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FEATURED Q&A

Does Brazil Need to Increase Defense Spending?

Q Brazilian Defense Minister Celso Amorim said May 30 that the South American nation will increase defense spending by a quarter to reach about 2 percent of the country's gross domestic product. Why is Brazil boosting military spending, and should it? In what areas of defense should the increased spending be targeted? What industries would benefit most from the plan?

A Peter Hakim, member of the *Advisor* board and president emeritus of the Inter-American Dialogue: "First, a little perspective. Brazil today has a sizable military—perhaps 10th by size globally. Its defense spending, however, is one of the lowest as a percentage of GDP among larger countries, just slightly higher than Germany's and far less than the other BRIC countries. Relative to its population or territory, its spending is even lower. But Brazil starts with an atypical advantage for a large, powerful nation; it faces no serious hostilities from any of its neighbors, and its troops are not at war with anyone. It is without enemies. So why increase military spending by 25 or 30 percent, or some $9 to $10 billion annually, for which there are multiple other needs—education and health, infrastructure, tax reform are a few. According to Brazil's defense strategy, a larger military budget is necessary to protect against potential threats to its Amazon region and its new, huge deep-water oil discoveries in the Atlantic (often referred to as Brazil's 'Blue Amazon'). But it's hard to identify a serious threat to either Amazon. Maybe Brazil is more worried than it lets on about the surge in drug trafficking to and through Brazil, now one of the world's largest consumers of cocaine. My own speculation is that Brazil's military, after many years of tight budgets, is pressing hard for a bigger share of Brazil's wealth. Though it couldn't stop the formation of a truth commission to investigate abuses during two decades of military rule,

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Sustainable Development Progress 'Too Slow' U.N. Chief

Progress on sustainable development is "too slow," U.N. Secretary General Ban Ki-moon told leaders Wednesday in Rio de Janeiro on the opening day of the United Nations sustainable development conference. See story on page 2.

Photo: United Nations.

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NEWS BRIEFS

Uruguay Considers Selling Marijuana to its Citizens

The administration of Uruguayan President José Mujica is considering a plan that would allow the government to sell marijuana directly to its citizens, the Associated Press reported today. The country's defense minister said that the bill would soon be sent to Congress. Under the plan, adults would have to register on a government database in order to buy the drug. If passed, Uruguay would be the first country in the world to sell marijuana directly.

Correa 'Seriously' Considering Assange's Request for Asylum

Ecuadorean President Rafael Correa said Wednesday on Venezuela's Telesur television network that he is "analyzing very seriously and responsibly the asylum request" from WikiLeaks founder Julian Assange, Bloomberg News reported. Assange announced Tuesday that he had taken refuse at the Ecuadorean embassy in London in an effort to fight his extradition to Sweden, where he faces sexual assault charges that he denies.

Oil Industry to Invest $120 Bn in Colombia Over 10 Years

Despite security concerns, the oil industry is expected to invest $50 billion in production and exploration in Colombia over the next decade, said the president of the Colombian Oil Association, Alejandro Martínez, EFE reported Wednesday. Including refining and transportation, the industry is expected to invest $120 billion. Martínez also said the country hasn't reached its goal of producing 1 million barrels of crude per day because of attacks against oil infrastructure in addition to environmental licensing delays.

Economic News

Progress on Sustainable Development 'Too Slow': U.N. Chief

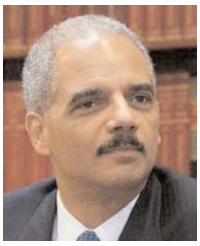
Secretary General Ban Ki-moon opened the United Nations' Rio+20 conference on sustainable development Wednesday by telling world leaders that progress on this issue has been "too slow," BBC News reported. In his speech to open the three-day summit in Rio de Janeiro, Ban referred to an historic summit held in the same city 20 years ago, which led to United Nations conventions on issues including climate change as well as the Agenda 21 framework for sustainable development. "Since then, progress has been too slow. We have not gone far enough down the road," said Ban. "We are now in sight of a historic agreement. The world is waiting to see if words will translate into action, as we know they must." More than 100 leaders and top ministers including U.S. Secretary of State Hillary Clinton, Chinese Premier Wen Jaibao and British Deputy Prime Minister Nick Clegg are attending the summit, *The Guardian* reported. However, many delegates at the summit have expressed concerns about a watered-down statement that governments agreed to before the summit opened. The "outcome document" vows to establish new goals for sustainable development and other areas, but Brazil gutted most of the statement's timetables, monitoring methods, details about financing and other specifics out of the statement in an effort by the summit's host to reach a compromise before the gathering began. "Some member states hoped for a bolder ambitious document. I also hoped that we could have a more ambitious outcome document. But you should understand that negotiations have been very difficult and very slow because of all these conflicting interests," said Ban. The document's significance would depend on world leaders' political will, the U.N. chief said. "If these actions are not implemented, then this will merely be a piece of paper," he added. [Editor's note: See Q&A on the summit in Wednesday's *Advisor*.]

