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POLICY PAPER

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► Executive Summary

After years of mutual neglect and sometimes outright tension, Canada's relations with Brazil are smoother than ever. As Brazil emerges as a relatively powerful and influential global player, shouldn't Canada try to build that increasingly fluid relationship into a strategic partnership, making Brasilia a key prong of its global policy? Looking at Brazil's place in the world, and at the ways in which its foreign policy meshes – or not – with Canada's, this paper argues that such an option has little appeal and in fact few chances of success. Brazil's rise has its limits, and the country's global reach and power remain heavily constrained. Beyond the Americas, and even within, Brazil's power is very soft and could hardly be harnessed effectively by Canada. Moreover, the two country's international agendas do not overlap much. In global governance circles, Brazil's global star is on the rise just as Canada's is in decline. On democracy and human rights, Canada is much more willing to put sovereignty between brackets, and in the face of nuclear proliferation, Brazil is much more critical of the asymmetry of the global regime and the advantage this gives to established powers. Crucially, Canada largely embraces globalization and sees Asia's rise primarily as an opportunity, whereas Brazilians feel more threatened by it. In that context keeping things running smoothly, without dreams of "grandeur," is the most that should be sought: normal is great, special would be too much.





The relationship between Brazil and Canada has never been so close. After decades of indifference and even – in the 1990s and early 2000s – significant tension, a kind of golden age seems to have dawned in bilateral relations. The Governor-General is just back from a visit to Brazil for which he brought along thirty University Presidents keen to grab their share of the 100,000 students that Brazil wants to send abroad as part of its "Science Without Frontiers" program. Last summer, Stephen Harper spent two days in Brazil with a business delegation that included some of the country's largest banks and companies. In 2010, an unheard-of delegation of twenty high-level Brazilian public servants came to Ottawa for policy dialogues, returning the courtesy paid to them in 2009 by ten Canadian officials, some of them deputy-ministers. Investments and trade have increased remarkably over the last decade, and the growing number of Canadian journalists and pundits who travel to Brazil come back gushing about the potential of the country and the need for a stronger and more meaningful relationship with it.

No serious country, especially in the Western Hemisphere, could indeed afford to neglect Brazil. But should Canada seek more than a fluid and easygoing relationship with South America's giant? Should it have a "normal" and healthy relationship with Brazil, as it does with France, South Africa, or India, or a "special" one that would involve extensive trade and investment efforts, as with the United States and China, or even deeper cooperation, important joint endeavours and perhaps even some kind of strategic alliance on relatively important issues, as again with the United States but also the United Kingdom and increasingly, in the Western Hemisphere, countries like Mexico, Chile and perhaps even Colombia? How important should Brazil be for Canadian foreign policy?

This paper answers the question in two steps, looking primarily at the importance of Brazil, in the world and for Canada, and then at the two countries' foreign policies, specifying areas of convergence and divergence. Overall, it argues that trying to go beyond "normal" is neither necessary nor particularly advantageous.

How much does Brazil matter in the world?

At face value, Brazil matters a lot: sixth largest continental mass, fifth most populous country (with 200 million people), sixth largest economy – soon to pass France for good – an agricultural and mining superpower, a major energy producer and probably soon a significant energy exporter. It harbours much of the largest tropical forest on the planet and as a result controls one of the world's richest reservoirs of biodiversity. Brazil is also an industrial powerhouse, home to the third largest civilian aircraft manufacturer in the world, but also to the tenth largest manufacturing sector with a car production industry twice as large as Canada's and three quarters as large as the US'. Two of the twenty largest companies in the world by market capitalization are Brazilian (none is Canadian); Petrobras, its oil giant, stands in fifth place, while Brazil's largest bank, Itaú-Unibanco, stands ninth in the world and is larger than any Canadian financial institution (Brainard et al., eds, 2009).

Brazil dominates South America, but as a gentle giant. Although it shares borders with ten of the region's twelve countries, none of those borders are contested and, aside from a marginal involvement in World War II, the country has not gone to war against anybody for more than a century. Brazil's Presidents and diplomats have made strong efforts, particularly in the last decade, to deepen and institutionalize South- and Latin-American cooperation, setting up organizations and summits, playing a central role in the creation of the Common Market of the South (Mercosul), the Union of South American Nations (UNASUL) and of the Community of



Latin American and the Caribbean States (CLACS), whose membership includes every state in the hemisphere except Canada and the United States. Beyond the region, Brazil has proven to be a clever, effective and influential player in global diplomatic circles. A hyperactive global activist, it has joined every international club that would welcome it – and most did. In addition, it has set up, on its own or with others, a slew of smaller coalitions, primarily among so-called "emergent" powers such as South Africa, India, Russia, China and Turkey. Adept at either veto or supportive coalition-building – a skill possibly perfected in its treacherous domestic politics – Brazil has made itself an often indispensable actor on the global scene. As the US and its partners have learned in the case of Iran's nuclear program, which Brazil and Turkey ended up defending and to some extent legitimizing, proponents of a global endeavour that leaves Brazil out can come to regret it (Daudelin, 2010).

