COOPERATION OR COLLISION: THE UNITED STATES, BRAZIL, AND EMERGING GLOBAL POWERS

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ABSTRACT

This thesis discusses whether the relationship between Brazil and the United States is tending toward greater confrontation or cooperation. It analyzes the history of relations between the two countries since the early 19th century to the present day, and illustrates how the relationship has developed from one of close identification by Brazil with the United States to one of rivalry and even resentment by the 1970s. The US, once closely involved with Brazil turned its back on the country as it emerged in the latter part of the century as a global power. Despite these setbacks, Brazil and the US share a number of social, political, and economic values which can be traced back to the European Enlightenment. The strength of this underlying connection, as well as powerful if fraught trade relations, has ensured that their interactions were never fatally poisoned, and permitted the two countries to improve relations somewhat in the latter years of the 20th century.

Today, Brazil has emerged as a new force in world affairs at a time when the US is on the defensive. Will ties deteriorate again as they did in the 1970s or can both capitals place their relationship on a sounder new footing? The thesis analyzes this question in the light of rapidly shifting global affairs, and finds that Brazil and the US can
avoid friction by conducting relations within the context of international organizations wherever and whenever possible. Furthermore, the thesis concludes that if successful, Washington’s policies toward Brazil can guide its relations with other emerging powers. Similarly, Brazil can better advance its own global agenda by leveraging an improved relationship with Washington rather than through opposition to the US.
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CHAPTER 1

INTRODUCTION

A group of populous, rapidly-growing developing countries is redrawing the world’s strategic and economic map. These countries have integrated into, and prospered within, the global economic system and now are transforming the world’s economic and strategic systems. In 2001, Goldman Sachs grouped together four of these countries—Brazil, Russia, India, and China—and called them the BRIC countries. It reasoned that these four countries, with their large populations and dynamic economies, would drive global growth in the decades to come. A Goldman Sachs report stated: “The projections leave us in no doubt that the progress of the BRICs will be critical to how the world economy evolves.”¹ While the BRIC concept has its flaws,² it has stuck in the public mind and is having real consequences around the world in terms of foreign policy and strategic planning, as well as investment decisions. The BRIC concept has found its way into strategic thinking in the US corporate, intelligence, and foreign policy communities.³ Meanwhile, the four countries concerned have incorporated this idea into their own planning and policymaking as well, holding annual presidential summits in Yekaterinburg in 2009 and in Brasilia in 2010. The 2011 meeting will be hosted by China.⁴

Long term economic forecasts are unreliable, as the 2001 report itself recognized. Nonetheless, Goldman Sachs’ growth forecasts have become conventional wisdom. In a
2003 paper, its economists used demographic projections and economic models of capital accumulation and productivity growth to claim that “If things go right, in less than 40 years, the BRIC economies together could be larger than the G6 in US dollar terms (see Figure 1). Of the current G6, only the US and Japan may be among the six largest economies in US dollar terms in 2050.” If Goldman Sachs is correct, China will overtake the US as the world’s largest economy in about 30 years. China overtook Japan in 2010 to become the world’s second largest economy. Despite the inherent uncertainties of economic forecasting, the Goldman Sachs projections have proven to be reasonably accurate to date. As such, these projections have focused the attention of US policymakers on the security and foreign policy implications of the rise of these economies.

**Figure 1. The World’s Largest Economies in 2050**

Source: Goldman Sachs

![Chart showing forecasted and actual GDP for China, US, India, Japan, Brazil, Russia, UK, Germany, France, and Italy in 2000 and 2050.](sourceimage)
countries. Put simply, with wealth comes power and hence the importance of these questions for US policy makers.

The United States, as the world’s single most powerful state, already faces daunting foreign policy problems in its relations with all but one of the BRIC countries. China presents military, economic, and strategic challenges that are frequently, even obsessively, analyzed in US intelligence and policy papers.\(^9\) Russia is a restless regional hegemon that aspires to regain its global role. India is locked in nuclear confrontation with Pakistan. China, Russia, and India also challenge the US in other policy fields, such as trade relations, governance of international organizations, human rights, and climate change. Additionally, China and Russia share few values with the United States, such as a commitment to liberal democracy, the rule of law and judicial independence, or a free market economic system. Of the four, only Brazil and India aspire to the same core values as the US but only Brazil considers itself a member of the extended Western community. Furthermore, it is the sole BRIC state to have renounced the acquisition of nuclear weapons.\(^10\) It has made peaceful relations with its neighbors a strategic foreign policy aim.\(^11\)

This is not a new phenomenon. As we discuss below, the policies of successive Brazilian governments have been broadly—if not always identically—aligned with US aims. And whenever serious friction has emerged between the two countries, for instance in the postwar period or during the late 1970s, it did not inflict lasting damage on bilateral relations. Unlike Russia, India, or China, Brazil is located in a region where
interstate conflict is rare, where ideological differences are superficial, and where critical US interests are not being challenged. Strategists at the UK Ministry of Defense foresee turmoil in most of the developing world, including China, but expect peace in Latin America, except for localized trouble in Mexico and Peru (see Figure 2).

For the first half of the twentieth century, there existed an “Informal, unwritten alliance between the two giant republics of the New World.”12 Although the alliance started to unravel in the 1950s, the relationship has remained close, even if it is subject to “low-level friction, unmet expectations, and recurrent frustration.”13 Disputes have arisen mainly over technical issues such as international trade, intellectual property, or investment regulations, rather than the more fundamental questions of war and peace, or ideology and values.14 The US and Brazil may clash
Figure 2. Current and Future Regions of Multiple Stress

Source: UK Ministry of Defense. *Global Strategic Trends Out to 2040*  

Over commercial interests but they do not disagree over fundamental political issues or economic policy, and the emergence of an energetic middle class in Brazil over the last 20-30 years has fostered a deeper respect for these values. A majority of Brazilians are now considered middle class and besides having adopting middle class consumption patterns, they are also starting to embrace bourgeois values, such as moderation, equality, and free enterprise. Former President Fernando Henrique Cardoso has noted in his
memoirs how the objectives of Brazilian foreign relations have come to reflect middle class aspirations. In addition to carrying out the traditional aim of defending national security and commercial interests, Brazil’s foreign policy aims are also informed by “progressive attitudes,” such as defense of human rights, environmentally sustainable development, and the preservation of peace and democracy.18

**Growth Brings Complexity, Friction, and Tension**

This paper will examine how US-Brazil relations have grown denser, more complex, and consequently harder to manage as a result of Brazil’s development throughout the 20th century. This was inevitable as Brazil grew wealthier and shifted from being a producer of agricultural commodities, to becoming a diversified industrial economy closely integrated into the global. As a result, its interests multiplied and foreign policy aims goals became more complex. Bilateral relations became yet more multifaceted in the 1990s, as Brazil’s economy regained stability and growth after more than 20 years of stagnation. In recent years, its political system has modernized and grown more sophisticated, allowing it to engage with the international system in a more active and effective manner. It has begun asserting itself as a significant actor in regional and global affairs in interesting new ways. Its recent pursuit of leadership is based less on military power (of which it has little) or the size of its economy (which remains small relative to global Gross Domestic Product, despite Brazil’s steady growth). Rather, it
must rely more on claims of regional leadership, the quality of policymaking, and the personal prestige of its leaders.¹⁹

In this context, Brazil’s interactions with the US—and with other leading states—have expanded to cover new areas that include world economic affairs, climate change, and global governance as well as the more traditional topics of trade, investment, and regional and bilateral political questions. While Brazil and the US often diverge on most, if not all, of these topics, nonetheless they rarely impinge on broader and more strategic issues between the two governments, on which there is usually general agreement.²⁰ As a result, Brazil’s rise has attracted little concern in the US or among the established powers, since it is not viewed as a disruptive influence nor an ideological threat, it is not a nuclear power, and is considered part of the extended West. Indeed, Brazil’s increasing prominence in global affairs has led many American analysts to believe it could become “an extremely attractive partner in global initiatives for the US and the EU.”²¹ Instead, it is Brazil’s smaller neighbors who are alarmed about the country’s growing strength. They worry Brazil will begin to use its economic and military strength more openly and more forcefully to achieve its regional policy aims than in the past, and threaten their sovereignty as it does so.²²

Yet, as Brazil’s importance and attractiveness to Washington grows, it is also becoming a less reliable partner.²³ As Brazil’s interactions with the global economic, political, and strategic systems become more complex, so are its relations with Washington likely to become more subject to tension and disagreement.
Research Question

The question this thesis addresses is whether the relationship between Brazil and the United States is tending toward confrontation or cooperation. This is important because it can shed light on how the two partners might manage their relationship. Beyond this, analyzing this bilateral relationship could inform US policies toward other emerging regional powers.

On the latter point, the development of US-Brazil relations matter precisely because Brazil does not fall into the same high-risk, high-priority category as the other three BRIC states. Instead, the difficulties and opportunities the US faces in its ties with Brazil resemble more closely the issues it faces in its relations with emerging regional powers such as South Africa or Indonesia. They are among the nine countries, which Yale University’s Paul M Kennedy \textit{et al.} have called the “pivotal states.”\textsuperscript{24} They argue these states are “poised at critical turning points and whose fates would significantly affect regional, and even international, stability.”\textsuperscript{25} Brazil, India, Indonesia, Mexico, South Africa, and Turkey have the added attraction of having vigorous democratic political systems. Only two of these states—India and Pakistan—pose a critical challenge to US power or threaten their neighbors.\textsuperscript{26} While many pivotal states are populous, increasingly prosperous, and have market-oriented economic systems, few receive sustained attention from the forces that drive global foreign policy in Washington—the White House, Congress, the media, and think tanks.\textsuperscript{27}
Instead, Washington is usually more concerned with “Great Power relationships with Europe, Russia, Japan, and China,” and is more attentive to client states like Israel, Saudi Arabia, South Korea, and intermittently focused on a few rogue states like North Korea or Iran. More recently, of course, Washington also has had to concentrate its energies on managing protracted foreign policy challenges in Iraq, Iran, and West Asia. Consequently, it generally has shown little interest in the likes of Brazil simply because they rarely present major security or political problems. Instead, Washington’s relationships with these countries revolve around less urgent “second tier” policy issues such as trade, investment, human rights, and the environment in which the diplomatic levers available to Washington are limited and their results often “diffuse and unplanned.”

However, these pivotal states are beginning to exhibit many of the same complex, but low-intensity, foreign policy challenges which Washington already faces with Brazil. Managed well, these countries can provide the diplomatic support the US needs to advance its agenda in the international system. The US may be the world’s dominant power, but it still needs the support of others in global forums such as the United Nations or the G-20. Thus it is important to understand that if relations are managed poorly, the US could find that lack of support might undermine execution of its “first tier” global political and strategic aims, such as efforts combating terrorism or stabilizing the Middle East. It can avoid this by applying in other pivotal states the lessons it can learn from managing relations with Brazil.
In developing these themes, this thesis will examine the historical roots of Brazilian-US relations, especially the period since the mid-1990s when Brazil regained stability and began reengaging with the outside world. In subsequent chapters, we will consider how the two countries’ political and moral values—both shared and divergent—have affected, and continue to shape, their foreign policy strategies. This discussion will lead to an analysis of convergence and divergence in their bilateral relations, allowing us to map areas of actual and potential policy challenges. In conclusion, the thesis will analyze how US engagement with Brazil can guide the creation of a new paradigm for relations between the US and peripheral states.

**Brazil in Context**

One of the last works by Stefan Zweig, the Austrian writer and intellectual who died in exile in Brazil in 1942, was called *Brazil, Land of the Future*. Zweig’s reportage is largely admiring and he did not intend his title to be taken ironically. Nonetheless, the slogan that “Brazil is the land of the future – and always will be” has become popular in Brazil, and around the world, as a mocking comment on the country’s tendency to frustrate its potential. Brazil’s history is composed of short cycles of prosperity and stability which soon give way to periods of upheaval and chaos, with predictable consequences for Brazil’s international standing.

It is easy once again to get excited about the seemingly great future now awaiting Brazil. The country combines great scale and dynamism with vast natural resources. It is one of the world’s biggest nation states, with a population of 191 million people, and a
GDP of $1.58 billion that is equivalent to 40% of Latin America’s GDP.³⁴ It is growing rapidly: the economy has expanded by one-third since 2000, and Brazil ranks as the world’s tenth largest economy, wedged between Spain and Canada. It is among the world’s biggest exporters of foodstuffs. It has recently discovered offshore oilfields with reserves of 12.8 billion barrels.³⁵ Brazil’s economic renaissance since the mid-1990s has made it the subject of great international interest. Books, international conferences, and Wall Street strategy sessions discuss the emergence of Brazil as a new “economic superpower.”³⁶

There have been similar waves of enthusiasm in the past when Brazil was seemingly on the verge of taking its place among the world’s great powers. One analyst wrote in the 1976 book Brazil: Foreign Policy of a Future World Power, that “Brazil is nearing the ill-defined but generally recognized point at which it can claim to be a ranking power…Brazilians have a very real aspiration to greatness, with expectation of success at least by the year 2000.”³⁷ History proved otherwise: foreign debt crises, hyperinflation, and political instability engulfed Brazil throughout the 1980s and mid-1990s. Yet there are reasons for more confidence now. Brazil is approaching its second decade of economic expansion. There are few indications of major economic stress. The country shrugged off the effects of the 2008 global financial crisis and suffered only a minor recession in 2009. The economy is expected to grow by 7.8% in 2010.³⁸ Domestic politics have become a humdrum process in which there is a wide consensus on economic
and foreign policy. Dilma Rousseff, the ruling Worker’s Party candidate, won the October 2010 elections by stressing continuity.

Unusually for a country of its size, Brazil has small and inexperienced military forces. It lacks a military tradition of any note, and its defense budget has rarely been a significant economic burden. It has no recent experience of civil conflict or threats to national unity, and has had peaceful, if sometimes tense, relations with its neighbors for over a century.\textsuperscript{39} The last internal conflict took place in 1932, its last regional conflict was the 1864-1870 War of the Triple Alliance. Brazilian forces fought briefly in World War II under US command in Italy. The last military coup d’état took place almost 50 years ago. In this context, Brazil’s military budget rarely exceeds 1.5% of GDP.\textsuperscript{40}

Yet these achievements should still be placed in careful perspective. The comments of one writer from the 1980s remains valid: “Much of the developed world’s fascination with Brazil has been based on projections of its absolute size without considering the tremendous gap that continues to separate Brazil from the older developed countries. Expectations of Brazil’s role in present world affairs have been based largely on estimates of Brazil’s potential, not calculations of its actual performance and ability.”\textsuperscript{41}

Brazil’s economic performance relative to other countries has indeed been disappointing. Its share of world GDP has fluctuated between 1.5% and 3% over the last 40 years. Its size relative to the US economy has ranged between roughly 5%-10% since the early 1970s\textsuperscript{42} (see Figure 3). Brazil’s ranking in the global economy has actually
declined over the years: it placed ninth in 1960, ranked between India and Sweden. Brazil's share of world exports declined by 11% between 1985-2008, to 1.25%. This is not intended to suggest that Brazil’s claims to power deserve to be dismissed. Instead, it indicates that that the country will continue to be affected by economic and political volatility, that its foreign affairs strategies will probably be conditioned by resource constraints, and that foreign policy will remain concentrated on economic questions. Nevertheless, the nature of Brazil’s regional and global roles—and its attractiveness to the US—may be determined less by its relatively limited economic and military resources, the traditional yardsticks of power, and more by its political and diplomatic influence.

