

Powerful Brazil is becoming an encircled giant

By Andres Oppenheimer

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SAO PAULO -- Latin America's biggest country is in shock: Almost overnight, it has gone from being an undisputed regional leader to becoming a nation on the defensive, increasingly vulnerable to hostile measures by populist neighbors such as Venezuela and Bolivia.

Call it an encircled giant, if you want. While Venezuela is increasingly upstaging Brazil on the regional scene, Bolivia's leftist President Evo Morales' recent decision to nationalize its gas industry, which supplies about half of Brazil's gas consumption, has stunned Brazilians.

Brazil's state-owned Petrobras oil company had invested \$1.5 billion in Bolivia and was by far the largest foreign investor in that country. And, judging from what I saw during a visit here last week, people are increasingly worried that an interruption of Bolivia's gas supplies -- or the 60 percent price hikes that Bolivia demands for keeping the gas flowing -- will hurt them badly.

Many Brazilian motorists and taxi drivers who have installed natural gas tanks in their cars in recent years to replace gasoline-fueled engines fear that their natural gas bills will soon soar.

Former Brazilian Foreign Minister Celso Lafer told me that he hasn't seen such an outcry over a foreign policy issue "in many decades." The issue goes beyond money, he says.

"When you have Morales occupying Petrobras' installations in Bolivia with the military, single-handedly appointing a new board of directors of Petrobras and accusing Petrobras of acting illegally, you are hurting Brazil's national pride," Lafer said. "Petrobras is part of Brazil's national culture."

BLAMING LULA

Brazilian media are almost unanimously blaming center-left President Luiz Inácio Lula da Silva for failing to anticipate the crisis, and for being too soft on Bolivia after the measure was announced. Lula, a moderate who will need his leftist constituency to win October's presidential elections, initially endorsed Bolivia's gas nationalization.

"Lula for President . . . of Bolivia," read a headline of a column in the daily O Estado de Sao Paulo. This week's *Veja*, Brazil's largest-circulation news magazine, carries a cover showing Lula with a painted oil-stamped shoe on his rear end, and a headline reading, 'Lula went to bed as the 'big leader' of Latin America, and woke up as the fool of the court of Venezuelan [President] Hugo Chávez, who plotted the theft of Brazil's assets in Bolivia.'

The conventional wisdom in Brazil is that the Bolivian decision was engineered in Cuba, with Venezuela's technical help. Morales announced his gas nationalization on May 1, hours after his return from Cuba, where he spent the weekend with Chávez and Cuban dictator Fidel Castro.

And 88 percent of Bolivia's population supports the gas industry's nationalization, according to an Ipsos poll. Reacting to mounting criticism at home, Brazil Foreign Minister Celso Amorim on Friday criticized Morales' allegations that Petrobras had acted illegally, and said that Brazil will demand financial compensation for its seized assets.

INITIATIVE ON LEFT

Still, Brazilian political analysts are stunned by this country's sudden loss of clout in the region, and by the growing threats coming from its southern and northern borders. Over the past year, virtually all major regional initiatives -- including plans for creation of a giant pipeline going from Venezuela to Argentina, a South American regional development bank and a NATO-styled South American defense alliance -- have come from Venezuela.

"Not one single Latin American country has come out to defend Brazil in this crisis," former Brazilian ambassador to Washington Rubens Barbosa told me. "The [Brazilian] government has spent so much energy in recent years trying to make Lula a world leader, for instance making him go five times to Africa, that they've neglected our own backyard."

My conclusion: Lula is in a bind. If he takes a strong stand against Morales and Chávez, he antagonizes his own leftist constituency and risks losing the upcoming elections. If he doesn't, he comes across as a president who puts ideology ahead of his country's national interests.

My guess is that, until October, Lula will sit tight, and Brazil will continue to be eclipsed by Venezuela on the regional stage. But if he is re-elected, I would not be surprised to see Lula re-emerging as the natural leader of Latin America's responsible left. Brazil is just too big, and too proud, to remain an encircled giant.