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BRAZIL: FOREIGN RELATIONS OF AN EMERGING POWER, (U)
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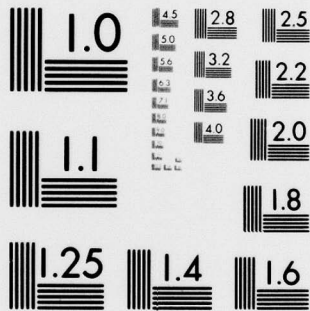
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BRAZIL: FOREIGN RELATIONS OF AN EMERGING POWER

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Summary of studies prepared for the Department of State under the External Research Program by G. E. Heare

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BRAZIL: FOREIGN RELATIONS OF AN EMERGING POWER

I. Environment and Institutions (Schneider)*

Environment of Foreign Relations

Brazil is nearing the ill-defined, but generally recognized point at which it can claim to be a ranking power--the first southern hemisphere star in the world system and the first new world power to emerge since the rise of Japan early in the century and of China since World War II. The surge of energy propelling Brazil upward results largely from economic drives and the country's concrete objectives are chiefly economic--although there is a very real aspiration for national greatness spreading through the policy elites to the informed public and expectation of success at least by the year 2000.

Just as US policy dramatically raised its sights and expanded its focus after World War I, likewise Brazilian policy extends to all corners of the globe and includes new concerns with large-scale foreign economic operations. As it singlemindedly pursues development strategies within a changing world economic order, Brazil is using its new power and freedom to work out more flexible alignments than in the past--the policy of "no automatic

* Summarizes Ronald M. Schneider, "Brazil's Foreign Relations: Environment, Institutions, and Outlook," pp. 1-140.

alignments." Its identification with the Western countries of the Cold War period tends more and more to fade away in the atmosphere of detente, and a cash nexus is largely replacing older strategic ties.

The Brazilian government is well organized and prepared for an active diplomacy, bordering on a kind of international economic warfare if necessary, to achieve the export growth and access to supplies of goods and credits which the nation's economic progress requires. The Brazilian executive has exceptionally wide powers to handle the big issues of policy and shape Brazil's foreign relations. These include most of the powers that Western industrial countries customarily grant the leadership only in time of war. It can subordinate cross-currents of private interests, harmonize bureaucratic conflicts within agreed concepts of national security requirements, and generally maximize the impact of policy that it adopts. As to external constraints, the economy has made considerable progress toward buffering and regulating transnational influences that, by control of credit and investment sources, have traditionally restrained Brazil's freedom of decision on policy--although the external payments situation still constitutes the principal determinant of economic growth.

In rising toward major power status in the present international order, Brazil has been largely free from the need to organize massive military forces to provide for its security in

global affairs, to seek the protection of exclusive military alliances, or to make other confining political commitments. Brazil can also stay free from military strategic pressures and keep military expenditures around 3 percent of GNP because its armed forces are the strongest in South America and the region itself is exceptionally free of interstate conflict.

The country experiences some conflicting pressures of various kinds as it moves onward and upward, e.g., to stay in harmony with both oil producers and major industrial consumers of energy, to appease military anti-communist sentiment that opposes expanding ties with communist countries, to keep the lid on political dissenters at home, but avoid liberal and Third World condemnation for abuse of human rights, and to balance between North and South in multilateral affairs.

Nevertheless, Brazil is not locked into a complex mesh of political, military, and economic interests, domestic and foreign, such as those that entangle the policies of many other nations, particularly ones that have already reached major power status. Brazil is fighting its international battles basically on its own, yet from a position that is fairly free of major constraints and influences from other powers that might seriously curtail its independence of action.

Political regime. Brazil achieved a high sustained rate of economic growth only in the late 1960's, four years after the present authoritarian regime took power in the midst of socio-economic and political crises. The military-technocratic elements

that assumed leadership in 1964 established a strong central administration and plotted a successful strategy to achieve rapid economic growth. Their goals for the 1970's are to sustain a high rate of growth in the economy and to perpetuate the present system of authoritarian rule--goals that they see as interdependent and together essential to national security. The Brazilians do not prize the higher rank they have achieved in world affairs solely as an end in itself, but also as a means to these all-important goals.

