with programs such as “Every Child in School”, has brought attention to child labor as a problem. Thus, in 2004, only 2.9% of children ages 7-14 were not attending school. Between 1992 and 2004 child labor rates fell dramatically. For the 10-14 age group, rates fell by 36%. For the 5-9 age group, they fell by 60%. Although success has been dramatic, there are still millions of child laborers in Brazil. Children work in footwear, textile, and garment factories, as well as on sugar, tea, and tin plantations. Brazil also has thousands of street children in its larger cities. These children are often exposed to drugs and crime and are frequently the victims of violence, sexual abuse, and child prostitution.

There is a high incidence of violence against women. Many major cities have special police offices to deal with domestic and sexual violence against women. But in the rural areas, abused women have little support, and such crimes are hardly ever prosecuted. The constitution prohibits discrimination based on sex, yet women continue to receive less pay for doing the same work as men. Although racial discrimination is illegal

in Brazil, discrimination against blacks is evident in employment, housing, and educational opportunities.

## Environment

Brazil is a key country in global environmental issues. Brazil is the keeper of the giant Amazon forests, which are one of the world's most treasured natural resources. However, despite playing host to the 1992 Earth Summit in Rio, deforestation remains an issue in Brazil. It endangers the existence of a multitude of plants and animal species. Significant forest destruction will permanently change Brazil's climate, water systems, and ecosystems. But the effects are not limited to Brazil. The destruction of the world's rainforests account for about 20% of the annual greenhouse gas pollution. By destroying the Amazon rainforest, Brazil is contributing 10% of the world's greenhouse gases, making it one of the top four top polluting countries in the world. A joint US-Brazil study published in *Science Magazine* in 2001 estimates that between 28% to 95% of the rain forests will disappear by 2020.

A big contributing factor to the destruction of the rainforest is the infrastructure the government has been adding to the Amazon since 2001. In that year an ambitious government program called “Advance Brazil” began. It is slated to invest \$45 billion over 20 years to pave roads, install power lines, construct dams, and build railway links in rural areas. Such infrastructure accelerates deforestation, as it provides easier access to ranchers, farmers, and illegal loggers.

In December 2008, Brazil surprised the world by committing to a reduction in deforestation by 70% over the next decade. Over the past 10 years, deforestation has averaged 7,300 square miles per year. The Brazilian Environment Minister has said they will reduce the annual rate to 1,900 miles by 2017. If this target is reached, it would prevent 4.8 billion tons of carbon dioxide from being pumped into the atmosphere annually. This is more than the combined commitment from the industrialized countries under the Kyoto Protocol.

A government-sponsored program, the Pilot Forest Resources Management Project, has existed for a number of years. The development and adoption of sustainable forest management systems is its goal. It has provided funding for 78 community driven projects that involve 10,000 local villagers. Five thousand people have been

trained in forestry management. The World Bank provides oversight. The countries of Germany and the United Kingdom, along with various NGOs, provide the funding. Still, the economic and population pressures that are behind the government's ambitious development plans provide a powerful incentive for their continuation.

While the world's attention is drawn to the destruction of the Amazon, Brazil also has local environmental problems that it considers very important. These include sanitation, trash collection and disposal, safe water distribution systems, proper sewage treatment, and cleaner industrial technologies. A Brazilian environment minister once said, "No one has yet died as a result of global warming; the same, however, cannot be said about contaminated water or air pollution."

Brazil has domestic air and water pollution problems in its big cities. It is a major user of persistent organic pollutants (POPs). These are highly toxic pesticides and industrial chemicals that fail to decompose. Such pollutants are carried long distances by ocean and air currents, depositing them around the world. They enter the food chain thousands of miles from where they originated.

While Brazil ratified the Kyoto Protocol in 2002, it joined China and India in opposing Western pressures to impose emission limits on developing countries as well as on developed countries. Brazil claims that its fires and forest destruction pale before the environmental damage caused by US emissions. Brazil also criticizes rich nations for not spending the \$1.5 billion for environmental protection programs that it re-

### Brazil: Health

Birth Rate	19/1,000
Death Rate	6/1,000
Life Expectancy - Male	68
Life Expectancy - Female	75
Infant Mortality	23/1,000
HIV/AIDS Cases	660,000
HIV/AIDS Prevalence Rate	7/1,000
Tuberculosis Rate	50/100,000

quested in 1990. It expects more aid and technology transfers from developed countries. In response, the World Bank is preparing a climate investment and financing framework for countries with rapidly expanding energy needs. The Bank's goal is to increase the level of assistance to developing countries to help them adapt to climate change.