While constantly shaken by corruption scandals, and with a Congress that looks more like Italy's than even the US's, Brazil's democracy remains functional, its judiciary generally reliable, its media inquisitive and feisty, and its political institutions as a whole extremely steady and highly legitimate. Luiz Inácio Lula da Silva, its President between 2003 and 2011, left office with 87% popularity and Dilma Rousseff, his political heir and the current President enjoys 70% popular support in spite of an eventful year on the economic and political fronts. Brazil's economic performance over the last fifteen years, while unspectacular by the standards of China, India, and even neighbouring Chile, has been steady and its economic policy relatively prudent and "responsible" (Faucher, 2011). Such political and economic stability, combined with its nimble diplomacy, have made Brazil's overwhelming, but unthreatening, presence an anchor of stability in a region where economic performance remains volatile, poverty and inequality high – in spite of remarkable recent progress – where guerrillas still roam, the military is not everywhere under full civilian control, social mobilizations sometimes turn violent and criminal organizations are rich, powerful, often extremely deadly, and present essentially everywhere.

One should be careful, however, not to exaggerate Brazil's weight and influence in the world. The country remains a marginal trader, with barely more than 1% of global exports, less than half of Italy, Canada or Belgium and significantly less than Spain, India or Ireland. Combined with a proportion of global GDP at around 3.4% – and declining – this implies that Brazil's economic footprint in the world is much smaller than it appears. Moreover, rapid de-industrialization, increasing dependence on commodity exports, an extremely complex and inefficient regulatory environment, severe transportation infrastructure deficiencies, expensive and inefficient energy distribution networks, and massive public pension challenges all suggest that its growth prospects, albeit better than the European countries it has been catching up with recently, are not very good (The Economist, 2012 03 24; Sharma, 2012). In fact, with average growth rates significantly higher than Brazil's, both India and Russia could soon catch up with it on global economic rankings.

A careful look at Brazil's strategic capacity similarly reveals many weaknesses and, again, limited capabilities that belie its image as a significant world power. Its large military budget is almost completely eaten up by salaries and pensions. The military's hardware, from ships and aircraft to tanks and armoured vehicles, is for the most part second-rate and available in limited quantity. A significant rearmament program has been announced, but with spending on



modernization totalling \$35B(USD) over 25 years (Malamud, 2012), it won't shatter global, or even regional, strategic equilibria.¹ In hard power, Big Brazil is a global lightweight.

“Soft” power looks like a different story. Indeed, the country's global visibility and influence over the last decade is a tribute to the skills of those who represent it abroad, from the President and his advisors, to Itamaraty's – Brazil's foreign ministry – skilled body of diplomats. Behind the glitz, however, real gains have been few and far between. Brazil has signed no trade deal since Mercosur was established in the 1990s. Its quest for a permanent seat at the UN Security Council has been an abject failure. Its allies in the region and among the BRICS or IBSA are proving to be flimsy: China does not support Security Council reforms, India opposes the elimination of tariffs and subsidies for agriculture, and most achingly no major Latin American country supports its claim for global status and in fact, its prominence in South America is openly challenged by Venezuela and constantly questioned by neighbouring Argentina. Brazil has no enemies, but who are its real friends?

Does it matter for Canada?

The equation could be very different for Canada. Brazil, as the second largest economy of the continent, represents the most obvious regional option to diversify Canada's skewed trade matrix. The country's large market and its privileged access, through Mercosur, to those of Argentina, Paraguay and Uruguay, also make it an appealing platform for manufacturers like Research In Motion, which now produces its Blackberry there. Behind the very public competition between Canada's Bombardier and Brazil's Embraer lie overlapping value chains in which Canadian companies can profitably play both sides and win. Brazilian multinationals roam the globe for opportunities and Canada, as an open economy, has welcomed some of their largest investments, most spectacularly Vale's acquisition of Inco in 2006. In addition, Brazil's banking and insurance markets are far from saturated and represent a juicy pick for Canada's financial giants, such as Scotia and Manulife. As a pacific democracy keen on multilateralism, fellow-member of key global governance clubs, and with an active and visible presence in most international fora, Brazil could also represent a valuable ally or, as in the case of the Free Trade Area of the Americas that Canada whole-heartedly supported, a pesky and efficient opponent and, for both reasons, a useful actor to have on one's side.