The leadership that took the place of the populist regime of the early 1960's has evolved:

- a repressive system of rule in the political sphere combined with technocratic decision-making;
- state entrepreneurship and discipline in the economic sphere combined with liberal capitalist incentives; and
- emphasis on nationalist symbolism in the sphere of external relations combined with openness to international corporations.

Issues and Actors

Three principal concerns motivate much of Brazil's foreign policy:

- trade and investment drives of the economic agencies which see Brazil's foreign policy as the handmaiden of economic growth and are guided by wholly pragmatic values;

--the diplomatic and international political interests of the Foreign Ministry which strives to anticipate shifting power relations and keep Brazil on the winning side-- particularly in Third World diplomacy at the present time; and

--the residue, largely historical, of cold war opinion, chiefly found among the military.

During 1974-75 economic imperatives became increasingly more conspicuous in Brazil's foreign policy. After oil prices rose to new high levels, Brazil had to set aside nearly two-fifths of its export income to pay for foreign oil. From Itaipu to Bonn to Baghdad, Brazilian economic and foreign ministry officials struggled to ease the burden of these energy costs on the national economy. In the process, they stayed closer to energy producers than to the major consumer nations, took an independent road on nuclear energy development vis-a-vis the United States, dealt with the Soviets for turbines, and cast pro-Arab votes in the UN. Economic pressures carried Brazil away from its traditional western industrial partners, made new partners more attractive, and brought renewed emphasis on independence in foreign affairs reminiscent of the Quadros-Goulart era of the early 1960's.

In taking these new directions, the economic agencies and the Foreign Ministry found themselves

generally compatible on the overall strategic thrust of policy, if sometimes in less than full agreement on the tactics of a given situation. Despite their residual cold war bias, the military too were able to agree with the general lines of policy being followed since they identify closely with the dominant development strategy as the means to major power status and see Brazil as an economic not a military power. They recognize that Brazil needs a continued flow of investment capital and credits to finance heavy anticipated trade deficits. Moreover, they increasingly questioned close partnership with the United States, seeing the latter weakened as a military power, lulled by detente, meddling in Brazil's internal affairs through questioning human rights abuses, and no longer the main foreign source of credits for Brazil. The Arab oil states, which have large financial resources and seem to measure Brazil's desserts by such gestures as votes in the UN, appear as at least potentially more productive partners.

Angola has dramatized the revival of Brazil's "independent" foreign policy and Third World alignment and the swing of the pendulum accompanying Brazil's economic stresses and strains. The Foreign Ministry, with its established political slant toward the Third World as a recipe for successful Brazilian diplomacy in the new international order, reportedly initiated the decision to recognize the Soviet-supported MPLA, probably in order to seal Brazil's identification with Black Africa and

emphasize its non-alignment vis-a-vis White Africa. This move to recognize the MPLA seemingly presented an exceptional opportunity to gain points for Brazil among the new nations and also Western liberal opinion at a slight cost in an area of fairly marginal foreign policy interests.

The military, even though not claiming to have global strategic concerns, have long seen themselves as a major force in the South Atlantic and for that reason have their own special stake in African policy. The Soviet/Cuban threat in Angola undoubtedly revived their cold war fervor and again revealed that they deeply distrust and fear Soviet power and have a strong commitment to oppose its extension toward Brazil's sphere. This dissent, does not, however, weaken their willingness to go along with the broad consensus in support of Brazil's more independent policy.

Foreign Affairs Decision-Making Machinery

Nearly every ministry, most significant elements of the executive office, and many autonomous agencies are involved in the conduct of Brazil's foreign affairs, since important foreign policies intermesh closely with domestic policies. However, the foreign affairs community remains small and is largely restricted to relatively high-level officials. It feels little constraint from:

- congressional dictates;
- pressures of political parties and the press; or
- influence of private business interests, since even though Brazil has chosen to follow capitalist modes of development, stage agencies mastermind the strategy and tactics of foreign and domestic economic policy and have important implementing roles.

The president, the traditional center of authority in foreign affairs, has built up his own staff for foreign policy-making in recent years. President Ernesto Geisel has involved the presidency more directly than his predecessors in the decision-making process, particularly through the Economic Development Council which, though not directly charged with foreign affairs, makes decisions crucial to international economic relations. Some of the 1974-75 initiatives that marked Brazil's decision to collaborate with new partners at the expense of old alignments may have originated at the ministry level, particularly the

Foreign Ministry. But together they must have reflected a strategic presidential-level decision that Brazil is no longer constrained by its longstanding tacit alliance with the United States--"responsible pragmatism" has evolved toward "pragmatic ecumenism."