**Figure 3. Brazil's GDP as a proportion of World and US GDP (in percent)**

As we will discuss in later chapters, the changing nature of the international system tends to benefit emerging powers, and not only because their populations and
economies are expected to grow so rapidly. Material sources of strength, while still highly significant, are being displaced by new forms of influence, such as diplomatic, political, and even cultural leadership. As such, their growing influence may enable Brazil and others to modify the system of international law and institutions created by the US and its Western allies in the aftermath of World War II. Consequently, the US needs to deepen its understanding of these emerging powers, and design appropriate foreign policy strategies for them. The lessons Washington has learned over the years from managing its relationship with Brazil will be a critical factor in developing these policies.

**Structure**

This thesis is divided in three parts. In Chapter 1 we will review the history of US-Brazilian relations from independence from Portugal in 1822 to the early 1990s. This long period saw the emergence of a strong, but subordinate, relationship with the US, the birth of Brazil’s ambitions as a regional leader, and the country’s growth in the postwar years. Brazil’s growing economic strength (and frustration over perceived US indifference toward an old friend) led to a new phase in foreign policy in the 1960s and 1970s, in which it rejected its status as a secondary power and began developing a more independent foreign policy.

However, as we will see in Chapter 2, it was only with the country’s economic stabilization and the consolidation of democracy in the 1990s, that Brazil was able to begin realizing its ambitions as a regional leader and as an independent actor in global
politics. In Chapter 3, we will develop these themes as we analyze how Brazil’s aspirations to leadership have brought both friction with the US and have strengthened bilateral ties that are built on shared values and interests. In the conclusion, we discuss whether Brazil-US relations can form a paradigm for managing ties with other emerging powers, bearing in mind not just variations in these states’ relative strength, but also the rapidly evolving nature of the international system.

This thesis builds on previous work by notable scholars of Brazilian history and foreign policy. These include Riordan Roett, E. Bradford Burns, Andrew Hurrell, Robert Wesson, and Sean W. Burges. We also draw on the writings of Brazilian diplomats and politicians, primarily former president Fernando Henrique Cardoso (who in a previous life as an academic also profoundly influenced thinking about Brazil’s economic policy) and his foreign ministers Celso Lafer and Luiz Felipe Lampreia. Brazilian foreign policy specialists such as Mônica Hirst, Matias Spektor, Eduardo Viola, and Tullo Vigevani provide insight from a local perspective. This analysis is placed in a wider context when we come to discuss the role of the US and Brazil in the international system. I am indebted to the many scholars who have written extensively on the nature of the post-Cold War global system. They include members of the “realist” and “neo-realist” schools of international relations such as Kenneth N. Waltz, Samuel P. Huntington, and Francis Fukuyama, as well as G. John Ikenberry, Richard N. Haass, and Joseph S. Nye who have developed new ways of understanding the nature of US power and the contemporary international politics.
This thesis forms a small part of a broader reexamination of international relations and the role of emerging powers in global economic and political affairs. This debate can be traced back to the end of the Cold War and the development in the late 1990s and early 2000s. New groupings such as Kennedy’s pivotal states and Goldman Sachs’ BRICs, and new ideas such as Nye’s notion of “soft power,” Fukuyama’s end of history, and Huntington’s clash of civilizations emerged to make sense of the new structure of world economics and politics.
CHAPTER 2
AN UNEQUAL RELATIONSHIP

Relations between Brazil and the United States began well, flourished, and then entered a difficult middle age. Now, the two countries are seeking reconciliation. Brazil’s economic and political stability has enhanced its international standing. It has embarked on a new foreign policy strategy that is broadly, if not always perfectly, aligned with American foreign policy aims. This suggests that Brazil’s relationship with the United States can act as a guide to formulating American policy toward the new emerging powers. Russia, India, and China, because of their size and geostrategic importance, present the US with major challenges of their own. But policies toward the second tier of emerging powers—Kennedy’s pivotal states—can usefully draw on the experience accumulated from managing Washington’s increasingly complex relationship with Brazil.

A summary of the historical relationship between Brazil and the United States will help us to understand how the two countries’ foreign policy goals have diverged and converged over time. It will throw light on the values underlying the relationship, and how these too have developed over time. We will see how the growing interrelatedness between the two countries historically has been driven by principally by economics, though also by a set of shared cultural norms such as common sense of belonging to the Western world. Although Brazil initially aspired to a partnership of equals with the
United States, it was soon relegated to a secondary status, a role it has resented, and struggled with, for over a century. The subsequent decades were spent in an abortive effort to rebuild ties with the US. By midcentury, with the realization that a special relationship with the US was impossible, Brazil embarked on a more independent new foreign policy strategy altogether, one made possible by a growing economy and colored by suspicion, if not outright resentment, of the US and the West.

Unlike Brazil, the English-speaking United States was a Protestant nation that fought a long, bitter war for its independence and was built on egalitarian principles of individual liberty and constitutional rule, with an economic system based on private enterprise. Brazil was a Catholic state, with authoritarian traditions, and had a patriarchal economic system inherited from Portugal. Like the American South, Brazil had a plantation economy worked by slaves (until 1888), based first on sugar exports and later on coffee. However, unlike the Britain, Portugal had conceded rather than violently resisted, its colony’s independence, although it only did so after receiving £2 million in compensation from Brazil (financed by London bankers) for the loss of its colony. Portugal had become captive to British commercial interests in the early 19th century, and had signed a trade preference agreement, the 1810 Treaty of Commerce and Navigation, with London as the price for the court’s flight from Lisbon. Like the United States, however, Brazil was a barely explored continental state and endowed with a growing sense of its own identity as a leading power surrounded or threatened by hostile states. The two states were isolated. At first, the United States was overshadowed by
European powers, especially Britain. For its part, Brazil feared encirclement by its neighbors or becoming a hostage of British financiers and traders.

American influence in Brazil began with the birth of the United States, as the American ideals of independence, individual freedom, and constitutional rule spread throughout Latin America and found their way to Portugal’s largest colony. In 1786, leaders of Brazil’s first independence movement begged Thomas Jefferson to lend American support to their cause, but to no effect. Although it was the British navy that brought Portugal’s King João VI and his court to Rio de Janeiro as they fled Napoleon’s armies in 1807, the United States quickly stationed an American diplomat in Rio, now the capital of the Portuguese empire, making it the first Latin American capital with a resident US representative. Brazil declared its independence in September 1822 and the US granted recognition in May 1824. Despite the delay, the United States still was the first country to recognize Brazil’s independence.

Early recognition set a pattern for close, intertwining relations between the two countries that was to last almost unbroken for 150 years. Brazil embraced the Monroe Doctrine in 1823, even before Washington recognized the new government in Rio de Janeiro. As the first Latin American state to accept the doctrine, Brazil expected the doctrine would reinforce its independence, which Portugal had not formally accepted; Brazil’s territorial integrity was still at risk from Royalists and separatists holding out in its northern and northeastern provinces. In fact, adherence to the doctrine was a second best: Brazil had hoped to sign a formal alliance with the US, “which was politely
declined” because Washington in his farewell address had advised against “entangling” foreign pacts. Still, by incorporating the concept of non-interference into its own nascent foreign policy, the Brazilians expected this principle would apply to the US as much as to Portugal. Nonetheless, Brazil purposely exaggerated its relationship with the US, unlike the suspicion and hostility with which Spanish-speaking states viewed the Monroe Doctrine. As Bradford Burns noted, “The Brazilian government recognized the new doctrine and spoke of an offensive and defensive alliance with the United States. Brazil saw in the doctrine a defense of its newly proclaimed independence and a protection from European aggression.” In 1828, the US and Brazil signed a Treaty of Peace, Amity, Commerce and Navigation to further strengthen their relationship. Trade with the US was growing, and a commercial treaty gave further impetus to Brazilian efforts to diversify its commercial and financial relations, then dominated by Britain.

Washington was the first capital to recognize Brazil’s new republican government in 1890. In return, Brazil supported the US in its standoff with Chile that almost led to war in 1892. It also supported US gunship diplomacy in the Caribbean, and even sided with the United States against Mexico when it occupied Veracruz 1914. In 1905, Brazil opened its first embassy, in Washington, D.C., and the United States opened its first embassy in South America in Rio de Janeiro.

In such moves, Brazil’s calculation was simple. It expected that the US would respect its right, as the largest country in South America, to exercise hegemony over the region just as Brazil respected free hand for the US in the Caribbean, Mexico, and
Central America. Yet Brazil, always fearful of encirclement by neighboring Spanish-speaking states and their intrusion into remote western and northern provinces, also saw the US as a powerful diplomatic, if not military, ally in holding its neighbors at bay. Rightly or not, Rio de Janeiro believed that its neighbors, especially its rival Argentina, would take note of the “informal, unwritten alliance between the two giant republics of the new World.”

The US also valued the relationship in the late 19th century and early 20th century, when Washington’s only close friend in Latin America was Brazil. Yet US interest in South America in general and Brazil in particular waned as American global ambitions grew. Trade flows highlight the increasingly unequal relationship. By 1900, US imports from Brazil were worth $78 million, or 43% of Brazilian exports, most of which consisted of coffee. In contrast, US sales to all of Latin America were $108 million, but they were equivalent to just 8% of its total exports that year. Despite increasing prosperity and a growing immigrant population, Brazil remained a poor country with an agrarian economy confined to the periphery of world affairs. As such, maintaining a strong, vigorous bilateral relationship had become far more important to Rio than to Washington. Despite this, Brazil found that its relevance to the US was shrinking to a supporting role in Washington’s global diplomatic strategy.

Brazilian governments of the early 20th century understood the unequal nature of the relationship, but still hoped to turn it to their advantage. The republic’s first great foreign minister was José Maria da Silva Paranhos, the baron of Rio Branco, who
established an “unwritten understanding” with Washington in which the US recognized Brazilian “subleadership” in South America in return for Brazilian “deference” to the US policies elsewhere in the Americas and around the world.  

Rio Branco did not stint in his efforts to cement the relationship. Furnishings imported from Paris for a banquet for Secretary of State Elihu Root during the Third Panamerican Conference of 1906, held in Rio, cost $100,000. Rio Branco’s “goal was for Brazil to imitate the success of the United States and at its side to exercise considerable influence around the world.”  

Hence Brazil’s decision to follow the example of the US by declaring war on Germany in 1917, a formality that did not require it to send troops to Europe. However, the war and its aftermath only confirmed the gulf between the two countries’ relative strength and influence. The war was a triumphant demonstration of the United States’ industrial vigor and global power. In contrast, Brazil remained a distant and impoverished agrarian society dependent on coffee exports to pay its way in the world. Brazil had invoked its “unwritten alliance” with Washington to wrangle an invitation to Versailles (and the right to bring one of the largest delegations), but it was a marginal presence at the peace conference.  

Resentful Brazilian delegates “carefully recorded the discriminatory, abrupt treatment often meted out to representatives of subordinate nations by those of the major victorious powers.” Nonetheless, the experience did little to dim Rio’s commitment to the unwritten alliance. The architects of its foreign policy, deeply concerned about Argentine militarism in the years following World War I, used the claim of a special relationship with Washington—and the possibility of US intervention or at least material
support for the weaker Brazilian armed forces—to deter Argentine expansionism in South America. Yet while the Brazilians were successful in restraining Argentina, the unwritten alliance no longer seemed to hold much meaning, as the special relationship “existed more in the minds of Brazilian leaders than in Washington's calculations.”

**Differences that Bind**

Brazil’s foreign policy strategy was built on firm internal foundations of economic prosperity and political stability. Burns remarked that, “At peace at home, the Brazilians were ready for a positive foreign policy which would project upon the world scene the interests and goals of the republic.” Among these were regional leadership, or at least the containment of Argentina; a rules-based international system, which it believed would favor weaker nations over the great powers; and further cultivation of ties with the US. This conjugation of internal peace and prosperity with global ambition would reemerge a century later.

During the first decades of the 20th century, the United States gradually replaced Britain as Brazil’s principal commercial and financial partner. Brazilian exports to the US grew 175% between 1900 and 1928, rising from $78 million to $215 million; US sales to all of Latin America increased nearly eight times, from $108 million to $830 million in the same period.

However, the Wall Street Crash of 1929 and its devastating economic consequences ended the long, deferential phase of the relationship, as well as Brazil’s aspirations to regional leadership. The Depression upended Brazil’s Old Republic by...
severing the already fraying ties of reciprocity within Brazil’s ruling classes, landowners, and industrialists.\textsuperscript{35} In 1930, a coup brought down the Old Republic and installed a dictatorship under Getúlio Vargas. That year, the economy contracted by 18.7\% and fell a further 11.75\% in 1931 as coffee prices crashed—70\% of Brazil’s population of 30 million lived off the land and industry employed just 1\% of the population.\textsuperscript{36} Once in power, Vargas decided that Brazil must begin a process of intense state-led industrialization, with the creation of a domestic steel industry considered the most important aim of all.\textsuperscript{37} Without a modern industrial base, he reasoned, Brazil could not aspire to joining the ranks of modern, industrialized states.

Germany’s new Nazi government and the Roosevelt administration courted Brazil for its natural resources, and they both approached Vargas with offers of military equipment.\textsuperscript{38} Trade between Germany and Brazil also grew strongly as Brazil became a major supplier of raw materials to Germany, and Brazil in turn increased imports of manufactures from Germany. Exports from Germany to Brazil doubled and by 1938, Germany had replaced the US as Brazil’s biggest source of imports.\textsuperscript{39} The Germans, whose influence in Argentina was growing at this time, now hoped to expand their reach into Brazil, a country with historically close ties to the US. Washington reacted by tightening relations with Brazil, particularly economic ties. The two governments signed a commercial treaty in 1935 and in 1937-1939, agreed a series of economic agreements that included American assistance in creating a Central Bank.\textsuperscript{40}
However, unlike Argentina,\textsuperscript{41} Brazilian elite opinion considered friendship with Germany to be “dangerous and short-sighted”\textsuperscript{42} because they believed this would undermine Brazil’s relationship with Washington. As a result of domestic political calculation, regional politics, and a strategic vision, Vargas chose to remain aligned with the US.\textsuperscript{43} Vargas grew closer to Washington during the 1932–1935 Chaco War,\textsuperscript{44} because he was worried about Argentine expansionism when Brazil’s military was greatly inferior to that of Argentina.\textsuperscript{45} In 1935, Brazil became the first country to join the US Reciprocal Trade Agreement and good relations between Washington and Rio de Janeiro formed the basis of FDR’s 1933–1945 Good Neighbor Policy.\textsuperscript{46} More importantly, Vargas shrewdly played on US concerns about a possible Nazi ascendancy in South America, not only to get the American arms he wanted, but also to convince Washington to set up Brazil’s first steel mill at Volta Redonda in the state of Rio de Janeiro in September 1940.\textsuperscript{47} As part of the deal, Brazil supplied raw materials such as rubber and quartz for the allied war effort, and provided air and naval bases in the Northeast that enabled the US to patrol the South Atlantic.\textsuperscript{48} In 1944, Brazil sent an expeditionary force to fight in Italy alongside the US Fifth Army under American command. This experience would have fateful consequences: war forged close personal and professional connections between US and Brazilian officers, creating “perhaps the strongest single factor of US influence in Brazil in the 1960s.”\textsuperscript{49}

By the end of the war, Brazil was confident that it was “more than ever the favored Latin American country,”\textsuperscript{50} and that it would remain a valued American ally.
Volta Redonda (which opened in 1946) symbolized these aspirations by enshrining a “very high degree of noncoercive US influence” in Brazil. Fundamental shared interests continued to link Brazil and the United States despite Brazil’s 1930 coup, the effects of the Depression, the impact of war, and the emergence of the US as a global superpower. These interests, from a Brazilian perspective, included meeting Washington’s need for a regional ally and US recognition of Brazilian preeminence in South America, as well as economic assistance. For Washington, Brazil’s size, its wealth of natural resources, its strategic attraction as the largest country in the southern hemisphere, were all reason enough to cultivate relations with Brazil. Washington’s policy toward Brazil was sensitively positioned as more “cooperation than domination” and the Brazilians, unlike Spanish-speaking Latin America—Argentina and Mexico in particular—viewed the US as “well-intentioned and not menacing to Brazilian independence.” And unlike its neighbors, Brazil expected to share in the spoils of victory (Argentina had only declared war on Germany in March 1945 as a condition for joining the San Francisco United Nations conference). It would soon become clear that the war years represented an apogee in the relationship. As in Versailles in 1919, Brazil was unable to contribute or gain much from the postwar settlement.

