THINKING BRAZIL

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BRAZIL AT THE WILSON CENTER

Land Reform Heats Up & Argentina Melts Down

Principal Concerns for Brazil in 2002

As Brazil looks forward to the upcoming presidential elections, two issues have come to the forefront: economic stability and land reform. In terms of the first, Brazil has been able to achieve economic growth (+2.5% YOY, 2002) despite the status quo crisis of its neighbor, Argentina. In an unprecented manner, the deteriorating political and economic context there following the resignation of President De la Rua in December, has yet to significantly spillover into Brazil. Unlike other emerging market crises in the 1990s, Brazil has seemingly remained immune to any contagion from an ailing Argentina. This apparent decoupling of Brazil forms the basis of an article by Dr. Albert Fishlow on page two of this issue. Another important concern for 2002, land reform will have multiple environmental, economic, political, and social implications for the country. The recent visit by Dr. Raul Jungmann (Minister of Agrarian Development) and Dr. Hamilton Nobre Casara (President of IBAMA - *Instituto Brasileiro do Meio Ambiente e Dos Recursos Naturais e Renováveis*) provided valuable commentary and analysis on these issues.

Land Reform and Preservation in the Amazon

On March 6th, 2002 Brazil @ The Wilson Center hosted Raul Jungmann, the Brazilian Minister of Agrarian Development, to discuss land issues in the Amazon. In addition to delivering important news regarding the protection of the Amazon and biodiversity, his presentation raised an important issue often overlooked in environmental debates: the clash betweeen conservation strategies and individual property rights. Many properties in the Amazon were obtained fraudulently and then "legalized" and transformed into large rural landholdings through diverse mechanisms. This type of concentration, occupation, and improper use of the lands has precipitated deforestation and the illegal exploitation of the area's natural resources.

Minister Raul Jungmann

Under the direction of Raul Jungmann, a former president of IBAMA, the Ministry of Agrarian Development has become concerned with both agrarian development and the protection of the environment. The Ministry has launched an extensive initiative to review the ownership documents for tracts of land in the Amazon region.

As a result of this program, the Ministry has cancelled the title deeds of 3,065 rural properties, totalling 93 million hectares. In addition, the Ministry has reshaped the land registration system in Brazil. Finally, the Ministry has designated about 20.4 million hectares (which is greater than the land areas of Florida, Maryland, Massachusetts, and New Jersey combined) to be National Forests and Extraction Reserves. These reserves were selected according to their importance for maintaining the biodiversity of that region. According to Jungmann, "This initiative will allow us to expand and consolidate the management of natural resources in public lands, making it possible...to prevent and fight deforestation and the predatory exploitation of forest resources." This newly assigned area corresponds to over half (58.62%) of the total area of Conservation Zones that already exist in the Amazon Region (34.8 million hectares).

ALSO IN THIS ISSUE

Argentina: What Are the Consequences for Brazil?[1]

Argentina has been much in the news in the last two months. Not only did it have, in an interval of little more than a week, five different presidents, but it also gave up the convertibility of the dollar and the peso at a rate of one to one. As if that were not enough, its current president, Eduardo Duhalde, is the candidate that lost in the last general election.

The objective of Argentina for the short term is to obtain substantial financial support from the IMF, in conjunction with the principal governments of the G-7, in order to reconstruct its shattered economy. That amount has gradually increased in successive weeks from $15 billion to $23 billion. The government has put together an economic program while occasionally changing its underlying terms in response to domestic pressures from one group versus another. The key elements of the economic program (as of now) can be quickly stated:

1. The Convertibility Board has been abolished, and the Central Bank resumes its role as the determinant of the domestic money supply in pesos.
2. Commercial bank assets are converted from dollars to pesos at a 1:1 rate. Liabilities are converted at a rate of 1.4 pesos per dollar. Holders of dollar deposits are able to have current access to them on limited terms: the so-called corralito.
3. Rates for public utilities are initially converted at a 1:1 rate. Negotiations are likely to occur with the government specifying new conditions.
4. A new bankruptcy law has been passed giving Argentine companies favorable capacity to reschedule their debts.
5. A 20 percent tax has been implemented on oil exports, offsetting the gain from devaluation and enhancing governmental revenues.