As foreign affairs have become increasingly important to Brazil's economic welfare and hence to its goals of "national security", the role of the Foreign Ministry in making foreign

policy has been increasingly confined to devising policies instrumental to these goals, implementing established policies, and handling the traditional "diplomatic" aspects of foreign relations. Despite broad agreement on strategy, the Ministry's often nationalist slant on policy tactics--toward Third World or other politically appealing lines--tends to conflict with economic agency policies of a more pragmatic kind which stress tangible material gains as well as with the cold war perceptions of the military. Having pioneered a Black African link and declared for an independent nuclear technology, the Foreign Ministry has recently found itself on the winning side of policy debates over strategy as the pendulum has swung toward a more independent foreign policy. The fact that the Foreign Ministry has kept as large a role as it has succeeded in doing against the powerful state agencies that now dominate Brazil's economic life at home and its economic operations abroad bears witness to the high quality of its organization, staffing and leadership. To the extent called upon, the Ministry appears essentially prepared to represent Brazil in its new role of international power.

The economic agencies that wield authority over national policy on investment, monetary policy, industrial production goals, etc., in this military-technocratic regime where state entrepreneurship dominates have substantially extended their policy-making into the foreign sphere. The Finance Ministry, Central Bank, Mines and Energy Ministry, Industry and Commerce Ministry, and other economic agencies handle Brazil's complex

and varied international financial and commercial transactions-- which now total \$22 billion annually in trade turnover and more than \$22 billion in outstanding foreign debt. They set the basic tone of the new diplomacy in Brazil, just as they map out and implement domestic economic policies to which this diplomacy is closely tied. In one and the other, their mission is to satisfy requirements for domestic production, employment, profits, monetary stability, etc. for which they have the direct responsibility. With the power and momentum gained from their experience of the past decade, the economic leadership, together with the military, now make the domestic economic decisions which largely set the priorities and tasks for foreign policy, and the economic agencies carry out complex international negotiations formerly the province of the Foreign Ministry. The foreign operations that result from their decisions are highly dynamic, wide-ranging and centered on achieving immediate results--often overshadowing Brazil's traditional diplomacy.

II. Bilateral Relations (Hilton)*

Attitudes and Goals

There is a wide consensus among Brazil's foreign affairs elite on the traditional axioms of real politik. They approach foreign partners with the view that raw power and self-interest

* Summarizes Stanley E. Hilton, "Brazil's Bilateral Relations".

govern their relations and that only an often ephemeral convergence of interests leads countries to collaborate with others. Despite great changes in their situation, they see Brazil as still a developing country, a "second-class" power, very much subject to the rules governing the fortunes of weaker powers in the international arena and hence vulnerable to harsh and dangerous challenges to its national well-being.

As Brazil drives to sustain national economic growth, its bilateral relations are evolving into new channels through the search for:

- trade partners who offer large and diversified markets;
- suppliers of raw materials, notably oil; and
- financial sources to bankroll Brazil's enormous development needs.

Old Alignments and New Partners

Traditional bilateral interests--in Latin America, the United States, and Western Europe--remain strong, but there have been changes. These are most apparent in the Western Hemisphere, long the chief focus of Brazil's foreign policy. Now that Brazil has moved upward in the world, Argentina and other Hispanic nations of the Hemisphere seem less significant than in the past as competitors or threats to their great Portuguese-speaking neighbor. But Brazil's changing relations with the United States, long cherished by Brazilian leaders as a potential

or actual ally, best illustrate how the directions that Brazilian policy has taken in the new era affect the country's bilateral network of relations.

Brazil feels less pull from the US economy as it:

- develops other strong partnership relations rivaling the United States in size and compatibility--and with countries that need Brazil more than the United States does, e.g., West Germany and Japan; and
- seeks to satisfy acute needs for capital and energy wherever these resources may be found, whether among the Arab states or in Communist countries.

Simultaneously the diplomatic-political concerns traditionally pushing Brazil toward the United States weaken as Brazil becomes less anxious over Hemisphere rivals and enemies and less urgent to counterbalance them through closer US ties. The US-Brazilian military tie has eroded as an influence on foreign policy because the US role as ally and arms supplier has steadily diminished since World War II.

