



# Public Daily Brief



Week: 28 August – 03 September 2006

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## Forecast

this week: **Brazil**

**B**razil is the world's fifth largest population, the largest land area in South America and the world's largest Portuguese-speaking nation. It is one of the largest *iron ore* producers and exports of this and other minerals are booming, driven by China's voracious appetite for all manufacturing inputs. It is also the world's largest producer of *sugar, coffee, beef* and a major producer of *soy, cotton, cocoa, forest products* – all commodities with guaranteed ongoing demand.

**Government** -- Brazil's experience of democratic government is recent and filled with disappointment. Since Lisbon's rule ceased in 1808, Brazil progressed through various governments controlled by the landed elite or the military until 1985 when the military returned to civil authority the rule they had nervously appropriated in 1964. In 1989 Fernando Collor de Mello received 53% support in the first direct presidential election since 1960. In 1994 Fernando Henrique Cardoso received 54% and served for two terms. In 2002, **Luiz Inacio Lula da Silva** ("Lula"), having tried for office four times, received 61% of the vote. Lula is the first elected president in a generation with anything like a comfortable popular vote and polling indicates that Lula will be re-elected for another four-year term in October 2006 unless something unforeseen happens. If re-elected, the margin of his vote will be an important indicator of the direction the administration will take. If both the Right and the Left polarize the country against him, he will preside over a precarious, inequitable Brazil: if his vote is increased above the 61% he will have a mandate both inside and outside the country to continue moderate-Left reforms.

**Development** -- According to the *World Bank*, **Brazil** (along with **Venezuela**) has the world's most extreme concentration of land in the hands of a few so only Lula's diehard enemies see *land reforms* as apocalyptic. But Lula has faced increasing pressure from the landless movement, **Movimento dos Sem Terra** (MST), to make good on his promise to deliver land to over 400,000 families in his first term. Only about a quarter of that goal has been achieved but the government insists that families are being properly settled and given financial and technical support to ensure successful use of their land. [This is in contrast, for instance, to the catastrophic gesture towards land reform in **Zimbabwe**.]

When Lula's election seemed likely in 2002, the Brazilian currency hit an all-time low and financial markets panicked at the prospect a one-time shoe-shine boy from the *Workers Party* (PT) gaining control. Four years later, Lula is seen as successful above all expectations. Economic fundamentals are stronger now than in 2002 and the "markets" have fewer fears about what a Lula administration might do. The **IMF** has applauded Lula's "well-disciplined macro-economic management" but this has been at the cost of sweeping social reforms at a pace expected by his electorate [[IMF says Brazilian economy stabilizes and has potential to grow](#) (#7193)]. This is very similar to the situation in **South Africa** where the government has also taken great pains to be, and be seen to be, economically responsible in meeting the needs of a massive dispossessed and previously disenfranchised population. In consequence, some of Lula's fiercest critics are in the Left that elected him (as is true of the *ANC* in South Africa). For this reason, all that might disrupt Lula's re-election in October 2006 is an attack from divided Leftist factions [[Leftist a threat to Brazil president](#) (#8220)]. Some say Lula has been lucky, that world demand for Brazil's export commodities in the last four years have been instrumental in turning around Brazil's serious debt position. This is true but demand in just those commodities is certain to be maintained for the next four years and Lula's critics are also certain to demand commensurate social benefit.

Brazil is classed as a 'innovating developing country' (IDC), along with **China, India, South Africa** – countries with the metrics of a developing nation but also the capacity to develop quickly. One measure of this is Brazil's use of its equatorial location in October 2004 to perform its first space launch. But development is messy. In September 2006 *Volkswagen* forced 11,000 auto workers to take vacation following wage demands and strikes -- the growing strength of the currency and rising wages means vehicles can no longer be produced in Brazil at "third world" prices.

**Energy** -- Brazil is in a fortunate energy position. It will become a net exporter of *oil* by the end of 2006 with increased output from the *Campos Basin* and future reserves recently discovered off the coast of Rio



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de Janeiro state. As with **Iran**, oil is in surplus and means hard currency as *hydroelectric power* provides about 74% of Brazil's energy needs. Capital projects also strengthen Brazil's long-term energy security – a *gas* pipeline project announced in June 2006 will connect the country's southeast with the northeast reducing dependence on imports from **Bolivia** and the **US**. Brazil also has joined **Venezuela** in regional energy strategies such as joint exploitation ventures between their state oil corporations.

