



PREMIUM MIDDLE POWERS WITHOUT A WORLD ORDER

Brazil: wrestling with itself and with its role in the world

GUEST ARTICLE by Martin Wiesmann

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Presidential candidate with many question marks: Flávio Bolsonaro, Liberal Party candidate, at the Maracanãzinho arena in Rio de Janeiro. EPA

Middle powers face the challenge of reducing their dependence on the great powers, the USA and China. In this series, we examine how individual states are tackling this. In part four, we look at Brazil in the run-up to their key election in October.

“ Gold, or sugar, or coffee, or rubber, or timber. In every century, Brazil has astonished us with a new and surprising aspect of its riches.” Stefan Zweig wrote his book about the ‘Land of the Future’ in 1941, and thus far, he seems to have been proved right - Brazil’s wealth of resources shows no sign of running dry. The sugar and rubber of yesteryear have now given way to copper, niobium and rare earths, of which Brazil holds the world’s largest reserves – just under 25% – second only to China. This wealth makes the Latin American nation a sought-after partner in the ‘critical minerals’ strategies of the US and Europe.

But the core challenge in a country with one of the worst Gini coefficients – a measure of the gap between rich and poor – remains the same. Then as now, Brazil, as a commodity exporter, struggles to retain value creation within the country and to build a broader industrial base upon it.

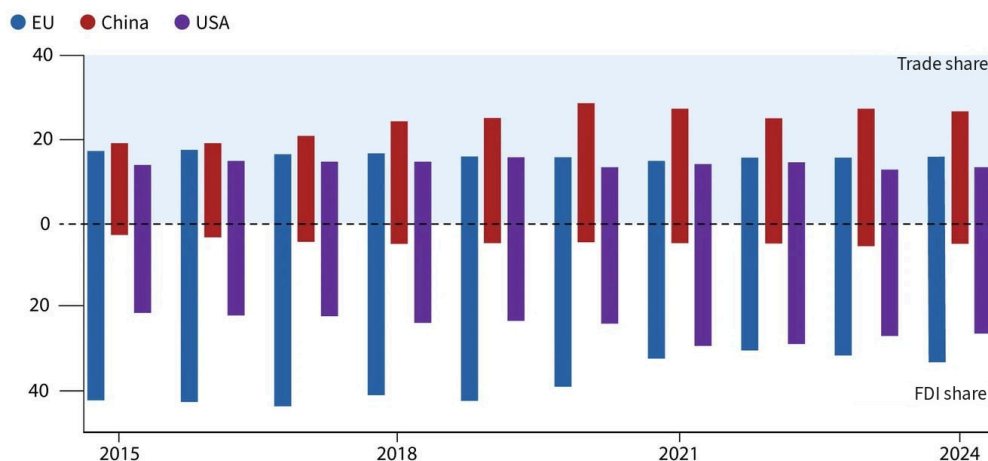


Illustration: Sarah Wehrlin

The other battle that Brazil is fighting is a political one. Brazil, which has always been an unwavering defender of the rules-based international order, has pursued the right to have a say on an equal footing within the system of global governance since the days of the League of Nations. Institutionally, Brazil has one of the most respected diplomatic services in the world and has recruited the majority of its foreign ministers from the diplomatic corps of 'Itamaraty', as the Brazilian Ministry of Foreign Affairs is known. Thanks to this respected institution, Brazil remained active and influential within the BRICS grouping (Brazil, Russia, India, China, South Africa) even under the right-wing populist President Jair Bolsonaro. And conversely, through all of left-leaning Luiz Inácio Lula da Silva's terms in office, Brazil continued to deepen its active involvement into the structures of the Organisation for Economic Co-operation and Development (OECD), as Ambassador Sarquis José Buainain Sarquis, head of Brazil's delegation to the OECD, emphasises.

China dominates Brazil's trade relationships

Shares of Brazil's foreign trade volume and of the stock of foreign direct investment by partner country, in per cent



<https://www.faz.net/weltwirtschaft/> / Source: Banco Central do Brasil, Comexstat / F.A.Z. graphic: grün.

The OECD process, which is also championed by Indonesia, bears witness to Brazil's unwavering commitment to multilateralism and the preservation of its independence. However, its proactive foreign policy has so far been denied the right to an equal say in shaping the global order.

In the 1960s, Brazil tried to form so-called 'South-South' coalitions, such as the 'India-Brazil-South Africa Dialogue Forum' (IBSA). In the early 2000s, it tried to

establish a 'South-North' format of the 'G4' with Germany, India and Japan, in order to underpin its demand for a permanent seat on the UN Security Council. None of its efforts have been successful. And even within the BRICS group of emerging economies, its influence is limited. For example, in 2022, Brazil was against expanding the membership of the grouping. But even though it was in alliance with India and South Africa, it wasn't strong enough to resist the pressure from China and Russia. A major round of enlargement went ahead, thereby weakening the position of the other founding members.

Brazil cannot rely on its home region

Brazilian diplomacy failed not only because of the post-war international institutions' reluctance to reform, and the Superpowers' overwhelming dominance. Brazil doesn't manage to lead its own region – despite accounting for almost half the land area and just over 50% of economic output of the South American continent. The 'Union of South American Nations' (UNASUR), founded in 2008 under President Lula, was intended to provide the twelve South American states with a common political structure under Brazilian leadership, but fell apart just a few years later.

