

Economics, Security, Intelligence and Defense – Brazil¹
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Introduction

Is Brazil a safe place to live?

In order to have a reasonable idea of problems that Brazilians have with internal security and defense, just consider these: (a) Rio de Janeiro's police force have found, recently, eight landmines in a "favela" (slums) "governed" by a drug-dealer (Rio de Janeiro is the capital of the state of Rio de Janeiro, where both Brazilian nuclear plants are located); (b) At the end of the last century, Brazilian violent deaths changed its pattern of evolution: before that, the majority of deaths were due to traffic accidents. Now most are due to homicides and, finally (c) The Brazilian Landless Movement (MST, *Movimento dos Sem-Terra*) started the year of 2004 invading more private properties, including productive ones, changing its previous strategy².

These three items should be enough to convince the reader that Brazil does not have a shining scenario concerning respect to property rights. Drug-dealers control parts of one of the most important states in Brazil, Rio de Janeiro, threatening the population and selling private security, using a practice not very different from those of the well-known mafias. Additionally, the MST, that opted to remain in an illegal status, and adopted a declared Marxist-Leninist discourse, is intensifying its coercive actions against rural properties, even if they are "productive"³. If this picture is not bad enough, consider the recent (May/2004) robbery of Air Force's ammunition. Some investigators raise suspicions about the involvement of former military officers in the episode. Last, but not least, they say that the illegal transfers of military weapons to the criminals are not so rare as one could think.

Anyway, it could be interesting to examine these facts as compared to other similar (South American) countries.

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² Prunes (2004) also emphasizes the strategic location of several groups of landless (members of MST), near Brazilian highways, which could be interpreted as a tactical location for eventual attempts to block them in a hypothetical scenario of conflict, for example, with Brazilian security forces.

³ The concept of "productive land" is important here because it was included in the Brazilian Constitution of 1988 as a criterion for the State to take possession or not for other objectives. A rural property can be taken by the State if it does not accomplish its "social function", which is vaguely defined in the Constitution. It is not difficult to think about the wrong incentives generated by the presence of the State here. For example, people can try to sell lands for a higher value than that generated by a free-market.

Table 1 - Brazil - Economics and Institutions compared to Some Neighbours

Socio-Economic and Institutional Indicators	Brazil	Argentina	Chile	Uruguay	Colombia	Bolivia	Peru	Paraguay	Venezuela
GDP per capita (U\$ PPP)	7600	10500	10100	7900	6100	2500	5000	4300	5400
IDH 2001 (rank/score)	65/0.78	34/0.85	43/0.83	40/0.83	64/0.78	114/0.67	82/0.75	84/0.751	69/0.78
Globalization Index (rank) 2004	53	34	37	-	50	-	52	-	58
Gini Index (1998)	60.70	-	56.70	42.30	57.10	58.90	46.20	58	49.50
Area (millions km2)	8.00	3.00	0.80	0.20	1.00	1.10	1.30	0.40	1.00
Latitude	0.11	0.38	0.33	0.37	0.04	0.19	0.11	0.26	0.09
Population (millions)	182.00	39.00	16.00	3.00	42.00	9.00	28.00	6.00	25.00
Below poverty line (%)	22.00	37.00	21.00	6.00	55.00	70.00	50.00	36.00	47.00
Infant mortality rate (deaths/1,000 live births)	31.74	16.16	8.88	13.80	22.47	56.05	36.97	27.71	23.79
Life expectancy at birth (years)	71.13	75.48	76.35	75.87	71.14	64.78	70.88	74.40	73.81
Freedom Index									
Heritage (rank/score) *	80/3.10	116/3.48	13/1.91	39/2.55	83/13.3	41/2.59	58/2.83	106/3.39	147/3.18
Fraser Institute **	82/5.8	56/6.52	20/7.31	44/6.72	101/5.43	56/6.48	44/6.72	64/6.34	103/5.33
Political Rights/Civil Liberties *	Free	Free	Free	Free	Partly Free	Partly Free	Free	Partly Free	Partly Free
Religious Freedom	Free	Free	Free	Free	Partly Free	Free	Partly Free	Free	Free
Transparency (rank/score) ***	54/3.9	92/2.5	20/7.4	33/5.5	59/3.7	106/2.3	59/3.7	129/1.6	100/2.4
Contract Enforcement ****									
Procedural Complexity Index	48	80	73	55	56	78	82	67	81
Informal Economy (% of GNI)	39.8	25.4	19.8	51.1	39.1	67.1	59.9	...	33.6

Sources: CIA World Factbooks, Transparency International, Fraser Institute, Heritage Foundation, World Bank (for Contract Enforcement items)

Notes:

(*) 2004 report (data refers to 2003)

(**) 2003 report (data referring to 2001)

(***) 2004 report (data refers to 2003)

(****) 2002

Table 1 above shows that Brazil has been doing reasonably well in economic terms. Its GDP per capita is among the richest in South America. Even if we consider the poverty line – Brazil has the worst Gini index – it is still not the worst case. The institutional scenario shows that the Brazilian economy is not what one could label “a free market”, despite the good classification in political, civil and religious rights. It’s interesting to see that, regarding this aspect, the issues raised by Hernando de Soto (contract enforcement and bureaucracy in doing business), Brazil is surprisingly good, despite its low ranking in economic freedom. This is easily explained when we think about the State⁴ as a Leviathan. Brazilian law is known to be very quick in allowing people to start businesses, but very slow in permitting these to be closed. To sum it up, the State wants to maximize its tax base⁵.

In general, as can be seen, the income inequality is a problem in South America, even in countries like Chile, which has the best indexes of freedom in the sample examined above. As is known, income inequality could occur in a process of growth, but if it shows an inertial behavior, society will start to experience lower degrees of satisfaction⁶, which, of course, could lead to social insurrection. The history of each of the countries in table 1 seems to present evidence supporting this thesis.

⁴ In this work we will use “State” and “Government” as synonymous.

⁵ What is the optimal size of the government? This is an important question. Hillbrecht (2001) and Shikida, Araújo Jr. & Hillbrecht (2004) had found similar numbers, around 30% of the GDP. In brief, this number seems to represent not an optimal normative government, but an optimal *rent-seeker* government. A detailed explanation is in Hillbrecht (2001).

⁶ In order to give the reader an idea of the Brazilian situation, consider this. From 1977 to 1999, the Gini index came from 0.625 to 0.596, a growth rate of -4.64%. At the same period, the GDP per capita had a rate of growth of 104.95% (from U\$ 1,558 to 3,194).

After this brief introduction, it would not be wrong to say that it's difficult to be optimistic about the future of Brazil. Before going on into a more detailed view of the Brazilian situation, it would be important to consider the theoretical aspects related to the economics and the use of coercion.

A Non-Contractarian Explanation of the Origins of the State

As known from Hayek's writings, the price system is the best way to allocate scarce resources in a decentralized society. Also, Coase shows that the price system is not for free: for its well-functioning, a legal system is required. That is why it is important to understand the economic motivation behind the building of a legal system.

Consider, as does Olson (2000), that some individuals form a gang. As a group with the objective of producing collective good, the gang will have problems of collective action that involve the sharing of costs and benefits among its members. Initially, the parties could fight each other for the same piece of land. As the conflict ends, the dilemma of the dominant party⁷ becomes visible: how to exploit its territory. Basically, they will sell protection in exchange for wealth, thus avoiding shrinking its markets.

What this brief story illustrates is that a free society can not survive without institutions. And this is not difficult to understand, provided that the economic way of thinking is adopted. As Pareto said⁸, an individual can maximize his welfare by taking more or exchanging it. Traditionally, economists have been studying the second practice, that is, how the market works. When we start to think about the State, things become less clear. After all, when the state uses taxes, it is using coercion. What is, then, the difference between the state and a criminal gang? At a first glance, there is none.

