

# An economic giant awakens

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No discussion of the future global economy can avoid making reference to Latin America's undisputed rising star: Brazil. Along with China, India and Russia, Brazil is one of the emerging powerhouses popularly known as the 'BRICs': four countries characterised by their increasing importance in the world economy and which, put together, already account for nearly a quarter of global GDP. With its continental size, large population, and vast natural resources, Brazil's destiny seems to lie not at the periphery of world affairs but at its very centre, particularly as a champion of the developing world where it is already greatly admired.

The numbers speak for themselves: Brazil has the second largest economy in the Western Hemisphere and ranks among the top ten worldwide. Its rate of growth during the present decade has been persistently high by regional standards and, perhaps most importantly, it has been sustained – a notable achievement given the region's previous reputation for volatility. Although the current crisis has slashed exports and caused industrial production to fall dramatically, the Brazilian economy has been remarkably resilient. Government policy during the crisis has been lauded as quick and effective, dropping interest rates at the first signs of trouble and increasing credit. More tellingly, as only a small fiscal stimulus plan was adopted – mostly centred on tax cuts – this was a display of confidence in the country's ability to withstand a shock which caused many other emerging economies to tumble.

Yet, as Brazil works its way as one of the stars of the developing world, it is easy to forget how not so long ago President Lula was viewed by some as a threat, given his pro-poor rhetoric and strong ties to organised labour. Instead, he has successfully appeased his detractors through market- and business-friendly policies while at the same time never failing to forget his commitments to alleviate Brazil's notorious social inequalities. It is this successful juggling of economic and social priorities that has set him apart in a region which is increasingly polarised between radical leftists and free-marketiers. Already this polarisation has derailed many attempts at economic integration: a hemispheric free trade bloc sponsored by the US, the FTAA, has fizzled while a 'Bolivarian alternative' promoted by Venezuela's Hugo Chávez and his allies is viewed with equal suspicion by those who oppose his brand of fiery socialism.

But rather than take sides, Lula has skilfully worked his diplomatic magic on both camps. He has made business deals where others have made enemies – numerous infrastructure agreements with Venezuela being a case in point. At the same time, he remains close to the US – he was the first Latin American leader to have a state visit with President Obama. And he has made great strides in bringing the continent together through organisations like UNASUL, an experiment in continental unity largely inspired by the European Union.

As the crisis moves from survival mode into recovery, Brazil will find itself in an unexpectedly advantageous position. Already one can see glimpses of Brazil's emergence. Two Brazilian banks now rank among the top 25 according to their market value; Brazilian industry is a leader in biofuels, aerospace, and pharmaceuticals, and has slowly but surely expanded its international reach; and outward flows of foreign investment have risen spectacularly in recent years, a fine example of the eagerness and confidence of Brazilian multinationals to operate outside their home market.

Will this dynamism and vigour be sustained? The recent economic history of Latin America is hardly encouraging, given the almost endless cycles of debt and currency crises since the 1980s. Fortunately, there is reason to believe that many countries – including Brazil – finally learned the lessons of macro-economic responsibility, lessons which will spare them further decades of stagnation. However, the downside of Brazil's recent successes is in the unintended consequences of providing so favourable an environment that crucial reforms could afford to be postponed. Indeed many challenges remain in Brazil's quest to achieve prosperity and global recognition such as endemic corruption and persistently high levels of poverty and inequality – all of which may hinder growth in the long run. With a more gloomy outlook for the world economy in the near-term, Brazil must find ways of unleashing the potential of its domestic market while learning to compete and survive in the cutthroat international arena where the other BRICs will also be jostling for leadership.

All in all, the future for Brazil looks as sunny as its legendary beaches. Despite unfinished business, President Lula has undoubtedly set the country on the right track, laying years of disappointment to rest so that this Latin American giant may finally awaken. ■