As in the case of Brazil's importance for the world as a whole, a more careful look reveals many cracks in this nice façade. Canada's Department of Foreign Affairs and International Trade does its best to make things look good.² The reality is not negligible but it remains modest: at \$13.5B(CDN), the stock of Brazilian investments in Canada represents 2.4% of the foreign owned assets in this country. For its part, Canada's own investments in Brazil, worth almost \$10B(CDN) in 2010, represented 1.54% of global Canadian stocks of investment, or around 3% if the US is taken out of the picture. This is about a third of what Canadians have in Barbados and about 30% less than what mostly mining companies have invested in Chile, a radically smaller

¹ A decision still needs to be made on Brazil's new fighter aircraft, which will be a so-called 4+ generation aircraft (F18 Super Hornet, Rafale, and Sukhoi SU-35) of which only 35 are to be acquired. By comparison, Canada, widely considered a declining power, was until recently contemplating the acquisition of 70 Lockheed F-35s, a fifth-generation aircraft. Together with an extremely long projected timeline for the development of Brazil's submarine fleet – 2023 for its first nuclear-powered craft, and 2047 for a complete squad of 20 including 6 nuclear-powered ones (OESP 2010 11 21) – this manifests a clear lack of urgency and implies that Brazil will simply not have much projection capabilities for at least 20 years.

² Including – absurdly – mixing investment stocks and trade flows to get an impressive though meaningless \$29B(CDN) on their Brazil web page (DFAIT 2012).



economy (Statistics Canada, 2011). The trade picture is similarly bland. Absolute numbers always look impressive for a massive trader like Canada, but they are misleading. Total trade with Brazil has increased significantly in recent years, but imports and exports together only represent 0.75% of total Canadian trade, about a fifth of total exchanges with Mexico (Industry Canada, 2012).

The strategic picture is similarly vapid, with no significant interdependence between the two countries and critical security and political preoccupations that do not really overlap. Now, even in the absence of strong interdependence, a rationale for deepening the relationship may still exist where and when the two countries' global agendas are concerned. To what extent is it the case here?

Coming together?

Both Brazil and Canada, along with much of the world, are ever more deeply inserted into the current Asia-centred globalization. With Australia, Africa and the whole of South America, they find themselves increasingly confined to the role of primary good exporters. Having built over time, and at great costs, relatively diversified economies, Brazil and Canada confront similar and inter-related problems: export price volatility, overvalued currencies, increasingly uncompetitive manufacturing exports and industrial decline, the latter with massive economic and political consequences in their industrial heartlands and in the very make-up of their country, as the drivers of prosperity move out of Ontario and São Paulo, towards more commodity-producing areas. What happens in Brazil has little bearing on what happens in Canada, and conversely, but where the world is going has similar consequences for both countries and, in theory, this could define a common agenda. Yet it doesn't.

While some players are still ambivalent, with Ontario mobilizing its substantial resources to wage a rear-guard fight, Canada's current government is embracing Asian globalization or, in the words of Stephen Harper, betting on "the right side of that history" (Globe and Mail, 2012 05 02) and pushing for free trade on all fronts. Brazil, by contrast, has clearly decided to resist the trend, using resource export revenues to defend and sustain a manufacturing sector that looks increasingly uncompetitive, and showing little serious interest in freer trade, be it regional or global. Clearly, Canada's radical openness leaves it fewer options, whereas Brazil's much more self-centred economy gives more leeway to its government. The politics are also very different, with Brazil's public sector, various semi-private industrial conglomerates along with the labour movement and civil society organizations supportive of government-led resistance, whereas the fastest growing sectors of Canadian society and economy in Western Canada but also in what John Ibbitson has called "Pacific Ontario," are proving receptive to the Conservatives' embrace of Asia (Ibbitson, 2012).