This analysis could go further. In order to fulfill its objectives, a gang has to use some inputs. Assume that there are two broader categories of inputs at its disposal: economic capital and social capital⁹. In the short run, the sum of these gives us the *endowment restriction* a gang has to generate by its coercive actions. Notice that a gang could produce them using more social-intensive or more economic-intensive technologies. It depends on the preferences of the leader(s) of the gang or, alternatively, on the kind of technical-social technology the gang has. Which could be thought as a state's alternative is difficult to say. The gangs could have different motives. If we think, for example, of ideology as a social capital, we could have, for example, a group of fanatic extremists. On the other extreme, an economic-intensive gang could be a mafia with low levels of solidarity among its members.

What is being said here is that the *positive* approach of the government is very different from the *normative* one. Traditional Public Finance ignores this evolution and just takes for granted the existence of the State. It can not explain, for example, which is the

⁷ Olson (2000) calls this a *stationary* gang.

⁸ See Hirshleifer (2001) for a good sample of studies on the Economics of Conflict.

⁹ We follow World Bank (2002) here.

economic logic for supplying public goods. Why would the monopolist of the coercion give us some public goods? Why it does not just extract all private wealth? The answer is given in a word: incentive.

Going back to the gang's story, suppose that two gangs start to fight for a piece of land. Both could be social-intensive, economic-intensive, or each could represent an extreme case. It does not matter. The point is that after the conflict, probably one gang will lose part of its land (or the whole territory) to the other. When the war is over, begins the decision about the allocation of resources. There are, basically, two options: to redistribute them among the members of the gang or to invest them. If there is no reason to make war again, the gang will redistribute the resources. With a lower probability of a conflict in the near future, part of the economic endowment will go to peaceful ends. The social endowment can also be transferred, in some sense, to other sectors. Instead of using the social capital (e.g. ideology) to diminish the costs of a soldier killing enemies, it could be used, for example, to generate or maintain social values, such as folklore or traditions.

Even in this case, a more democratic state is not essential. But adopting it could be advantageous for, at least, the gang's leader. First, there is the necessity of having credibility to borrow for the private sector. A parliament would be a source of credibility¹⁰ for this. The extension of the vote franchising comes earlier or later, depending on other exogenous constraints. This explains why we normally prefer to choose our politicians than to have to accept them from a dictator. Additionally, this explains why we prefer to have some kind of *law and enforcement* mechanism than none. It helps us to solve potential conflicts without the destruction of economic and social inputs that we need in order not to avoid a high level of crimes, but also to generate peaceful economic prosperity.

It is obvious that a free society can only flourish under the famous phrase, attributed to the American abolitionist Wendell Phillips: "eternal vigilance is the price of liberty". That brings us back to the beginning of this paper, specifically to table 1. In it, some institutional measures of economic freedom, civil rights and religious freedom are presented. These measures, as Phillips and the story above remind us, could suffer a sudden change. David Henderson, in his 2000's Wincott Lecture¹¹, argues that ideology could be as important as the actions of interest groups. In the brief story we presented above, ideology had the role of mitigating problems that emerge in collective actions, for example, the free-rider behavior. As we focused on the expanded concept of Economics, i.e., accepting the possibility of violence as a way to enrichment, we didn't take for granted given institutions.

Interest groups could agree to live under a given ideology while acting intensely to concentrate resources at the expenses of the rest of society. But this is the same as to say that they use only their economic endowment. A more general model should deal with

¹⁰ See for example Weingast (1997).

¹¹ See Henderson (2000).

the use of the social endowment. And that's where ideology appears. Henderson is right in calling our attention to this ignored aspect of positive economic analysis¹².

Now we are forced to face an important theoretical issue: the use of legal coercion. As the gang evolved to the stage of "State" and as the individuals acquired some control over the allocation of resources through the right of choosing their representatives, they also have to decide how to deal with legal coercion. This is normally defined in a country's Constitution.

As any other contract, the Constitution is not a complete contract. It is impossible to know what the future will be like. As John Rawls would say, we live under a *veil of ignorance*. But this veil is not just about the future. From Public Choice we know that voters do not have enough information about all the dimensions involved in the particular economic bundle of goods which we call "a politician"¹³. That is, politicians can create laws – and laws are economic incentives – that favor rent-seeking activities instead of profit-seeking ones.

Think about war. As Higgs (1989) taught us, times of crisis – and war is an excellent example – are times when politicians try to sell us the growth of government. That is the problem a researcher has to deal with when he tries to understand the Defense sector of a country.

This paper is not an attempt to study the whole law and its aspects of enforcement in Brazil. We will do a micro (economic) review of empirical aspects related to legalized (the Defense sector) and non-legalized (the criminals) coercion. This is the first step in understanding the relationship between theory and empirical reality in which we could call "the economics of defense in Brazil". Due to space constraints, we will concentrate ourselves in its recent aspects. The reader will notice that we will put emphasis in the public policies of the two last governments (Presidents Cardoso and da Silva).

The Two Stages of Brazilian National Defense Policy since 1964

Brazilian Defense Policy after 1964 has had two distinguishing phases. The first one was adopted by the military dictatorship in Brazil (1964-85) to legitimize its military operations: the so-called *National Security Doctrine* (*Doutrina de Segurança Nacional*)¹⁴.

¹² And he is not the first. The reader could see North (1981), who voices an eloquent alert about this underdeveloped aspect in modern political economy.

¹³ The classic reference about Public Choice is Mueller (1989).

¹⁴ The "Escola Superior de Guerra" (ESG) had an important role, during the military regime, in the development of defense studies. However, we don't see the same pattern of development in Brazilian military sciences as in the USA. For example, you can't find even one only article of a Brazilian in *The Journal of Conflict Resolution*. Researchers interested in Brazilian data about defense have difficulties to find them. Some researchers (e.g. Proença Jr. & Diniz) say that this is a consequence of the previously mentioned *Doutrina de Segurança Nacional* which put emphasis on the (supposed) secrecy character of several types of information. Many Brazilians still remember the old monopoly in computer developments,

The doctrine gave the militaries the ideological justification to act against several Brazilians under the atmosphere of the Cold War. During the 70s, radical leftists, on the other hand, started a terror campaign, trying to install in Brazil a socialist government. The main focus of these terrorists was the Amazon forest¹⁵ but the insurgents were quickly defeated by the militaries in no more than 3 or 4 years.

After the end of the military regime, Brazil reverted to a political democracy. Several analysts¹⁶ agree that, amidst the countries in the Southern Hemisphere, Brazil had the best arrangement regarding the transition from a military government to a civilian one.

However, despite the non-violent transition back to a representative democracy, the end of the military era left a negative legacy: the lack of a profound discussion about the role of the Defense sector in society (one symptom of this is the lack of specialized literature in fields like “Military Sciences” for non-military researchers), and the almost total absence of a tradition in military studies (defense, military budgets, or cost-benefit analysis have not been an object of academic research outside military circles).

The beginning of what we could call a *proto-military science* with scientific research not confined to the military monopoly seemed to have been started during Fernando Henrique Cardoso’s government¹⁷. At the Federal University of Rio de Janeiro (UFRJ), the *Strategic Studies Group* (Grupo de Estudos Estratégicos) was created in 1991 and, since then, at least two books have been published by the group in an attempt to analyze both general aspects of Defense and Strategy and the new guidelines for Brazilian Defense¹⁸.

After the end of the military era, Brazil’s defense policy showed two turning points: 1996 and 2001. First, in 1996, the federal government offered, for public debate, a brief document named National Defense Policy (Política de Defesa Nacional), which is no more than a small list of ideas (or guidelines) about what, in fact, could be a new Brazilian defense policy. In 2001, after the terrorist incident in New York (09/11), the former Ministry of Defense, Geraldo Quintão, made a speech to the academic community emphasizing the 1996 guidelines and the new global scenario where the importance of Rapid Deployment Forces (RDF) emerged as a new topic in the agenda of Brazilian Defense¹⁹.

which had the well-known economic consequence of deterring a strong national industry in this field to be developed in Brazil.