What can, and will, Brazil do to help? It is clear is that there is only a modest scope for Brazilian assistance. First, unlike the case of the United States in 1995 with its NAFTA partner Mexico, where massive help could be given, Brazilian per capita income is smaller than that of the Argentines, even after devaluation. Second, Brazil has just come off a year of problems of its own: Argentina, an energy shortage, industrial recession, and September 11. The consequence has been a lesser than expected expansion in 2001, and required increases in the Brazilian SELIC even while the Federal Reserve has been lowering interest rates in the United States.

Brazil all along has made clear its commitment to help its neighbor. Early on, it sent supplies of medicine in order to help immediately. It has held discussions about Mercosur, and particularly about the automobile sector. One of the earlier bases of Mercosur was an attempted integration of production that allowed Argentina to export half of its automotive output to Brazil, while Brazil was permitted to export inputs to the Argentine sector. Exports and imports are supposed to vary from equality by no more than 10 percent. This arrangement will now presumably be reformulated to help Argentine production in the short term. On the other side, Brazil will seek to have greater access to exports of textiles, sugar and other products that had been stifled by protection mounted under the Cavallo regime.

Similarly, Brazil will feel a political impact from the Argentine collapse. Once an economy that seemingly had converted successfully to neo-liberalism, Argentina is now facing significant declines in its standard of living. What lesson will there be for the forthcoming Brazilian election? There will be those who say that the crisis is a measure of the negative consequences of foreign dominance of the economy, a measure of the role played by privatization, a measure of free trade. The PT will seek to advertise the dangers of such a degree of commitment. On the other side, the PFL and the PSDB will emphasize the importance of continuity rather than of decisive change at this moment of time. At a practical level, as well, the crisis in Argentina may stimulate passage by the Brazilian Congress of a new law finally establishing the independence of the Central Bank. That would permit Arminio Fraga to continue in his present position. Interestingly, it is less neo-liberalism and more an unfocused and constantly changing government policy that can be considered responsible for Argentina's collapse. No one argues that the Washington consensus necessitates a fixed exchange rate. Still, the inability of Duhalde to secure favorable support from the IMF will undoubtedly signal to the political left in Brazil of their country's dependence on such multilateral support. An Argentine default and rescheduling of debt will cause arguments to arise in favor of lesser Brazilian payment. How successful those positions will be, in the midst of declines in Argentine per capita income, remain to be seen.

Yet, at the end of the day, the independence of the Brazilian spread over the US bond rate since the end of October even as Argentina soared upward will probably lead to more neutrality. First, the appreciation of the *real* made the movement noticeable to the population as a whole. Second, Brazil is recovering from the set of circumstances that forced growth down last year. Third, the recent decision by the Chavez government in Venezuela to devalue the *bolivar* while at the (Cont. pg. 6)

The Argentine Meltdown and Brazil: Two to Tango?

Following the resignation of President De la Rua of Argentina on December 20th, 2001, the political and economic crisis in that country has continually worsened. However in contrast to other emerging market "meltdowns" in recent years (Mexico – 1994, Asia – 1997, and Russia – 1998), Brazil apparently, and miraculously, has been able to insulate itself from these events. It seems that Argentina's ailments largely have been contained within its own borders, preventing any broad economic effects from spilling over into its neighbors. For economists and political scientists alike, the question surges whether this decoupling of Brazil from Argentina will be sustainable in the long term. Moreover, it must be better understood exactly how the developments for Brazil's neighbor and fellow Mercosur partner will affect the country's economic performance in 2002. Given the context of the upcoming Brazilian presidential elections, the response to this last question will have multiple economic, political, and social implications for the country.