Brazilian historians refer to the immediate postwar period as one of “trauma” and disenchantment as its great ally became, suddenly and inexplicably distant. Despite Rio’s enthusiasm for a deepening of the relationship with the US, there was scant recognition in Washington that it owed Brazil anything, or that Brazil even counted for
much in a new era overshadowed by decolonization, the threat of Soviet expansion, and the dangers of nuclear war. The US did attempt halfheartedly to win Brazil a permanent seat on the United Nations Security Council, but was blocked by British, French, and Soviet opposition. Neither was Brazil, a peripheral economic power, invited to the Bretton Woods conference that created the World Bank and the International Monetary Fund. Meanwhile, Brazil’s “energetic involvement” in launching the United Nations was rewarded with the right to make the opening speech at the annual assembly.

Despite all of this, the Brazilian government, now led by a democratically-elected president Eurico Dutra, hoped to secure American financial aid. But Dutra did not understand that once Washington assumed a global role and made containing Communism its overarching aim, Brazil’s strategic, if not economic, significance to the US was bound to diminish. Brazil won no special economic favors in the postwar settlement either. The Marshall Plan channeled American resources to former enemies, instead of supporting an old strategic ally like Brazil. In this context, the US cut arms sales to Brazil, placing it on the same level as Argentina. To the fury of the Brazilians, the US even bowed to Argentine opposition to the sale of an American aircraft carrier to Brazil, which bought a British one instead. Not surprisingly, in 1951, Brazil refused to fight with the US in Korea.

Thus, once again, Brazil’s hopes of building a deeper, stronger relationship with the US were frustrated, just as they had been in 1919. The once harmonious relationship between the two countries increasingly became punctuated by “erroneous calculations”
leading to occasional “crises of expectations.” Washington’s decision to prioritize support for European reconstruction over Brazil’s industrialization strategy was an additional factor in the Brazilian decision to pursue an autarkic development strategy in which reducing dependence on the US would become a key factor. 

**Drifting Apart**

The United States was no longer a mere regional leader with great power ambitions; it was the world’s wealthiest country, a nuclear-armed superpower, with a sense of global destiny and responsibility, which the postwar period enabled it to act upon. Brazil, however, remained a poor, agrarian country unable to make its voice heard in world affairs but which continued to nurture ambitions of regional and global leadership.

During this period, the US began developing a strategy of “‘unilateral globalism,’ providing public goods in the form of security, opposition to Communism, an open global economy, aid for economic development, and stronger international institutions.” While Brazil, together with the rest of Latin America, was firmly part of the Western bloc, it was not on the frontlines of the struggle against Communism. The region was situated far from the ideological battlegrounds of Europe, post-colonial Africa, and Asia and as a result, Brazil was of minor importance during the Cold War. Additionally, instability in Brazil would soon become a cause for concern in Washington as its internal politics became increasingly dysfunctional, eventually driving Vargas to suicide in 1954. His death would plunge the country into a decade of upheaval as the rural and industrial
conservative establishment confronted a rising urban working class. Radicalization and politicization of the military became an additional source of anxiety in Washington as well as in the Brazilian army’s high command. Despite these concerns, Brazil’s significance in the global East-West confrontation remained limited.

In the decades after 1945, Washington’s overriding policy objective in Latin America was clear: it would not tolerate Communism and Soviet expansionism in the region, nor any leftist or labor activism. A US academic writing in the 1980s summarized Washington’s postwar Latin American policy well: “It is the United States’ national interest that there exist in the hemisphere stable, friendly, prosperous nation states…and that no hostile foreign powers exercise influence there.” During this period, supporting economic growth also was a US policy aim because, Washington believed, “economic backwardness” could be exploited opportunistically from abroad. While the country was of marginal importance as a US ally in the Cold War, this did not mean Washington neglected the threat of political subversion in Brazil. In fact, the US redoubled its efforts to foster stability and economic growth in Brazil. By 1962, the American Embassy in Rio de Janeiro had 1,400 employees, most of them working on development projects such as road building and education program.

Global economic recovery, industrialization, and urbanization also accelerated growth and industrialization. Per capita incomes rose an average 3.5% per year in 1945-1960, three times faster than the average for in previous decades, and one of the highest rates in Latin America. By the early 1960s, American corporate interests in Brazil also
became more prominent as the country industrialized, creating a market for consumer goods, equipment, and machinery either produced locally or imported. General Motors, Ford Motor Co., Esso, Chase Manhattan Bank, and Citibank were building significant business franchises in Brazil. At the same time however, fear of political instability threatening these interests alarmed Washington. Brazil went through four presidents between 1951-1964. Only one of them (Juscelino Kubitschek) was able to serve a full term. Vargas committed suicide in 1954, Jânio Quadros resigned in 1961, and João Goulart was toppled in a coup in 1964.

Although Latin America—including Brazil—would be shaken by military coups, popular uprisings, and guerrilla wars throughout the 1960s-1970s, the region never became a Cold War frontline of great importance. Conservative and pro-US governments ruled in most countries, imposed when necessary by force, as in a 1954 military coup in Guatemala which removed President Jacobo Arbenz from power. The 1960 Cuban Revolution failed to spread, despite its leaders’ best efforts. The fragile stability achieved by the region’s pro-Western regimes also ensured that Latin America would be of little importance to American governments concerned with combating the expansion of world Communism. The Cuban missile crisis may nearly have started a nuclear war in 1962, but it only lasted two months. Thus, if there is a theme to US policy toward Latin America more generally, and Brazil in particular, it would be one of benign neglect punctuated by occasional crises. The US only would show interest in Latin America when leftist movements threatened to take power or if political instability threatened American
corporate interests. Invariably, this meant small troubled countries in Central America and the Caribbean received more attention than larger, more complex, and more important states. Thus, once again Brazil’s pro-American elites grew frustrated that the US was neglecting country that they felt deserved to be taken seriously both because it was important in its own right, and because it was a faithful ally of the US. Once again, they failed to make their case in Washington, where waging the Cold War crowded out other foreign policy considerations.

Domestically, Brazil struggled throughout the 1950s and 1960s with worsening political instability and the stresses caused by its chaotic economic growth. Government indebtedness rose and currency crises became frequent; inflation accelerated to an average 2.5% per month between 1950-1965. Kubitschek moved the capital from Rio de Janeiro to Brasília, in the heart of the country, in 1960. The new city, with its exciting new architecture, was intended to be more than a physical commitment to occupying Brazil’s sparsely populated interior. It was also a symbol of modernity, growth, and development. Kubitschek, a state governor, had campaigned for president promising “Fifty years of progress in five.” As a result of this inward focus, his government turned its back on foreign policy. At the same time, as noted, the US foreign policy establishment lost interest in Latin America as it focused on global events such as the Suez crisis of 1956, tension in Europe, and the worsening conflict in Southeast Asia. During this era, for Brazil, regional and global affairs, and the relationship with Washington were only of value if they could contribute to domestic economic
development. That said, Kubitschek did make an effort to launch *Operação Pan Americana*, a regional development program to be financed by the US and coordinated with Latin American governments to stop Communism. As always, Brazil was hopeful this would prove its usefulness to Washington again and install Brazil as a “sort of US plenipotentiary.” Once again, the US showed little interest in Brazil as a strategic ally; President Dwight D. Eisenhower even questioned the usefulness of US financing for foreign development projects, and closed a Brazil-US Mixed Commission for Economic Development.\(^71\)

If the unwritten alliance so carefully nurtured by Rio Branco and Vargas had outlived its usefulness for both countries, their successors in Brasília had not found a new foreign policy strategy to replace it. Rather, by the early 1960s, a new approach to economic policy was taking hold that would profoundly affect Brazil’s foreign affairs in the decades to come. Brazil’s foreign policy would now begin to take an independent, and occasionally anti-American, path.

A new school of economists and sociologists had begun a reappraisal of Latin America’s economic development, responding to influences as disparate as resentment over growing American wealth and power, admiration for Soviet central planning, and a search for new solutions to intractable poverty and economic instability. Under the intellectual leadership of Raúl Prebisch, an Argentine economist, the Dependency School had repercussions that went beyond the realm of development policy, and affected foreign policy thinking and domestic politics across the region.\(^72\) Prebisch and other
scholars, including Celso Furtado and Fernando Henrique Cardoso of Brazil, attacked classical economic theory and argued for a new approach to development that was “responsive to the deep currents of desire for economic and social reform.” Prebisch saw how the region’s terms of trade had steadily declined since the mid-19th century. This trend benefited the developed world by lowering the costs of raw materials exported by Third World economies, but raised the cost of finished goods they imported from industrialized countries. This process maintained the developing world in a state of impoverishment and economic and political dependency on the First World, he argued. The appropriate solution would be development policies aimed at creating economic independence. High trade and investment barriers, state-led economic planning, and ample public finance would enable developing countries to industrialize by substituting imported goods with local production. Prebisch added that foreign investment, while not entirely unwelcome, generated new financial liabilities, such as interest and dividend payments, that only increased the burdens of developing countries. Dependency theory was a formulation that appealed to bureaucrats and the industrial elite because it would increase the power of government officials to allocate resources, and because it would channel plentiful subsidized credit to the domestic private sector. Dependency theory also appealed to the left and the labor movement. Writing in 1961, Prebisch stated as follows:

Potentially very powerful elements of social dynamics are involved in this desire to activate our own vital forces; some might describe it as nationalism. Whatever the name, it represents our determination to find our own solutions to Latin America's great economic and social problems and to implement them by our own hands and our own free will.
Economic autonomy, Prebisch and others believed, would also ensure the political independence of “peripheral” countries from the economic powers of the “center.” For Brazil, an independent foreign policy would be less concerned with managing its relations as a client of the United States, and more focused on furthering Brazilian commercial interests and achieving economic development goals. Indeed, Vargas had begun the shift toward a development-oriented foreign policy when he negotiated American financing for the Volta Redonda steel mill in the 1940s. And it was Vargas during his second term, this time as an elected leader, who whipped up a nationalist campaign that led to nationalization of the oil industry and creation of Petrobrás, the national oil company in 1952, as well as withdrawal from the International Monetary Fund in 1959, and reestablishment of trade with the Soviet Union.

Initial efforts to apply an independent foreign policy strategy both regionally and globally were haphazard and achieved little except to irritate the US. For example, President Jânio Quadros, an irascible and eccentric right wing leader who governed for less than a year in 1961, pinned a medal on Che Guevara during a visit to Brazil in 1961. He rejected an American offer for a $300 million aid package if Brazil would support the US position on Cuba; whether he decided this in outrage at the obvious bribe or on policy grounds was never clear. His left wing successor João Goulart, in office from 1961-1964, was unable to respond to a worsening atmosphere of political unrest, spreading labor strikes, and economic disarray. Brazil’s economic problems—inflation, balance of payments crises, and fiscal mismanagement—strengthened the appeal of dependency
theory, which seemed to explain the cause of the country’s problems and suggested innovative policy solutions to its difficulties.

The increasingly chaotic economy affected all businesses, but foreign companies, including US corporations, faced problems of their own. Multinationals remained subject to exchange and remittance controls in place since the 1940s, were not favored by the government’s industrialization policies, and struggled to cope with double digit inflation. Nonetheless, few left either because currency controls made it hard to repatriate capital or because they continued to see Brazil as a strategically valuable marketplace.

**Unconditional Support**

Upheaval led to growing demands from business interests and the urban middle class for urgent action by the army. In March 1964, the military high command seized power in a bloodless coup, ousting Goulart and installing a technocratic, pro-US, and fiercely anti-Communist government led by an army general. Not surprisingly, the coup received strong political support from the US because it promised to both restore order in Brazil and bring leftist subversion under control. Some of the army’s senior generals were veterans of the 1944 Italian campaign. The American ambassador had been in contact with the conspirators since 1962 and a US fleet was stationed off the coast the day of the coup in case the army needed support. The help was never needed. The US gave the new regime its “unconditional support” and offered loans, economic aid,
Alliance for Progress assistance, and military training. At this point Brazil became the second largest recipient of US foreign aid in the world.\textsuperscript{81}

The first years of military rule was marked by a return to Brazil’s old policy of alignment with the US. General Humberto Castelo Branco, the leader of the coup and president between 1964-67, and the military leadership were in fundamental agreement with Washington on “military and economic questions”\textsuperscript{82} and they strongly agreed with its global anti-Communist strategy. The generals considered stamping out subversion in Brazil part of their mission, as well supporting the US in its struggle against global Communism. While motivated by domestic political considerations and by their own ideology, the generals’ policies had the additional effect of increasing Brazil’s value to the US. General Golbery do Couto e Silva, the army’s leading political strategist and founding head of the National Intelligence Service (SNI), believed that Brazil’s security “must fundamentally be seen in terms of the overall defense of the West” and, as such, Brazil should “work with the United States in defending the hemisphere and Western civilization more broadly.”\textsuperscript{83} Going even further, Foreign Minister Juracy Magalhães would often say that “whatever is good for the United States is also good for Brazil.”\textsuperscript{84} In line with this, the generals broke off relations with Cuba in May 1964, and Brazilian troops participated in the 1965 invasion of the Dominican Republic. At home, political repression silenced the opposition, crushed labor unions, and forced intellectuals—including dependency theorists such as Cardoso—into exile.\textsuperscript{85}
Naturally enough, Washington expected Brazil would become its ally in the anti-Communist cause. However, notwithstanding the military government’s pro-American rhetoric and strenuous repression of Leftist dissidents at home, Brazil did not become an unquestioning ally. Although there was nothing in the military regime’s foreign policy, with its emphasis on anti-Communism and nationalism, to suggest hostility toward the US, the generals soon clashed with Washington. Angered by Washington’s decision to curb imports of instant coffee from Brazil, Brasília sided with India, Egypt, and other non-aligned states to reject American and Soviet proposals to limit nuclear testing. General Arthur da Costa e Silva, who succeeded Castelo Branco as president and governed between 1967-1969, revived the anti-Western and anti-American nationalism of the 1950s that had remained subdued under Castelo Branco. This led to policies which focused on Third World leadership as a way to assert Brazil’s claims to global leadership, and ensure its own rapid growth. Costa e Silva stated that nuclear power represented “the most powerful resource to be placed within the reach of developing countries for reducing the distance between themselves and the industrialized ones.”

The generals also refused to get involved directly in Washington’s global assault on Communism, and quietly turned down an American request to send troops to Vietnam. Anti-Communism was only a part of their evolving regional strategy, in which suspicion of Argentina continued to loom large. Golbery and other senior officers had begun developing a security doctrine that was “based on geopolitical competition, mercantilist practices, and Realpolitik thinking.” Matias Spektor, a
Brazilian historian, says, “the Brazilians told the Americans they would fight the Cold War, but on their terms.”  

There would be no joint operations, but there would be coordination and intelligence sharing efforts. The locus of Brazilian activity would be South America.

Still, in spite of Spektor’s views, presidential papers from the time indicate considerable cooperation with Washington. For example, President Emílio Garrastazu Médici, (who governed from 1969 to 1974) proposed to President Richard M. Nixon during a visit to Washington in 1971, that “the United States and Brazil cooperate in helping other democratic countries in Latin America counter the trend of Marxist/Leftist expansion.”