¹⁵ One of the former terrorists, José Genoíno, is, now, an important advisor to president Luis Inácio Lula da Silva (Lula).

¹⁶ See, for example, D’Araújo (2002).

¹⁷ This is not entirely correct. The political scientist Helio Jaguaribe, in the beginning of the 90’s, had proposed the creation of a Ministry of Defense in several books.

¹⁸ See Proença Jr. & Diniz (1998) and Proença Jr., Diniz & Raza (1996). The last book is a kind of introductory book about strategies & defense and has a preface by José Genoíno, now an important member of the leftist federal government and a former terrorist in the 1960’s.

¹⁹ See, for example, Duarte, E.E. (2002).

It's also interesting to observe that the military are, nowadays, more inclined to an open debate with the academic society. Since 2003, the Ministry of Defense has been promoting a yearly seminar with social scientists and defense experts. This seminar is supported by the Brazilian Ministry of Science and Technology (Ministério da Ciência e Tecnologia) and the Brazilian National Bank for Social and Economic Development (Banco Nacional de Desenvolvimento Sócio-Econômico, BNDES).

In this new scenario, the main problems that the National Defense Policy faces are: (i) the problems with drug-dealers, (ii) the budgetary problems and the necessity of modernization of the military equipment, (iii) the reformulation of the relationship with the civil society.

The last topic involves not only the traditional issues of concerns about the past, but, most importantly, the economic role of the Defense policy. Violence in urban centers, such as, for example, in the city and the state of Rio de Janeiro, often raises, in the Brazilian press, the question of the role of the Army. The apparent lack of capacity of the state police forces to deal with criminality in that city has been followed by appeals from the successive governors for a wider role for the Army. This is not an easy discussion since it can involve the re-discussion of the whole constitutional role of the Defense sector in Brazilian society.

Maybe the re-discussion of the Defense's main targets could start with the thoughts of the former Ministry of the Navy, Admiral Mario Cesar Flores. In his book [Flores (2002)], we have some starting points for a new Brazilian Defense paradigm. In brief, he advises more attention to the following items: (i) the national level of criminality; (ii) the effective protection of the South border and the Amazon region and, finally, (iii) the adoption of regional strategic (military) objectives.

Wrapping up this chapter, we could say that academic researchers could take advantage of this new age of relationship with the Defense sector. The possibilities for more scientific studies in this sector seem to be higher now and the study of the failures of the government is more disseminated now than in the 80's²⁰. This could be useful in the elaboration of a better and renewed Defense Policy.

National Budget expenditures and the Defense sector

In order to have an idea of the importance of the Defense sector, someone could argue that the Defense sector takes up a high percentage of the GDP. This question has no conclusive answer, Brazil's case included. Specialists in Defense Economics know that the measurement of the size of this sector is not easy. The existence of a relationship between private R&D and the Defense sector makes it difficult to measure the real size of the Defense. For example, Sandler & Hartley (1995) use the term DIB (Defense Industrial Base) for what non-specialists call "military-industrial complex". According to

²⁰ This involves a positive economic approach – a Public Choice one – of the relationship between the Defense sector (private and public production of Defense related inputs) and public agencies (like BNDES).

them, some underdeveloped countries²¹ have tried to acquire technology and growth using DIB which involves an obvious social cost-benefit analysis for their population²².

Despite the problems with data, we have managed to gather some measurements. Table 2 below shows attempts to measure the Defense as a percentage of the GDP for some countries.

Table 2
Defense Sector - A Comparative View

Military Data	Brazil	Argentina	Chile	Uruguay	Colombia	Bolivia	Peru	Venezuela	Paraguay
Military exp./GDP(%) *	1,9	1,3	3,1	1,1	3,4	1,8	1,8	0,9	1,4
Military exp./GDP(%) **	1,5	1,4	2,9	NA	3,8	1,6	1,7	1,5	NA
Manpower (per 1,000 hab)									
Army	189,0	41,4	45,0	15,2	136,0	25,0	70,0	34,0	14,9
Navy	48,6	16,0	23,0	5,7	15,0	3,5	25,0	18,3	1,7
Air Force	50,0	12,5	12,5	3,0	7,0	3,0	15,0	7,0	2,0

Sources: SIPRI, CIA (2003) and Abril (2004)

Notes: * CIA (2003), ** SIPRI. Otherwise, Abril (2004).

The data above show that Brazil, according to the percentage of defense in the GDP, is not the main military player in Latin America. Chile and Colombia seem to have the biggest index of military expenditures as a percentage of the GDP. However, Brazil has the largest army in the region, in terms of manpower.

In order to have a more detailed view of the security and legal spending, it should be interesting to examine the government's budget expenses on defense and related items through the years.

²¹ They cite India, Brazil, China, South Korea and Malaysia as examples of countries that adopted a supply-side approach to the DIB. Brazilian militaries still use this concept in order to justify the need for public funds for the armed forces. This is the main argument, for example, used by the vice-president of Avibras in a recent presentation. (<http://www.defesanet.com.br/docs/avibras/index.htm>).

²² After all, the difficult trade-off is the old one: "butter versus guns". It is not difficult to see why countries like Brazil or India should consider this trade-off carefully.

Table 3

Brazil - Security, Defense and R&D Budget (% of the total budget)								
	1995	1996	1997	1998	1999	2000	2001	2002
Judiciary Branch	1.52	1.81	2.48	2.95	3.07	3.83	3.83	4.02
Legislative Branch	0.64	0.74	0.88	0.90	0.99	1.01	1.20	1.37
EMFA (<i>Estado Maior das Forças Armadas</i>)	0.06	0.05	0.05	0.03	0.03	0.00	0.00	0.00
ABIN (Intelligence Agency)	0.00	0.00	0.00	0.00	0.00	0.04	0.04	0.04
Ministeries								
Air Force	1.42	1.49	1.53	1.58	1.57	0.00	0.00	0.00
R & D	0.42	0.43	0.45	0.40	0.47	0.68	0.68	0.98
Defense	0.00	0.00	0.00	0.00	0.47	8.54	7.69	10.52
Army	2.44	2.73	2.93	3.30	3.35	0.00	0.00	0.00
Justice	0.49	0.66	0.84	0.90	0.91	1.27	1.28	1.42
Navy	1.48	1.55	1.67	1.95	1.94	0.00	0.00	0.00
Energy	0.12	0.13	0.14	0.16	0.21	0.22	0.13	0.35
Secretary of Strategic Issues (SAE)	0.12	0.12	0.25	0.00	0.00	0.00	0.00	0.00

Source: Ministry of Planning's website
(<http://www.planejamento.gov.br>)

Notice that the main part of the budget goes to the Defense sector. The Ministry of Defense was officially created in 1999. Since then, the former ministries of Army, Navy, and Air Force ceased to exist. The Intelligence Agency (ABIN) has been created replacing the former National Information Service (SNI - Serviço Nacional de Informações). Different from the U.S., for example, ABIN has a low degree of transparency and this can be checked easily just by a virtual visit to its website (<http://www.abin.gov.br>).

Another important issue in Brazil's public budget is the destination of the resources. In the Brazilian case, fiscal problems have plagued practically every attempt to stabilize the inflation rate. Even now, it persists due to institutional rigidities among others. Table 4 below shows the problems the Defense sector faces in this field regarding the 2004 budgetary year. The Ministry of Defense's funds seem not to be focused on investments. The main share of its proposed budget is committed to the maintenance of the military public servants.