No comparable push toward closer ties with the United States is developing. Brazil may continue inclined toward security alignments with the West because of its own political set and perceived threats, e.g., from Soviet seapower in the South Atlantic, ideological clouds on South American political horizons. But stronger for the time being is pressure to disassociate from

the United States in matters that might bring Brazil into conflict with Arab partners and the need to identify more closely with the "South" in the emerging North-South divisions in world affairs.

Meanwhile, the magnetic attraction formerly exercised by dominant US power has weakened. The United States remains Brazil's major economic partner for its broad range of markets, capital flow and technology, with Germany as a secondary contributor. Western countries will predominate in Brazil's bilateral relations. But Brazil can bargain on a fairly equal plane with them--as with most other partners except the Arab oil producers who at least temporarily have the unfair advantage of controlling sources of petroleum and credit deemed essential to the development of Brazil. Thus the old pro-US resonance and pro-alliance sentiment that once infused Brazilian foreign policy have steadily diminished over the past ten to fifteen years.

III. Changing Patterns of Foreign Trade (Heare)*

Brazil's foreign trade has expanded tremendously and also changed significantly as to direction and composition. Between 1964 and 1974 Brazil's trade turnover increased from \$2.7 billion to \$22 billion and stayed at that level in 1975.

* Summarizes Gertrude E. Heare, "Brazil: Changing Foreign Trade Patterns."

Export composition and foreign markets became highly diversified and Brazil's dependence on the US market declined.

- Coffee, formerly the mainstay of exports, dropped to 20 percent in 1973, to 11 percent in 1974, and to 10 percent in the first nine months of 1975.
- Much of the phenomenal trade gains came from other primary products (sugar, iron ore, cotton, soybeans) which made up 49 percent of total exports of just under \$8 billion in 1974 and about the same proportion of exports valued at \$6.6 billion during January-September 1975.
- "Industrialized products," the most dynamic sector of the export offensive, increased to 37 percent of exports in 1974 and 38 percent of shipments through September 1975.

The trend is continuing:

- Brazil has an enormous export potential in agricultural products, including beef, citrus, rice, and cotton as well as sugar and soybeans.
- Mineral exports will increase as ferrous and non-ferrous production rises.
- Manufactures will provide a rising proportion of exports over time, despite some current slowing of their rate of growth because of the world recession.

Brazil is heavily dependent on imports for the capital goods, industrial raw materials and fuel needed by its growing economy, but patterns of dependence are shifting:

- Through achieving self-sufficiency in most consumer durable and non-durable goods, Brazil has increased its needs for industrial raw and semi-finished materials, such as petroleum, minerals, and iron and steel manufactures.
- 80 percent of the \$5.3 billion rise in import values between the 1964-69 average and 1973 was accounted for by industrial input materials (49 percent) and machinery and equipment and scientific instruments (31 percent).
- Middle Eastern oil suppliers are assuming a larger role, representing 20 percent of Brazil's total imports in 1974;
- Brazil has the capacity eventually to reduce its dependence for strategic imports and develop the basis for self-sustained growth.

In its trade balance Brazil for the first time in many years registered a series of substantial deficits during 1971-73 (\$800 million in each year), which were capped by a tremendous deficit in 1974 (\$6 billion based on c.i.f. import values) as the prices of petroleum and other imports rose sharply and Brazil tended to stockpile imported goods in anticipation of further inflation. In 1974 the main deficit areas were the Middle East

and oil suppliers (48 percent of the total deficit), the United States (29 percent), Western Europe (17 percent), and Japan (11 percent). The trade deficit was reduced to an estimated \$4.7 billion in 1975 through cuts in imports and a slightly higher level of exports. These heavy trade deficits heighten Brazil's interest in attracting foreign loan and investment funds to meet payment obligations and augment local capital resources for future development.

Brazilian bilateral trade relations present a variety of problems and opportunities.