To analyze these monumental occurrences in Argentina and their regional effects, Brazil @ The Wilson Center organized a Working Group meeting hosted by Dr. Albert Fishlow, Executive Director of the Center for Brazilian Studies at Columbia University. Held on January 30th, 2002, leading *Brazilianists* and Dr. Fishlow discussed the rapidly changing economic backdrop in Argentina. At that time, there was still uncertainty over the *corralito*, the endurance of the recently formed government of President Eduardo Duhalde, and the proper exchange rate for the newly floated *peso*. At the beginning of the dialogue, Dr. Luis Bitencourt, Director of Brazil @ The Wilson Center, posed two overarching questions to the Working Group: "apparently Brazil was able to…decouple itself from the Argentine Crisis. But is this true? Is this going to be true in the next few months?"

Dr. Fishlow's presentation focused primarily on Argentina because of the extremely unique situation that the country, its Southern Cone neighbors, and other Latin American nations have been confronted with during this political-economic crisis. First, the problems associated with Argentina are not only of an idiosyncratic and particular nature (i.e. the Convertibility Board and its dependency on the US dollar) but also are representative of the general difficulties faced by the region. Second, there are broad implications of Argentina for the region and Mercosur in the medium term, especially as the Duhalde government attempts a recovery strategy. Third, and lastly, it is important to comprehend the dynamics of the current Argentine crisis to properly evaluate the role that U.S. policy and the FTAA will assume in the region during the coming year. Dr. Fishlow emphasized that the crisis in Argentina is of a

Dr. Albert Fishlow

dimension not seen for over 70 years. "This crisis is probably the worst that has happened to Argentina since the Great Depression, and perhaps even longer than that." The devaluation of the peso, the irony that the loser of the last presidential election is now in power, and the sharp decline that has been experienced in per capita income (a decrease in its global ranking from 56th to the low 70s) underscore this political and economic phenomenon.

The political developments in Argentina were less a *fait accompli* than the unraveling of the economy. It was clearly recognized that if convertibility was to be maintained, the country could not have a clear exit strategy from its economic crisis. This sentiment translated into a refusal by both domestic and foreign financiers to finance the ballooning Argentine fiscal deficit through their purchase of government debt. Their reasoning was two-fold. First, there was increasing pressure placed upon the country's Currency Board to break the peg and devalue by the speculative behavior in the foreign exchange markets. Second, the holding of dollars in the private sector surpassed the number of pesos in circulation by a ratio of 3:1. In this sense, more dollars were owed to the banks than the quantity of dollars held in reserve. This unquestionably broke the rules of convertibility, which stated one had to have a num-

Thinking Brazil is a publication of **Brazil @ the Wilson Center**. This project is founded on the conviction that Brazil and the U.S.-Brazilian relationship deserve to receive better attention in Washington. Brazil's population, size, and economy, as well as its unique position as a regional leader and global player fully justify this interest. In response, and in keeping with the Center's mission to bridge scholarly research and public action, **Brazil @ the Wilson Center** sponsor activities designed to create a "presence" for Brazil in Washington that captures the attention of the policy-making community. **Brazil @ the Wilson Center** is grateful for the support of the Ministry of Culture of Brazil, ADM, Cargill, Texaco, FMC, and GE.