The two discussed toppling Chile’s leftist government and “safeguarding the internal and security status quo in the hemisphere, including the governments of Bolivia and Uruguay.” Washington’s longstanding interest in supporting politically stable, and reliably anti-Communist regimes in South America coincided with Brazilian regional aims following its 1964 coup. To this end, Brasília helped install a military regime in neighboring Uruguay in 1973; it toppled Bolivian governments in the 1970s; it propped up the regime of Alfredo Stroessner in Paraguay; the Brazilian ambassador in Santiago conspired with Gen. Augusto Pinochet prior to the 1973 coup against President Salvador Allende.

Brazil’s growing economic power gave it a stake in maintaining regional stability, and its economic strength gave it the means to influence neighboring countries. Curiously, the generals had retained several policy strands from the post-Vargas period.
Despite its virulent anti-Communism, the military regime’s economic strategy did not differ radically from the policies espoused by Prebisch. Their economic strategy combined support for private enterprise, foreign investment, and orthodox macroeconomic policies, with government economic controls, powerful state-owned enterprises, and protectionism. This approach allowed them to cut inflation to single digits and restructure the foreign debt within 18 months of taking office. Stability, import controls, and heavy foreign investment, unleashed a decade of blistering economic growth. GDP rose an average 8.5% per year between 1965 and 1975.

**Figure 4. Brazil's annual GDP growth**

![Graph showing Brazil's annual GDP growth from 1963 to 1975.](source)

There also was surprising continuity in foreign policy. While the military regime’s foreign policy was certainly more closely aligned with Washington than its predecessors, it continued steering an independent course. For example, Brazil was one
of founders of Group of 77 developing countries in June 1964. It diversified arms purchases, away from the US to the UK and France, rejected the Nuclear Non-Proliferation Treaty in 1968 and the 1967 Treaty of Tlatelolco, which established Latin America as a nuclear free zone. The generals initially had expected that the United States would be eager to restore its old alliance with Brazil, but instead were met with indifference. Thus, the shift toward an independent foreign policy was fueled by the military’s belief that the US and Europe aimed to hold back Brazil’s economic development. For instance, Brasília was indignant that Washington would allow its policies toward Brazil to be influenced by domestic business lobbies, such as the US coffee industry’s successful campaign for ceilings on imports of Brazilian instant coffee.

Brazil’s growing economic strength also nurtured ambitions of Third World leadership. It ranked among the top ten world economies, it was developing rapidly, and had a population of 100 million people. The national interest was no longer concerned just about the price of coffee, but began to focus on more sophisticated questions such as ownership of international waters and the seabed, Third World solidarity, regulation of world commodity markets, and trade talks. This was a reflection not only of anti-Americanism and nationalism within the army, but a result of Brazil’s increasing diversified and sophisticated economy, and the emergence of new issues in international economic relations. Brazil no longer saw itself as America’s junior partner, but was beginning to proclaim itself as a nascent world power in its own right, summed up in the
1970s slogan of *Brasil Grande Potência* – Brazil, the Great Power. It began “looking to change in the world order and nourishing its claim to be a future world leader, a ‘world power’ before the end of the century.”\(^{102}\) “Brazil looked to its own interests, which inevitably diverged from those of its great friend.”\(^{103}\) In 1970, Brazil announced its intention to reach developed country living standards by 2000. By this time, these views had become conventional wisdom. Samuel P. Huntington wrote in 1967, that by 2000, “American power will begin to wane, and other countries will move in to fill the gap. Among those that will play a prominent role in this respect will be China on mainland Asia, Indonesia in Southeast Asia, Brazil in Latin America.”\(^{104}\)

Unlike newly independent Brazil, which in 1823 had proposed an alliance with the United States, and unlike Rio Branco who made close ties to the US a central part of his foreign policy, military governments of the 1970s believed Brazil’s rapid industrialization and economic heft not only entitled, but required, it to develop an independent foreign policy. It was an irony the military regime was following the same development-oriented economic and foreign policy strategies (without recognizing their source) first mapped out by dependency theorists like Cardoso and others whom they had exiled or imprisoned for harboring socialist leanings. The generals complemented economic independence with a strong dose of nationalism. A 1972 US National Intelligence Estimate noted that “The armed forces now regard it as their destiny to guide Brazil to its rightful place in the world.”\(^{105}\)
The development of an independent foreign policy became more pronounced in the 1970s when a new generation of military leaders took Brazilian foreign policy in a more distinctly pro-Third World, if not anti-American, direction. Francisco Azeredo da Silveira, foreign minister between 1974-78, aimed to build a true relationship of equals with his counterpart Henry Kissinger. They signed a Memorandum of Understanding in 1976, to act as a framework for consultation and semiannual meetings, “which Brazil hoped to achieve a more symmetrical relationship with the United States.” Azeredo da Silveira branded his foreign policy stance with the strange title “Ecumenical and Responsible Pragmatism,” which he maintained, would promote Brazil’s international status by making use of an increasingly flexible international political environment that was opening room for a Third World movement between East and West. Although Kissinger and he formed a close personal rapport, the relationship was punctuated by recurring crises that ranged from trade disputes to disagreements over strategic affairs. In 1976, for example, Brazil rejected an American proposal that the US, Argentina, South Africa, and Brazil form a South Atlantic version of NATO. Azeredo da Silveira proclaimed: “There is not the slightest possibility of establishing a collective defense system in the South Atlantic, especially with the awkward and undesirable presence of South Africa.”

Oil Changes Everything

Meanwhile, the 1973 and 1979 oil shocks had a profound effect on Brazil. The oil crisis forced a restructuring of Brazil’s economy, its financial system, and its foreign
relations. Brazil imported 80% of its oil, mainly from the Middle East, at a cost of 40% of its annual foreign exchange receipts. The oil shocks coincided with a change in American foreign policy strategy with the arrival of Jimmy Carter in the White House.

The military regime, now led by General Ernesto Geisel (who governed from 1974-1978), had begun a carefully calibrated process of political liberalization to prepare for an eventual return to civilian rule. Fatefully, Geisel rejected the advice of his economic team to cool down the economy, stabilize Brazil’s external accounts, and lower inflation. His political advisers warned that such an approach would lead to recession and to political instability, which would only strengthen the regime’s enemies (who included a young labor leader called Luiz Inácio Lula da Silva). Geisel put political stability first and demanded that economic growth remain on track. His successor, General João Figueiredo (who was president between 1979-1985), reached the same conclusion. He appointed the architect of the 1968-1973 economic miracle, Antônio Delfim Netto, to be his planning minister and demanded that growth be maintained at all costs. Despite Delfim’s efforts, growth which had peaked at 14% in 1973, decelerated rapidly. Surging oil prices drove, the current account deficit up by 50% in 1979 and a further 22% in 1980. Delfim financed the payments gap with floating rate loans from international banks. In 1979 alone, Brazil’s external debt to $61.33 billion; the following year it reached $71.53 billion. Brazil was launched on a path toward debt crisis and default.
The oil crisis posed a problem for US-Brazilian relations. Geisel abandoned Brazil’s traditionally pro-Israel, pro-Western stance and began cultivating the Arab governments that were Brazil’s biggest oil suppliers. Furthermore, a pro-Arab policy was more consistent with Brazil’s now traditional Third World foreign policy. In 1975, Brazil voted in favor of the UN resolution equating Zionism with racism. According to one account, Geisel was aware of widespread dismay at Brazil’s vote and was about to order his ambassador to switch his position at the final vote but was so incensed by American pressure that he let the vote stand. Relations deteriorated still further when Brazil recognized the Palestine Liberation Organization in 1979. Another feature of Brazil’s approach to the Arab world was an effort to reduce its structural trade imbalance with OPEC states by exporting manufactures such as cars, processed foods, oil services, and
arms. Brazil became particularly close to Libya and Iraq, and it soon became a major supplier of robust, if low-tech armored vehicles to both countries. Between 1980-88, when exports to Iraq ceased, Brazil had shipped weapons worth a total $556 million to Baghdad.\textsuperscript{114}

American policy toward Brazil grew more antagonistic as Carter scrapped Kissinger’s strategy of interventionism and the cultivation of repressive Latin American regimes. Carter would now insist that values, principally defense of human rights, would take precedence over Kissinger’s emphasis on combating Soviet expansion, maintaining political stability, and defending US business interests.\textsuperscript{115} Worse still for Geisel, Carter vigorously opposed his plan to acquire nuclear power plants from West Germany. Geisel believed that nuclear power would ease Brazil’s energy problems, and even add to his political prestige and foster national unity.\textsuperscript{116} Carter increased pressure on Brazil to scrap the deal, which he saw as a proliferation risk, since Brazil was not a signatory of the Nuclear Non-Proliferation Treaty.\textsuperscript{117} Geisel was unmoved. In 1977, he rejected American protests, signed the nuclear agreement with Federal Germany, and withdrew from a military cooperation agreement with the US.\textsuperscript{118}

This pattern of mutual irritation only worsened under Geisel’s successor Figueiredo and during the Reagan administration, despite the two governments’ greater ideological affinity with each other. The tone of relationship was one of “reciprocal disdain."\textsuperscript{119} Brazil had condemned the 1979 Soviet invasion of Afghanistan, but refused to support American demands for sanctions against the Soviets. Brasília was alarmed
with American interventionism in Central America and opposed the US invasion of Grenada in 1983. The US, worried about intellectual property violations and the risk of missile technology and nuclear proliferation, blocked Brazilian access to advanced electronics, avionics, telemetry, and aviation and missile technology long-range missiles. The Reagan administration alarmed at the widening US trade deficit, also began restricting exports of Brazilian steel, manufactures such as shoes, and commodities like orange juice. To make matters worse, the Federal Reserve had begun raising US interest rates in 1978 to control inflation. The prime rate—to which most of Brazil’s external debt was tied—rose from 9.06% that year to 18.9% in 1981. Each percentage point increase in the rate added millions to Brazil’s debt service costs.

It had become plain that American policy leverage over Brazil had not merely declined, or that the bilateral relationship had turned sour, but that both the content and nature of the relationship had undergone great change. Brazil’s economy and society were more developed than a quarter century before. Its interactions with the international system had also become denser and more complex. Commercial, financial, and economic issues had become paramount in its foreign policy. Managing relations with Brazil became more frustrating for Washington, because Brazilian policy had become harder to predict. A relationship that was once relatively uncomplicated—if not particularly satisfactory—had given way to a bewildering array of thematic issues such as trade and industrial policy, nuclear affairs, financial regulation, farm subsidies, patent protection, and crime and military cooperation. Carter added human rights as one more element—
and a highly unwelcome one for Brasília—to a crowded bilateral agenda. As a result, “It has seldom been clear even what US purposes really were, as strategic, economic, political, and ideological interests sometimes countered, sometimes reinforced one another.” The same applied to Brazil as to many other large countries: Its influence in Washington, always limited, diminished and its ability to affect US policy in areas of interest had also become more diffuse and hard to predict. Lobbies representing special interests and industries—from banks, to farmers, to Hollywood studios, as well as Congress and the Washington policy bureaucracy—all had agendas to advance in Brazil. In a few quite specific policy segments—farm policy, for instance—Brazil might be a giant with vast influence, while in others such as strategic affairs, it carried almost no weight.

Brazil responded to the changes in the content of foreign relations by building up a corps of foreign policy technocrats skilled in international law, trade regulations, financial affairs, and other minutiae of international relations. This approach gave Brazil a voice in international forums and enabled it to provide effective Third World leadership. Many smaller developing countries, which lacked a cadre of trained diplomats able to negotiate the contents of a communiqué or propose alternative texts, or work their way through the dense texts of draft treaties, deferred to Brazilian leadership. Bodies such as the GATT and later the World Trade Organization, the World Bank and IMF, the International Law of the Sea Conference, to name a few, provided Brazil with a means to
extend its influence, build coalitions with states with similar interests, and limit the influence of the US and Western states.

However, neither Brazil’s technocratic skills nor its economic self-confidence would be of great help when the Latin American debt crisis erupted in late 1982, when Mexico declared it would stop servicing its debts. By February 1983, Brazil too faced bankruptcy and negotiated a standby loan with the IMF for emergency funding. Brazil’s “Lost Decade” had just begun. Brazil would have to struggle with a debilitating combination of debt crises, inflation, economic stagnation while its diminished circumstances forced it to accept a reduced new role in a world.

We have seen how in 150 years, relations between Brazil and the United States moved from one of close alliance to one of antagonism. This progression reflected America’s growing economic, military, and political power throughout the 20th century, and its expanding scope of interest, from the regional to the global stage. While Brazil languished as a backward, remote, and impoverished state, the US had become a global superpower. As Brazil’s economy grew in the latter half of the century, so did its claims to regional and even global leadership. As a result of this, relations with the US also became more complex and harder to manage. The military regime that governed the country from 1964-1985, distanced itself from Washington as its regional and global political aims grew more ambitious. Nonetheless, only once—briefly under Carter—did relations with Brazil truly sink “below zero.”126
The history of US-Brazilian relations is marked by Brazil’s constant yearning for a relationship of equals with the US, a yearning that was frustrated at almost every turn. This was mainly because the US rarely considered Brazil to be an important factor in its global foreign policy aims. Although Brazil chose an independent foreign policy course, first under Vargas in the 1950s and then more decisively under the generals in the 1970s, its choice had little impact on US policy toward the region or globally. They may have collaborated in combating subversion in Latin America during the 1960s and 1970s, but this did not prevent Brazil from opposing US global policies such as its efforts to curb nuclear proliferation.

As the next chapter will discuss, the underlying strength of the values that have bound Brazil to the US and the wider Western world since its independence remain as potent as ever, but also are evolving and developing in new ways that present challenges to both states. We will also see how shifting patterns in the bilateral relationship hold implications for the way Washington can manage its relationship with other emerging regional powers.
CHAPTER 3

A NEW AGENDA

As discussed in the previous chapter, US-Brazilian relations until the 1980s were characterized by Brazil’s frustrated search for a relationship of equals with the US. The US, for its part, rarely considered Brazil an important factor in its global foreign policy aims. And however valuable it considered Brazil to be in the context of Latin American affairs, the region was a peripheral theater in the Cold War, which dominated US global foreign policy in the postwar years. It was in this context that Brazil’s efforts to develop a foreign policy strategy that was less aligned with Washington began under Vargas in the 1950s and was expanded under the generals in the 1970s. Nonetheless, the strength of the cultural, political, and commercial bonds connecting Brazil to the US and the wider Western world ensured that Brazil would not focus its efforts on opposing and blocking US interests in Latin America and in the developing world.

Brazil’s ambitions to be taken seriously as a global player were diminished as the “Lost Decade” of debt, inflation, and stagnation halted growth and undercut its international credibility. Despite mounting debt and hyperinflation, Brazil still was able to complete the peaceful transition from military rule to democratic government in 1985. That it was able to do so, despite the death of president-elect Tancredo Neves before he could take office in April 1985, made the achievement all the more impressive.
Unfortunately, the years that followed were tumultuous: Brazil endured six attempts at economic stabilization and went through three presidents by 1994. Such upheaval made it difficult for the new civilian authorities to develop a coherent new foreign policy, or establish a more harmonious relationship with the United States. Nevertheless, while problems in the relationship with the US remained unresolved, Brazil made progress in deepening ties with neighboring countries. And it also was at this time that it took its first, tentative steps toward economic liberalization.