Table 4

	Main Items of each Agency's Budget (2004)									
	Personnel		Debt		Other expenses		Investment		Total	
	Project	Law	Project	Law	Project	Law	Project	Law	Project	Law
ABIN	0.10	0.10	0.00	0.00	0.01	0.01	0.04	0.02	0.15	0.14
Ministry of Defense	25.16	25.21	1.00	1.01	1.20	1.16	12.63	8.69	43.16	39.62
Ministry of R&D	0.75	0.75	0.05	0.05	0.70	0.70	2.33	1.69	7.11	6.90
Total for 2004	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Ministry of Planning

An additional source of spending, in 2004, is the *Soldier-Citizen's* program (*Soldado-Cidadão*) which is a governmental program that tries to use the Defense sector (Army, Navy and Air Force) as a kind of "Keynesian tool" to reduce the Brazilian unemployment. The program seems to be a strategy of the government to fix problems created by other official programs. President Lula da Silva won the elections, among other aspects,

because of promises of reduction in the unemployment rates. The program called *First Employment (Primeiro Emprego)* has employed only 725 young Brazilians in its first year, something that can not be considered an economic success. The *Soldier-Citizen*, in this sense, is a dangerous program because the objective of the Defense sector is not to be an instrument of fiscal policies. Besides, the public debt will increase, and that, on its turn, based on historical data, means a higher tax burden on the Brazilian population.

Recent news shows difficulties faced by the Brazilian government in the allocation of public funds to its Defense aims. Many projects in the Air Force, the Navy and the Army have not been concluded and are behind schedule²³.

The Nuclear-Weapons' Program

The end of the military governments in Brazil and Argentina, in the 80's, came with a change in the focus of the Brazilian government, who now argued for the construction of nuclear weapons²⁴. In the 90's, former president Fernando Collor de Melo became notorious for ending what was called "the military secret nuclear program". Since then, the Brazilian government has committed itself to the peaceful use of nuclear energy, which currently represents almost 4% of the total supply of energy in Brazil²⁵.

The new Brazilian president, da Silva (as known as "Lula"), after elected, adopted a moderate discourse about the Brazilian nuclear policy. In his first presidential speech, as president (Oct/2002), he stated that:

"Our government will respect and will support the international organizations, particularly the UN and the relevant international treaties, like the Kyoto protocol, (...) as well as the non-proliferation treaties on nuclear and chemical weapons (...)"²⁶.

His first R&D minister (Ministro da Ciência e Tecnologia), Roberto Amaral²⁷, however, was responsible for a controversy when, at the beginning of 2003, in an interview to BBC²⁸ he said that Brazil should acquire the necessary knowledge to build an atomic bomb. The controversy had, in its shadow, the Brazilian Navy long run target: to acquire enough technology to build nuclear submarines.

²³ The *Piranha* missile project, the building of the submarine *Tikuna* and the lack of resources for the acquiring of new weapons for the Army are some examples of this. See <http://www.defesanet.com.br/fx/vlfas/>.

²⁴ The military governments had a ballistic missile program and a nuclear weapons program. See, for example: http://www.nti.org/e_research/profiles/Brazil/index.html.

²⁵ See Balanço Energético (2003). The data refers to 2002.

²⁶ Quoted in DefesaNet. See <http://www.defesanet.com.br/dn/10jan03.htm>. Brazil signed the Nonproliferation Treaty in 1997.

²⁷ Roberto Amaral is a member of the Brazilian Socialist Party (PSB).

²⁸ See http://www.bbc.co.uk/portuguese/noticias/2003/030105_amaralafdi.shtml and also, in English, <http://news.bbc.co.uk/1/hi/world/americas/3171276.stm>.

The Nuclear Project of the Brazilian Navy (*PNM*) is, at least, 20 years old²⁹ and has been struggling against the lack of resources. It's planned to have two stages, one which was concluded in the 80's: the dominion of the technology of enriched uranium. And the second, still under development, has as its main target the building of a nuclear power plant with 100% national technology. Official data from the Brazilian Federal Ministry of Planning show, for example, that in 2003 a budget proposal was included in order to construct a prototype of a nuclear reactor³⁰.

Recently, a new controversy arose in the press after an article in *The Washington Post* that called international attention to the Brazilian refusal to give UN inspectors full access to a nuclear facility in Rio de Janeiro. The main argument is the secrecy involved in this kind of technology development³¹.

Despite this diplomatic fiasco, one would be too optimistic to affirm that the Brazilian government is, in fact, developing the nuclear technology for military ends. Except for the nuclear submarine, the Brazilian government seems to be following the signed international treaties.

The Power Sector Strategic Planning

The Brazilian domestic energy supply, in 2002, corresponded to 2% of the world's demand and great part of it is domestically produced (just 14% is imported)³². However, the most important facts in the recent history of the Brazilian power sector were the process of privatization in the 90's – followed by the regulation of the sector - and the energy crisis of 2001 generated by the shortage of water (the main source of Brazilian electrical energy is hydroelectric). Less noticed, but not less important is the discrete growth in the nuclear energy supply in the beginning of the 2000's.

“Nuclear power generation had in 2001 a remarkable increase as Angra II plant was fully loaded, going from 6.1 TWh in 2000 to 14.3 TWh in 2001. However, in 2002 there was a decrease to 13.8 TWh (-3.1%)”.
[MINISTÉRIO DAS MINAS E ENERGIA (2003):
12]

²⁹ For the PNM, see the official article *Programa Nuclear da Marinha do Brasil*, reproduced in <http://www.defesanet.com.br/noticia/programanuclearmarinha>.

³⁰ The document shows that this project started in 2000 and the deadline was the end of 2003.

³¹ José Goldemberg, an important Brazilian scientist criticized the attitude of the Brazilian government because it just raised unnecessary suspicions. However, scientists of the Brazilian military complex and of the government called the UN's inspections “intrusive to Brazilian sovereignty”. The homepage of the Brazilian R&D Ministry collected some of the favorable opinions. See, for example, http://agenciact.mct.gov.br/index.php?action=/content/view&cod_objeto=16272 and http://agenciact.mct.gov.br/index.php?action=/content/view&cod_objeto=16266#.

³² Ministério de Minas e Energia (2003).

Nuclear power will not be the main source of energy in the short run. Official forecasts for the next four years show that the likelihood of shortage is small and, if necessary, thermoelectric energy can be easily obtained³³. In the long run, the environmental restrictions will not allow the growth of hydroelectric power as in the past. ANEEL [ANEEL (2002)] does not have an optimistic view about the future use of nuclear energy as a complement to the total electrical energy of the country, despite the fact that Brazil has the 6th major reserve of uranium in the world. Anyway, the federal government has plans to set up the Angra III (the third Brazilian nuclear plant) in 2009.

It is interesting – and important – to notice that the state of Rio de Janeiro is highly dependent on the electrical energy generated by the two nuclear plants located in Angra dos Reis (a location in the State of Rio de Janeiro). The growth of violence in the capital of the state of Rio de Janeiro in recent years should be an important issue of concern to government's policymakers and security advisors. However, the Brazilian press has not speculated about this³⁴.

An issue of concern about this sector is the new way that Lula's government has adopted to deal with the recently created regulatory agencies. With the apparent end of the era of hyperinflation, in 1994, and with the opening of the Brazilian economy to the world in the 90's, antitrust and other regulatory issues became important in the formulations of public policies. In the electric sector, the National Agency for Electric Energy (ANEEL, *Agência Nacional de Energia Elétrica*) was created in 1996 under a regime of independence from the federal government.

However, in the beginning of 2004, President Lula decided to fire the chairman of one of the new regulatory agencies, the National Agency for Telecommunications (ANATEL, *Agência Nacional de Telecomunicações*), arguing that stability was not applicable to this function³⁵. This arbitrary change introduced an unnecessary degree of uncertainty in this important sector of the Brazilian economy. Under heavy criticisms now President Lula's associates are trying to pass a new law that maintains stability even for the chairmen of the agencies, but, at the same time, they are trying to take some of their powers back to the respective Ministries³⁶.

³³ Also, the use of solar energy for household ends is increasing in Brazil, mainly due to the 2001's crisis. See ANEEL (2002).

³⁴ In a highly pessimistic scenario, someone could imagine Rio de Janeiro's drug dealers invading the two nuclear plants and trying to negotiate with the state and federal governments. Recently, for example, the authorities discovered a variety of guns (including landmines) in a "favela" (slum) in Rio de Janeiro. This should be seriously considered by the authorities. For details, see, for example: <http://www.primeiraleitura.com.br/auto/leia.php?id=25354>.