> "The world is waiting to see if words will translate into action, as we know they must."
>
> — *Ban Ki-moon*

Political News

U.S. Lawmakers Pressure Attorney General Over Mexico Weapons Sting

A U.S. House committee voted along party lines Wednesday to hold Attorney General Eric Holder in contempt for failing to provide documents related to a botched operation to track the purchases of weapons by Mexican drug cartels, CNN reported. The measure now goes to the full House of Representatives, where a vote to hold the attorney general in contempt of Congress would be unprecedented. Wednesday's vote by the House Oversight and Government Reform Committee happened after a daylong hearing that occurred after President Barack Obama used executive privilege to allow the Justice Department to withhold some documents the committee has sought related to Operation Fast and Furious. The U.S. Bureau of Alcohol Tobacco, Firearms and Explosives launched the operation to track Mexican drug cartels' purchases of weapons in the United States. However, the bureau lost track of more than 1,000 weapons that straw purchasers were allowed to take into Mexico. Two of the missing weapons were later found at the scene of the killing of Brian Terry, a U.S. Border Patrol Agent who was fatally shot in Arizona in 2010. The House committee, led by Chairman Darrell Issa (R-Calif.), specifically wants documents related to the reason that the Justice Department sought to withdraw a letter



Holder

File Photo: U.S. Department of Justice.

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to Congress from February 2011 stating that senior officials had only recently found out about the operation. After Wednesday's hearing, Issa said a settlement between the Justice Department and the committee before a full House vote would be "in the best interest of the Justice Department, Congress and those most directly affected by Operation Fast and Furious." In a statement after the hearing, Holder called Issa's push to hold the contempt vote "an election-year tactic" and "an extraordinary, unprecedented and entirely unnecessary action, intended to provoke an avoidable conflict between Congress and the executive branch." Even if the House of Representatives votes to hold the attorney general in contempt, it is unlikely to seek his prosecution for criminal contempt, Alan Morrison, associate dean at George Washington University Law School, told CNN. Criminal contempt would carry penalties of as much as $1,000 and a year in prison. The House would be more likely to seek civil prosecution against Holder, Morrison said.

Company News

Wal-Mart de México Slows Expansion Plans Amid Bribe Probes

The Mexican unit of **Wal-Mart** on Wednesday cut its planned number of new store openings and other new investments for this year amid investigations into allegations that executives paid more than $24 million in bribes to officials in the country in order to help speed its expansion, Reuters reported. **Wal-Mart de México**, or Walmex as the country's largest retailer is known, said it would open between 325 and 335 stores this year in Mexico and Central America. In February, Walmex had said that it was planning to open between 410 and 436 stores. Also, the retailer reduced its investment spending to 17.48 billion pesos ($1.27 billion) from the 19.7 billion pesos that had been described in February. Wal-Mart de México said it will expand more slowly than anticipated this year because it has added additional steps that must be taken before new stores can be opened.

Featured Q&A

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Brazil's armed forces retain enough political clout to get some demands met. And in the end, Brazil's military will still be modest relative to its size, stature and global aspirations."

A Gilberto M.A. Rodrigues, professor of international relations at the Catholic University of Santos in Brazil and member of Coordinadora Regional de Investigaciones Económicos y Sociales in Buenos Aires: "There are at least three main reasons that can explain why the Brazilian Ministry of Defense is advocating an increase in military spending. One has to do with the new political role that Brazil is playing in South America, through Unasur, as a proactive guarantee of stability among neighborhoods, which demands a more robust military and technologically advanced equipment. The second reason is related to the governmental perception that the country's strategic resources, namely the Amazon rainforest and the oil and gas deposits located in the pre-salt layer in the Atlantic Ocean, need to be better defended from threats that vary from terrorism, organized crime and piracy to other countries' attempts of interventions. Third is the desire—almost an obsession—to have an autonomous military capability without depending on other countries, particularly the United States. This leads to a government initiative to recreate a national military industry not only for the domestic market but also for the regional one. Nevertheless, all these policy targets and budget issues are a matter of discussion and controversy that could be better examined if there were more transparency and dialogue at the Ministry of Defense vis-à-vis civil society."

