

## THE GREAT ESCAPE

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Dilma Rouseff, Brazil's president, has been busy travelling these last few months. First to Mexico (May), then America (June) and then at the end of July, Russia. It must have been a welcome escape from troubles at home.

As important as each visit was, President Rouseff can be forgiven for concentrating her mind on the tortuous tangle of domestic problems confronting her. Depending on which economist you ask, the economy has slipped into recession while unemployment, inflation and consumer debt are on the rise. A real body blow, however, came with the corruption investigations into Petrobras, the state-owned oil company, which the president was chairwoman of between 2003 and 2010. Investigators with Brazil's Finance Ministry have said that over US\$17 billion is suspected of having been connected with skulduggery at Petrobras. Top construction and engineering companies allegedly paid bribes to executive political appointees of the giant oil company in return for inflated contracts. Marcelo Odebrecht, the chief executive of construction and chemicals conglomerate Odebrecht and a major backer of the president's political party, has been arrested; prosecutors believe that money flowed into the party's campaign coffers.

In Mexico the atmosphere was far friendlier for Brazil's beleaguered president who was making her first state visit to the country, whose president shares common concerns: political scandals, weak oil prices and a hostile electorate. Despite Mexico and Brazil being Latin America's two largest economies and representing more than half the region's population, they have never been close – although on the premise that misery loves company this could change. Investment between the two countries is far from balanced and although Mexico invests around US\$23 billion per year, Brazil manages just 10% of that in return. The two presidents signed an investment cooperation accord and gave a pledge to work together to boost growth and expand their respective middle classes.

Then on to Washington for a meeting with President Obama, one which had been delayed because of an earlier fall-out over spying charges levelled at America's National Security Agency by an enraged Dilma Rouseff back in 2013.



Besides the economic need for Brazil to go well beyond exporting, primarily, commodities, it makes sense for the two biggest economies in the Americas to have stronger ties.

There was a striking improvement in the relationship, even if it wasn't a state visit which had been the original intention for the aborted visit in 2013. But President Obama did roll out the carpet (even if it was not red) and referred to his guest as someone he "trusts completely" at the joint press conference held before she left. There was a list of 120 achievements released, from military and security cooperation to climate change, and although the US president described Brazil as a global power, it is hard to guess what the long term consequences of the visit will be.

### ***Mellow BRICS Road***

What could turn out to be more significant is the BRICS summit held in Ufa in Russia where numerous inter-governmental agreements were signed by the five emerging powers (Brazil, Russia, India, China and South Africa) which in 2014 collectively accounted for over 17% of global trade, 13% of the global services market and 45% of the world's agricultural output. They are a growing force and at this seventh BRIC's summit they seemed to be in their seventh heaven with a more unified voice.

But the diversity of the group, with its potential for conflict, cannot be ignored, despite adopting the Ufa declaration highlighting the road forward and their assessment of the current global political and economic situation. Their voice needs to be heard because their combined GDP (purchasing power parity) increased from just US\$10 trillion in 2001 to US\$32.5 trillion last year. The Central Banks of the five countries have signed cooperation agreements with the BRICS' New Development Bank which intends to work closely with the new China-led Asian Infrastructure Investment Bank.

This more measured, mellow approach was reflected by Chinese President Xi: "Let's go hand-in-hand to build a great BRICS partnership". It remains to be seen whether Brazil will need more of a helping hand and not just one to hold.

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