**Crime** -- During 2006 there were pitched battles with the **First Capital Command** criminal gang. This unique level of endemic criminal insurgency is a legacy of a massive impoverished 81%-urban population. These urban areas are an important market for *cocaine* from **Bolivia**, **Colombia**, **Peru** and a transshipment point for moving cocaine into **Europe**. The *Tri-Border Area*, a dangerous region at the convergence of **Argentina-Brazil-Paraguay**, is rife with money laundering and trafficking in arms and narcotics. The three stakeholder have recently opened an enforcement intelligence center in the area.

**International Relations** -- Brazil (like the **US**) has refused to recognise the compulsory jurisdiction of the **International Court of Justice**. Although Brazil has not joined the **Non-Aligned Movement**, it is friendly to NAM's aims and frequently sends observers to NAM summits. Brazil is a member of **Mercosur** (*Mercado Común del Sur* ; Portuguese **Mercosul**, *Mercado Comum do Sul* - Southern Common Market) a customs union of Brazil, **Argentina**, **Uruguay**, **Paraguay**, **Venezuela**, founded in 1991

**US Relations** -- The **US** was the first country to recognize Brazil's independence in 1822 and there have been several two-way state visits in recent years. Superficially US-Brazil relations are cordial but there is an instinctive distrust in Washington for any left-leaning regime in Latin America which in past decades led to direct often covert intervention in various nations. Well aware of this, the Lula administration is careful to maintain the blessing of bodies such as the **IMF** in its social reforms.

Near-Term	Mid-Term	Long-Term
<p>Brazil is the centre of gravity in Latin America. Stability or instability there will influence the future to varying degrees of its <i>ten</i> neighbors. Due to bountiful water, exportable commodities and <i>energy security</i>, only the most extreme misgovernance, with or without external interference could bring Brazil to state failure. The US has long seen itself as the diplomatic leader in the Americas but with Brazil's emergence as a world entity of the scale of <b>Indonesia</b>, diplomacy in the Americas may need to be rewritten on a more collegial basis.</p>	<p>Crime is a critical problem in Brazil. Fueled by cocaine and other crime monies, <i>criminal gangs</i> are not just a police matter; rather they engage government forces in pitched battles using heavy weapons. Major criminals are able to continue control of their organizations from prison and the immense amounts of money involved in crime are able to suborn officials at every level. This is a non-trivial impediment to Brazil's development as it robs the nation of revenue and diverts government resources. Only a prolonged military OOW campaign can dislodge the gangs.</p>	<p>It is still early days for social development in Brazil and adjoining <b>Venezuela</b>. There are obvious empathies, but Brazil has been careful to avoid any hint of union of socialist republics – partly because it is unnecessary and partly because it would cause a Congressional conniption in the <b>US</b>. However, synergies throughout Latin America, through vehicles such as <b>Mercosur</b>, seem certain to develop over time into a powerful trading entity similar to the <b>EU</b> or <b>ASEAN</b>. This would be a <i>de facto</i> regional challenger to the <b>US</b>.</p>



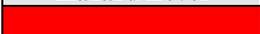
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<b>World Crises</b>	based on monthly assessments by <i>International Crisis Group</i> .	
<b>!!! Alert</b>	<b>DR Congo, Lebanon, Pakistan, Somalia, Sudan</b>	
<b>↓ Deteriorated</b>	<b>Burundi, Iran, Kuril Islands/Northern Territories (Russia/Japan), North Korea, Pakistan, Sri Lanka, Sudan, Taiwan Strait</b>	
<b>↑ Improved</b>	<b>Angola, Lebanon, Togo, Uganda [resolution opportunity]</b>	