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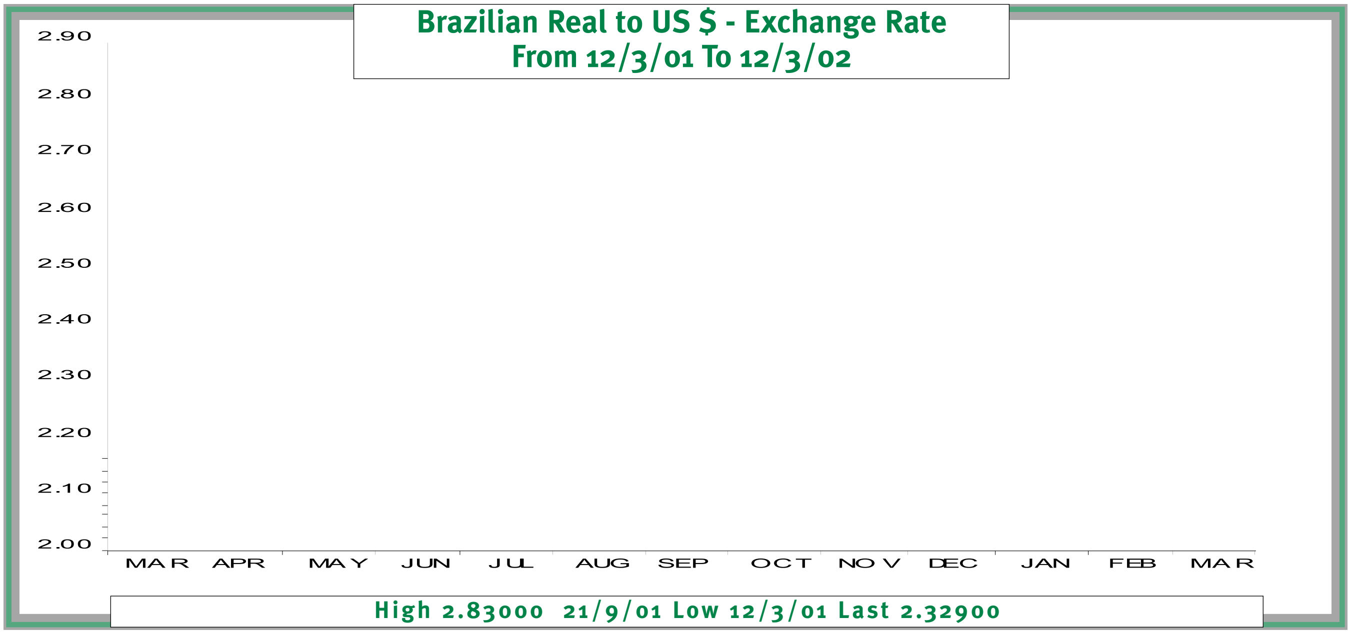

ber of dollars that was at least greater than the quantity of pesos in circulation. The ability to maintain the convertibility system worsened over the past year when approximately US$15 billion in reserves fled the country. The decision to institute the *corralito* by former Finance Minister Domingo Cavallo was done out of necessity to limit access to deposits, and thus the continued flow of reserves abroad. However, this restriction, according to Fishlow, ultimately forced Cavallo from power because most Argentines held their money in the timed, interest-bearing accounts that were frozen.

The economic consequences for Argentina appear bleaker than what its neighbors like Brazil will face in the coming year. The Argentine Finance Minister Jorge Remes Lenicov is expecting an additional five percent contraction of the economy. The commercial banks and investment houses have a more negative view of the country's economic prospects and have forecasted this reduction at up to eight percent. A similar divergence is evident among their views for inflation and the exchange rate. While the Central Bank is expecting a 15% rate of inflation, private sector forecasts place it at the 50% level. They also are expecting a stronger devaluation of the peso against the dollar, possibly reaching between 2.50/US$ to 3.00/US$. As Dr. Fishlow commented to the members of the Working Group, "what you see is a very dismal future for Argentina economically." However, the effect of the Argentine meltdown on Brazil seems to be minimal. During the meeting, Dr. Fishlow signaled that "so far, Brazil has been substantially independent. Whether it remains so, or not, is an open issue." For him, this question will depend on the Brazilian economy, which is only partially constrained by the events in Argentina. The Central Bank has been obliged to keep the interest rate (Selic) at its current and elevated level for fears of a contagion from Argentina but this has been at the detriment of Brazil's growth.

