

THE EMBASSY OF BRAZIL IN LONDON
cordially invites you for

BRAZIL: COUNTRY OF THE PRESENT?

A discussion between

ROBERTO TEIXEIRA DA COSTA,
author of the book *Is Brazil afraid of the world?*

and **DR FELIPE KRAUSE**,
Lecturer in Latin American Studies
University of Oxford

6 June 2024
at 4.00 pm

Sala Rio Branco
Embassy of Brazil
14-16 Cockspur Street
London SW1Y 5BL

Guide notes for the presentation

Thanks to Ambassador Patriota for giving me the opportunity to be here today, addressing this special audience about Brazil and my book

The remarks he made about myself are usually addressed in funerals when the noble qualities of the dead person are remarked.

It reminds me of a story about a man before his presentation for a group of businessmen. He was walking around, visibly nervous and his wife, looking at him said; “I don’t know why you accepted such an invitation if it stresses you so much”. He replied, “Oh my dear, I love the introduction”.

Before dealing with the subject of my presentation. I have to excuse myself for my high school English, hoping to be able to communicate. It can be compared to my 62 years of marriage: good in understanding and communication but I do not have control of the situation.

I will start by putting into perspective the arguments to the question addressed initially in my book “Is Brazil the country of the future?”

Most analysts and influencers, when looking at Brazil, put great emphasis on negative factors and challenges. We Brazilians have an extreme sense of criticism about ourselves.

Thus, I will start by calling your attention to the positives.

The famous Austrian author, Stefan Zweig (died in Petropolis in 1942) which was considered one of the most famous writers in the world, sought exiled in Brazil to escape from the Nazis. In his first trip, after participating in different events in our country, he wrote an essay “Brazil country of the future”.

I will modestly put into perspective this afternoon that Brazil is the Country of the Present.

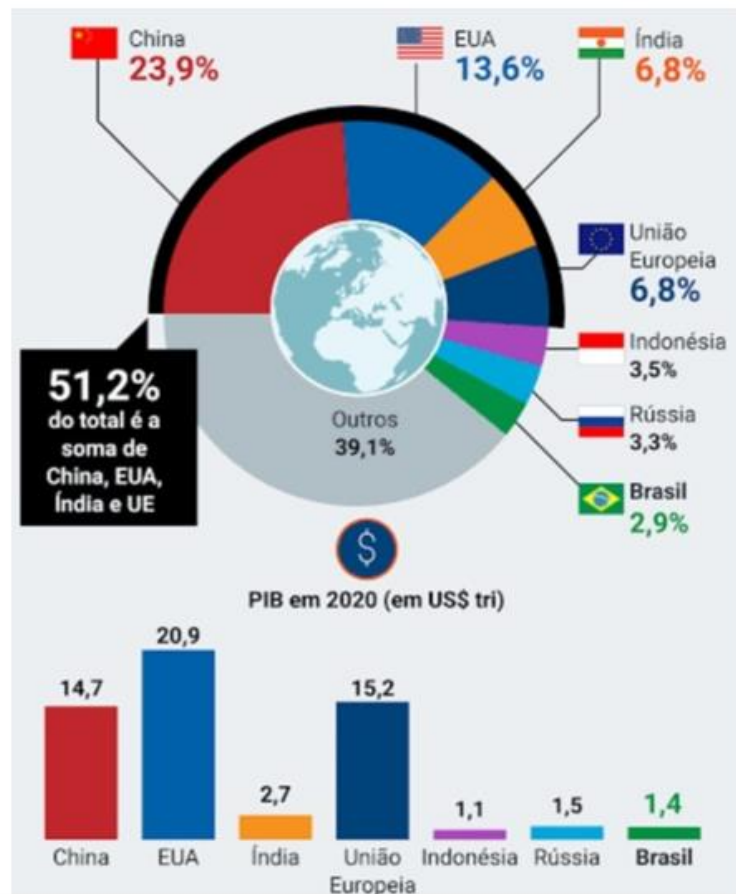
Facts and figures on Brazil

1. Strong position in foreign trade. Successive trade surpluses generated mostly by agricultural commodities and minerals
2. Balance of payments – manageable deficit even with FDI decrease last year
3. Strong foreign reserves – up to US\$ 355 billion
4. Inflation under control – projection for the year 3,91% against 4,8% in 2023
5. The economy has grown 3% in 2023 and the IMF’s projection for the year is 2,3% (IMF)
6. Unemployment – decreased to 7,55% in 2023, the lowest since 2014
7. Brazil’s energy matrix is characterized by reliance on renewable sources, particularly hydropower, and a relatively low carbon footprint.