³⁵ It was argued that just the counselors had the constitutional stability.

³⁶ See <http://www.primeiraleitura.com.br/auto/leia.php?id=24872>. Following this link we can read that "Two of the most important agencies, ANEEL (...) and ANATEL (...) have their respective revenue control services paralyzed. The federal government put their revenue in a common account with the National Treasury and has the bad habit of cutting their resources using its allies in the Congress (...)". This is an almost free translation of this: *Duas das agências mais importantes, a Aneel, de energia elétrica, e a Anatel, do setor de telecomunicações, estão com os serviços de fiscalização praticamente paralisados. O governo joga a receita das agências na conta comum do Tesouro e tem o mau hábito de começar a cortar as verbas,*

In the short and medium runs, we should not expect radical changes in the Brazilian energetic matrix. Brazil will probably go on, for a long time, having its energy generated through the use of its hydroelectric potential³⁷.

The Space/Rocket Program

In August, 2003, the Brazilian space program suffered what could be its major drawback, that is, the explosion of VLS-1 (Satellite Launcher Vehicle – 1)³⁸, still on the pad. In just a few minutes R\$ 14 million (approximately US\$ 4.7 million) were literally burned. However, this was not totally unpredictable if we consider the budgetary constraints of the program since the end of the military governments. According to Nogueira (2003), Lula's government directed only 6% of the R&D Ministry's total budget to the space program. Specifically for the VLS-1, just after the accident, we had just R\$ 4 million while only the cost to fix the destroyed launch platform would be approximately R\$ 10 million³⁹.

During the election year, President Lula was highly optimistic in his discourses about the Defense sector⁴⁰ but he did not do much for the sector afterwards. Chart 1 below shows the evolution of global Brazilian spending in its space program.

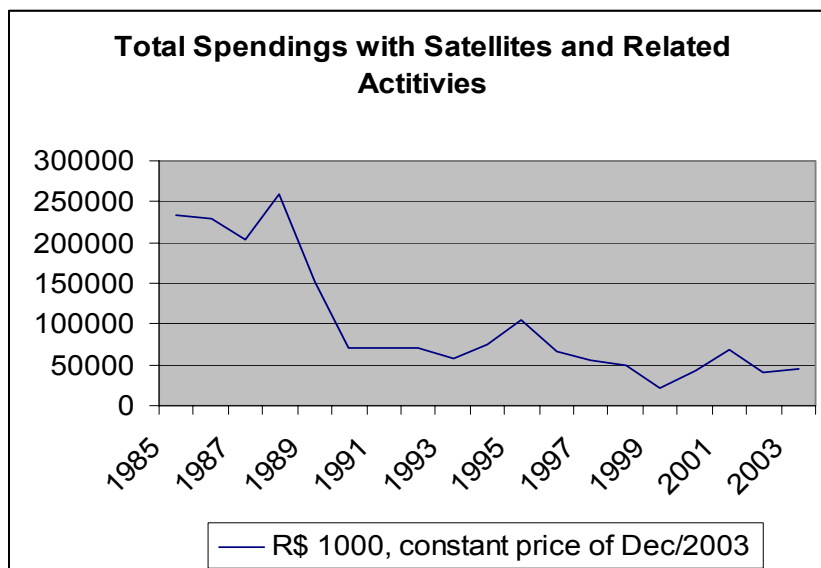
por meio de emendas de parlamentares amigos do Planalto, quando o Orçamento Geral da União ainda está em discussão no Congresso.

³⁷ According to ANEEL (2002) we can see that the changes in the sector's regulations have been an incentive to the building of small hydroelectric plants. Most of them are located in the South-Southeast of Brazil. See ANEEL (2002), p.41-5.

³⁸ Also known as VLS-1 V03.

³⁹ See Nogueira (2003.1).

⁴⁰ This could be thought of as an election strategy to nullify his own historical image as a leftist which was, due to the twenty years of Brazilian military dictatorship, synonymous with anti-military thoughts. Of course, this is not totally true because of the guerrilla war in the Amazon that was promoted by some communists during that time.



Source: Brazilian Space Agency (<http://www.aeb.gov.br/>)

An important change in the Brazilian space program is the controversy about the agreement with the US about the use of the Alcântara Launching Base. Like other similar agreements, this one had technological restrictions which were ‘used’, on the run for presidency, by Lula against former President Cardoso. After his victory, Lula decided to cancel it and now Brazil has an agreement with Ukraine. Following Nogueira (2003.1), the technological restrictions aren’t so different from the ones in relation to the US⁴¹.

Apart from that, the Brazilian government is apparently trying to diversify its partners in the space program establishing partnerships with China⁴², Ukraine and Russia⁴³.

SIVAM

The Surveillance System of the Amazon Region (SIVAM) is presented, in its official homepage (<http://www.sivam.gov.br>) as an instrument to preserve Brazilian sovereignty over its share of the Amazon region⁴⁴. It should have been working in full capacity by 2003. However, the lack of resources has delayed it⁴⁵. Its implementation started, officially, in 1997, under a perspective of almost US\$ 1,500 billion in investments.

⁴¹ According to Hawrylyshyn (2003), Brazilians “(...) feel more comfortable dealing with Kyiv rather than with the “big powers””.

⁴² The project is the China-Brazil Earth Resources Satellite (CBERS). The main objective is to launch satellites for GPS.

⁴³ Russian assistance will be used in the propulsion systems of the VLS-2. Ukrainian will use the base of Alcântara to launch his Cyclone-4 through the joint-venture “Alcântara Cyclone Sapce”. The Ukrainian government ratified the agreement in February, 2004.

⁴⁴ In 2004, some of the budgetary requests are related to military presence in this region.

⁴⁵ In October, 2003, Nogueira (2003.II) reported that 13% of the project was delayed.

Despite the lack of resources, the 2004 Federal Budget Proposal – without mentioning monetary values – has SIVAM as an important item⁴⁶.

The whole implementation of this program will facilitate the surveillance of the region, as well as its integration with the rest of Brazil. SIVAM will facilitate: (a) the air defense (with monitoring of illegal drug activities); (b) the control of illegal economic activities (mineral extraction or invasion of indians' lands); (c) the mapping of hydrographic resources and (d) it will be used for transmissions of educational TV programs⁴⁷.

Many right-wing nationalists were afraid that the US government could control the flow of information generated by this system. This is because Raytheon, an American company, was chosen to supply the software adopted by SIVAM. However, this statement is based purely on misinformation. According to Nogueira (2003.II), the contract between Raytheon and the Brazilian government is specific about the transfer of technology regarding the hardware and software and the alleged control of U.S. is not technically possible.

It should be noted that SIVAM is not the only justification for military presence in the Amazon. Another important program is the *Calha Norte Project*, which started in 1985 under heavy criticism from the Brazilian leftists⁴⁸. Its declared objective was to promote the integration of the Amazon region to the rest of the country. The program has been developed with the assistance of academic researchers from the Getúlio Vargas Foundation (FGV). The main objective expressed in these studies is that the State should guide the socio-economic development of the region⁴⁹. *Calha Norte* is another important way to hinder drug-dealers' actions in the region. Official data show that budgetary constraints limited the amount destined to this project in 2003⁵⁰.

It is easy to see that both SIVAM and Calha Norte, if effectively implemented, could soon cause a decrease in and even prevent illegal activities in the region. In a recent study, researchers from the Federal University of Rio de Janeiro (*Universidade Federal do Rio de Janeiro*, UFRJ)⁵¹ say that, in general, the Latin American population in the Amazon region internalized the economic discourse of a better integration among the countries of the region. Specifically, they say:

“Initially elaborated by international organizations, legitimate and illegitimate, each one with frequently

⁴⁶ See <http://webfarm2.planejamento.gov.br/cadacao/cadacao2004/downloads/0496.pdf>.