A Craig Kelly, member of the *Advisor* board and vice president of The Cohen Group in Washington: "The announcement by Defense Minister Celso Amorim that Brazil will increase its defense budget to roughly 2 percent of GDP reflects the country's determination to meet a broad range of defense and security goals, spelled out in the 2008 National Defense Strategy. These include border surveillance, safeguarding natural resources and energy infrastructure (including refineries and the pre-salt oil platforms), security for the mega-events, participation in international peacekeeping operations and traditional defense missions. Brazil has the world's 10th-largest defense budget in absolute terms ($35.4 billion), but as a percentage of GDP, Brazil's current 1.6 percent ranks lower. By way of context, Minister Amorim's target of 2 percent would match the declared goal of each of NATO's 28 members—reaffirmed at the recent NATO Summit but currently realized by only five Alliance nations. In view of Brazil's vast territory, its nearly 17,000-kilometer border (touching every country on the continent except two), increasing transnational threats from beyond those borders and rapidly growing transportation, industrial and energy infrastructure on land and sea, a jump in defense spending is logical. The higher budget will be implemented with a view to greater centralization, 'jointness' and civilian oversight. Headline programs include the FX-2 fighter, the KC-390 transport plane, the 6x6 vehicle procurement and the 'PEAMB' naval modernization. Border surveillance programs like SISFRON and SISGAZ offer opportunities in various sectors, including sensors, UAVs, fixed and rotary-wing aircraft and vehicles. Foreign defense firms interested in these programs can seek local partners and benefit from the newly enacted Law 12598, which spells out incentives for 'strategic defense firms.' U.S. firms also enjoy the support of the 2010 Brazil-U.S. defense cooperation agreement. Finally, Brazil also devotes a great deal of security-related resources and equipment to various state public security programs, which come under the authority of the Justice Ministry."

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Featured Q&A

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Adam Isacson, director of the Regional Security Policy Program at the Washington Office on Latin America: "Brazil in fact increased its defense expenditure by 30 percent between 2001 and 2010. Then, as part of a package of budget-cutting measures to forestall economic 'overheating,' Brazil in 2011 cut its defense budget by 27 percent. Defense Minister Amorim's announcement indicates that this temporary measure is over and the growth of the past 10 years will continue, and perhaps accelerate, in the short term.

> "In the past five years, with a pause for the 2011 budget cuts, Brazil embarked on a series of ambitious arms purchases."
>
> *— Adam Isacson*

Brazilian President Dilma Rousseff is continuing a defense modernization program begun under her predecessor, Luiz Inácio Lula da Silva. This program aims to increase military coverage of Brazil's extensive border regions, including Amazon-basin borders shared with seven countries. It seeks to secure Brazil's 'Blue Amazon,' its large offshore oil reserves. And it aspires to build a domestic defense industry that can substitute for arms imports and generate export revenue. In the past five years, with a pause for the 2011 budget cuts, Brazil embarked on a series of ambitious arms purchases. These include dozens of helicopters, five submarines (plus plans with France to build a nuclear sub), patrol boats and other warships, attack aircraft (a market that Embraer's Super Tucano plane currently dominates), and—in a multi-billion-dollar purchase for which Boeing's FA-18 is a contender—fighter jets. Brazil is demanding a large amount of technology transfer from suppliers in these deals, in order to build up its own defense industry. 'For Brazil it is very important to have a national defense industry that can develop technology here and, at the same time, permit a value added chain to be created,' President Rousseff said in January."

Thomaz Guedes da Costa, professor at the College of International Security Affairs at National Defense University in Washington: "The new proposal for a BRIC percentage budgetary benchmark for Brazil's defense spending seems unconvincing. It is hard to argue how Brazil's defense needs match in nature and threats to those of Russia, India or China. Other than organized crime, there is no perception of an acute, internal, collective threat to Brazil's national security that would spur Brazil to stop dragging its heels on defense policy. Brazilian strategists who favor increases in military expenditures struggle to conceive favorable arguments on the use of Brazil's military to effectively support the country's grand strategy of making it a global player. Previous defense ministers lacked a threat-based argument for expanding national defense, and it is now difficult for current Defense Minister Celso Amorim to persuade the public, Congress and civilian decision makers in Brasília to expand the defense budget. Due to the country's human rights history, the military has gathered little support from President Dilma. Initiatives such as the National Defense Strategy, a policy to jump-start the national arms industry, the expectation of increasing foreign prestige through participation in peacekeeping operations, the selection and purchase of new fighter jets and the narrative of protecting new maritime assets such as the pre-salt oil fields do not amount to compelling needs to considerably modernize the military and its structure. While stable economic development and growth of internal markets have sustained Brazil's visibility in the external scene in the past two decades, these benefits have not translated into greater national political support for defense funding."

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