Hydropower	60 to 65%
Biomass (mainly from sugar cane – ethanol)	8 to 10%
Wind power	10 to 12%
Solar power	2 to 3%
Natural gas – Important in Brazil	10 to 12%
Nuclear power (2 Nuclear power plants)	1 to 2%

As an example, one of the leading corporations in the pulp and paper sector makes use of over 90% renewable energy.

Greenhouse gas emissions in the world (2018)



As you can see, Brazil is responsible only for 2,98% of global greenhouse gas emissions.

8. Capital Markets – The leading Stock Exchange in the region. Lowest performance of market indexes in 2023 indicates opportunities in comparative terms with lowest price/earnings ratios.

Most Important Stock Exchanges in the World First Quarter 2024

	BIST 100	45,90%		PSI	8,66%
	Taiwan Weighted	20,19%		FTSE 100	8,24%
	AEX	15,72%		BEL 20	7,81%
	Nikkei 225	15,40%		CAC 40	7,28%
	FTSE MIB	13,54%		SMI	7,27%
	IBEX 35	12,15%		S&P/TSX	6,62%
	Nasdaq	11,93%		Shanghai	6,17%
	DAX	11,52%		Nifty 50	3,99%
	China A50	11,44%		KOSPI	2,57%
	S&P 500	11,26%		S&P/BMV IPC	-1,66%
	MOEX	11,12%		SET	-3,18%
	OMX S30	9,95%		Ibovespa	-6,36%

Fonte: Investing.com, elaborado por Invest Research

9. Also, remarkable that Brazil is recognized for having the best governance policies for listed companies in the stock exchanges of the BRICS countries
10. Noteworthy decline in deforestation in the Amazon, previously a negative aspect for investment attraction.
11. High comparative advantages for receiving investments for different sectors such as food, trading and agribusiness.
12. Increased productivity in agribusiness
13. Abundance of strategic minerals presenting opportunities for exploration
14. High potential of carbon capture with strong policies for forest recovery and protection for the environment. Noticeably increased awareness of climate change.
15. High opportunities in bio diversity and bio economy
16. No conflicts of note with neighboring countries and recognized leadership in our region. Strong voice in different moments. Political equilibrium considering the extremes: Argentina (extreme right) and Mexico (recently elected Clara Sheinbaum – extreme left)
17. High commitment by listed companies for ESG adoption

18. Prominent Brazilian position in pulp industry with projected investments of US\$ 20 billion
19. Brazilians are travelling more. The 3 leading airline companies announced that in the first quarter of 2024, 3,69 mi people travelled, and increase of 8,75% over the same period of 2023.
20. Remarkable and deserving of recognition the solidarity of the Brazilians towards the victims of tragic climate disasters like the one in Rio Grande do Sul, with tremendous impacts in the lives of their populations that so far have demonstrated enormous resilience.
 - A state that will have to be reconstructed and that will take some years to turn into a new Rio Grande do Sul.
 - Clearly it will have a cost for the Union to help the recovery,
 - Possible impact in public accounts remains to be seen.
21. Amazon reports that Brazil is already its third largest ecommerce operation worldwide after India and China. Amazon operations in Brazil are the largest in the world and reach 1300 municipalities delivering products in 48 hours maximum. Uses AI to meet consumer demand. Started its operations in 2012 and now has 18,000 employees.
22. Brazil does not antagonize foreign investors, who are well respected and accepted in the business community.
23. Comparative advantage:
 - a. large domestic market with a population of over 200 million people, offers opportunity in the domestic market with possible chances to expand abroad
 - b. Geopolitical situation – makes a natural bridge between North and South and a gateway to the Pacific.
 - c. Innovation at the forefront of agricultural technology with advanced techniques in farming, livestock management and bio economy seeking to increase productivity.
 - d. Fintech – fast growth. High rate of adoption for digital banking and innovative financial solutions.
 - e. “PIX” payment system: Created by the Banco Central do Brasil in 2020, PIX performs instant fund transfers around the clock, every day of the year, promoting financial inclusion (it’s free). In 2023 PIX was

responsible for 39% of all financial transactions, only behind cards, with 41%. Its usage was 75% higher than in 2022. On 7th May it reached the record of 206,8 million transactions. (daily)

24. Diligent and investigative press – Sometimes too critical but very influential in fighting corruption and bad practices but always emphasizing the negative.