⁴⁷ The threat of the FARC's and other narcotraffic groups is cited by the Brazilian Defense sector as a reason for the SIVAM and for the other program, *Calha Norte*. See, for example, Ministério da Defesa/Projeto Calha Norte (2003).

⁴⁸ Ironically, leftists of the same PT (Partido dos Trabalhadores, Workers' Party), the party that now rules Brazil. See, for example, http://www.fpa.org.br/td/td06/td6_sociedade1.htm.

⁴⁹ Sometimes, the reading of the documents reveals an excessive confidence in social engineering.

⁵⁰ In 2003, only 34% of the forecasted resources were employed in the program. See: Novo Impulso para o Calha Norte [<http://www.exercito.gov.br/05Notici/Namidia/impnot/2004/01jan/novcalha.htm>].

⁵¹ See the homepage of the RETIS Group. Additionally, it's important to notice that Brazil was, in 2003, classified as a *country of primary concern* by the INCRS (International Narcotics Control Strategy Report).

diverging objectives and actions, the strategies and actions which have a continental/global perspective weren't just assimilated by the economic, political and intellectual elites of the region (...) they are also forcing the centers of decision to review their territorial policies for the region. [http://www.igeo.ufrj.br/fronteiras/pesquisa/droga/p01avulsos001.htm]

Many studies by this group show the evidence of a network of drug-related activities, illegal guns, electronic goods and stolen vehicles⁵². These evidences reinforce not only the official objective of the Brazilian government to finance programs like SIVAM and Calha Norte, but also other programs to protect Brazilian frontiers (for example, the Colombian border security program (COBRA), Peru (PEBRA), Venezuela (VEBRA), and Bolivia (BRABO)).

The continuity of these programs could be seen as a sign that the Brazilian government probably will go on with the cooperation with the US, despite occasional discourses of an anti-US hue⁵³.

Other Transnational Issues

Recently Brazil has not had any problems as to the definition of its borders with its neighbors. But this does not mean there is an absence of problems regarding these same borders. As we saw in the last section, guerrilla warfare is a problem in Colombia and these activities normally are associated with drug-trafficking activities. To sum it up, weak border controls are the main problem for Brazilian authorities in the analysis of transnational issues.

In spite of not suffering terrorist attacks⁵⁴, Brazil has been cited as having at least two foci of terrorist-related activities: the so-called *tri-border frontier* and the Amazon region. After 9-11, many rumors surfaced, especially, about the presence of Islamic terrorists in

⁵² See Machado (1997).

⁵³ We could speculate that the anti-US discourse is much more a form of satisfying the vast network of PT's affiliates (traditional socialists, communists and social-democrats) than an effective sign of a political position against the U.S. However, sometimes the Brazilian president seems to be confused about which direction to take in the bilateral relationship with the US.

⁵⁴ Terrorism could be defined as "the premeditated use, or threat of use, of extra-normal violence or brutality to gain a political objective through intimidation or fear". This follows from Sandler & Hartley (1995, p.308) (1997, p.308). Ganor (2001), however, proposes that terrorism is "the intentional use of, or threat to use violence against civilians or against civilian targets, in order to attain political aims". Curiously, we don't find attempts to define terrorism in Flores (2002) which intends to make proposals for a new design of a Brazilian Defense Policy. However, see Jacini (2001), for a good review of the role of the Federal Police (*Policia Federal*) to fight terrorism. In contrast with almost all papers in the REDES (including papers by Brazilian researchers), the Brazilian Foreign Minister, Celso Amorim denied the existence of a terrorist problem in the region. See http://www.defesa.gov.br/enternet/sitios/internet/ciclododebates/celso_amorim.htm.

the so-called tri-border frontier (the Argentina-Brazil-Paraguay border), located in the extreme south of Brazil.

For example, in 2003, Brazilian press reported that a high-rank official of ABIN confirmed that Bin Laden had been in Brazil in the 90's. Another Al-Qaeda's leader, Khalid Sheikh Mohammed (arrested in Pakistan in 2003) had also been in Brazil in 1995. Brazilian Intelligence does not divulge its findings about the presence of terrorists in Brazil, but the presence of two leaders of Al-Qaeda in the same region couldn't be a mere coincidence⁵⁵.

Problems in this region, however, should not be thought of as relevant just after Al-Qaeda's attack. Brazilian foreign officers had paid attention to the region since 1960⁵⁶ due to smuggling problems. Following Procópio (2003), the sources of a market for illegal drugs that supplies Brazil, Europe, the U.S., Japan, and Thailand have in the tri-border⁵⁷ an important center of distribution. The main agents in the region are the mafias (Japanese, Chinese, Lebanese, Russian, Jewish, Italian, Albanese). It is difficult to say how much money is laundered in the region by criminal activity. Some estimates are of U\$ 12 billion/year⁵⁸.

For sure this amount of money is a good reason to raise suspicions about the presence of terrorists in this area. Tables 5 and 6 below show what is believed to be the main terrorist groups in the region and their adopted strategies.

⁵⁵ Until the terrorist attack of 9-11, factual evidences suggest that the Brazilian Intelligence hadn't paid enough attention to the Tri-border region. See, for example, Defesa Net (<http://www.defesanet.com.br>), 04.11.01.

⁵⁶ See Procópio (2003).

⁵⁷ Procópio [Procópio (2003)] is very critical about the lack of what he calls "political will" in politicians concerning the problem of narcotrafficking in the region. He suggests that the smuggling basket in the tri-border includes biopiracy, drugs, electronic goods, and guns.

⁵⁸ See Hudson (2003), p.52.

Table 5

Terrorist group	Has been regionally active recently?	Origin	Description
Hamas	no	Palestine	Islamic military organization, created in 1987, which rebels against israeli occupations in palestinian territories (its power is concentrated on the West Bank and Gaza). The group seeks the constitution of an Islamic State.
Palestinian Islamic Jihad	no	Palestine	Islamic military organization, formed during the 70's, which seeks the end of israeli occupations on the Palestine, in addition to the constitution of an Islamic State within the region. It opposes the existence of the State of Israel, the Middle East Peace Process and the Palestinian Authority.
Al Fatah	no	Palestine	Raised by Yasser Arafat, who became a member of PLO (Palestinian Liberation Organization) in 1969. Offered training for several terrorist groups during the 60's and the 70's. It is a military organization who wishes for the liberation of Palestine.
Al Garaya Al Islamiya	no	Egypt	Military group, active since the end of the 70's, which seeks the substitution of the Egyptian Government for an Islamic State. It also desires the end of western influence in the arab world.
FARC	yes	Colombia	FARC (Revolutionary Armed Forces of Colombia) was established in 1964 as the "right hand" of the Colombian Communist Party. It is the oldest, largest, most capable, and best equipped marxist insurgency.
ELN	yes	Colombia	The National Liberation Army, established in 1965 by urban intellectuals inspired by Fidel Castro and Che Guevara, is another insurgent marxist group (though weaker and smaller than FARC).
PFLP	no	Palestine	Marxist-leninist group, raised in 1967, which opposes any peace negotiations with Israel, whilst considering legitimate the palestinian struggle against israeli occupations.
ETA	no	Spain	Established in 1959, has as its main objective the constitution of an independent state based on marxist principles on the spanish provinces of: Vizcaya, Guipuzcoa, Alava, and Navarra (on the North) and on the french departments of: Labourd, Basse-Navarra, and Soule (on the South).
Al Qaeda	yes	Afghanistan	Created by Bin Laden, around the end of the 80's, to unite arabs who fought on Afghanistan against the Soviet Union. It helped finance, recrute, transport, and train extremist islamic sunnite groups for the afghan resistance. Today it views the establishment of a "pan-islamic" Califate around the world, working with other extremist islamic groups (majorly Al Garaya Al Islamiya) to overthrow regimes considered "non-islamic", while banishing western and non-muslim individuals from muslim countries - in particular on Saudi Arabia. It can be considered as as whole network of terrorist groups, scattered around the world, which shares the same islamic characteristics as an ideological basis.
Hezbollah	yes	Lebanon	Raised in 1962 in response to the israeli invasion on Lebanon, it is a "Shiá" radical group which takes its ideological inspiration from the Iranian Revolution and the teachings of Ayatollah Khomeini. It is dedicated to the liberation of Jerusalem, ultimately eliminating Israel, and has formally recommended the establishment of an Islamic State on Lebanon.