Brazil has undertaken an ambitious program to wean itself from imported oil. In the mid-1980s, imports accounted for more than 70% of oil needs. That figure is now under 20%. The country has been developing its own oil resources in an area known as the Campos Basin.

Another way Brazil has reduced its dependence on oil imports is the use of flex-fuel cars. Introduced in 2003, such cars can run as easily on ethanol as on regular gas. They have captured 67% of the domestic market. Ethanol is easy to find in the country due to a 30-year-old policy of promoting fuel derived from homegrown sugar cane. Brazil's cost of sugar production is so low that ethanol can compete with gas when oil is at \$35.00 a barrel. Today's oil prices are between \$40-50 a barrel.

However, when ethanol breaks down in the atmosphere, it generates considerably less CO<sub>2</sub> than gasoline. but considerably more ozone or smog. Ozone is a highly corrosive gas that damages the delicate

tissues of the lungs. Ozone in Brazil's atmosphere has been rising, and it is suspected that ethanol is a contributing cause.

Bolsa Familia, the program for Brazil's poor, is helping to extend health care to segments of the population who are living in poverty in rural and urban areas. For example, the country's National AIDS Program is one of the best in the world. Brazil has about 600,000 AIDS sufferers. This number represents less than 1% of the adult population and it is much lower than initial estimates. The country is able to offer people struggling with AIDS free medical care. In June 2005, Brazil turned down \$40 million in USAIDS funding due to a requirement to condemn prostitution. Brazil and Argentina have collaborated on a joint pharmaceutical plant just inside the Argentine border. It produces drugs for AIDS sufferers for both countries at a fraction of the cost of AIDS drugs bought from established firms.

But there is still a great deal of health-related work to be done. The country's population suffers a high rate of tuberculosis and infant mortality. One bright spot is the average life expectancy for citizens. It has improved from 64 years in 2002, to 72 years in 2007.

Brazil uses a mix of federal, state, or provincial financing of hospitals

and health care. The country's current expenditure for health care equals about 7.9% of its GDP. The World Bank's program has targeted three areas: 1) extending basic health services to poor or marginal areas; 2) improving management efficiency and performance of the health care system; and 3) financing projects to control endemic diseases such as malaria, schistosomiasis, and AIDS. Despite recent improvements in basic health indicators, the population in the Northeast (the poorest and most rural region of the country) is much less healthy than people in other areas.

## Economy

With its large and well-developed mining, agriculture, and manufacturing sectors, Brazil has South America's largest GDP by far and is an important player in the world economy. Brazil's natural resources are abundant and have been a long-term source of economic strength. The most successful country in terms of growth in the 20th century, Brazil struggled in the late 1990s. Inflation was at 2,500% in 1993. Mounting budget deficits forced the devaluation of the currency, the real, in 1999. In 2000, Brazil's GDP annual growth rate was at 4%. But with the slowdown of international markets and the financial meltdown in neighboring Argentina, it dropped to 1.9% in 2001. Frustrated by the economic woes, Brazilians elected a different type of political leader. Although his politics lean to the left, President Lula has combined conservative economic policies with a greater emphasis on social spending. In fact, some complain that the current government follows economic policies that are too conservative.

The country's economy has been recovering since 2004. This is largely due to booming exports during the early 2000s. Seemingly overnight, China has become the country's fourth largest export market. Brazil has had a trade surplus since 2003. It totaled about \$33 billion in 2007. But with the 2008 global economic downturn, it is expected that Brazil's rosy economic picture will decline.