CHALLENGES AND PROBLEMS TO BE FACED

1. Fiscal problems – it is not a critical situation but there is a degree of concern with the trend of expansive governmental policies and uncontrolled expenses. Strong pressure for expenses reduction.
2. Negative financial flow in the first quarter
3. In the political arena President Lula does not have a majority in Congress and the parties that supported his election in 2022 are not united to form a strong coalition. Thus, he has had difficulties in Congress, which has a Conservative basis with Policies by the so called “**Centrão**” It is opportunistic and not ideological. Congress is divided: conservative X progressive.
4. Bottlenecks and challenges - Isolationism
 - 4.1. Protectionism and fear of being exposed abroad
 - 4.2. Corporativism
 - 4.3. Strong Business class behavior in defense of their protected markets
 - 4.4. Too much State intervention without plausible justification
 - 4.5. We have been a State before being a Nation!
 - 4.6. Portuguese Colonization had positive aspects maintaining integrity of territory and common language (Portuguese) compared with India, for instance!
 - 4.7. Brazil did not privilege external contacts and doing business abroad was a plus, not a core activity....
 - 4.8. Foreign exchange controls for several years but no longer present. Last intervention 2019.
 - 4.9. Brazilian dubious position regarding the problems faced by Ukraine and Russian war and very antagonistic towards Netanyahu
 - 4.10. Educational gaps – the use of money dedicated to the sector is criticized

- 4.11.** Internal security – problems being addressed – Solution will come slowly; Right now, is an additional costly factor for doing business in Brazil
- 4.12.** Social Security costs – impact of longevity increase, and their impact in costs related to elderly people. Consequently, has an impact in fiscal deficit that is increasing but still manageable. However, further reform of the security system must be considered, including indexation to minimum wage.
- 4.13.** Lack of common legislation for different states of the Union. It is complex to approve projects that impact different states differently
- 4.14.** Changes in past legislation – Brazil is often criticized as being a place where it is difficult to predict the future as well as the past. Thus, predictability is a common factor to be addressed.
- 4.15.** Relations with USA / China and the geopolitical situation. Up to now there is an equilibrium in the relationship, But USA will pressure Brazil to work closely with them. Brazil is strongly dependent on China as importer of agricultural products and iron.
- 4.16.** Lower rate of savings due to state debt does not favor the needed investment rate. In the first quarter of 2024 it was 18% of GNP
- 4.17.** Last, but not least, we should not forget that Brazil is a peaceful country and has no disputes with its neighbors (10 countries). This makes Brazil the country with the most land borders in South America and presents excellent opportunities for investments.
- 4.18.** In the political arena in the fight against corruption had a setback. The fact that the decision of one of the members of our Supreme Court, eliminating sanctions approved in the past against corporations and officers of such groups was badly received and led do many actors questioning some of the Supremes' decisions.
- 4.19.** But over and above the factors and situations described one must note the existing social inequality that is not an exclusively Brazilian problem. Many countries in the region suffer the same, such as the USA.

FINAL COMMENTS

I had in mind to put into perspective the positive aspects of the Brazilian economic, political and financial situation. My intention in presenting the facts was hopefully to persuade that Brazil in the country of the **Present**. Yes, we have some challenges to deal with, but I think that it is important to highlight the problems that can be solved if we are willing to face them. I certainly realize that some of them are not short-term solvable, but starting to deal with them is a positive and a recognition that they do exist.

Our country has been favored by nature with an energy matrix which is a very important competitive advantage and strong resource. We also have a strong advantage: WATER.

Around the world I do not see countries with the same Brazilian characteristics with such comparative advantages.

Up and down, we see several problems and lack of leadership. Changes in Argentina, European Union, South Africa, and Mexico. Uncertainty is the name of the game!

Now let's talk about my book: **“Is Brazil Afraid of the world?”**

Before starting, it is important to remark that I have already written 7 books

The first one was in English, published by the São Paulo Stock Exchange: Brazilian experience in creating a capital market (1957), followed by “Nem só de Marketing. Postura e Comportamento no mundo corporativo” (Editora Conex/2005), “Mercado de Capitais. Uma Trajetória de 50 anos”, (Editora IMESP/2006), “Valeu a pena! Mercado de capitais: passado, presente e futuro (Editora FGV/2018), “Um construtor de pontes: o legado e os segredos de um embaixador empresarial” (Editora Alameda/2020) and “O Brasil tem Medo do Mundo? Ou o Mundo tem Medo do Brasil?” (Editora Noeses/2021), “Crises financeiras: Brasil e mundo - 1929-2023” (Portfolio/2023), and now “Is Brazil Afraid of the World? Discussing Brazilian Foreign Affairs and Challenges” (Anthem Press/2024).