For the nations of Mercosur, it does not appear that a devalued peso will encourage better trade relations or deeper integration. An increase in the bloc's demand for Argentine exports is not likely although it would assist Argentina in its recovery. On the whole, member countries have been slowly diversifying their trade from Mercosur countries. Intra-Mercosur exports account for only 18% of its members' total exports, down from 25% in 1998.[1] Moreover, Brazil, the principal partner of Mercosur is already the destination for 30% of Argentina's exports. It will not be able to absorb any additional exports from the country because their composition, mainly agricultural and commodity-based products, lends a low price elasticity of demand. As Dr. Fishlow emphasized during the meeting, this is different from the Mexican scenario because its trading partner was the U.S. and Mexican exports were largely manufactured goods from the *maquiladoras*. This fact made it relatively easier for export growth and essentially underwrote the recovery of the Mexican economy.

Given Argentina's obstacles of entering an expansionary cycle, Dr. Fishlow foresees trouble with maintaining Mercosur and has a pessimistic vision for the creation of a South American Free Trade Agreement (SAFTA). Brazilian-Argentine relations became stressed "...precisely out of the attempt to raise barriers against imports into Argentina and to provide additional assistance to Argentine enterprise," which were both against the spirit and laws of Mercosur. Before there can be a return to the doctrines of free trade, the Duhalde government will have to eliminate such obstructions, an outcome that does not seem likely under the current scenario of increased protectionism.

[1] Data taken from figures published on-line in: "Fingers Crossed." The Economist. 3 January 2002. http://www.economist.com

Can Brazil Stave-off Argentina's Crisis?

The "meltdown" of Argentina's economy, culminating with the abandonment of its Currency Board and the devaluation of the *peso*, has left Brazil relatively unscathed. In contrast to previous crises that rocked emerging market countries during the 1990s, there has been only minimal contamination of associated economies and little capital flight. In the past, the financial turmoil of one country quickly spread to others, regardless of their macroeconomic fundamentals, under an investor-lead flight to quality. It appeared that such events were playing out when the economic and political crisis in Argentina was cited as the principal source for the severe weakening of the *real* against the dollar that began in January 2001. As the *real* reached nearly R$2.80/US$ in October, there were fears that the economy was spinning out of control and into an inflationary cycle. The prevailing sentiment was that if Argentina, the touted model of Washington consensus reforms, could fall from grace, what would stop its neighbor from not doing the same?[1]

There are essentially four factors that have allowed Brazil to contain the spillover effects from Argentina.

First, there has been a dramatic restructuring of capital inflows into emerging markets since Brazil was forced to devalue the *real* as capital flows dried up following Russia's default in 1998. Prior to this year, most investments were in the form of volatile portfolio investments, seeking high return opportunities over long-term positions. This mandate leads to speculative behaviors against currencies and countries. Dr. Albert Fishlow, the Executive Director the Center for Brazilian Studies at Columbia University, suggests there has been a global shift of resources away from these types of investments, exemplified in the high return, high risk hedge funds of the 1990s.[2]

Second, Brazil's exports are not heavily dependent upon the Argentine market. Dr. Fishlow stated that only 10% of its exports are actually directed to its southern neighbor, equivalent to 1% of Brazil's GDP in 2000.[3] As a result, despite the sharp fall in Argentine demand for Brazilian goods from an average of US$600 million per month to US$120 million in December, there were no significant repercussions on Brazilian trade.

Third, Brazil has been able to modify its policy regime sufficiently to fortify itself against external shocks like the crisis in Argentina. The currency has been stabilized and appreciating since October, the interest rate environment has been checked, there has been consistently strong fiscal (3.25% of GDP, 2001) and current account surpluses (US$2.6 bn, 2001) as well as capital flows continued to be directed toward the country. For example, foreign direct investment (FDI) in Brazil still was a respectable US$22 billion in 2001, in spite of the Argentine crisis and onset of a world slowdown. As a result of these positive changes, the International Monetary Fund will disburse a US$15 billion loan granted last August to help Brazil buffer itself against any contagion effects from Argentina. Fourth, the capacity of President Fernando Henrique Cardoso to govern the country effectively through the energy crisis and recent upheavals in Argentina has reinforced the confidence of Brazilians and international investors alike. The Cardoso government has constructed a solid base of support that lends credence to its actions and policies, which is sorely lacking in the Argentine political scene.