Sources: Raber (2003), The Library of Congress (2002), Pike (1998), United States Department of State (2003).

Table 6

Group	Activities	Connections
FARC	Of logistic nature and support to other groups, based on the exchange of cocaine for arms and military equipment.	Cooperations with the Irish Republican Army (IRA), certain individuals of the Provisory Irish Republican Army (PIRA), and with ETA (but meetings generally occur in Venezuela, Panama, Europe or the Middle East). Connections with arabic or islamic groups are based on arms dealing, information and know-how, and has taken place in training camps where they share military instructions (but no proof has been found of any kind of joint cooperation between these groups). In Brazil, Operation Gato Negro revealed the Colombian guerrillas' ties with local narcotraffickers, giving remarks to Luiz Fernando da Costa (Fernandinho Beira-Mar), who delivered 10,000 arms and 3 million cartridges to the FARC in exchange for cocaine during 2000-2001.
ELN	Also of logistic nature and support to other groups, based on the exchange of cocaine for arms and military equipments, but in a lower scale than FARC.	The groups has received, a few years ago, military training in Hezbollah's camps on the south of Lebanon. But there's no confirmation of any kind of know-how exchange between these groups. There's evidence that ELN paid for the instructions, and ETA served as an intermediary.
Al Qaeda	Al Qaeda has offered shelter for middle eastern terrorists, engaged in illegal economic activities with money-laundering or funds raising purposes, and recruited members within local islamic and arabic communities. But after the economic crisis and the counter-terrorist american initiative (after the 11-09 incident), the group has lowered the scale of operations considerably.	There's evidence of high levels of cooperation with both sunnite and shiite groups in the region.
Hezbollah	Considered the most active amongst the terrorist organizations within the region, the group has engaged primarily in illegal real estate business in which they force the community to collaborate economically in exchange for protection (the best example is the sales of apartments with exorbitant prices to middle eastern immigrants, or citizens with arabic origins, who must contribute to the cause to avoid being seen as traitors). Other activities are related to money-laundering, funds raising and logistical support.	The group shows connections with high levels of cooperation with other islamic and arabic groups in the region.

Sources: Raber (2003), The Library of Congress (2002), Pike (1998), United States Department of State (2003).

The Brazilian government doesn't seem comfortable even with the simple mentioning of the presence of these groups in its territory, or even with the minimal likelihood of such. However, it is important to notice that the federal police force (Polícia Federal), frequently, has gone on strike for higher wages, something which could be a window of opportunity for terrorist groups and for other criminal gangs to act.

Curiously, the Brazilian press does not give a wider coverage of the supposed terrorist activities in the tri-border region. For example, there was no coverage, until the end of this research, of the ongoing preparation of the so-called *Fórum Social* in the triple border.⁵⁹

⁵⁹ This is from <http://www.misionesonline.net/paginas/noticiaPrint.php?db=noticias2004&id=1283>.

Finally, if the Brazilian government really wants to address the issue of the existence or not of terrorist activities in the tri-border, the best way to act would be to deepen the investigation of money laundering in that region⁶⁰. The classified nature of the information regarding the region does not allow us to make conclusive statements about the existence of terrorists in the region.

Close relationship between government and terrorism (Workers Party/Federal Government/FARC)

Is there a link between Brazil's left and terrorist groups like the FARC? It is difficult to find an official relationship between both. After winning the last presidential election, PT (*Workers Party*) seems to have adopted a less radical discourse to outsiders. Nowadays, the government is accused, by many former popular supporters, of being "neoliberal"⁶¹.

Despite the end of the elections, President Lula's campaign website is still online and at there⁶² we learned that the official position of PT about the FARC is that PT has no relationship whatsoever with the FARC. Additionally, PT claims to be a party against the narcotraffic. They admit, however, that they are together with the FARC in the Foro de São Paulo (FSP), a kind of international coordination among several leftist organizations⁶³.

Many Brazilian conservative analysts have tried to prove the existence of a close relationship between these two organizations. The argument is based on the arrest of *Fernandinho Beira-Mar*, a Brazilian drug-dealer⁶⁴ who, according to many press-reports, has a close relationship with the FARC. What can be affirmed is that many PT affiliates honestly believe that the FARC is a socialist movement or that its terrorism is instrumental to the socialist cause. An example is the actual Minister of Economics, Antônio Palocci Filho. It was noticed, by some journalists, that many of his associates, when he was the mayor of Ribeirão Preto (a mid-size town in the State of São Paulo), founded a committee for supporting the actions of the FARC in Colombia. Now, as one

⁶⁰ According to studies by RETIS, 31% of the bank agencies (from national and foreign banks that have operations in Brazil) are located in Cayman Islands. The U.S. Department of State's report on Global Terrorism for 2003 reinforces this. According to the document, terrorist activities were not corroborated by the investigations. But the money-laundering operations are a possible source of revenues for them.

⁶¹ For example, the Attorney General Luiz Francisco de Souza, during Fernando Henrique's era (1994-2000) became famous as an aggressive opponent to the former president. His controversial way of working, however, slowed down after the election of President Lula. However, nowadays, he accuses Lula of being a neoliberal. See Gabrois (2001), Observatório da Imprensa (2000).

⁶² http://www.lula.org.br/noticias/not_int.asp?not_cod=1071&cf_cod=30&sis_cod=37 (the original date of the webpage is 16/10/2002).

⁶³ The complete list of the members of FSP is in the appendix.

⁶⁴ The importance of narcotraffic has been recognized even by libertarian journalists. See, for example this article by Alberto Dines: Narcotraffic gives the cards in Brazil (<http://www.brazil.com/2004/html/articles/mar04/p121mar04.htm>).

of the people responsible for the orthodox economic policies of the government, it seems difficult to hear from him any similar statements about the terrorist group⁶⁵.

Conclusions: The New Geopolitics of Brazilian Defense

This short paper has tried to show which are the main Brazilian problems related to security and defense issues. Since the control of inflation depends on good economic performance, the government has been trying to control inflation pressures by acquiring solid economic foundations. However, it seems that the tax burden is becoming the most important aspect in this attempt, instead of a cut in the public spending, even if we compare today's policies with those of the so-called 'neoliberal age' of President Cardoso.

Since the democratization of the country, the Defense sector has faced a difficult dilemma. As Proença Jr. & Diniz (1998) have said, the civil society is still plagued with a superficial view of the Defense sector as the real face of the authoritarian Leviathan of the military age. Despite educational efforts, many Brazilians still think of the military in this old, traditional way.

Even inside the inner circle of President da Silva – a notorious leftist – we find many supporters of this thesis. Another difficulty for President da Silva is, maybe, his most difficult task: to convince his party members that he is not a pro-market president and, at the same time, he has to govern for all Brazilians, not just his allies. At the same time, he has to deal with the foreign sector which includes economic relationships and a clear statement about his support (or his lack of support) to terrorist groups like the FARC or the Islamic ones.

In what Defense sector is concerned, there is bewilderment in the disparage between the discourse and the practice in president da Silva's new era. The discourse looks similar to those of the military era, when the current president himself was severely repressed, persecuted, and imprisoned. However, the practice is a kind of an ambiguous position when he confronts the United States in the international arena with a lack of financial support for the Defense sector in times of apparently increasing rates of violence⁶⁶.