As a curiosity, the book co-written with Ms Susanna Sancovsky (Nem só de Marketing. Postura e Comportamento no mundo corporativo - analyzing and criticizing the behaviour of businessmen in their corporate activities) was the best seller of the lot.

The new book, “Is Brazil afraid of the world? (The original version in Portuguese was “O Brasil tem medo do mundo? Ou o mundo tem medo do Brasil?” The reason for

having a continuation of the title was that the book was launched during the Covid Pandemic, and Brazil was the third most affected country after the USA and India. In terms of deaths was the second worldwide, behind only the USA.

Third, I wrote the book after almost 30 years dedicated to capital markets as an investment banker and the first president of the Brazilian Securities Exchange (1977). Starting in 1980, I have been dedicating a great part of my time to corporate governance as well as to international relations, when I was elected President of Conselho Empresarial da America Latina (Latin America Business Council) – 1980, and later as one of the founders of Centro Brasileiro de Relações Internacionais (CEBRI); followed by Foro Iberamerica, Interamerican Dialogue (Washington) with several terms as a Board member; Also member of the IRI – International Relations Institute of Universidade de Sao Paulo as well as GACINT – IRI International Studies group.

I also was the Brazilian coordinator of the Mercosur European Union Business Forum (MEBF) dedicated to foster and facilitate a trade agreement between European Union and Mercosur (Brazil, Argentina, Paraguay and Uruguay). Interesting to remark that after more than 20 years, it remains under discussion.

Now comes the question: Why have I written the book?

After more than 40 years dealing with Brazilian relations with the world, my main concern has always been isolation.

The index of my book gives an indication of my research and conclusions.

SUMMARY

<i>Introduction</i>	ix
<i>Foreword</i>	xi
<i>Presentation</i>	xiii
Part 1. DIAGNOSTICS	1
1. The Sick World: The Covid-19 Pandemic and Its Impact	3
2. Hypotheses about Brazil's Isolation on the International Scene	9
Part 2. WHY HAVE FEAR?	17
3. Internationalization of Brazilian Corporations	19
4. The Fourth Industrial Revolution and the Challenges for Internationalization	27
5. Mercosur: The Southern Common Market	33
6. Brazil–U.S. Relations: A Long-Term Partnership	45
7. Brazil–China Relations: A New Route of Internationalization?	63
8. Special Contribution: From Indifference to Fear?	77
Part 3. BORDERLESS INVESTMENTS	81
9. Investments in Capital Markets Abroad	83
10. Foreign Capital in the Local Market	87
11. Special Contribution: Dom Cabral Foundation Has the Floor	95
Part 4. MATTER OF LOOKING	101
12. How Brazil Is Perceived Abroad	103

13. Domestic and International Press: Role of the Domestic and Foreign Media Coverage of Brazil's International Relations	111
14. What Was in the Media	115
Part 5. THE MULTIPLE FACES OF INTERNATIONALIZATION	121
15. Brazil on the Migration Map	123
16. In Soccer, We Are More Daring	133
17. On the Agenda: The Amazon	139
Part 6. IN A WORLD IN TRANSITION, HOW WILL GEOPOLITICS AFFECT BRAZIL?	149
18. Concluding Remarks	151
<i>Afterword—Post-Pandemic: What Is in Store?</i>	159
<i>The War in Ukraine and a Devastated World</i>	171
<i>Photographs</i>	177
<i>About the Author</i>	187
<i>Index</i>	191

Special attention to the diagnostic. The question of fear, the multiple faces of internationalization and how Brazil is perceived abroad. Also, the lack of confidence of most Brazilians in seeing the proper relevance of our country in the world.

The version was finished 15 months ago but the fundamentals that justified its publication are basically still in place.

We persist in not giving proper attention and focus to our engagement with the wider world. President Lula was criticized in the first months of his third term for spending too much time visiting different countries. Let's not forget that Bolsonaro was practically absent in international relations and was an obscure person in different forums when representing Brazil.