- a substantial and growing deficit in trade with the US and problems of competition with US goods in the US market and third country markets;
- serious trade deficits with Middle Eastern oil producers, which enhance Brazil's drive to develop domestic energy supplies and to expand exports, as well as its search for foreign loans and credits;
- continued reliance on European markets for traditional exports (despite a recession-induced slow-up in 1974-75) and a growing dependence on European sources of supply, but future problems in opening European outlets for Brazilian manufactures;
- ill effects of the world recession on trade with Japan, but a complementarity with the Japanese economy which will be an asset over the longer term;

- a promising Latin American market for processed and manufactured goods combined with increased Brazilian reliance on raw material supply from within the region;
and
- continued use of trade with communist areas, 1) to dispose of surplus exports (e.g., hides and sisal), 2) to reap benefits from world shortages of sugar and fertilizers, and 3) to provide a modestly useful source of manufactures, especially power plant equipment, and perhaps petroleum.

IV. Multilateral Diplomacy (Selcher)*

Brazil's multilateral diplomacy illustrates a consciousness of independence and expanding concerns plus a determination to press the advantages that its growing economic scale and dynamism, diplomatic skills, and regional primacy offer. It also illustrates Brazil's freedom from any doctrine or ideology except that of national economic benefit as conceived by the ruling military-technocratic elite.

Brazil sees itself in a somewhat intermediate position between the "average" developed country and the "average" LDC, moving steadily toward developed status, but retaining for some time important features of underdevelopment. As an upwardly mobile power, Brazil has been sensitive to what it terms a great

* Summarizes Wayne A. Selcher, "Brazil's Multilateral Diplomacy".

power effort to "freeze" the international hierarchy of wealth and political influence. Its operations in multilateral, including commodity and international organization, affairs afford insight into the shifting and many-faceted character of Brazil's diplomacy, its capabilities for action, and its goals of these spheres. Brazil has focussed on the same things multilaterally as bilaterally--access to markets, credit, technology, and dependable supplies of resources.

Resource, Energy, Commodity Interests

Government policies on important raw materials, resources and energy issues have emphasized self-help and bilateral arrangements much more than general international cooperation. Brazilian policy assumes growing economic nationalism and the need for caution about the viability of multilateral efforts in such matters.

In 1975 meetings preparatory to a world energy conference, Brazil translated its conflicting interests in the situation at that time--as a major oil consumer and large raw material producer--into support for the LDC move to form a common front with OPEC representatives. It acted primarily to serve its Arab diplomacy, and also to support the case for better prices for raw materials, an LDC bargaining chip in negotiations with the developed countries.

On the agricultural commodities--and some minerals--from which the bulk of its export earnings will continue to come, Brazil, with its superior production, marketing, storage, and finance facilities, and as both a large and a diversified producer, can influence the success of exporter groups without becoming heavily dependent upon other members.

Posture in International Organizations

Brazil is not a leader in Third World organizations, but it has cultivated an image of solidarity with the LDCs and sought leverage from this association in a variety of ways. In particular, the Brazilian government has promoted bilateral relations--trade, aid, investment and cultural cooperation--with Sub-Saharan Africa largely as a facet of its multilateral diplomacy. These relations have relevance to Brazil's posture among the LDCs, commodity matters, and, most recently, its relations to the Arab oil producers with whom the African states were induced to make common cause during the 1973-74 oil boycotts.

Brazil actively participates in international financial institutions that help it to attract foreign investments and multilateral loans for development projects. The Finance Ministry is concerned about the national credit rating and works well with the representatives from industrialized states that dominate international finance. The Foreign Ministry--sensitive to LDC calls for solidarity in forums such as UNCTAD and ECOSOC and to

Brazil's status in the Third World--shows some opposition to this "banker's mentality." However, Brazil usually lines up on financial issues with the group of developing countries that have essentially market, export-oriented economies as against economies more dependent on concessionary measures. Under the present regime it prefers to manage its large foreign debt and maintain a favorable credit rating rather than reschedule it or repudiate it, as Goulart had threatened to do in early 1964. Brazil had the highest total of loans granted to mid-1974 by the IBRD, its affiliated International Finance Corporation, and the Inter-American Development Bank.

In terms of identity with the Third World movement, Brazil's voting record at the UN is mixed. This reflects numerous points of difference, including Brazil's moderate stance on economic nationalism, foreign investment, and multinational corporations, the government's sensitivity to criticism as a conservative and/or repressive regime, e.g., for human rights violations, and its preference for pragmatism instead of polarizational and paper majorities. However, Brazil's national interest is to play the LDC role as long as possible in order to continue eligibility for preferential treatment in terms of access to industrial country markets and international financial assistance, and to put pressure on the developed countries to change the structure of the international system as needed to ease Brazil's upward mobility.