Contrary to a trend in emerging market countries, trade in Brazilian agriculture is not giving way to manufacturing as a percentage of exports. Farm products and related industries accounted for 40% of 2004's exports. This is why Brazil and the G20 developing countries

### Brazil: Economics

GDP (trillion)	\$1,849
GDP Per Capita	\$9,500
GDP Growth Rate	5.4%
Unemployment	9.3%
Inflation Rate	3.6%
Exports (billions)	\$161
Imports (billions)	\$121
External Debt (billions)	\$229

have taken such a tough stance with developed countries in the Doha round of WTO discussions. If rich countries suddenly demolished trade barriers and discontinued subsidies, Brazilian farming exports would soar. The World Bank calculates that such trade liberalization would boost the real value of Brazilian farm income by 46%. This would translate into extra export income for Brazil of \$3.6 billion a year!

President Lula places great importance on increasing Brazil's trade ties with developing countries. He would also like to see an expansion of Mercosul (Mercosur in Spanish), the Southern Common Market. Its membership includes Brazil, Argentina, Uruguay, Paraguay, and, since 2006, Venezuela. Mercosul is pursuing free trade negotiations with Mexico, Canada, and the EU. It already has agreements with Chile and Bolivia. It is planning on opening three-way free trade talks with India and South Africa. Brazil's membership in Mercosul is key to that organization's success, since the Brazilian economy is the primary market for many of the exports from Mercosul countries. As people have more to spend, they buy more imports. But President Lula does not want Brazil to have a trade deficit. So he may increase tariffs if imports grow too much.

Understanding the concept of free trade, Brazil has been steadily removing its restrictions on trade and reducing tariffs. However, high tariffs still protect certain industries, such as automobiles, textiles, and electronics.

Brazil is suffering the growing pains of an emerging market economy. One of the many reform issues the government is tackling are the tax rates. Currently the government imposes high taxes on domestic manufacturers, making them less competitive. The government spends very little on infrastructure. This leads to high transportation costs and other inefficiencies. For ex-

ample, only 10% of the roads are paved. Frequently contracts between buyers and sellers are not honored. Before delivering the product, sellers sometimes find a better price so they switch to the buyer offering the higher price. But recently there have been some mergers between Brazilian and foreign companies. This has forced Brazilian manufacturers to become more transparent and law abiding.

In the 1990s, Brazil became just as dependent on foreign direct investment (FDI) as it had been on foreign bank loans in the 1970s and 80s. The level of international investment in its economy was around \$5 billion in 1991. By 1997 it was around \$65 billion. But its 1999 currency crisis caused FDI to be withdrawn from the country. Because the devaluation of the real had been anticipated, it was unlike the sudden financial shock of the earlier Russian and Asian crises. But the deteriorating global financial situation in 2001 led many global investors to be wary of emerging markets such as Brazil's.

President Lula wants to stop this boom and bust cycle of bringing money into the country and having it withdrawn during recessions. He believes dependence on international sources of finance is the cause of South America's economic woes. He wants to end this excessive dependence on short-term foreign funds as a means for companies to obtain capital and investment to expand their business. Government financing of exporting companies is a possible option. But Lula has allowed mergers between foreign and Brazilian companies. Such mergers provide a long-term benefit to the country.

Brazil has a high level of foreign debt. It is left over from the country trying to balance its economy by taking on foreign loans during the 1970s and 80s. The debt totals 50% of its annual GDP. In 2001, the IMF approved more than \$15 billion in loans to Brazil to help it through the trying economic times created by its currency devaluation, Argentina's financial woes, and a global economic downturn. In 2006, Brazil surprised the IMF by repaying this debt. It also repaid its debt to the Paris Club. Brazil may buy back some old international debt securities as well. President Lula prefers to provide funding for Brazilian infrastructure projects by creating partnerships with domestic companies and by reforming the economy.

Brazil is a member of the G20, a forum for the world's

richest nations and the largest emerging market economies. In November 2008, the heads of state for the G20 met for the first time to discuss the global financial crisis. In years past, the G7 forum (made up exclusively of developed countries) would have met to discuss any financial crises. The G20 meeting was an acknowledgement that the emerging market countries need to be part of any financial solution. The meeting was an important first step toward: 1) greater and more broadly based coordination of financial markets, and 2) an acknowledgement of the need for global capital market standards. But there continue to be vast differences between changes that the developed countries want and changes the emerging market economies hope for. For example, countries like Brazil want to see reforms instituted for the World Bank and the IMF. However, developed countries are reluctant to make significant changes in their structures. There will be a continuation of this discussion when the G20 finance ministers gather at their previously scheduled meeting in the spring of 2009.

