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The Foreign Policy of the PT (Workers' Party) Government in Brazil: It's Time for an Assessment

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INTRODUCTION

The Workers' Party (PT) of Brazil has been in power for more than 13 years, and is currently occupying the president's office for a fourth term. However, the convergence of a severe political crisis and significant economic deterioration has increased the strain on the party and the Rousseff government at its helm.

Many analysts identify in this situation the exhaustion of the political cycle that brought the PT to power and gave its leaders significant popular support. This assessment seems to be correct, given the current events in Brazil. A deep economic and political crisis, together with huge corruption scandals affecting Petrobras and other state companies and projects, have fostered strong opposition to Dilma Rousseff's government since her second term began in January 2015. A legislative process to impeach the president is currently under way.

It is therefore appropriate to evaluate the foreign policy of the PT government with an emphasis on its economic aspects. This brief will explore the following questions: What were the driving factors of that policy, and what results did it produce? How has Brazil's foreign policy responded to observed changes in the global and domestic spheres?

THE LULA DA SILVA ADMINISTRATION'S FOREIGN POLICY

The PT first came to power under the leadership of President Luiz Inácio Lula da Silva in 2003, a time when Brazil was ready for a new economic growth phase. The country overcame hyperinflation in 1994, the same year in which Brazil experienced a moderate, albeit unprecedented, liberalization of its trade policy.¹ Additionally, the effects of the international financial crisis that occurred in the late 1990s—which hit Brazil in 1999—had dissipated, whereupon the country's exports entered a period of dramatic growth driven by China's demand for commodities.²

Globally, the cycle of economic and trade growth had consolidated along with China's emergence as an international player. It wasn't by accident that, in 2001, Goldman Sachs' chief economist coined the term BRIC (Brazil, Russia, India, and China) in reference to the four largest emerging economies, whose combined participation in the worldwide arena was expected to exceed that of the six largest developed countries in the coming decades.

Lula da Silva's foreign policy agenda inherited from the Fernando Henrique Cardoso administration a trajectory of evolution marked in equal measure by continuities and discontinuities. In fact, under Cardoso, foreign policy maintained the historical objectives of the "national developmentalist" external strategy:



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Positive results in the foreign policy fed the narrative, both in Brazil and abroad, of the country's emergence and the global success of a socially inclusive development model.

What explains the disconnect between Lula da Silva's and Rousseff's foreign policies is a significant change in international conditions and, to a greater extent, the domestic economic environment.

making room for autonomous development based on industrialization.

However, under the influence of the liberalizing trends that dominated Latin American economic policies in the 1990s, Cardoso's foreign policy "tested the limits" of the national developmentalist paradigm. It did so by engaging in two broad-based trade negotiations with developed countries which were more competitive than Brazil: the United States (through the Free Trade Area of the Americas, FTAA), and the European Union.

In foreign policy, Lula da Silva's rise to power in January 2003 was more a shift—albeit significant—than an outright rupture with Cardoso's orientations. The shift that Lula da Silva introduced took Brazil's foreign policy back to its historical "national developmentalist" track, leaving behind the "ambiguities" of the Cardoso period.

In the Brazilian tradition of foreign policy, "national developmentalism" gives the opposition between the developed North and the developing South a central role in explaining the global order and Brazil's position in the international system. In this view, the international regimes of trade, investment, and financing are perceived as serving developed countries' interests and as politically unfair and economically intrusive for developing countries. In this view, the rules and regulations of these international regimes are supposed to restrict developing countries' policy options.

Therefore, the shift in foreign policy under Lula da Silva brought the political paradigm that had been hegemonic in Brazil's worldview during the large import substitution period back to the "driver's seat." In this sense, Lula da Silva's foreign policy fit comfortably into traditional Brazilian foreign policy strategy and reasserted its main features in contrast with the "liberal temptations" that manifested during the Cardoso government.

However, it would be a mistake to reduce Lula da Silva's foreign policy to a mere "business as usual" kind of national developmentalism. Historically, Brazilian national developmentalism produced foreign policies that were essentially "defensive," aimed at preserving space for active industrial policies and avoiding strong commitments to international economic regimes.

Compared to this tradition, Lula da Silva's foreign policy brought a new element into Brazil's national developmentalism, adding an "offensive" dimension to it. This materialized in Lula da Silva's "activism" in foreign policy, as expressed in multiple initiatives and proposals that extrapolated the regional and thematic limits that the Brazilian diplomacy had traditionally imposed on its own actions. Under Lula da Silva, Brazil's foreign policy aimed to expand its geographic scope beyond South America. Attesting to that ambition were the preferential alliances the country entered into during that period with both BRIC and IBAS (India, Brazil, and South Africa); Brazil's promotion of forums for political dialogue between countries in South America and the Middle East and Africa; and last but not least, Brazil's effort in 2010, together with Turkey, to achieve a solution to the Iranian nuclear issue.