However, alterations in Brazilian macroeconomic or political conditions could severely alter the sanguine outlook for its ability to weather the Argentine crisis. The upcoming Brazilian presidential elections may be a catalyst for such a change. The excessive socio-economic costs that have been reaped by the Argentine people after over a decade of aggressive and IMF-sponsored economic reforms could lead to an extensive anti-neoliberal rhetoric by left-of-center candidates such as Luis Inacio Lula da Silva (PT).

As Dr. Fishlow signaled, calls for an end to Brazil's process of privatization and to its own agenda of economic reforms may increase. Although current polls are showing little sensitivity among the populace to this issue, there most likely will be a redefinition of the appropriate level of government intervention in Brazil. Dr. Fishlow suggested that role of the government in matters of the private sector, taxation, minimum wage, price increases, national industrial policy, interest rates, housing, education, and in other sectoral issues will be and is currently being reevaluated. A greater concern for Dr. Fishlow is the real transition of power that will occur in October 2002. Regardless of which party wins the presidency, for the first time in eight years, President Cardoso and his team will not be in government. The strong economic duo of Finance Minister Pedro Malan and Central Bank President Arminio Fraga most likely will be swept out with a change in administrations, possibly creating investor uncertainty over the financial savvy and policymaking ability of their replacements.

While currently "there are no reasons for contagion," in the words of President Cardoso,[4] that does not mean that shifts in the political arena may not translate into questions about Brazil's future macroeconomic policies, stability, and ultimately its financial health.

[1] As suggested by: Arnold, James. 2001. "Argentine Crisis Ripples Spread." The BBC News. http://news.bbc.co.uk/hi/english/business/newsid_1719000/1719246.stm.

[2] Comments taken from the recent meeting of the Working Group for Brazil @ The Wilson Center, 30 January 2002. Washington, DC.

[3 & 4] Data taken from figures published on-line in: "Fingers Crossed." The Economist. 3 January 2002. http://www.economist.com/W

The Brazilian Response: Political Détente

The dialogue on Argentina and the negative implications for its Southern Cone neighbors, Latin America, and emerging market countries has continued to escalate. Regional concerns have reached Washington and resounded within the international financial institutions. While President Cardoso has issued various declarations that the events in Argentina do not have any parallels in Brazil,[1] regional leaders are preoccupied by the prolonged instability of its neighbor. As the Brazilian Foreign Minister, Celso Lafer, commented to Colin Powell, U.S. Secretary of State, in a January meeting, the recovery of Argentina is fundamental for Brazil.[2] Equally, Brazil hopes to form an important part of the solution rather than adding to the problems of its weakened neighbor. Minister Lafer added that Argentina is an important actor in South America, which is noted by the cooperation and connections among the various countries. This sentiment was echoed in the recent appeal issued to the International Monetary Fund (IMF) by leaders of the countries that compose Mercosur at a summit meeting held in Buenos Aires on 18 February. President Cardoso declared "We do not agree that Argentina must first make efforts and then receive aid…It should be simultaneous."[3] A joint statement issued from the meeting called on "multilateral creditor organizations to understand the complex situation in Argentina, and appreciate that the support (Argentina) is asking for is connected to internal policies that will allow for economic growth."

The Brazilian Response: Economic and Financial Fortification

From government offices in Brasilia to the financial boardrooms of São Paulo, Brazil's political and economic leaders are attempting to fortify the economy from any financial fallout that the Argentine crisis may bring. The country is still one of the principal destinations for international capital flows. While foreign direct investment (FDI) has declined because of a global and regional economic slowdown, Brazil still has received US$100 billion over the previous four years and the Central Bank is expecting an inflow of US$22 in 2002. While inflows into Brazil have been on the decline since 2000, the country still has sufficient financing to meet external debt obligations, especially as the country's current account is tamed. The Minister of Finance (*Ministro da Fazenda*), Pedro Malan, has forecasted a trade surplus of US$5 billion for 2002, with exports rising by 10% and import demand remaining stable. His estimation appears attainable since for the past 10 months the country's trade balance has been in surplus and in January Brazilian exports exceeded imports by US$175 million. This trend is even more pronounced given exports to Argentina have fallen sharply. In January, exports fell 64% as compared to the same month last year.