In short: Brazilian isolationism is like a pregnant woman. Only now, in the 21st century the pregnancy of the history and geography of South America is complete, which is giving birth to modern Brazil! The child being born is strong, powerful, creative, original, possessing a temperament capable of tuning in with vigor over its near or distant neighbors.

To close, I would like to mention some comments by outstanding personalities regarding my book:

“Teixeira da Costa doesn't blame foreign bullies for blocking Brazil. Instead, he quotes former President Fernando Henrique Cardoso: “Nothing makes Brazilians happier than isolation.” Part diagnosis, part prescription, Teixeira da Costa's book may serve as a primer for those who wonder why a continent-size nation of 215 million is often marked down as absent during important international roll calls. For Brazilians, it poses a series of Socratic questions designed to fuel debate” —**Global Finance.**

“Is Brazil Afraid of the World could not come at a more favorable moment. After four years of Jair Bolsonaro's government, when Brazil became almost a pariah in international affairs on account of its destructive policy in the Amazon rain forest, the country is back again to the world scene. In rapid succession, Brazil will host the G-20 summit next year and the BRICS summit. The new administration has also offered the Amazonian city of Belém as the venue for the climate negotiations of COP-30 in 2025. In the book, Roberto Teixeira da Costa has proposed a remarkable analysis of Brazil's current challenges and prospects. He offers the authorities and the readers a realistic and feasible road map for a strategy of opening and integration of the country in the world economy with credible potential benefits for Brazilian development and for the advancement of the environmental goals of the international community.” — **Rubens**

Ricupero, former Ambassador and José Bonifácio Chair at the University of São Paulo.

“Teixeira da Costa adeptly and succinctly analyses one of the enduring misconceptions that the world has about Brazil – its isolationist instinct despite its important role in global geopolitics. A vital reading for scholars and practitioners willing to understand contemporary Brazilian foreign policy from a historical context.” —**Jacques Marcovitch, University of São Paulo.**

“Drawing on his long and influential experience in the public and private sectors, Teixeira da Costa’s book reflects his insights and stresses the urgent need for Brazil to respond to the daunting challenges posed by the fast-changing new rules of global geopolitics.” — **Marcos Azambuja, Former Ambassador and Board member of CEBRI.**

“Roberto Texeira’s insightful book on Brazil is an essential read for understanding the challenges facing the country in the new international context. Drawing on deep research and extensive experience, Texeira provides valuable insights into the complex issues that will define Brazil’s future development and the way it should interact with the rest of the world.” — **Luis Enrique Garcia, Former President CAF-Development Bank of Latin America.**

“Drawing on his vast experience in Brazil and the world, Roberto Teixeira da Costa has written a timely and important book. With fresh data, he argues persuasively that Brazilians from diverse sectors need to be more deeply engaged in global affairs. His wise and well-reasoned appeal should be heeded.” — **Michael Shifter, former president and senior fellow, Inter-American Dialogue, Adjunct Professor, School of Foreign Service, Georgetown University.**

“It has always intrigued me why international trade represents such a small proportion of Brazil’s GDP and why Brazilian industry is so insular, despite both the prominence of Brazilian agriculture in the world economy, and the sophistication and international integration of the Brazilian financial system and investment community. This book goes a long way to explain the conundrum.” — **Nicholas Reade, RRBA Business Advisory.**

“This book combines a rather sophisticated analytical assessment with a rich and prolific field experience on Brazilian and Latin American international relations. A practitioner and a thinker, Teixeira da Costa shares his immense experience and sensible approach, offering a unique collection of findings and memoirs. A must-read, undoubtedly.” — **Alberto Pfeifer, Head, Group of Analysis on International Strategy (DSI), University of São Paulo, Brazil.**

“Beyond the reasons for Brazil’s isolation discussed by Roberto, insights on the country’s potential in the world economy and a look forward are presented. A book to open the minds of entrepreneurs, executives, policy makers and managers operating and doing business in Brazil.” — **Livia Barakat, PhD, Professor of International Management at Fundação Dom Cabral, Brazil.**

“Brazil's high isolation (or low internationalization) is incompatible with its size and potential. If not fear, what explains it? As a “provocative analysis, not only of Brazil's foreign policy, but of its political economy and role in the global economy”, in the words of Anthony Pereira, *Is Brazil Afraid of the World* by Roberto Teixeira da Costa fulfills its goal, and “anyone who believes that Brazil can and should have a more influential role in world affairs will benefit from reading it.” — **O Estado de S. Paulo**