In any of these cases, Lula da Silva's foreign policy, together with the administration's stated goal of reaching global influence, prioritized an agenda of cooperation and political alliance with developing countries, in detriment to trade-related or economic objectives and Brazil's relationship with developed countries. The questioning of the hierarchy of power in the global order and the priority given to its redistribution was the driver of that foreign policy. Moreover, this rationale was behind Brazil's sympathy for countries and regimes whose international strategy was more or less based on explicit "anti-hegemonism" (e.g., Venezuela, Bolivia, and Iran).

This foreign policy strategy bore fruit for Lula da Silva's Brazil. Perhaps it did so because Brazil, despite the soft "anti-hegemonism" that characterized its policy, was an active participant in discussions and negotiations involving its direct interests as well as global challenges. This can be said of the Doha round of the World Trade Organization (WTO) trade negotiations, the United Nations Framework Convention on Climate Change (UNFCCC) negotiations, Brazil's participation in the G20, and the discussions on reforming the International Monetary Fund and the World Bank. Brazil's position was never that of a free rider or an iconoclast anti-hegemon in any

of those forums. In every case, a reformist posture prevailed.

An assessment of Brazil's foreign policy at the close of the Lula da Silva government in 2010 might include the following elements:

- Overall, Brazil had gained prestige and accumulated soft power resources in different international arenas. The country was recognized as a reliable interlocutor for trade issues at the WTO as well as in regard to climate and various economic agendas, such as the reform of multilateral financial institutions. In many fora, Brazil has acted at the agenda-setting level. Such was the case with agendas involving energy, food security, and climate change, areas in which Brazil is by definition a relevant player. There is no doubt that in certain international endeavors—such as the attempt to influence the Iranian crisis—it would seem that Brazil was biting off more than it could chew, but these “excesses” do not invalidate the overall positive assessment based on political criteria.
- Beyond the gains in its reputation and the soft power it was able to accumulate, Lula da Silva's foreign policy accomplishments and results were less significant. Relevant agendas for Brazil, such as those of the WTO and G20, either yielded no results or generated benefits that were of little importance to the country. Many initiatives toward South–South dialogue and cooperation didn't even include a specifically economic or trade-related component, but when they did, it was difficult for Brazil to go beyond mere speeches and declarations of intent. The trade negotiations inherited from the Cardoso period gradually lost relevance, to the point that the FTAA and negotiations with the European Union were suspended. The economic agenda of the Common Market of the South (MERCOSUR) was practically paralyzed for at least a decade, despite the affinity between the Brazilian and Argentinian governments.

Positive results fed the narrative, both in Brazil and abroad, of the country's emergence and the global success of a socially inclusive development model, which was unique among BRIC countries.

However, from the perspective of the PT and its leaders, they confirmed the correctness of the “reloaded” national developmentalist option, leveraged by presidential activism and an undertone of anti-hegemony. At the same time, the policy's lack of concrete results—from an economic standpoint—fueled criticism toward a foreign policy perceived as non-pragmatic and unconcerned with the economic dimension of Brazil's interests.

FROM LULA DA SILVA TO DILMA ROUSSEFF

As far as foreign policy is concerned, discontinuity is obvious when comparing Lula da Silva's presidency to that of his successor, Dilma Rousseff (2011–2014). This occurred despite the fact that both presidents are members of the same party (PT) and that Rousseff had served as a minister during Lula da Silva's two presidential terms. Thus, the discontinuity can hardly be attributed to political and ideological divergences between the worldviews of the two leaders.

Rousseff, unlike Lula da Silva, never showed any interest in or appetite for international issues or Brazil's foreign agenda. She has never been sensitive to Lula da Silva's agenda of increasing Brazil's prestige or soft power in the world. However, when the different personal trajectories and ambitions of the two presidents are set aside, what explains the disconnect between Lula da Silva's and Rousseff's foreign policies is a significant change in international conditions and, to a greater extent, the domestic economic environment. That change became evident as early as 2011, Rousseff's first year in office, and it marked the rest of her term.

Internationally, 2010 and 2011 highlighted the stalemates in the multilateral negotiations in which Brazil had concentrated its political capital during the Lula da Silva years. Thus, the Doha round entered a “hibernation” mode. The failure of the UNFCCC Conference of Parties in Copenhagen in December 2009 jeopardized the effort to combat climate change (including Brazil's) in a coordinated fashion. The G20 became less and less relevant, due to its inability to enforce its decisions at a

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The margin of freedom, which previously allowed Lula da Silva to adopt a reformist foreign policy and anti-hegemonic positions, largely reflected the positive evolution of the Brazilian economy and the very comfortable position Brazil enjoyed within the global economy before 2010.

time when Brazil viewed itself as one of the countries most heavily affected by the effects of global macroeconomic unbalances and the consequent “currency war.”

Thus, the main global bets made by Brazil under Lula da Silva were being frustrated—one by one. At the same time, international initiatives in which Brazil was not a participant—such as preferential trade agreements—had regained momentum with the start of the negotiations of the Trans-Pacific Partnership (TPP) and subsequently the Pacific Alliance and the Transatlantic Trade and Investment Partnership (TTIP). Additionally, fatigue was evident in South-South initiatives, either because the hypotheses of converging interests and political affinities between Southern countries had not borne fruit or because the South’s momentum from the pre-crisis phase was waning. That is, Brazilian bets had produced very limited results in the sphere of political alliance—which Brazil had strongly prioritized.