The first decade of civilian rule was dominated by the increasingly frustrating search for a solution to the country’s debt crisis. By the end of 1985, Brazil’s foreign debt had risen to $105 billion, an increase of 45% over 1980.\textsuperscript{1} A succession of refinancing packages further added to the country’s liabilities. The International Monetary Fund counseled stringent fiscal policies to rein in inflation, but this only made it harder to achieve the growth needed to stabilize the debt load.\textsuperscript{2} The government turned repeatedly to Washington for emergency funding, to pressure Wall Street bankers to extend more credit, and for support in talks with the IMF.\textsuperscript{3}

Simultaneously, Brazil’s dream of winning the respect of the world as a new emerging power had turned to dust. The debt crisis increased Brazil’s external vulnerability and deepened its reliance on the US for financing, for political support, and as an export market. Weak political leadership only made Brazil’s predicament worse. Neves had died before taking office in 1985, and his vice president José Sarney, a little-know provincial political boss previously aligned with the military, became president. In
February 1987, with only $4 billion left in the central bank’s reserves, Sarney defaulted. He was succeeded in 1990 by a glamorous young leader promising a new start for Brazil. But President Fernando Collor de Mello’s efforts to halt inflation collapsed; he failed to deal with the debt (which reached $130 billion in 1992) and resigned before he could be impeached for corruption in 1992. He too was succeeded by his vice president, another obscure provincial politician. Like his predecessors, Itamar Franco floundered as he searched for a way to stabilize the economy: at one stage, he went through four finance ministers in seven months. By 1993, Brazil’s external debt had reached $144 billion and annual inflation was at almost 2,000%. Average real incomes had been stagnant for 15 years.

The US and Ronald Reagan got off to a poor start with newly democratic Brazil in 1985. Rather than seeking a decisive solution to the debt crisis to support the new democratic government, he announced—on the country’s independence day, September 7—that his administration would begin an investigation into Brazil’s protectionist computer policies that could lead to an end of tariff preferences on exports to the US. Sarney had maintained the outgoing military government’s attempt to build a domestic computer industry from scratch with a policy that included a ban on imports of many types of computer hardware. The US claimed the Brazilian market was worth $3.7 billion a year, and Washington objected to policies that excluded American companies from entering what had become one of the world’s fastest-growing computer markets.
The Brazilians perceived that the dispute over computers, (as well as clashes over the debt, footwear, orange juice, steel, and access to US high tech equipment), was part of a hidden American agenda. Brazilian officials felt that far from assisting Brazil, the US was determined to hinder its development. A senior Brazilian diplomat commented that US trade policies were historically designed to maintain Washington’s hegemony over Latin America. Their suspicions may not have been entirely unreasonable. The US already was growing concerned that “emerging powers—either singly or in coalition” would restrict America’s strategic and economic reach.

Bitterness over trade disputes, high American interest rates that worsened Brazil’s debt crisis, and the Reagan administration’s unpopular interventionist policies in Central America drove bilateral relations to a new low. Albert Fishlow, of Columbia University and an expert on Latin American affairs, famously described Brazil-US ties at the time as “The Case of the Missing Relationship.” He noted that US policy in Latin America was designed almost entirely in Cold War terms. However, from a Brazilian perspective, economic, not strategic, problems were the principal issue in bilateral relations. In such an environment, another contemporary US commentator noted bluntly that relations with Brazil were in “dire need of attention and reevaluation.”

From an American viewpoint, however, while it was unfortunate that Reagan’s 1985 announcement fell on September 7th, it hardly signified that Brazil was being singled out for special treatment. Other countries on the list included South Korea (targeted for restricting operations of US insurance firms) and Japan (listed for blocking
US tobacco exports). Reagan’s offensive against Brazil and other countries was part of a wider strategy to redress the then-record US trade deficit, and hit back at countries Washington felt were using “unfair trade practices.” In fact, over the previous six years, American exports to Brazil had dropped by 10%, principally because of its persistent recession, while Brazilian exports to the US had more than doubled and the bilateral trade balance shifted from deficit to a surplus of over $5 billion in Brazil’s favor. The trade balance was also the result of Brazil’s export-oriented trade policy, driven by its need to generate foreign exchange to service the foreign debt. The spat further underscored the two countries’ difficulty in understanding each other, the imbalance in their relative power, and the nature of their aspirations. While the Reagan administration was designing a global strategy to bring the Soviet Union to its knees, Brazil was fighting to keep its dysfunctional economy afloat.

If Brasilia and Washington could not understand one another or meet each other’s needs, the Brazilians were beginning to forge a new relationship with Argentina, their old, but now much diminished, rival. Sarney and Collor both expanded attempts first made by Gen. João Figueiredo, the last military president, to establish détente with Argentina. It was Figueiredo who defused tensions with Argentina in 1979 over Brazil’s construction, together with Paraguay, of the Itaipú hydroelectric dam on the Paraná River. Argentina considered Paraguay as a client state and saw Itaipú as evidence of Brazilian expansionism. Figueiredo reached an agreement with Argentina and Paraguay on use of region’s great rivers. This was followed by an agreement with Argentina on
peaceful uses of nuclear power which halted an incipient nuclear race that neither country could afford. This agreement “transformed regional affairs and led to one of the most successful cooperation regimes outside the North Atlantic community.”\textsuperscript{21} To the surprise of many, Brazilian-Argentine relations began strengthening quickly.\textsuperscript{22} Figueiredo further won Argentina’s appreciation for secretly providing military aid during the 1982 conflict with Great Britain, despite having declared Brazil’s neutrality.\textsuperscript{23}

Contact deepened after democracy had been restored in both countries (in 1983 for Argentina, and 1985 for Brazil). The two countries’ unsteady new civilian governments signed the 1985 Iguaçu Declaration expressing their desire for closer ties, followed by an Integration, Cooperation and Development Treaty in 1988.\textsuperscript{24} This rapprochement was driven by economic as well as political or strategic aims: Brazil’s industrial base now dwarfed Argentina’s, and both markets were becoming more complementary and more closely integrated. The area between São Paulo and Buenos Aires formed the wealthiest, most populous, and most developed region in South America.\textsuperscript{25} There was also a strategic logic behind the overture: Brazil wanted to reduce the risk of friction with Argentina and ensure that it would not challenge Brazil’s growing dominance of the region.\textsuperscript{26} To this end, the two countries also opened their military-dominated secret nuclear installations to each other in 1991, a key confidence-building measure.\textsuperscript{27} That same year, the Treaty of Asunción was signed linking the two countries in the Mercosur trade bloc that also included Paraguay and Uruguay.\textsuperscript{28} Mercosur would
now become the focus of Brazil’s foreign policy, which it hoped would become a vehicle to enhance its role in global politics and economic relations.\textsuperscript{29}

Yet Brazil remained weighed down by hyperinflation, debt, and an obsolete economic structure. It was unable to respond to the challenges of a rapidly changing world, much less in realizing its aim of becoming a significant player in world affairs. While the US under Reagan and Great Britain under Margaret Thatcher were leading a worldwide revolution in economic policy that emphasized deregulation and trade liberalization,\textsuperscript{30} Brazil was struggling to keep its obsolete state-led economy alive while it led a regional grouping of equally dysfunctional states.

The fall of the Berlin Wall in 1989 marked the end of the Cold War and the beginning of a new global political structure. In Washington, the new administration of George H.W. Bush changed the emphasis of US Latin American policy. In the post-Cold War environment, security concerns alone would no longer be the focal point of US strategy in the region. Instead, stability—traditionally the main goal of US policy in the region—would be achieved by economic and political liberalization.\textsuperscript{31} In June 1990, Bush launched the Enterprise for the Americas, an economic strategy based on increasing trade and investment, and on ending the debt crisis. It was explicitly designed to strengthen democratic rule through a focus on “economic growth and the free market policies needed to nourish it.”\textsuperscript{32} However, the complexity and political difficulties involved soon led Bush to drop the idea of a pan-regional trade agreement and
concentrate instead on negotiating the North American Free Trade Agreement (NAFTA) with Canada and Mexico.\textsuperscript{33}

Meanwhile, Collor had begun dismantling Brazil’s formidable trade barriers and deregulating its domestic market. However, it would take years for Brazil to slash its four-figure inflation rate, settle its debts, and begin a profound reorganization of its economy. It was only in 1993 that Franco’s finance minister, Fernando Henrique Cardoso, ended the debt crisis by signing a debt restructuring agreement with creditor banks that covered 90\% of Brazil’s commercial bank debt.\textsuperscript{34} The following year, Cardoso launched his Real Plan, the country’s sixth attempt at economic stabilization. It cut monthly inflation from 40\% to single digits through a program of fiscal retrenchment that cut federal spending by 9\%, deregulated the economy, liberalized trade, and introduced the Real, a new currency pegged to the dollar.\textsuperscript{35} Lower inflation and a more manageable debt burden allowed growth to accelerate; privatization and deregulation attracted more foreign investment; growth and incomes accelerated sharply (see Figure 6).

Brasília also realized that the independent, Third World-First foreign policy strategy (inspired in part by Cardoso’s writings from the 1960s and 1970s) no longer met the country’s needs. Cardoso recalled during his brief tenure as foreign minister from October 1992 to May 1993, that: “After the fall of the Berlin Wall in 1989 and with the acceleration of the economic processes connected with globalization in the 1980s and 1990s, we had to review [the] central objectives” of Brazilian foreign policy.\textsuperscript{36}
Brazil’s halfhearted attempts to create a “debtors’ cartel” during the debt crisis never gained traction, underlining the country’s outmoded ideas and diminished credibility as a leader. As such, Cardoso developed a new approach, which he called “autonomy through participation.” His insight was to advance the country’s fundamental objective—economic development—neither as the junior partner in an unwritten alliance with the US, nor in opposition to Washington as a self-appointed Third World leader. Instead, Cardoso realized that the end of the Cold War and the emergence of an increasingly integrated international system “without defined centers” widened Brazil’s room for maneuver.

**Figure 6. Inflation and Growth**

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP (current US$ billion)</th>
<th>Inflation (% average consumer prices)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>$200</td>
<td>0%</td>
</tr>
<tr>
<td>1986</td>
<td>$300</td>
<td>500%</td>
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<td>1987</td>
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<td>1991</td>
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<td>3000%</td>
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<td>1992</td>
<td>$900</td>
<td>3500%</td>
</tr>
</tbody>
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Source: World Bank

Active participation by Brazil in international organizations, by providing staffing, resources, and leadership would enable it to advance its national interest and
indirectly reassert its claim to global leadership. Along these lines, the alliance with Argentina and leadership of Mercosur increased its international prestige, while a flourishing economy increased Brazil’s credibility in international politics.

Cardoso was elected president on the strength of the Real Plan’s success and took office in 1995. As president, his foreign policy strategy aimed to integrate Brazil into the international system, and improve ties with the United States. He sought to base Brazilian foreign policy on a strenuous respect for international rules, and advance its aims through global institutions as far as possible. This approach fit closely with the strand of American foreign policy followed by Clinton and Bush, who both recognized that international law and organizations could be used not only to manage the international system, but to further US foreign policy aims too. These “strategies of co-option and reassurance,” which were reminiscent of a happier era in US-Brazilian relations in the 1930s and 1940s, seemed to presage a new, more constructive phase in bilateral relations.

More broadly, Celso Lafer, a foreign minister under Cardoso, noted that Brazil’s increased involvement in international bodies could compensate for its relatively weak economy and negligible military power. Brazilian diplomats viewed the post-Cold War international order principally as an “economic construct” in which power and influence would accrue to states less through military power or ideological alignments, than through economic competitiveness, technological innovation, and trade. And since fostering economic development remained the central purpose of Brazilian foreign
policy, it was important that Brazil remain closely involved in the international organizations that regulated global economic systems.  

Mercosur became an important part of this strategy because Cardoso expected that, under Brazilian leadership, it would increase Brazil’s bargaining power in international organizations and in managing its relations with the European Union and the United States. Mercosur would also be an “intermediate step” for Brazilian companies preparing to participate more fully in international markets. Finally, many Brazilian analysts theorized, Mercosur would reassure Brazil’s smaller neighbors that its policies and economic strength would be bound by institutional rules and norms of behavior.

Cardoso’s foreign policy strategy gave Brazil a reason to respond positively to Clinton’s demands that it join arms control and non-proliferation treaties, such as the Treaty on Conventional Weapons, the Missile Technology Control Regime, and the Nuclear Non-Proliferation Treaty. The generals had refused to sign these treaties when they were in power, because they considered them an infringement on Brazilian sovereignty and because they enshrined its status as a second class nation. Instead, Cardoso said that signing these treaties was a “clear sign that we would reinforce our position in the world by continuously improving our technological, economic, and social credentials and not by pursuing a nuclear arsenal.” These agreements removed a source of friction with regional governments (Argentina had recently scrapped its Condor missile program and would be angered by a Brazilian refusal to dismantle its own missile system) and with Western governments including the US, allowing Cardoso to maintain
the focus of his foreign policies on trade and commercial issues. Nonetheless, the foreign ministry had to fight hard to win ratification of the NPT in Congress, where nationalism and anti-Americanism ran deep (as it did in the military). Cardoso also pushed an intellectual property law through the Brazilian Congress in 1996, ending a trade dispute with the US that had lingered since Reagan’s speech on September 7th, 1985.

Despite the more positive policies adopted in Brazil, and in many countries throughout the region, Washington had never fully surrendered its interventionist policies in Latin America. In 1989, Bush ordered the invasion of Panama; in 1994, Clinton ordered a US military intervention in Haiti. In 2000, Congress approved Clinton’s $1.3 billion “Plan Colombia” anti-drug program, viewed with apprehension by Brazilian officials as an indirect American military intervention in a major Latin American country. These decisions only heightened the underlying suspicions among Brasília’s bureaucrats, politicians, and generals, about US attitudes toward the region and Brazil. These misgivings were partially offset by a sound personal relationship between Cardoso and Clinton, and by a resurgent Brazilian economy. Brazil, formerly a headache for US policymakers, bankers, and corporate executives was now an increasingly reliable foreign policy partner and exciting new foreign investment destination. The success of the Real Plan and Cardoso’s “autonomy through integration” foreign policy were restoring Brazil’s credibility. Its image of incompetence, economic chaos, and corruption was giving way to a more positive impression of technocratic skill and polished
internationalism. Furthermore, Cardoso’s foreign policy seemed to offer Brazil the best of both worlds: stronger ties with the US without a commitment to “automatic alignment” with Washington. For example, when pressured by the US to do more to interdict illegal drug flights over the Amazon, instead of angrily denouncing it as an American challenge to Brazilian sovereignty, as his predecessors might have done, Cardoso understood how drug trafficking could threaten Brazil if left unchecked. He also saw the drug problem as an opportunity to deepen relations with the US. He therefore set up a multimillion dollar radar surveillance network in the Amazon, selected the US corporation Raytheon of the US as the system’s main contractor, and shared the intelligence gathered by the sensors with the Americans on a selective basis.

**Back to the Back Burner**

Despite the progress, however hard Cardoso and Clinton might try to seek common ground, they could not agree on trade. Trade continued to be a major obstacle between the two countries throughout the 1990s, just as it had in previous decades. America’s farm lobby resisted Brazilian demands that the US cut agricultural subsidies which, together with EU price supports, kept global commodity prices artificially low. The Brazilians also objected to American demands that it fully open access to its domestic market in services and government procurement. Clinton relaunched George H.W. Bush’s vision of a region-wide trade bloc at the December 1994 Miami Summit of the Americas, which brought together the hemisphere’s elected leaders. NAFTA, which Bush had negotiated with Canada and
Mexico, had come into force in January 1994. However, Clinton’s free trade agenda disconcerted the Brazilians. Cardoso claims in his memoirs that he and President Itamar Franco were not aware of Clinton’s plan for a region-wide free trade area until the eve of the summit. Cardoso claimed that the free trade protocol presented at the meeting had been negotiated by foreign ministry officials without approval from their political masters in Brasília. Brazil was one of the few large Latin American countries with a significant industrial base that was not closely connected to the US economy (it traded as much with Europe as it did with the US, and Mercosur and China were both growing in importance). As such, Brazil had more to lose than others from FTAA. It also had more political interests at stake than its neighbors, since it considered Mercosur a vehicle of its regional and global foreign policies. As such, it viewed an American-dominated FTAA as a distraction, or at worst, a threat to its ambitions.