<http://www.crisisgroup.org/home/index.cfm?id=4296>

## LEGEND

Hazard Level	Change Codes
	↓ Deteriorated
	• Steady
	↑ Improved
	!!! Alert
	



## Threats

Summary

see daily items on the web at

<http://meta2.com/PDB/pdbDetail.asp?THREATS>

Poverty	•	[nothing significant to report]
Infectious Disease	•	A new test kit comprising a microchip covered with bits of genetic material cuts diagnosis time for the lethal <i>avian flu</i> strain from a week or more less than a day.
Environment	•	<b>California</b> has passed the first US bill to cap man-made greenhouse gas emissions—a leading <b>Australian</b> scientist says that top researchers in climate change (and stem-cells) are leaving because the government is hearing only what it wants to hear.
Inter-State Conflict	•	<b>Hizbollah</b> leader <b>Hassan Nasrallah</b> regrets the violence brought on by the group's group kidnappings but tells <b>Lebanon</b> TV that significant breach of the cease-fire on his part is not likely— <b>Israel</b> 's honor is at stake; it refuses to lift the Lebanon blockade causing great impediment to humanitarian assistance—indicating internal recriminations for the recent "failure" of the Lebanese adventure, the Israeli ruling party is becoming polarized over the call for an independent enquiry—after "private" negotiations Israel withdrew objections to inclusion of <b>Indonesia</b> , which has no diplomatic relations with Israel, in the Lebanon UN force. The <b>Pentagon</b> says that the "conditions for civil war exist in <b>Iraq</b> ; death squads, sometimes with 'rogue elements' of U.S.-trained Iraqi security forces, are heavily involved in the sectarian violence—60 % of Americans now believe that the war in Iraq has increased the chances of a terrorist attack in the US.
Civil War	↓	Leader of the <b>Somalia Union of Islamic Islamic Courts</b> movement, "the old fox" Colonel Sheikh Hassan Dahir Aweys, says he is prepared to negotiate peace at the meeting in Khartoum. The <b>Lord's Resistance Army</b> and the <b>Ugandan</b> government may be about to end 20 years of fighting. <b>Sudan</b> says "Any American [meaning also any UN force]who comes to Sudan will die in <b>Darfur</b> "—the <b>African Union</b> , <b>Arab League</b> and <b>OIC</b> are now the only hope to overcome a serious deadlock between the UN Security Council and Sudan.
Genocide	↓	Cultural Genocide in <b>Tibet</b> : "There is one chance for Tibet and that's before the Olympics" says president of the <b>French Senate's</b> Information Commission on Tibet.
Other Atrocities	↓	Four businessmen have been charged in <b>Japan</b> with bringing young women in illegally from <b>Russia</b> and <b>Ukraine</b> to work as nightclub hostesses— <b>Malaysia</b> is planning to replace a patchwork of legislation with new law dealing with <i>human trafficking</i> . In the wake of scandals relating to the harvesting of <i>body parts</i> , <b>FDA</b> has formed a task force to investigate. The US has asked for an extension until 2012 to destroy its <i>mustard gas</i> and reassures all that "only a very small amount of dioxins emerge from the facility's exhaust stacks." The UN unambiguously condemned <b>Israel</b> 's use of <i>cluster bombs</i> in <b>Lebanon</b> and the estimated 100,000 bomblets still unexploded.
Proliferation	↓	<b>Indonesia</b> expressed "all-out support" for <b>Iran</b> 's peaceful nuclear program and looks forward to exchange of <i>nuclear</i> technology with Iran— <b>Argentina</b> announced a strategic plan to significantly enlarge its nuclear power capacity— <b>South Africa</b> said "Whether we should now go back to enrichment for civilian uses is a matter we are going to have to study very carefully".



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**Terrorism**

- A series of bombings in **Turkey** was blamed on **Kurdish** separatists (*PKK*). *Islamofascists* became the word of the week; no-one quite knew why—**Australian** security said the terrorism threat in the region is now just as great as ever—an anti-terrorist battle on Sulu island (**Philippines**) where the **US** is providing logistic and intelligence support is harder and longer than expected—**UK** police arrested 14 suspected Islamist extremists, but not in connection to the recent liquid explosives plot. The Nelson Institute [USA - VA] says **Africa**'s "weak governments" provide a "natural base" for the next *al-Qaeda* front.

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**Transnational Crime**

- ↓ This year's **Afghan opium** crop is sufficient to produce 130% of the world's heroin demand.