The Cardoso government has been active to promote good relations between Brazil and international financial institutions. First it assured that there would be extended a line of credit from the IMF (US$15.7 bn) to assist Brazil in insulating itself from the deteriorating situation in Argentina. It also has been able to revise the previously agreed-upon target for Brazil's current account this year. The Fund has stated it will reduce the projected trade surplus from US$6 billion to a still robust US$4 or US$5 billion. Brazil's notably improved trade balance is mirrored in the brighter growth prospects for the country (+2.5% GDP, YOY). Recent economic indicators suggest such a positive outcome because of the better than expected performance of the Brazilian economy in 2001. The *Confederacão Nacional da Indústria* (CNI) revealed that last year industrial sales expanded for the second year in a row (+11.7%, YOY) while the industrial work force slightly rose (1.11% YOY). In spite of this expansion, the Central Bank expects inflation to remain controlled in the coming year (+3.7% YOY, 2002) with the continued appreciation of *real* against the dollar. The proper revaluing of the real also will help Brazil in reducing the stock of its debt which is dollar-linked.

[1] Comment taken from "FHC: não há risco de contaminação do Brasil pela crise argentina." *Radiobras*. 20 December 2001. http://rvnews.radiobras.gov.br/2002/dez/pol-20011220-180020-0187.htm.
[2] Comment taken from "Lafer discute aço e crise argentina com Colin Powell." *Radiobras*. 01 February 2002. http://rvnews.radiobras.gov.br/eco-200020201-110434-0070.htm.
[3] As quoted in: "IMF urged to help Argentina." *BBC News Online: Business*. 19 February 2002. http://news.bbc.co.uk/hi/english/business/newsid_1827000/1827604.stm
[4] As quoted in: "IMF urged to help Argentina." *BBC News Online: Business*. 19 February 2002.

"Argentina: What Are the Consequences for Brazil?"
(continued from pg. 2)
same time seeking to cut back on government expenditures, seems to reinforce a market-oriented macroeconomic policy. If Chavez has been able to design a change in policy that has been welcomed by the IMF, how will the PT argue negatively about its continuing relevance to Brazil?

The evolving circumstances may yet make Mercosur into a more active and important element influencing Brazil-Argentine political and economic relations in the near future.The year 2002 is clearly going to have long run consequences on that relationship.

1. Excerpted from a paper submitted by Dr. Albert Fishlow for Brazil @ The Wilson Center's Working Group meeting on 30 January, 2002.

President of IBAMA Visits Wilson Center: Brazilian Environmental Policy

On January 31st, 2002 Brazil @ The Wilson Center hosted Dr. Hamilton Nobre Casara, President of IBAMA, to discuss environmental policy and enforcement in the Amazon. IBAMA is responsible for the monitoring, preservation, enforcement and control of the sustainable use of natural resources in Brazil. Monitoring and control of resources are carried out by a variety of tools including aircraft and remote sensing such as satellite imagery from various sources including NOAA and LANDSAT. This monitoring data is electronically integrated with the results of metrological, vegetation, basic cartographic and hot spot data analysis which combine to produce an integrated alert system that is available on the Internet.

IBAMA also promotes research and conservation through several subordinate centers, which are focused on specific groups of species. Although the missions differ slightly depending on the needs of each individual group, they all seek to conduct research that will support implementation of conservation measures designed to protect and maintain healthy populations of that particular group, integrated into the larger picture of maintaining biodiversity and overall ecological integrity within their various environments. The centers are specifically tasked to deal with marine mammals, birds, predatory species, marine turtles, reptiles and amphibians, and primates.