For their part, American analysts predicted Brazil would accept American demands to fully liberalize trade to avoid exclusion from a US-dominated hemispheric economic system. Brazil’s response to Miami was to put off FTAA talks for as long as possible. However, Cardoso did agree in 1998 to co-chair the FTAA negotiating process with the US to avoid isolation in talks that would affect Brazil’s access to US markets. Nonetheless, Brazil could not win significant concessions from the US during the negotiations. FTAA negotiations finally petered out completely seven years later at an angry summit in Argentina. The US and Brazil were both blamed for the breakdown at the talks, which broke up without even agreeing on when the next summit would take
In Washington, few were inclined to fight hard for FTAA when free trade began losing domestic political traction. Congress refused to grant Clinton fast track authority to negotiate a trade agreement, and in any case would probably never have approved Cardoso’s demands that the US reduce farm subsidies. The Brazilians must have been relieved that FTAA was foundering. As Lafer noted, “Mercosur is our future, part of our milieu. FTAA isn’t our future, it’s an option.”

However, NAFTA did more than integrate Mexico into the US economy. It also helped the US manage its complex relations with Mexico, which had developed the most varied and extensive set of relations with the United States of any country in the world. The Brazilians now reasoned that Mexico would probably “supplant Brazil as the interlocutor between the United States and Latin America” and feared that their deepening alliance would marginalize Brazil in the hemisphere. Nonetheless, Brazil did not attempt to obstruct or derail relations with Mexico, and where necessary, facilitated its negotiations with the US. For example, it accepted changes in regional trade rules required by NAFTA even though these might harm Brazilian commercial interests. A sudden acceleration in Mexican growth and the stalled Brazilian economy further highlighted Brazil’s deepening sense of impotence and irrelevance: in 1993-94, Mexican GDP almost equaled the size of Brazil’s economy for the first time since the late 1960s.

While Cardoso succeeded in stabilizing relations with the US, the relationship was rarely harmonious. He failed to win a trade agreement and opposed key US policies. He turned down Clinton’s request to support Plan Colombia with the excuse that Brazil
was too poor and had too many problems of its own to get involved. Even so, these and other disputes no longer poisoned the broader bilateral relationship, as they had under Reagan. Brazil’s economy was less vulnerable now than it had been a decade earlier, and the country felt more confident about its future. However, Washington again was losing interest in Latin America, this time as Asia’s booming economies emerged as the new center of global manufacturing and economic growth. Security threats in the Americas, always relatively minor, became an even less significant issue than ever before. A Clinton aide summarized the mood by recalling a trip by Clinton to the Latin America in 1999. The visit “was successful as a personal venture in ‘catch-up’ diplomacy, but strategically it was irrelevant.”

This US attitude did not prevent Cardoso from pursuing his own international agenda. Brazilian negotiators worked behind the scenes to bridge differences between the developed and developing countries at the Kyoto Conference on Climate Change. Although Brazil opposed ceilings on developing country greenhouse gas emissions, its negotiators compromised at preparatory talks in Quito with the US to create the Clean Development Mechanism, a UN carbon trading system, which opened the way for cooperation on climate change with other developing countries. At the 1998 Kyoto conference itself, Brazilian diplomats were “fundamental” in forging a compromise between the European Union and developing countries.

In doing so, they were able to advance Brazilian national interests by fending off demands for controls over the Amazon to limit deforestation, and prevent restrictions on
greenhouse gas emissions that might slow economic growth. They also strengthened Brazil’s credibility as a leader among emerging powers and also showed that Brazil could advocate not only on behalf of itself and other developing states, but could also grasp global problems and propose solutions to complex issues.

**Hegemony and Leadership**

As Washington stepped back from vigorous involvement in regional affairs (with the exception of Colombia and Mexico, which both had direct and highly negative impacts on US interests), Cardoso stepped forward to manage relations among South American states more actively. He was anxious to avoid any outbreak of conflict in the region, and acted to settle regional disputes whenever they arose. His main objectives were to avoid instability in Latin America that would discourage foreign investment and threaten Brazil’s political authority in the region. When Ecuador and Peru fought a brief border war in 1995, Brazil led the ceasefire talks (which included Argentina, Chile, and the US as well as the belligerents); provided a general to head a multilateral peacekeeping force on the disputed border; and brokered talks that culminated in a definitive peace agreement that was signed in Brasília in 1998. In 1996, Cardoso coordinated action with Argentina and the US to halt a coup attempt in Paraguay by army General Lino Oviedo.

In all of this, Brazilian diplomats were anxious to avoid raising suspicions of Brazil hegemony or triggering an anti-Brazilian backlash among neighboring governments. Cardoso commented that Brazil’s policy approach in South America was to
“exercise constructive leadership, assuming clear positions every time we sensed a reversal of democracy or when our most direct economic interests were threatened, although without the arrogance to presume any untoward hegemony.”

This low key style was consistent with Brasília’s effort of “carefully masking [regional leadership] behind consensus creation and inclusion.” However, there is a fine line between good neighborliness and hegemony, as Foreign Minister Luiz Felipe Lampreia recognized. He claimed disingenuously that Brazil never had any “intention [of using] South America to build up its leadership, but only of using its critical mass to strengthen the idea of South American integration.”

Lafer said he took “great care to exercise a constructive role without creating susceptibilities.” But Cardoso stated the obvious when describing his relationship with President Carlos Menem of Argentina: “[We] had very close relations. Very good relations. But [I] had the last word.” Although Cardoso acted as leader, mediator, and partner, he was unable to dissuade neighboring leaders that exercising hegemony over South America remained a Brazilian strategic aim.

Brazil’s determination to exercise regional hegemony weakened as its prominence as an emerging global political and economic power rose. Although the prospects for FTAA had faded by the late 1990s, Brazil had become a rich prize for European and US investors and corporations (see Figure 7). For the first time since the economic miracle of the 1960s and 1970s, Brazil had become one of the world’s principal investment destinations. Foreign direct investment inflows into Brazil overtook Mexico and briefly in 2000 approached the same level as China.
Brazil drew in $181 billion in investments in the decade after the Real Plan, whereas it had only raised $14 billion in the previous decade when Brazil was mired in debt, inflation, and stagnation. A booming domestic market, mergers and acquisitions opportunities, and a privatization program brought in enough capital to balance a widening current account.

**Figure 7. Brazil - investment flows (US$ billion)**

Brazilian companies were also investing more abroad, further integrating the country into the international trade and financial system, a trend that would continue throughout the decade: by 2008, Brazil posted over $200 billion a year in outward and inward investment flows. While most of the outward investment flow was used to buy assets and companies in the developed world and in China, some was also being used to acquire banks and companies in surrounding countries. Distressed Argentine owners, for instance, sold the country’s flagship oil company (Pérez Compan€), brewery (Quilmes),
steelmaker (Acindar), and cement company (Loma Negra) to Brazilian competitors. Although Cardoso worried that Brazil might be viewed as “an almost imperialistic purchaser of other regional economies”91 he did not try to stop the spending spree. He even encouraged Petrobras, the Brazilian national oil company, to invest in Bolivian gasfields and help build a pipeline linking them to Brazil’s industrial heartland.92 Cardoso did so because it would help stabilize Bolivia’s volatile economy, ensure a reliable source of gas for Brazil, and pull Bolivia closer into Brazil’s orbit.

Despite its renaissance, Brazil’s economy rested on weak foundations. All was well as long as enough capital flowed in to balance its external deficit. However, the 1997 Thai baht crisis and the Long Term Capital Management and Russian crises in 1998 suddenly reduced risk appetites around the world. Capital began to flow out of the country because investors feared devaluation or even default were imminent.

The country’s economic weakness was undermining Cardoso’s political authority at home and his credibility overseas, just as he was campaigning for reelection.93 Cardoso managed to stave off the economic day of reckoning until after the October 1998 election when he decisively defeated his opponent Luiz Inácio Lula da Silva of the Workers Party. In December, Cardoso signed a rescue deal with the IMF. The Fund coordinated with other international lenders to provide a record $41.6 billion bailout for Brazil (including $5 billion from the US).94 The rescue did not avert a 30% currency devaluation in January 1999, but economic growth remained strong for the rest of Cardoso’s four-year term.95 However, his domestic and international standing never fully recovered,
underscoring once again Brazil’s economic fragility and its reliance on Washington for support in times of trouble. Brazil’s economic vulnerability also demonstrated the precarious nature of its global ambitions.

Compounding this, Cardoso’s close personal and working relationship with Clinton ended with the US elections in 2000 which brought George W Bush to office. Cardoso, a refined intellectual, never connected with Bush. Furthermore, the Bush administration’s post-9/11 foreign policies tore into the web of rules and partnerships which connected partners like Brazil with the US. Cardoso did rally Latin America to support the US shortly after 9/11 with a unanimous resolution at the Organization of American States. But the US response was tepid: Washington expected more from its allies than resolutions and expressions of sympathy. Furthermore, as Washington concentrated its attention on the Middle East, it largely disengaged from Latin America and made little effort to win the region’s diplomatic or military support for its global anti-terrorism strategy. One of the few exceptions to this pattern was the administration’s continued support for Colombia’s war against guerilla armies and narcotics traders.

The Bush administration’s policies rendered Cardoso’s internationalist strategies if not obsolete, then at least in need of a thorough redesign. Cardoso’s foreign policy functioned well as long as the United States maintained a multilateral and rules-driven approach to international affairs. As soon as this policy changed, Brazil like other emerging powers unwilling to submit to American leadership, would find its relations deteriorating across the entire spectrum of its interactions with the United States.
Cardoso and Bush met in November 2001 to establish a new basis for the bilateral relationship. Cardoso faced an unwelcome challenge of offering full-blooded support for Bush’s agenda without appearing to oppose US anti-terrorist policies.102

Relations deteriorated after Brazil urged restraint in the rush to war, and then refused to support the US invasion of Afghanistan.103 Cardoso and his foreign policy team were never able to design a strategy that accommodated Washington’s demand for loyalty with Brazilian aims of achieving autonomy on the global stage and leadership in South America.

**Lula Commits to Continuity**

Luiz Inácio Lula da Silva’s election in October 2002 horrified many at home and in the US who feared him as an unreconstructed socialist about to pitch the economy into chaos and align Brazil with a motley coalition of anti-American regimes. In fact, his rise in the polls prior to the election precipitated yet another balance of payments crisis, which once again underlined the fragility of Brazil’s economy and its continuing dependence on the US. Alarmists feared Lula would be “another Chávez,”

Venezuela’s anti-American president. Conservative congressmen in Washington thundered that Lula would drag Brazil into an “axis” of leftist regimes that included Venezuela, Nicaragua, and Cuba, threatening US business and strategic interests.104 Many recalled his verbal attacks on the US in the final weeks of the election campaign, when he described Washington’s free trade agenda for the region as “a policy of annexation” and stated that “being nice” in talks with the US would only lead to
failure. Market risk indices shot up as investors feared Lula would default on Brazil’s external debt (which now stood at $230 billion, or 47% of GDP), as Argentina had done the previous December.

In this environment, capital flowed out of the country, triggering a currency crisis. Once again, the IMF, supported by the Bush administration, came to the rescue once again with a $30 billion package in August 2002. Markets settled down once Lula appointed moderates to key cabinet positions and made it clear that he would maintain Cardoso’s economic policies (see Figure 8).

Figure 8. Brazil risk indices (CDS swap and EMBI rates, basis points)

Source: IMF
Lula’s foreign policy also was notable for its continuity with Cardoso’s. He intended to continue asserting Brazil’s regional leadership and to building it into a credible force in international affairs, both by working through international organizations and by making the most of its growing economic strength. Although he was driven by domestic political imperatives, Lula’s pragmatic policies came as a relief to the US which had feared a Worker’s Party victory would push Latin America further to the left and strengthen radical, anti-US policies in the region.

Some members of the Workers Party still hoped for a radical shift in direction but, all Lula offered was a change in tone and rhetoric. The content of his foreign policies remained centered on active engagement in the international system, primarily through Mercosur, and the search for a cordial and constructive relationship with the US. Lula’s ambassador in Washington said “the myopia of a group of leftists” in the Workers Party would not prevent Brazil from maintaining close relations with the US, which would remain a fundamental part of Brazilian foreign policy. Lula gained the confidence of financial markets, and growth quickly resumed. Strong prices for Brazil’s commodity exports, capital inflows, and free market policies contributed to rapid economic expansion, which averaged 6% throughout his eight-year period in office. Economic success reduced poverty and enlarged the middle class, which further enhanced Lula’s standing as a world leader.

Lula abandoned Cardoso’s understated approach and rarely shrank from offending sensibilities when defending Brazilian interests. Still, the problems he faced
were largely the same as those Cardoso had encountered, and the solutions they selected were similar.\footnote{112} But Mercosur had not evolved into a dynamic, high-growth region. On the contrary, the stagnation of Mercosur and increasingly harsh relations with Argentina’s President Néstor Kirchner called into question Brazil’s strategy for the region. Unlike Brazil, Argentina had not avoided defaulting on its foreign debt and suffered a crippling economic crisis at the beginning of the decade. Its troubles cast a pall over Mercosur and soured relations with Brazil as the two economies grew apart. In 2008, Argentina ranked as Brazil’s third foreign market, after the EU and the US, but it took only 9% of Brazil’s exports; Argentina had just 8% of Brazil’s market.\footnote{113} Argentina, not to mention Paraguay and Uruguay with their tiny agriculture-based economies, could hardly act as a way to enhance Brazilian industry’s competitiveness or win Brazil credentials as the leader of an economically significant region.\footnote{114}

At the same time, trade relations with the US remained as difficult as ever. President Bush’s signing of a farm bill in 2002 that raised federal price support for American farmers lowered global prices, hurt Brazilian producers (who received scarcely any government subsidies) and was further evidence of US indifference to Brazilian complaints. Bush further alienated the Brazilians by taking 18 months to appoint a new ambassador to Brasília.\footnote{115} Indeed, Brazil’s inability to make headway in Washington and its later emergence as a leader of developing nations demanding reform in global trading rules only increased its alienation from Washington.\footnote{116} Nonetheless, Brazil under Lula would continue its efforts to “strengthen its global influence in tandem with its ties to the
United States.” Lula, a spontaneous and instinctive politician, established a personal rapport with Bush that had eluded Cardoso, despite their wide ideological differences. The two first met in December 2002, shortly after Lula’s election and again in June, 2003 because Bush considered Brazil a stabilizing force in the region and a counterweight to Chávez’s anti-American alliance. In August 2002, Assistant Secretary of State for Western Hemisphere Affairs Otto J. Reich said Washington was “engaged” with Brazil and had a “strong commitment” to the bilateral relationship. Yet Lula had to placate the anti-American left wing of his Workers Party by building a so-called “strategic partnership” with Venezuela. Under Lula, Brazil created a group of neighboring countries to mediate in Venezuela’s internal conflicts following an abortive coup against Chávez in 2002, and acted as a go-between to ease tensions between Venezuela and Colombia in 2004.