↓ deteriorated

• steady

↑ improved

!!! ALERT



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## Policy Summary

see daily items on the web at  
<http://meta2.com/PDB/pdbDetail.asp?POLICY>

<b>Agriculture</b>	•	[nothing significant to report]
<b>Debt</b>	•	[nothing significant to report]
<b>Diplomacy</b>	•	<b>Venezuela</b> said that the <b>US</b> is funding (via <b>USAID</b> ) anti-regime movements in <b>Venezuela</b> and <b>Cuba</b> —responding to the US “transition” plan for <b>Cuba</b> , <b>Cuba</b> offered suggestions for US transition to democracy, but "since the US is a sovereign country, such a transition should not be forced from without". The <i>Jerusalem Declaration on Christian Zionism</i> by established Churches accused the Christian Zionist movement of promoting "racial exclusivity and perpetual war."
<b>Economy</b>	•	The annual <b>UNCTAD</b> Trade and Development Report suggests that persistent trade imbalances may have negative repercussions unless there is global coordinated management.
<b>Education</b>	↓	Some state student assessments are now so divergent from the <i>National Assessment of Educational Progress</i> that some educators want standards moved from states to a federal authority—a new-look <b>SAT</b> incorporating an essay section has produced a drop in average scores—the <i>Educational Testing Service</i> has taken three months to confess to stupendous incompetence.
<b>Energy</b>	•	[nothing significant to report]
<b>Family</b>	•	The <b>Vatican</b> is likely to revise its stand on evolution/creation, Darwin is "more than a hypothesis" but it's not blind chance -- a stand close to " <i>Intelligent Design</i> ".
<b>Immigration</b>	•	Perhaps a useful exemplar for the US ... in the face of a flood of workers from new EU countries the <b>UK</b> is proposing a skills-based <i>work permit</i> system.
<b>Justice</b>	•	[nothing significant to report]
<b>Security</b>	•	Early research results indicate <b>UK</b> scientists may have found an inhibitor-based, rather than an antibiotic, response to <i>anthrax</i> . The <i>Pentagon's Policy Office</i> will be reorganized "to better partner with colleagues in other agencies and help the DOD focus on developing the capabilities needed for the war on terror"—the Pentagon's <i>Office of Force Transformation</i> will be transformed out of existence. Observers said "To win a <i>counter-insurgency</i> war, the U.S military, its political establishment and its citizenry, would have to turn its fundamental predilections on their head.", and "If <i>nuclear reactor</i> casings were penetrated ... the aftermath has the potential to be the worst disaster in U.S. history". The latest <i>missile interceptor</i> ["Star Wars"] test has succeeded. The White House has asked a Court to suspend its ruling on <i>wire-taps</i> because "there is a substantial likelihood of prevailing on a number of issues" in an appeal. In the <b>Philippines</b> a tiger team smuggled a <i>bomb</i> on two flights and went undiscovered.
<b>Social Security</b>	↓	<i>Real wages</i> fail to match past annual rises in <i>productivity</i> ; the US now has two economies—census data showed one in eight Americans in <i>poverty</i> ; "we are spending more money than ever on anti-poverty programs and we haven't done anything to reduce poverty." Two busts within a week totaling over 500 pounds of <i>crystal meth</i> from <b>Mexican</b> drug gangs proves the problem is "enormous and growing".



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**Water**

- **Australia** is particularly vulnerable to any decrease in rainfall due to climate change -- water is the main issue in an up-coming State election. **Kazakhstan, Kyrgyzstan, Tajikistan,** and **Uzbekistan** met to discuss reviving the **Aral** Foundation and other water resource issues.

↓ deteriorated

• steady

↑ improved

!!! ALERT



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## Challengers

Summary

see daily items on the web at

<http://meta2.com/PDB/pdbDetail.asp?CHALLENGERS>

<b>Brazil</b>	•	[nothing significant to report]
<b>China</b>	•	The State Council has produced a <i>strategic energy policy</i> , the first of its type in China— <i>acid rain</i> now affects one third of China and some regions are receiving nothing but acid rain. A Hong Kong-based reporter for Singapore's Straits Times newspaper accused of <i>spying</i> for Taiwan was jailed for 5 years—China increased supervision of foreigners doing <i>surveys</i> and <i>mapping</i> in some areas of the country—China ratified an anti-terror agreement with <b>Pakistan</b> to fight the "three evil forces" of terrorism, separatism, and extremism—a top Chinese official visited <b>Brazil</b> , <b>Uruguay</b> and <b>Chile</b> .
<b>India</b>	•	India has launched a new <i>arms procurement</i> policy that will "boost indigenous research development and production facilities"—India need now to import <i>wheat</i> offends its policy of <i>food security</i> but it may be an opportunity to exploit globalization sensibly.
<b>Indonesia</b>	•	Indonesian authorities believe that key <b>Ji</b> bomb-maker Noordin Top is running out of friends, money, and apprentices.
<b>Iran</b>	↓	Iran released international tenders for building two more <i>nuclear power plants</i> —the <i>IAEA</i> has found <i>highly enriched uranium</i> with a "fingerprint" that does not match previously found traces.
<b>Russia</b>	•	<b>Germany</b> , soon to take over EU presidency, wants to look at ways "Russia can be irreversibly bound to the organization".
<b>Venezuela</b>	•	President Chavez continued his whistle-stop tour of <b>China</b> , <b>Malaysia</b> , <b>Syria</b> , and <b>Angola</b> in pursuit of oil agreements and support for a <i>Security Council</i> seat. President Chavez indicates he would be willing to serve Venezuela longer than the present two term limit and will put that <i>constitutional</i> change to a referendum in 2010. Venezuelan Customs confiscated <i>guns</i> shipped from <b>Turkey</b> possibly as part of destabilization efforts.
<b>[wild-card]</b>	↓	The <b>Kurdish</b> separatist movement ( <i>PKK</i> ) is becoming an increasingly sensitive issue in <b>US</b> relations with Turkey.

↓ deteriorated     
 • steady     
 ↑ improved     
 !!! ALERT

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