Brazil's arch-rival Argentina, with its Hispanic heritage, remains an active member of 'Uniting for Consensus', the so-called 'Coffee Club', in which states such as Colombia, Pakistan and Italy advocate against the demands of the G4, and support instead a model of increasing the number of elective seats on the Security Council.

Economically, the "Southern Common Market" (Mercosur), founded in 1991, initially had a significant impact on regional trade; however, since its peak year in 2000, when it stood at around 20%, Brazilian exports to Mercosur partner states have fallen to around 11% in 2024. According to the International Monetary Fund (IMF), this makes South America the least economically integrated continent, with Brazil having invested only half-heartedly in its infrastructure.

The military as an instrument of power projection in Latin America never played a strategic role in the country's relations with its neighbours. The country fought its last war against Paraguay in 1864 and has never felt seriously threatened in terms of its external security. The domestic political confrontations that intensified in Brazil under Dilma Rousseff's Presidency weakened Brazil's integrative political influence abroad still further, and more recently Lula's foreign policy – which has been at times strongly ideologically driven – proved to be of little appeal to others. Thus, Brazil is no longer a sought-after mediator in the region. This was demonstrated most recently in Venezuela, but the decline in influence can be seen as early as the settlement of the guerrilla conflict in Colombia in 2016. The model of 'consensual hegemony' led to a 'leader without followers', as the Argentine political scientist Andrés Malamud put it in 2011.

Winners of the geopolitical polycrisis?

However what role do foreign policy ambitions actually play for 'autonomia estratégica' – the strategic autonomy of Brazil as a middle power? Gabriel Galípolo, Governor of the Brazilian Central Bank, has an answer: "Brazil is a winner in the current geopolitical crises." Whilst countries such as Mexico, Bangladesh and Vietnam profited under Trump's first term by offering alternative supply and trade

chains, in Trump's second term it is resources and the ability to manage dependencies that count.

Since the US attack on Iran and the blockade of the Strait of Hormuz, Brazil – the world's seventh-largest oil producer – has at times more than doubled its exports to China, increased them almost tenfold to India, and boosted them by 50% to Europe. And since the Gulf states have lost their reputation as a safe investment destination, Brazil's fledgling strategy of developing the country into a data centre hub has gained new momentum, underpinned by its vast hydroelectric resources.

Trade patterns also play a role. Brazil's largest import dependence is on Russia, which provides about one fifth of its fertiliser needs – though the dependency cuts both ways, with Russia needing the money from the exports. Brazil has a trade deficit with the US and, as one of the world's largest agricultural exporters, a trade surplus with China. When President Trump imposed his 'Liberation Day tariffs' in mid-2025, Brazil received a 50% rate, but which affected only just over a third of volume of exports to the US. And the bulk of exports to China consists of products that are difficult to substitute, such as soya. Brazil is also pursuing a dual-track strategy for foreign direct investment. In building a national AI infrastructure, it has brought on board both the Chinese firm Huawei and the US firm Nvidia.

Nevertheless, the imperialist encroachments of the US administration pose the greatest challenge to Brazil's political and economic independence since the US supported the military coup in 1964. The arrest of President Nicolás Maduro in Venezuela has sent shockwaves through the political elite. In the financial sector, everyone held their breath when Trump sought to influence the trial of former President Bolsonaro by threatening financial sanctions against a Supreme Court judge.

Even if Trump's interference in the presidential election campaign in favour of Bolsonaro's son Flavio may not be paying off for him for now: Given the eighty-year-old incumbent Lula's low popularity, it cannot be ruled out that he will lose the election in October. Brazil would then have as President a man whose own brother was a few months ago actively lobbying in Washington for punitive tariffs against Brazil, in order to secure their father's release from prison.

Mercosur free trade agreement: slow to arrive, slow in impact

Brazil has a strong interest in diversification, both in its trade relations and beyond. At around 280 billion euros, the capital stock of EU member states in Brazil is just under 40 billion euros greater than that of the US by 2024. However, the recently concluded EU-Mercosur agreement, which was strongly supported by the Brazilian agricultural sector, came late and will take a long time to have a significant economic impact on Brazil.

On critical raw materials, the EU is actively seeking cooperation with Brazil as part of its 'Global Gateway' strategy. But the US is currently moving faster: by acquiring Brazil's leading rare-earths company, the Serra Verde Group, it has secured access to Brazil's coveted minerals, and more: a significant part of the value chain – and, in any case, the largest share of off-take agreements – is also being channelled to the US for 15 to 20 years. The same dynamic is at work in Indonesia's nickel industry where China as investment partner has captured much of the value chain.

Despite all this, Central Bank Governor Gabriel Galípolo remains confident. Moving swiftly during the Covid crisis, he introduced the digital payment system 'Pix'. Since then, financial services have become more accessible to millions of residents in Brazil's favelas. Brazil's capital market is liquid, and despite high interest rates of around 15%, ever-widening fiscal deficits and a moderate economic outlook of around 2% growth for 2027, the international capital markets continue to eye up the right moment to enter the 'land of the future'.

Galípolo is involved in the projects relating to BRICS payment systems and the BRICS countries' reserve fund, the CRA (Contingent Reserve Arrangement), though he harbours no illusions as to the scope and significance of these instruments for Brazil. For a country that is dependent on international capital markets, there is no alternative to the dollar, and so 70% of its foreign exchange reserves remain invested in dollars. Galípolo would, however, like to cooperate more closely with the middle powers of the Western world, from Canada to the EU, in order to minimise the growing risks posed by the dollar's dominance. Yet in Europe, the response to this has so far been muted.



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