### Security

**B**razil is by far the largest country in Latin America and the world's fifth largest country in population and size. The country's geographical location has kept most large conflicts far from its shores. It has not been to war in 135 years. Avoiding unnecessary conflicts is likely to remain a Brazilian goal for the near future, even as it raises its international profile.

Since its independence from Portugal in the early 19th century, Brazil's focus has been mostly internal. Brazil was a member of the anti-fascist alliance in WWII, but played only a supporting role (allowing the US to use Brazilian airfields, for instance). It did not send troops to fight in either Europe or the Pacific.

<b>Brazil: Security (Armed Forces)</b>	
Military expense as % of GDP (2006)	2.6%
Military expenditures (millions)	\$11,000
Military expense per capita	\$59.14

Brazil played a similar role during the Cold War. It was decidedly in the Western camp, but did not play an active role in the superpower rivalry. Domestic political instability and difficult economic challenges kept Brazil's attention at home. As Latin America's largest nation, Brazil has been an important participant in the Organization of American States, a role that is likely to continue and possibly even expand. The country is also a party to the Inter-American Treaty of Reciprocal Assistance.

Regionally, there has been a history of tensions between Brazil and Argentina, particularly when both countries have found themselves under military dictatorship. However, relations began to warm considerably in the 1990s as both countries opened their economies and increased trade with each other.

Brazil has participated with the US "war on terrorism" when it affects the South American region. The country is a member of the Three-Plus-One regional mechanism that focuses on the coordination of counter-terrorism policies in the border region between Argentina, Brazil and Paraguay. These three countries comprise the membership plus the US. This area is a center for arms, drug trafficking, and fundraising for extremist organizations.

Brazil faces the challenges of violent crime and drug trafficking at home. However, domestic terrorism is not currently a significant problem.

The low threat of domestic terrorism may be one reason why, in 2004, the International Atomic Energy Agency (IAEA) agreed to allow Brazil to enrich uranium for its two nuclear reactors. In discussions with the IAEA, Brazil staunchly defended its right to produce nuclear energy, saying it has no ambitions to make nuclear weapons, which are banned under its 1988 constitution. Brazil has signed the Nuclear Nonproliferation Treaty.

Brazil has the world's sixth largest reserves of uranium

and formerly shipped it abroad to be enriched, so it could be used at its nuclear energy plants. This was costing Brazil millions of dollars when it can be done domestically. However, Brazil is raising the stakes. It plans as many as seven new nuclear plants to reduce its dependence on oil and hydroelectric power and intends to begin exporting enriched uranium. In addition, in February 2008, the presidents of Argentina and Brazil agreed to convene a commission on pursuing joint uranium enrichment for peaceful nuclear energy purposes. While enrichment provides the fuel needed to operate nuclear plants, it can also be central to building nuclear weapons -- a leading concern regarding Iran's nuclear program. Nuclear power plants are also vulnerable to international terrorist threats. The larger concern is that the more countries that have the ability to enrich uranium, the more likely that a terrorist will eventually gain access to it. It is rumored, for example, that al Qaeda has been searching for nuclear bomb making material for years.

In line with the importance placed on raising Brazil's international profile, the country is making a bid to become a permanent member of the UN Security Council. Brazil has one of the largest defense budgets and armed forces in the world. South America, along with Africa and Oceania, is one of three inhabited continents without a permanent presence on the Security Council. Brazil has been elected eighteen times to the UN Security Council, as a rotating member, more than any other country. It has contributed troops to UN peacekeeping missions over 20 times. It A Brazilian is presently commanding the UN mission in Haiti. A charter member, Brazil is one of the main contributors to the UN regular budget.

The US appears ready to support Brazil's bid, as do other permanent members Russia, France, and the UK. The other permanent member, China, has not voiced an opinion. Two important Latin American neighbors, Mexico and Argentina, have opposed Brazil's membership.