

## South American spotlight : Brazil and Argentina

While Argentina's economy may be self-destructing, its neighbor and rival Brazil is on the rise. Brazil sees itself as the natural leader of South America -- it borders 10 countries, dominates the Atlantic coastline in the region, has an enormous landmass and population, a rising middle class, and a strong and diversified economy. Brazil's greatest challenge is in developing and connecting its rural interior with the cosmopolitan coast. It has been a long and hard process. But Brazil has been stable enough to make the necessary investments to support its industrial base and avoid falling into a resource-extractive economic pit like many of its South American neighbors. This will become especially important as Brazil prepares to bring its massive pre-salt deepwater offshore oil reserves online. Brazil now has the capacity to reach abroad and promote itself as both a regional leader and major global player – a geopolitical reality that will be put on display when Brazil hosts the next World Cup in 2014.

One of the most common observations made about Brazil's current football team is how it has gradually elevated substance over flair. Brazil's increasingly focused approach may be lacking in the drama department, but there is little question that this team has had the fundamentals to perform well in the World Cup.

Brazilians may also have to adjust to a less dramatic government when Brazilian President Luiz Inacio Lula Da Silva turns the office over to one of two very uncharismatic presidential contenders in October. Though Lula's personality helped bring Brazil into the international spotlight, many forget that it was his predecessor, Fernando Henrique Cardoso, who laid the economic fundamentals that made the Brazilian rise possible. Like Brazil's high-performing football team, the post-Lula Brazil will be all about getting back to business, focusing on maintaining the health of the economy and on managing the incoming pre-salt oil wealth. Though Brazil didn't make it past the quarter-finals in this World Cup, the 2014 event may be Brazil's time to shine, both in football and in geopolitics.

Argentina is endowed with wide swaths of arable land and abundant natural resources, including natural gas. It has one of the most interconnected river transport systems in the world and is a major producer of grains and meat. Argentina's biggest challenge, however, is leadership. Decades of populist policies, military turnovers and severe economic mismanagement have the country constantly flirting with economic collapse. Buenos Aires is attempting to regain some financial credibility following a debt exchange that has settled the bulk of the country's historic 2002-02 default, but heavy doubts are hanging on the leadership of the country. Argentina is far more likely to use its renewed access to the international credit market to incur more debt in financing its populist policies than to undergo the harsh and politically unpalatable austerity measures necessary to address the issues that led Argentina to default in the first place.

In football as in geopolitics, Argentina has everything going for it. The team has a premiere

group of strikers and tremendous offensive depth. Argentina didn't face tough opposition in the first round of the World Cup. But even here, the team faces questions about leadership. Lack of organization, questionable player selections and stubbornness in decision-making are criticisms often directed at Argentina's coach and soccer legend Diego Maradona. Argentina is a top pick for many in this World Cup, but it remains to be seen whether Maradona has what it takes to lead his team to victory.