Domestically, despite the fact that 2010 was marked by strong economic recovery (after the minor recession of 2009), one could spot signs of deterioration in the external accounts as well as increased demand for protection by domestic producers in the face of rapid growth in imports, driven by the appreciation of the Brazilian *real*.

Since then, what happened can be described as the “shrinking” of Brazil’s foreign policy. Brazilian global ambition, as manifested under Lula da Silva, was abandoned, as were some transregional initiatives, such as Brazil’s active policy toward Africa. The horizon of Brazil’s foreign policy receded to its traditional regional limit, South America. Even within South America, Brazilian initiatives inherited from the Lula da Silva period like the Union of South American Nations (UNASUR) hit a wall, largely due to Brazil’s failure to exert its leadership even in the regional sphere.

In the economic sphere, the foreign policy agenda gave way to domestic concerns, primarily due to the financial crisis and its impact, as well as the country’s mediocre economic performance throughout Rousseff’s term. Trade policy became increasingly protectionist and was supported by industrial policies that discriminated against imports in the name of promoting

“domestic content.” In the WTO, the Doha Round negotiations stalled, but Brazil’s industrial and trade policies were questioned by many of the country’s trade partners. MERCOSUR continued in its inertia, losing relevance for all of the countries involved.

In mid-2014, after three years of blatantly protectionist “activism,” Brazil fell into a recession. The situation worsened dramatically in 2015, when the GDP fell by 3.8 percent—a disastrous performance that is likely to be repeated in 2016. From the start of her second term, in addition to the recession, Rousseff faced an unprecedented political crisis that paralyzed the government and opened the door to the impeachment process the president is currently facing.

CONCLUSION

Although the national developmentalist paradigm has guided Brazil’s foreign policy throughout the PT administration, clearly there was discontinuity between the Lula da Silva administration and that of his successor, Rousseff. This discontinuity is apparent in the different weight that foreign policy had in the government’s strategy of political legitimacy under each president.

During the Lula da Silva period, a “leftist” foreign policy that combined international reformist stances and “anti-hegemonist” coalitions gathered the support of domestic NGOs and political groups favorable to the PT government,³ which were uncomfortable with the government’s orthodox policy options in critical areas, such as macroeconomic management. Furthermore, the international success of Brazil’s international strategy acted as a confirmation within the domestic political arena that the PT’s foreign policy was essentially correct, therefore contributing to legitimizing the government.

Broadly speaking, the Lula da Silva government’s foreign policy profile played a relevant role, in both the domestic and international spheres, in setting the stage for the narrative of “Brazil as an emerging global power” with unique characteristics among the developing countries (being a democracy, following an inclusive model of development).

Foreign policy during the Rousseff period has lost any relevance in the

government's legitimizing strategy. Why was this? Even if one sets aside the differences between the two presidents' personalities—which obviously influenced the weight each gave to foreign policy—the main factor behind the aforementioned discontinuity was the dramatic change that took place at the end of Lula da Silva's second term and the first years of Rousseff's administration. Since 2010—the last year of Lula da Silva administration—there has been a dramatic decline in the margin of freedom that foreign policy enjoyed. What became clear was the fact that this margin of freedom, which previously allowed Lula da Silva to adopt a reformist foreign policy and anti-hegemonic positions as well as a nearly unlimited degree of activism, largely reflected the positive evolution of the Brazilian economy and the very comfortable position Brazil enjoyed within the global economy before 2010.

The 2003–2010 period was, in fact, marked by a boom in agricultural and mining exports, while the growing domestic demand was supplied by the local producers of industrial goods without any relevant competition from imports. Prior to 2010, industrial imports hardly affected the domestic producers of manufactured goods that have played a dominant role in trade and industrial policies in Brazil for more than half a century. However, from 2010 onward, the rapid growth in imports challenged the long lasting control of different industrial sectors over the domestic market.

The concern brought forth by this trend shouldn't be underestimated: it has been the driving factor behind the PT's economic policy (both domestic and foreign) since 2010. It is worth noting that the PT governments have been enthusiastic followers of the national developmentalist economic doctrine and orientation. For national developmentalists, the economic national project of Brazil is industrialization, which is to be pursued through a wide range of instruments—subsidies, tariff and non-tariff trade protection, etc. Beginning in 2010, a stunning growth in imports and the rapid decline of manufacturing's share in the GDP raised a red flag among policymakers. How could a government fully committed

ideologically to “industrialization as a national project” allow Brazil to experience such a strong deindustrialization trend under its administration?

This concern practically monopolized the attention of Rousseff's first term in office, as far as economic policy is concerned. It subordinated important objectives, such as fiscal equilibrium, inflation control, and even the projection of Brazil's image internationally. In that context, foreign policy was absent except for a few spasms in the regional sphere and the inevitable obligation to defend itself in the WTO against trade complaints from other countries.

ENDNOTES

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