Brazil has proved alert to guard against multilateral programs that may threaten its own freedom of action or access to resources, whether by developed countries seen as trying to freeze international relationships or by LDC majorities seeking to impose unacceptable standards of conduct. Brazil has taken a hard, sovereignty-based position on the Non-Proliferation Treaty, the 200-mile territorial waters, the question of prior consultation inherent in the Itaipu hydroelectric controversy with Argentina, use of satellite screening devices, pollution control, and exploitation of Amazon territories.

Brazil's role in the Organization of American States has declined as this country has become less fearful of its Hispanic neighbors while desirous of avoiding any cause of conflict. Yet it still sees the OAS as providing a defense against formation of a Hispanic bloc. It has been against use of the recently formed Latin American Economic System (SELA) as a Latin American bloc that might lead on to conflict with the United States.

Conclusion

Because Brazil's foreign relations have become instrumental to the national economic programs that dominate Brazilian policy, the country's multilateral interests will continue to be highly complex. In pursuit of better terms of access to markets, credit, and technology, Brazil will be much involved in the movement to restructure the international economic, financial, and technological

orders. Working within this movement, it will seek to free up the existing arrangements so it can operate more effectively but avoid the imposition of new restraints on its own freedom by those seeking to establish a radically new order.

The political imperatives of this economic policy reflect a sense of confidence in the national future and the great power aspirations Brazil has entertained for so long, but they also evince an awareness that the nation is a late-comer to industrialization and still a minor international actor with considerable inherent weaknesses, such as heavy dependence on imported petroleum. Faced with limits to their freedom of action on the international scene, Brazilian diplomats are convinced of the cruciality of the moment, of the need to move beyond the relatively fragile present stage, lest Brazil be crippled by a sudden combination of unfavorable circumstances, as was Argentina after 1930.

Much of the Brazilian style in the international governmental organizations still appears to entail at least partial or implicit acceptance of the image of a negative concert of the most powerful states seeking to inhibit its freedom of action. The Geisel government's principles of "responsible pragmatism" and "no automatic alignments" declare not only an adaptive nationalistic freedom of action, but also support for multipolarity and wariness of the generosity of major powers. Brazil can be expected to continue to promote diffusion of power and decision-making participation to more international actors and to

engage in tactical cooperation with other states pursuing the same ends, including China and the Arab states, with which it is now intensifying bilateral relations. Its hopes for great power status in an increasingly competitive international system demand that it keep open for future use as many options as possible.

V. Future Prospects (Schneider)*

The present political system in Brazil is likely to endure and continue to sustain the existing foreign affairs elites and policies, at least through the end of the decade.

Export expansion and diversification will remain a major goal of Brazilian policy and also a most difficult one to achieve, as well as one involving considerable financial commitments and risks by the policy-makers.

Not until the late 1980's or the 1990's, if even then, is Brazil likely to have developed to the point where its compatibility of interests with the Western industrial nations might definitely overshadow its shared concerns with the LDCs-- either because its market and supply problems have been resolved or because it feels less driven by the goals of "national security".

The foreign affairs elites' unity, autonomy and dynamism could be modified somewhat by internal political developments. Most immediate is the question of decompression, since Congress,

* Summarizes Ronald M. Schneider, "Brazil's Foreign Relations: Environment, Institutions, and Outlook," pp. 141-166.

parties, labor, Church, intellectuals, and mass media can have a meaningful say on foreign policy only in a more open political system.

Under present circumstances, Brazil is steadily moving toward an accentuated nationalism, but with tactics and intensity likely to vary with changing internal and external conditions. In the event of successful decompression toward a more open political system, there would probably be more pressure from political sources, at least in terms of rhetorical nationalism, infringement of foreign economic interests in Brazil, and Third World poses such as those favored by the Foreign Ministry. Brazilian nationalism may be confident and fairly non-abrasive (though perhaps quite effective in the economic sense) if the relatively pragmatic line of the economic agencies succeeds and continues. Or it may take on greater stridency depending upon the shifting fortunes of the national quest for development and security.

But, short of a collapse of the international economic system, it is hard to conceive of adverse circumstances which could deal Brazil harder blows than it has absorbed during the past two years in the form of the energy crisis and the disastrous coffee crop and tree-killing freeze of mid-1975.