Relations began worsening in 2002, when Brazil objected to Washington’s demands that antiterrorist security policies be adopted in the region. The relationship grew colder still when Brazil opposed the US invasion of Iraq. An administration which had begun structuring American foreign policy around a single issue—terrorism—offered its partners a stark choice to support its battle against terrorism, or face Washington’s wrath. According to one of Lula’s senior foreign affairs advisers, US policy pushed Brazil to abandon the nuanced approach to the US he had inherited from Cardoso, forcing Brazil to either submit or “remain in a position of virtual confrontation with the United States.” Despite the considerable strength of pro-American views in
Brasília, a conviction grew that the invasion of Iraq in 2003 was the beginning of a broader reassertion of US global power, which would limit the autonomy of emerging powers such as Brazil.\textsuperscript{126} Latin American governments were shocked to find that Washington’s unilateralist approach extended beyond terrorism defined narrowly to embrace apparently unrelated aspects of American policy. For example, Brazil was angered when Washington cut military assistance after it refused to support US demands to exempt American military personnel from the reach of the International Criminal Court.\textsuperscript{127} US military assistance to Brazil is small and the gesture was intended, and taken, as a snub.

Yet Brazil and the US shared overlapping, if not identical, aims in regional policy. The Lula administration sought common ground with the Americans in combating the drug trade and tackling money laundering.\textsuperscript{128} Both governments viewed with concern the activities of President Hugo Chávez’s Venezuela in small and volatile countries such as Bolivia, Ecuador, and Nicaragua.\textsuperscript{129} While Cardoso and his foreign policy team had shrunk from overtly claiming leadership or a hegemonic role in the region, Lula had few such scruples.\textsuperscript{130} While he positioned Brazil as an ostensibly progressive country and Third World leader, he pursued a hardnosed foreign policy with a robust defense of Brazilian interests. Yet this strategy created domestic political difficulties for Lula, who had adopted orthodox economic policies while maintaining the rhetoric of a leftist political leader. Lula appeased left wing factions in his party by putting a group of Workers Party ideologues in charge of relations with South American governments and
the developing world. Lula supported this group by traveling frequently to meet with heads of state in Africa, the Middle East, and Latin America, by espousing Third World grievances in international trade and environmental forums, and by positioning Brazil as a champion of smaller, weaker developing countries. For instance, Brazil successfully led technically well-planned and politically well-organized international campaigns against US cotton subsidies and AIDS drug patents. This benefited Brazil directly, but it also helped African countries that were cotton exporters, such as Mali, and those battling AIDS epidemics, although at the cost of creating friction with the US.

However, as we shall see in the case of a crisis in relations with Bolivia and Paraguay, Lula did not allow ideological posturing to interfere with a forceful defense of Brazilian political and economic interests. In 2006, Bolivia nationalized the assets of foreign oil companies without warning, including the operations of Petrobras, the Brazilian national oil company. Petrobras owned gasfields in eastern Bolivia that produced about 15%-20% of the country’s gas, which it exported to Brazil. Bolivian President Evo Morales used troops to occupy the installations of Petrobras and other foreign-owned companies in a display of nationalist fervor, and chose to do so on May 1, the international day of labor. Lula reacted calmly in public, called for friendly talks to solve the dispute, and urged Morales to compensate Petrobras fairly. Yet he also allowed Petrobras to “privilege commercial priorities over notions of regional political or economic solidarity.” Lula confronted Chávez and accused him of encouraging Morales to act against Brazilian interests. In the end, Morales did not rescind the
nationalization, but offered Petrobras generous compensation terms.\textsuperscript{138} Furthermore, a month after the nationalization, Lula’s government announced a program to accelerate gas production from Brazilian offshore reserves; by 2009, these fields were producing enough gas to displace 60\% of the gas previously imported from Bolivia, although at a higher cost.\textsuperscript{139} Although Lula was ostensibly a leftist leader who voiced ideals of international solidarity, his actions showed him to be a realist leader first and an idealist a distant second. Under Lula Brazil showed no sympathy for Bolivia, the poorest country in South America; deprived it of a major export market; and reinforced its dependence on Brazil, by warning Venezuela not to interfere in the affairs of a neighbor. In 2008, Lula did not hesitate to browbeat Paraguay after President Fernando Lugo appeared to threaten Brazilian commercial farmers by inciting peasant farmer invasions of large properties they owned in Paraguay. Lula forced Lugo to back down when he mobilized troops on the border with Paraguay and the commanding general threatened to storm the Itaipú dam.\textsuperscript{140} Lula later apologized and said the troops were on previously scheduled maneuvers. Nonetheless, Lugo did yield to the pressure by later quietly addressing the Brazilian farmers’ problems.\textsuperscript{141}

In contrast, Lula’s approach to global foreign policy was more measured and followed Cardoso’s example more closely by positioning Brazil as a leader of developing countries in international trade talks. Most of these countries are exporters of agricultural commodities, yet lack the resources and organization skills to form a united opposition against EU and US farm subsidies, which undercut international prices.\textsuperscript{142} However,
Brazil is one of the world’s largest exporters of key agricultural commodities. It had an obvious interest in gaining the right to speak for smaller countries, because this would strengthen its bargaining position in global trade talks, as well as create new opportunities for Brazilian exporters. Along these lines, it coordinated negotiating positions with India and South Africa that led to the developing countries’ rejection of joint EU-US agricultural trade proposals at preparatory talks for the World Trade Organization’s 2003 Cancún summit, which had been intended to complete the Doha Round of trade liberalization. Nonetheless, Brazil’s leadership role had its limits. In 2008, Brazilian negotiators tried, but failed, to find a compromise between the EU-US position at one extreme and that of India (which protects its small farmers from lower-priced food imports) at the other. Breaking ranks with more protectionist developing countries such as Argentina, China, and India, Brazil sided with the US in the hope of completing the stalled Doha Round, calculating that its big, efficient farmers would still be able to benefit from an imperfect agreement. While Brazilian presidents often claimed that the country’s leadership of Mercosur would increase its leverage in international forums, in this instance it was unable to win support from Argentina, for its compromise positions.

Senior Brazilian career diplomats began to criticize a foreign policy built around Mercosur and leadership of developing countries, and in 2007 they went public when a former ambassador to China and the US gave an interview to a Brazilian newsmagazine saying Lula’s foreign policies were “contaminated” by anti-Americanism and leftist
ideology. Critics of the Third World and Mercosur-first strategy argued that this policy prejudiced the country’s economic self-interest, which required closer alignment, not confrontation, with Europe and the US. For example, Brazil, as co-chair of FTAA negotiations with the US, had won Washington’s acceptance for less ambitious trade liberalization in the Americas, dubbed “FTAA-Light” at talks in Miami in November 2003. But negotiations became deadlocked and finally collapsed at an angry presidential summit in Argentina in 2005. Meanwhile, Lula launched grandiose plans for region-wide integration, setting aside mundane, but important issues holding up closer integration of Mercosur. As a result, in December 2004, Mercosur and the Andean Community of Nations decided to create a South American free-trade zone to be called the South American Community of Nations (CSN) that would eventually lead to the establishment of a common currency, create a parliament, and issue passports. In a more practical, and perhaps more effective, way Lula also increased government support for Brazilian companies doing business in the region, especially its large construction companies. As part of this, Brazil became a driving force behind Integration of Regional Infrastructure in South America (IIRSA)—a program to build bridges, highways, powerlines, and railways to build the physical infrastructure needed to link countries together. IIRSA identified 31 projects at an estimated cost of $5.8 billion to be carried out between 2005-2010. BNDES, the powerful Brazilian development bank, began financing work on these projects carried out by Brazilian construction and engineering companies. Many of the projects, such as dams, highways, and power lines, were
designed to benefit Brazil by providing work for its construction firms, building export corridors to Pacific ports for Brazilian companies, or supplying Brazilian consumers with cheap electricity, as well as benefiting its neighbors with jobs and infrastructure.\textsuperscript{151}

Seen in this light, regional leaders soon became impatient with Lula’s claims to regional leadership. A May 2005, Arab-South American Leaders Summit in Brasília broke up early when the presidents of Argentina and Chile walked out of the meeting. Néstor Kirchner of Argentina “stormed out, complaining about Brazilian hegemonism;” Ricardo Lagos of Chile also decided the event not worth his time.\textsuperscript{152} Critics observed that while Lula liked to proclaim Brazil’s role as a regional leader, he was not inclined to carry the costs or shoulder the responsibilities of leadership.\textsuperscript{153} In particular, critics felt he lacked Cardoso’s diplomatic skills or his sensitivity to the fears of Brazil’s neighbors’ about the country’s growing strength.

Post 9/11 Washington, preoccupied with the conflict in the Middle East, played almost no role in Latin America, effectively giving Lula a free hand in the region much as Cardoso had enjoyed when Clinton was in the White House. Washington would only turn its attention to the region in reaction to an outburst from Hugo Chávez.\textsuperscript{154} Yet Lula was unable to make the most of this opportunity to extend Brazil’s political reach into the region. His regional policies were characterized by damage control rather than a strategy to gain the trust and support of Brazil’s neighbors needed for it to project leadership.\textsuperscript{155} Meanwhile, relations with the US never recovered from disagreement over Iraq.
Confidence and Engagement

The development of Brazilian-American relations since the mid-1980s highlights a number of themes in the development of the bilateral relationship. Relations flourished whenever Brazil was relatively stable and the US followed a primarily multilateralist foreign policy. During the twelve consecutive years of the George H. W. Bush and Clinton administrations, the US pursued policies that that usually worked through institutions, rules and procedures, and consensus. Its interaction with the region focused primarily on trade, and secondarily on support for democracy. This period coincided with a newly confident Brazilian leadership which developed a new policy of engagement with the US and its neighbors, based on international organizations and application of principles and rules. The absence of active US interest in the region allowed Brazil to quietly assert its dominance in South America. However, its ability to do so was constrained by its limited economic and military resources, which it sought to compensate by participation in international bodies, and through consensus and negotiation with partners. The country’s recurrent economic crises underlined its reliance on the US for support and constrained its ability as an actor in international affairs. Furthermore, Lula’s often insensitive treatment of neighboring countries created ill will and suspicion about Brazilian policy toward the region.

Ties between the two countries became strained whenever the US followed policies focused on unilateral action. The period between 1985-1994—the difficult years between democratization and stabilization—coincided partially with Reagan’s time in
office and his administration’s largely unilateralist foreign policy. In Brazil, foreign policy was a secondary concern for governments struggling with debt, hyperinflation, and economic stagnation. The US only showed interest in Latin America when American security or trade issues were involved.\textsuperscript{157} The result was a continuation of the poor relations between the two inherited from the Carter administration. Equally, the 2000-2008 George W Bush administration adopted an avowedly unilateralist foreign policy and in Latin America it privileged security concerns above almost all other aspects of the relationship. The result was a fresh deterioration in relations with Brazil and Latin America.

Nonetheless, even when bilateral relations appeared strong, both countries were unable to overcome fierce disagreement over trade, the principal obstacle to deepening the relationship. The array of special interests, principally farm lobbies, on both sides prevented resolution of the trade problem and prevented the creation of a hemispheric free trade zone. Underlying this was a growing perception among the Brazilian foreign policy elite, in Congress, and in the military, that the US viewed the rise of new powers as a threat to its global hegemony and would therefore obstruct Brazil’s rise as a regional and global power. Washington, for its part, saw few strategic or commercial issues in Brazil or Latin America of sufficient importance to make the region a focus of its foreign policy. Unlike Europe, the Middle East, or China, Latin America remained a foreign policy sideshow for the US.
Furthermore, Brazil’s modernization over the last century has led to a fragmentation of relations with the US. From the late 19th century, when Brazil was a single-commodity agrarian society, its leaders looked up to the US as a protector and ally. This period ended in the postwar period when illusions of a special relationship ended. This coincided with Brazil’s rapid industrialization, and by the mid-1970s the country’s military leaders shared America’s anti-Communist ideology, welcomed US investments, but became suspicious of American aims and adopted an independent Third World-first foreign policy. Although economic renaissance and the restoration of democracy starting in the mid-1980s did revitalize the relationship on a political level, it was constantly undermined by trade disputes, themselves a consequence of Brazil’s rapid industrialization and its insertion into the global economic system.

In the next chapter we shall examine how the two countries’ converging and diverging values underpinned attitudes toward each other and provided a framework for their policy outlooks.
CHAPTER 4

VALUES, HEGEMONY, AND LEADERSHIP

Previous chapters have analyzed how relations between the United States and Brazil have evolved since the late 19th century, noting that the relationship grew more unequal as the US assumed superpower status by the middle of the twentieth century while Brazil remained a marginal, agrarian society. Since the 1950s, Brazil has struggled to claim a role on the global stage, but it is only recently that it has been able to pursue such a policy with any credibility. This is because it has built a dynamic economy, achieved a measure of political stability, and articulated a coherent international strategy based on increasing its involvement in global institutions.

This chapter discusses some of the moral and value implications of this strategy and to what extent it is compatible with the predominant set of Western values. This has implications for policy because debates over these values will shape Brazil’s strategy. Furthermore, many of the problems both Brazil and the US are grappling with are rehearsals for similar policy discussions in other emerging powers, making an understanding of them particularly valuable for the US.

To begin with, we can state that while all states have diverging interests, values, and aspirations, it is also true that modern states also share sufficient values which enable them to work together to achieve collective aims as well as meeting their individual
goals. Over time, these values have been codified into a global system of treaties, laws, regulations, and customs. This system has usually been overseen by a leading power\(^1\)—in the 19\(^{th}\) century it was Great Britain, and today it is the United States. These international “public goods” have allowed cross-border trade, financial flows, travel, and communication to develop and flourish.\(^2\) Were it not for this arrangement, peace would be even more fragile; in fact, international conflict today is rare and has become steadily more so since 1945;\(^3\) in this environment of comparative peace and stability, trade has flourished as never before.\(^4\) Countries have created an international system that is less a Hobbesian state of anarchy and more a cooperative “society of sovereign states” which has given rise to a system of international rules and institutions that govern interactions between countries.\(^5\) An international culture has fostered this cooperative ethos by embracing a set of common ideas and common values.

These values consist principally of the rule of law and the rights of individuals, a common scientific understanding, and market economics. These values all originate predominantly from Western cultures and the liberal tradition of the European enlightenment.\(^6\) The US ensured that these concepts formed the foundation of a system of laws and regulations, doctrines that mediate international relations today.\(^7\) They form the basis of international organizations that manage the functioning of the international system. Consequently, rejecting, or even questioning, these values and rules can impose political, economic, and military costs on hegemonic and secondary powers alike.\(^8\)
Multilateralism as the New Realism

G. John Ikenberry has argued that there are two themes in modern American foreign policy. He refers to one as “hegemony with liberal characteristics,” that is concerned with building international order on the principles of “multilateralism, tight alliance partnership, strategic restraint, cooperative security, and agreed-upon institutions.” He describes the second approach as “hegemony with imperial characteristics,” which emphasizes unilateralism, coercion, and less regard for international legal proprieties.

Even relatively conservative foreign policy experts such as Francis Fukuyama and Richard N. Haass, officials in the George H.W. Bush and George W. Bush administrations, expect unilateralist actions will be used more sparingly while the paradigm of international cooperation continues to gain strength. This is because it has become increasingly difficult for the US alone to supervise an international system that has become more integrated and interconnected. Furthermore, new emerging powers are demanding greater decision-making roles in key international bodies. Their expanding economies and military reach make it hard for the West to ignore the validity of their demands, or to refuse to make concessions.