Dr. Casara during his visit to Brazil @ The Wilson Center

In direct opposition to the crucial research being carried out by these centers lies the illicit trade of wildlife. According to Dr. Hamilton Casara, this burgeoning trade is responsible for the loss of over 12 million specimens per year, and is currently the chief threat to the reduction of population of indigenous species. Brazil has become the largest source for animal smugglers supporting this multi-billion dollar industry with an unrivaled diversity of exotic, rare and endangered species. A single Blue Macaw can bring 70,000 US dollars and the Golden Lion Tamrin, much publicized in the US by the cooperative conservation efforts of the National Zoo and the University of Maryland, commands a price of $ 20,000.

In addition to the illegal trafficking of animals, illegal logging and deforestation remain as major problems for the region. Recently the trade in illegal mahogany has come into the spotlight and in late 2001, Brazil completely suspended the mahogany trade after Greenpeace documented tremendous amounts of illegal logging and deforestation. Mahogany is a lucrative export - just a single tree can produce $130,000 of furniture - and Brazil has been the primary supplier for US mahogany imports. Since IBAMA is also responsible for promoting sustainable use of such resources it had allowed mahogany extraction in controlled areas. However, an excess of mahogany was being illegally extracted by organized groups, which frequently used forged licenses to elude authorities and deceive industrial buyers.

Recently in order to strengthen IBAMA's enforcement capabilities and specifically to counter illegal mahogany extraction, a department was created within the Brazilian Federal Police tasked specifically with combating environmental crimes. Additionally, in upcoming meetings, Dr. Casara noted that he would request the cooperation of US authorities to curb the demand for illegally extracted mahogany and force customers only to accept shipments certified to have been legally extracted.

Casara also referred to the serious gap between conservation policy and actual implementation. Although much has been accomplished and a solid framework does exist for protection of natural resources in Brazil, serious work remains to be accomplished. Frequently resources for environmental protection tend to be overshadowed by more compelling social demands. Although IBAMA is focused and dedicated to its agenda it is clear that environmental policy still suffers from a funding and staff shortage. As Dr. Casara said, ¨...we do the best with what we have."

News From Brazil @ The Wilson Center

We are pleased to announce the addition of the GE Fund as a sponsor of Brazil @ The Wilson Center. The GE Fund (www.gefund.org), the philanthropic foundation of the General Electric Company, invests in improving educational quality and access and in strengthening community organizations in GE communities around the world. All told, GE, the GE Fund and GE employees and retirees contributed over $100 million to community and educational institutions last year. Brazil @ The Wilson Center would be impossible without the generous support of the GE Fund and our other sponsors, ADM, Cargill, Chevron-Texaco, FMC and the Brazilian Ministry of Culture.

Events

On March 8th, The Brazil @ The Wilson Center received a group of lawyers from Brazil, visiting Washington for a hearing before the Inter-American Commission on Human Rights. The Brazil Project welcomed the opportunity to discuss the important subject of this hearing, “Use of the Inter-American System of Human Rights Protection to Combat Racial Discrimination in Brazil.” Additionally, Brazil @ The Wilson Center will explore this issue further and the theme of “Race Relations” during the upcoming round of Public Policy Scholars, due to arrive at the Wilson Center later this year. These scholars will visit the Center as part of an ongoing research program between Brazil @ The Wilson Center and the Brazilian Ministry of Culture.

Upcoming

- **April 23rd** - Mega Cities and the Proccess of Planning,with Jorge Wilheim Sec. of Planning for the City of São Paulo
- **May 17th** - Brazilian Foreign Policy under Fernando Henrique Cardoso, with Luiz Felipe Lampreia, Former Minister of Foreign Relations
- **May 23rd** - The Science and Technology of Agribusiness : Cooperation Between Brazil and The US
- **June 17th** - Countdown to The Brazilian Elections

Publications

- Working Paper: Brazilian Ministry of Culture Public Policy Scholars, 2000-2001.

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