Beyond such quasi-existential preoccupations, the two countries' international agendas do not overlap much either. Canada is losing ground in global affairs, in spite of the respect it gets for its tightly-run economic ship and for its ability and willingness to engage serious resources in Western-led military ventures, from the Balkans and Afghanistan to Libya. Brazil, in many ways with much less to show, is nonetheless gaining ground and respect. This leads to a substantially different stance in the various clubs that they share: while Brazil is a fixture in the non-permanent seats of the UN Security Council and claims a permanent one, Canada now struggles to get to the table; for Canada, holding on to a declining G8 and having a place in the G20 is the best that can be hoped for, while Brazil finds the G20 too large and seeks smaller, more



exclusive relationships – like the BRICS – or ones where it has prominence and that typically exclude Canada, like the CELAC.

On the normative side of global issues, the two countries do not see eye to eye either. A case in point is the promotion and defence of democracy and human rights, which both countries emphasize as central tenets of their foreign policy. While they show the same indulgence towards the Chinese giant's abuses, their stance on Cuba is radically different: Brazil wants it back unconditionally into the Inter-American system, in spite of the Castro regime's clear violation of the latter's commitment to democracy, while Canada stands with the US and insists that open elections be held and broad political freedom be guaranteed in the first place. Canada has also embraced the Responsibility to Protect (R2P) agenda, and has proven willing to back that commitment with military force, while Brazil plays to a less secure Southern audience and refuses to countenance challenges to the primacy of sovereignty. Canada's dirty energy matrix also pushes it towards very different stands on environmental issues than much greener Brazil, whose carbon emissions, in spite of the continuing burning of its rainforest, are 25% lower overall, and eight times smaller per capita (UCS, 2012). These two signatories of the Non-Proliferation Treaty likewise take contrasting stances towards Iran's nuclear program and non-proliferation more generally. Brazil's bitterness towards the US' indulgent attitude in the face of India's development of nuclear weapons plays a role here, but its political elite, unlike Canada's, never seemed to have fully accepted the sacrifice of a nuclear program that is still seen, in Brazil and beyond, as a badge of "great powerdom."

Conclusion

The limited appeal of a special relationship with Canada appears to be clear to Brazil's very "realist" foreign policy establishment. Canada – like France, Germany, Spain or Australia – as a developed and open economy certainly has things to offer the country, and Brasilia is willing to explore and exploit them. But the Northern Gringo has little bearing on Brazil's influence and status in the world and, on several important international issues, it stands on the opposite side of the table. In particular, Canada's somewhat aggressive embrace of Asian globalization and its increasingly clear bet on the Pacific leaves Brazil in the cold, and cold too.

The same should hold for Canada: Brazil has things to offer, but it has little or no bearing on Canada's major challenges. Brazil's economic and industrial policy, as well as the main strands of its foreign policy fit awkwardly with Canada's international interests and outlook. This applies even to Ottawa's engagement with Latin America, which, in practice, is centred on countries – Mexico, Colombia, Peru and Chile – that are making, for good or bad, the same bets as Canada on free trade, open economies, and Asia.

Obviously, the sometimes infantile confrontations of the past should be avoided at all costs. A mature relationship is one where states can agree to disagree on some issues while pursuing similar objectives in other areas and collaborating where needed and when useful. Recent efforts at academic collaborations will hopefully blossom and broaden into joint projects in agriculture, environmental, energy, aeronautics, infrastructure, and social sciences too. With global governance in flux, moreover, surprising convergences will likely develop and should be built on. Jim Flaherty's recent offensive against Europe's unjustified prominence at the IMF and in favour of a growing place for emergent economies (Flaherty 2012) is a case in point: as Canada's old partnerships lose their relevance and are proving dysfunctional for the global economy, a sane calculus of interest imposes a new range of options. Brazil should be part of them, but



among the many Southern powers whose weight in the world is increasing, there is no reason to give it a special status.



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Jean Daudelin teaches on development and conflict. He is a specialist of Latin America, particularly Brazil and Central America, where he has researched religious movements, indigenous politics, urban violence, economic integration, and regional politics. His current research focuses on property rights and conflict, on the development and conflict implications of government revenue composition, and on the comparative foreign policy of Canada and Brazil.



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CDFAI was created to address the ongoing discrepancy between what Canadians need to know about Canadian international activities and what they do know. Historically, Canadians tend to think of foreign policy – if they think of it at all – as a matter of trade and markets. They are unaware of the importance of Canada engaging diplomatically, militarily, and with international aid in the ongoing struggle to maintain a world that is friendly to the free flow of goods, services, people and ideas across borders and the spread of human rights. They are largely unaware of the connection between a prosperous and free Canada and a world of globalization and liberal internationalism.

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