But the word "Defense" has to be considered in its broader meaning: internal and external actions based on security concerns. Internally, Brazil has a problem with criminality. And

⁶⁵ There are, in the libertarian-conservative side of the debate two great interpretations about the astonishing change in the discourse of key-members of the PT after they took office. We could call them "Olson-type" and "Ideological-type". The first one supposes that the socialist discourse is much more a discourse for the low-ranking members of the party. In this sense, PT is a party like any other, with many interest groups inside. The second one thinks that PT is still a socialist party, but not a classical one. Adopting the ideas of the Italian socialist, Antonio Gramsci, the party would have been expanding its influence since the military dictatorship (the best example of the latter is the Brazilian conservative Olavo de Carvalho).

⁶⁶ Statistics about criminality in Brazil are an understatement. We still do not have an unified database on criminal occurrences. Some states like Minas Gerais, Rio de Janeiro, and São Paulo have started organizing their respective data, but their systems are not compatible yet.

the importance of the market for illegal drugs should not be minimized. The enforcement of law in Brazil, unfortunately, still does not follow a standard similar to that of the developed western countries⁶⁷, something that can be explained not only by the origins of the law code (civil law instead of common law) but also by its lack of transparency. In this sense, the fight against criminal activities has been difficult to evaluate empirically.

If we talk about the external front, the geopolitics cannot be ignored. What is the *de facto* geopolitics of da Silva's government? As we have tried to show above, the president has a problem that has its roots in his own ideology as a leftist. Being a presidential candidate for many years, he has adopted all types of leftist discourses, from the most radical to the less aggressive, always trying to get more votes. Regarding the Defense sector, however, he was adopting the old nationalistic discourse of "Brazil-as-a-future-great-actor-in-the-international-scenario". After his election, however, the Defense sector has been facing the same difficulties as before: lack of resources.

President da Silva, however, has not changed his political discourse, occasionally having attrition with the U.S. in the diplomatic arena. It is not only a matter of having legitimate different economic interests. This is a natural consequence of a more globalized world. But what seems to be happening is different: the new government seems to be trying to go back to the old "non-aligned" discourse. One significant fact was a public statement, by an important member of PT, Marco Aurélio Garcia, that Brazil could offer Saddam Hussein political asylum at the edge of the critical days just before the occupation of Iraq⁶⁸. This was, if not a diplomatic mistake, a highly enigmatic movement in the international political arena.

It is almost clear that, in the external scenario, President da Silva will go on with the "non-aligned" discourse, in order to confront U.S. government in several international issues⁶⁹. This is necessary, at least, for the political marketing that supports the president internally. If the international community does not pressure the Brazilian government, it will continue to pay less attention to the potential problems in the tri-border frontier. Paradoxically, judging by the same political discourse, we could expect a more careful attention to the Amazon region. Of course, it is not necessary to reinforce that the actions of the government are very dependent upon the amount of disposable monetary resources.

⁶⁷ It is interesting to notice two things here. The Instituto Liberdade (IL-RS) is located at Rio Grande do Sul, the Brazilian state that generated many of the military presidents and also the most radical leftist leaders (for example, Mr. Stédile, from MST or the radicals that have been recently expelled from President da Silva's party due to their coherence with the historical Marxist discourse), and has been promoting workshops in Law & Economics for judges and district attorneys. On the other hand, in a research conducted by economist Armando Castelar Pinheiro about the role of the Judiciary in the economy, he found several judges who refused to fill his questionnaires because they believed such topics as "the economics of law" or "law and economics" are a "neoliberal view of the reality". These different views of the rule of law – which is not new for anyone who studied Bastiat once in his life – show how dangerous a Judge's personal view about the rule of law can be in Brazilian society. For details about the study, see Pinheiro (2002).

⁶⁸ See, for example: Karp (2003) and the "Free Republic Forum" (e.g. <http://www.freerepublic.com/focus/news/813031/posts>)

⁶⁹ We could expect more pressures on the UN, for example, to increase its political asset through the discourse of the "leader of the non-aligned countries".

Of course, to see Brazil as a nuclear threat is, nowadays, an erroneous statement. But we could expect new attempts, from President da Silva, to stimulate the development of nuclear technology. At least, in times of severe scarcity of resources, this would be a good way to please important groups in the Defense sector.

In short, if we could make generic suggestions, probably we would ask for: (i) more evidence regarding data on the Defense sector; (ii) greater incentive for the development of a new Brazilian Military Science, based not just on old Marxist views, but in the modern Conflict Science which involves Political Science and Economics as its two main theoretical pinpoints; (iii) more transparency regarding the use of nuclear power; (iv) more frequent and strategically planned security actions in order to reduce the power of drug barons; (v) deeper cooperation with other security agencies in order to repress the possibility of actions of terrorism in the borders; (iv) the unconditional condemnation of any kind of terrorism, from left or from right (this should include the FARC); (v) a more transparent political position about the rule of law and the frequent failures regarding respect for private property rights. In other words, which actions from movements like MST are illegal and which are not? and, finally; (vi) an effort to show law officers the rule of law in a free society. Without this support we will continue to experience problems with judges that interpret basic surveys as some kind of “imperialistic tools” as we have mentioned above⁷⁰.

These are suggestions that could help in the design of a new Brazilian Defense Policy, which would be a useful step in the direction of a society with a clearer and better compromise with the basic principles of a free society.

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⁷⁰ It is important to highlight this last point because, for non-Brazilians, western readers, to *enforce a law* is not a big deal. However, this is not a problem because the rule of the law in a developed country, such as the US or any major European country, is not interpreted as it is by Brazilian law officers. Studies in the New Institutional Economics’ tradition had focused on the importance of law for economic development, not only through a simple economic variable, but also asking for a mechanism through the law that may help (or not) economic activity. There are many works on this tradition, but we lack enough room to do an extensive list of the works in this field. But see, for example, the work of Easterly & Levine (2002) and the references therein.

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Appendix: **Foro de Sao Paulo's list of member organizations**⁷¹

Argentina: Frente Democracia Avanzada

Argentina: Partido Comunista Argentino

Argentina: Partido Intransigente

Brasil: Partido dos Trabalhadores

Brasil: Partido Socialista Brasileiro

Brasil: Partido Comunista do Brasil

Brasil: Movimento Revolucionario 8 de Outubro

Brasil: Partido Popular Socialista

Colombia: Alianza Democratica M19

Colombia: ELN

Colombia: FARC-EP

Colombia: Partido Comunista Colombiano

Colombia: Presentes por el Socialismo

Cuba: Partido Comunista de Cuba

Chile: MIR

Chile: Partido Comunista de Chile

Ecuador: Movimiento Popular Democratico

Ecuador: Partido Socialista - Frente Amplio

El Salvador: FMLN

Guatemala: URNG

Mexico: Partido de la Revolucion Democratica (PRD)

Mexico: Partido del Trabajo

Nicaragua: FSLN

⁷¹ From *Focus on Cuba*. (http://ctp.iccas.miami.edu/FOCUS_Web/Issue26.htm). Unfortunately, since the electoral year of 2002, the official site of FSP has been down for alleged maintenance. Just recently (2004, May) has it been reactivated. Unfortunately, the member's list isn't on the new website (<http://www.forosaopaulo.org/>).

Puerto Rico: Partido Independentista Puertorriqueno
Puerto Rico: Nuevo Movimiento Independentista Puertorriqueno
Puerto Rico: Frente Socialista
Panama: Partido Revolucionario Democratico
Peru: Movimiento Revolucionario Tupac Amaru (MRTA)
Peru: Partido Comunista Peruano
Republica Dominicana: Alianza por la Democracia
Republica Dominicana: Fuerza de la Revolucion
Republica Dominicana: Movimiento Izquierda Unida
Republica Dominicana: Partido de los Trabajadores Dominicanos
Uruguay: Frente Amplio
Uruguay: Partido Comunista
Uruguay: Partido Socialista de Uruguay
Uruguay: Movimiento de Participacion Popular
Uruguay: Partido Obrero Revolucionario Trotskista-Posadista
Venezuela: Partido Comunista de Venezuela