This context of deepening global interconnectedness accounts for some of the increasing difficulty the US has faced in following a unilateralist foreign policy. Ronald Reagan and more recently George W. Bush faced increasing limits on their pursuit of unilateral policies. Bush’s unilateralist impulse was constrained almost from the
beginning by powerful economic forces, such as domestic business lobbies, international trade agreements, and the global capital markets, as well as growing international opposition to his policies. Haass and others say greater regard for multilateralism is necessary if the US is to lead an international system that has become more integrated and therefore harder than ever for a superpower to control alone. Writing in 2008, Haass remarked that this reality imposes severe limits on unilateralist “with us or against us” foreign policies. Even Samuel Huntington agreed that major American military engagements must be legitimated through an international organization and require allied military support to be effective. Democratic policy experts share this view. Joseph S. Nye, a Pentagon and State Department official in the Clinton administration, noted that American administrations for most of the postwar period were able to further long-term US interests more effectively by acting through international organizations and through cooperation with other states than by “excessive unilateralism.” According to this idea, the more the US demonstrates its commitment to rules-based interactions with other states and operates through international organizations, the more it can compel other countries to be bound by similar processes, and to seek their cooperation. This approach becomes more compelling as emerging nations increase their influence in world affairs. The US—which frequently violated the spirit and letter of international rules in pursuit of its national interest—now has a greater interest than before in respecting procedure and following international law, the better to invoke these principles against the rising powers.
It is in the design and management of this highly complex international system that the values and aspirations of the United States and Brazil can be seen in sharp relief, revealing areas of cooperation and shared aims, and simultaneously highlighting areas of disagreement and clashing interests. This can in turn shed light on how Washington can manage relations with emerging states.  

Although Brazil, like the majority of emerging powers, does not threaten the stability of the international system, it does seek to adapt it to its needs. Because of this, the struggle for power between the incumbent and rising states will doubtless be fraught with tension. The international system is adjusting slowly: the G-20 has not supplanted the G-7 as the main forum for global policy coordination (the June Toronto summit consisted of two meetings, one for the G-7 and a second for G-20 states). The IMF also is struggling, with great difficulty, to restructure its decision making processes to reflect the shift in relative economic power of its members.

Nonetheless, policy makers in most Western countries recognize, at least rhetorically, the challenges from the emerging states. Secretary of State Hillary Rodham Clinton said in a 2009 speech that the US will “put special emphasis on encouraging major and emerging global powers—China, India, Russia, and Brazil as well as Turkey, Indonesia, and South Africa—to be full partners in tackling the global agenda. I want to underscore the importance of this task, and my personal commitment to it. These states are vital to achieving solutions to the shared problems and advancing our priorities.”

This process is taking place against a backdrop of continuing American global supremacy. However, its preeminence is increasingly bound by paradoxes and
limitations. US power is being challenged both directly and indirectly by new powers. American voters demand that the US retain global leadership, yet their willingness to bear the cost of managing global affairs is declining, while the US faces increasing demands for it to remain engaged in the Middle East and East Asia. The international system has become “a strange hybrid, a uni-multipolar system” in which the US is needed to solve major global problems, but can rarely do so alone. Yet the US remains the ‘indispensable nation,” able to “stand tall and see further than other countries.” The rise of emerging powers has scarcely eclipsed America’s imperial reach. While the gap in material power and military strength between the United States and China is narrowing, it remains immense. The GDP of the US was three times greater than China’s in 2008, and Goldman Sachs forecasts that China’s economy will only overtake America’s after 2040. Furthermore, globalization may be reinforcing American and Western economic and political dominance because it enables the spread of their culture and values, including the subversive potency of key concepts, such as individualism and the power of the market. US strategists state in a 2008 National Intelligence Council report that, “As traditional ways of life are upset around the globe, unwanted foreign ideas and customs will appear more the product of modernity than of American sprawl.”

It is this context of US power constrained by market forces, global institutions, values, and rules of behavior, as well as the rise of emerging states, that forms the framework for relations between the US and Brazil.
As we saw in the preceding chapter, while post-1994 Brazilian governments may have challenged specific US government policies, have been broadly aligned with the US and welcomed American support for multilateralism. The “autonomy through participation” foreign policy pioneered by President Fernando Henrique Cardoso and continued by his successor President Luiz Inácio Lula da Silva, functioned less effectively when unilateralism was the dominant factor in US foreign policy. One of the goals of Brazil’s foreign policy since Cardoso therefore, is to foster greater “multipolarity” in world affairs. Foreign policy debates in Brazil are usually based on the view that the country’s size gives it the right to participate in decision making at the highest level, and that American dominance of global affairs is “more apparent than real.” While Brazil has consistently failed to establish a relationship of equals with the US, Cardoso’s foreign policy approach at least has enabled Brazil and the US to manage their policy differences in topics as varied as climate change, trade, and terrorism, without inflicting major damage on the bilateral relationship. For instance, Brazil supported the 2004 US-led intervention in Haiti because Bush acted within the framework of a UN resolution, whereas Brazil had opposed President Bill Clinton’s intervention in Haiti in 1994 because it considered that Washington had acted unilaterally. Nonetheless, this disagreement did not prevent Brazil from bowing shortly after to US pressure that it sign international arms control and non-proliferation treaties. Even when major national interests are at stake, Brazil has avoided confronting the US directly. Instead, it has often chosen to block American actions obliquely, through foot-
dragging, by using delaying tactics, and by throwing up bureaucratic obstacles. For instance, Brazil condemned the FTAA to a slow death from inertia, rather than through frontal opposition to US free trade policies, or by refusing to discuss the issue.

Significantly, most of the disputes between the US and Brazil have concerned not ideological differences, but pragmatic questions, essentially trade and financial issues. The fundamental policy issue that separates them relates to global governance: Brazil is committed to multilateralism, and opposes America’s occasional shifts toward unilateralism. This outlook reflects Brazil’s practical needs and political self-interest, as well as philosophical values that relate to equality between nations and the international rule of law. As part of the Western world, Brazil shares—or at least, believes that it shares—key American and European values.

A Question of Values

There is much debate over how closely Latin American values really do coincide with those of the West. Huntington said Latin America should be considered a “separate civilization closely aligned with the West and divided over whether it belongs to the West.” Brazilians themselves recognize that their place in the Western world is somewhat ambiguous. Celso Lafer, a former Brazilian foreign minister, concedes that Brazil belongs to “‘Another West,’ a poorer, more enigmatic, more problematic West, but no less the West.” The Brazilian ruling elite sees itself as part of the West in cultural and religious terms, a view manifested in a liberal legal, social, and political tradition that draws on the ideals of the European Enlightenment.
Despite this attachment to the principles of human rights, rule of law, egalitarianism and democracy, Brazil’s leaders have struggled to govern according to these standards, as demonstrated by a history of coups d’état that began with the establishment of the republic in 1889 when the army deposed Emperor Pedro II. Furthermore, an embrace of Western ideas of individual rights, democracy, and rule of law does not imply a unanimous support for Western, and particularly American, policies. Indeed, there is a powerful undercurrent of anti-Americanism in the armed forces, the upper reaches of the federal bureaucracy, in Congress, and among the cultural elite further nurtured by Brazil’s inability to win American recognition as its “privileged partner” in the international system. Cardoso had to struggle hard to overcome these prejudices to win ratification of the Nuclear Non-Proliferation Treaty in Congress in 1994. Nonetheless, anti-Americanism seems to be gradually waning as Brazil moves away from authoritarianism to democracy, and away from economic autarky toward a market system, and as the embrace of Western—and American—values percolates through society, rather than remaining a set of elite principles. A growing middle class further strengthens this outlook. However, unlike the United States, Brazil has always been a poor and relatively powerless state, and as such identifies strongly with the developing world. These divergent strands of national identity make it hard for Brazil to decide where it “fits in.” It is torn between its Western liberal tradition on one hand, and its identification with downtrodden former colonies and its suspicion of the West on the other. This ambivalence affects foreign policy as Brazil wavers between an
internationalist Third World-oriented strategy of opposition to the West, and a desire to join the inner circle of great powers in order to further its own national interest.

Yet Brazil is beginning to face the same ethical trade-offs in policymaking that have bedeviled developed countries for generations: how should foreign policy balance a society’s moral values with the political imperatives of statecraft? Given the choice between safeguarding the national interest, or abiding by absolute moral standards, Brazilian governments have generally opted for the former “realist” policy choice. This pragmatic approach has won the approval of Henry Kissinger, but earned the disapproval of neighbors suspicious and fearful of Brazil. As we saw in the previous chapter, Brazil has bullied Paraguay to defend Brazilian landowners in Paraguay threatened by landless peasants, and effectively shut down Bolivia’s once-promising natural gas industry after it nationalized Brazilian assets in 2006. Brazil has also intervened in its neighbors’ internal affairs in pursuit of nobler aims. In 1996, at Cardoso’s urging, the four Mercosur states—Argentina, Brazil, Paraguay, and Uruguay—amended the group’s founding document, the 1991 Treaty of Asunción, to insert a “democracy clause.” This states that “fully functioning democratic institutions” are an essential condition for entry to, and continued membership of the organization. Cardoso halted a coup attempt in Paraguay that year by army General Lino Oviedo, by invoking the democracy clause and threatening to expel the country from Mercosur. This contrasts with earlier Brazilian policies to prop up the pro-Brazilian dictatorship of Alfredo Stroessner. Still, it is possible to argue that this intervention, like its mediation
of a border conflict between Ecuador and Peru in 1995, was also an expression of Brazilian Realpolitik since political unrest and non-democratic government would undermine its claim to regional leadership, and perhaps discourage the foreign investment needed to sustain economic growth. 51

Some would go further, and affirm—as Fukuyama has done—that Western liberal concepts supersede all other ideologies. In The End of History, Fukuyama celebrated the victory of the “liberal idea,” of democracy and capitalism. 52 However, while Marxism and its variants have lost mass appeal and although capitalism has triumphed as an economic system, liberal democracy is hardly flourishing outside the Western world. And although Brazil remains committed to the liberal values of democracy, rule of law, and open markets in its domestic politics, critics note that it has not incorporated these values into its foreign policy strategies. 53 These domestic critics argue that Brazil’s recent history of modernization and overcoming dictatorship, and the direct role its two most recent presidents had in making the peaceful transition to democracy, should do more to encourage other developing countries to follow its example. Instead, Lula in particular, has ignored the lack of basic human rights among Brazilian partners in the developing world. Lula, for instance, has agreed a $10 billion oil deal with China; 54 congratulated Iranian president Mahmoud Ahmadinejad on his disputed victory in the presidential elections and invited him on state visit to Brazil in November 2009. 55 Lula has traveled often to Cuba, but does not criticize the government in public; in March 2010, he ridiculed a Cuban political prisoner dying on hunger strike. 56 However, other Brazilian
writers retort that the West applies its moral values in foreign policy selectively, or cynically use them to cloak their true objective, which is perpetuate and reinforce their own power.\textsuperscript{57}

Thus, while Brazil is hardly alone in subordinating humanitarian principles to commercial and political objectives, it does share with the US a common interest in promoting international organizations and rule of law as the most effective way to manage international relations, itself a practical expression of Western liberal ideals.

Although Brazilian leaders and the public enjoy the status of emerging power and regional hegemon, there is growing unease over the implications this has for the country’s traditional political values of independence, multilateralism, and non-intervention. Leadership has its costs, both material and moral. Brazil has been more used to acting as a champion of the developing world in opposition to the developed world, than in taking a leading role in defining and defending the international order. As a Brazilian newspaper columnist pointed out, “According to the Americans, to be a BRIC means participating on the central scene in maintaining world order… you [should be] prepared to be a foundation for this international order, and to pay the costs of maintaining order.”\textsuperscript{58} Brazil has begun to assume these costs of leadership, for instance by taking a leading role in restoring order in Haiti, but in ways that neither challenge nor overtly submit to American expectations that it defend the status quo.

Brazil also (not just globally but also regionally) continues to wrestle with the moral and practical implications of its role as a regional leader. Cardoso tried to exercise
influence in the region discreetly, be it in FTAA trade talks or as a mediator in disputes. By avoiding overt leadership and the costs that come with it, Brazil also avoided becoming a provider of costly public goods. Some of the costs of leadership might be commercial, such as opening access to its domestic market for the region’s exporters, or military, by cooperating more energetically with Colombia’s fight against drug trafficking and guerrillas. Neither has it made much effort to reduce regional tensions that have caused a dangerous upward spiral in military spending in recent years. While Lula has been more muscular in his dealings with Brazil’s smaller neighbors, he too has generally emulated Cardoso’s attempt to avoid accusations of imperialism or expansionism, by concealing leadership behind claims of “consensus creation and inclusion.” Yet the reality exists that Brazilian companies, organizations, and trade policy are indeed increasingly geared to promoting their commercial interests in the region, which in turn have foreign policy implications as noted in the case of commercial farmers in Paraguay’s and gas development in Bolivia.

If Brazil is still struggling to define its role as regional leader, some authors have argued that there exists at least one attractive role that it can emulate on a global level that can combine political and moral imperatives. Canada has developed a symbiotic commercial relationship with the US, but has been able to create a special role for itself in world affairs by pursuing a multilateral strategy. Canada lacks the resources to use coercive measures to advance its national interest, but still helps to manage the international system as a co-equal with other, much larger players. It does so through a
strategy described as “‘middle-powermanship,’ with its emphasis on responsibility, morality, and multilateralism.”65 According to this idea, mid-ranking powers such as Canada, or conceivably Brazil, act responsibly by coordinating policies and actions with other states, by acting as an honest broker in international disputes, and by helping to fund and operate international organizations.66 This strategy has been applied consistently by successive Canadian governments, enabling Canada to become an important member of the international community and the Western alliance in spite of its small population and economy. This policy has also yielded practical policy results, by allowing Canada to manage its relations with the US by applying international laws, norms, and organizations.

**A Commitment to Multilateralism**

We have argued in this chapter that Brazil and the United States share a number of common values: they are democratic, share an Enlightenment view of individual rights and the law, and a commitment to open markets. Their views of international affairs and global governance are similar—at least, as long as the US follows a policy of “hegemony with liberal characteristics.” Even when their interests diverge, they continue to uphold an international framework built around common values. International organizations, most of which were conceived in the postwar period as instruments of the Western liberal order as well as a means of securing American leadership, also enable secondary, emerging powers such as Brazil to advance their national interest—such as in trade—without directly challenging American supremacy. Indeed, United States’ active
participation in these bodies both reassures the West and imposes limitations on its policies toward weaker states, since all participants are (in principle) able to use these institutions to further their individual aims as well as attain broader goals such as maintaining a stable international commercial, financial, and political system.\textsuperscript{67}

Indeed, shifts in the global distribution of economic power and political relations have further increased recognition of the importance of coalition building. Policymakers in the US, the West, and among new emerging powers such as Brazil, see the established international system based on Western law, values, and customs as the most effective way of managing their relations. If there is basic agreement between the US and Brazil on this issue, there is little consensus on practical policy questions of trade and finance. However, both sides have agreed on the need to manage disagreements through rules-based formulas and international bodies.

This consensus may become harder to comply with in future years as both countries strain at legal and normative limitations imposed on their national interests. Nonetheless, a commitment to multilateralism will likely remain a fundamental value informing foreign policy in the US and among emerging powers such as Brazil in future years. We will explore this idea in greater detail in the following chapter as we discuss the creation and management of public goods, the role of emerging powers, and map out possible policy options for the US and Brazil.
CHAPTER 5

CONVERGENCE AND DIVERGENCE

We have seen in previous chapters how relations between Brazil and the United States progressed, rather problematically at times, in line with both countries’ growing economic strength and evolving political ambitions. On the American side, we saw a rising power, fired with ambition and growing material strength that came to dominate the global stage. As a result, American interest in Brazil and its neighbors began to wane in the second half of the 20th century essentially because they remained impoverished, agrarian, and politically unstable countries but also because South America was far removed from the front lines of the Cold War. Although Brazil and its neighbors rarely presented ideological or geo-strategic threats to the US, neither did they present many economic attractive opportunities, at least until recently.

On the Brazilian side, attitudes toward the US evolved from that of an eager client in the late 19th century, to a search for a relationship of equals during World War II and the immediate postwar period. These hopes never materialized as the US concentrated on more urgent global questions, and because Brazil was unable to build a stable political and economic system, or find a meaningful role in international affairs.1 However, Brazil’s goals began to shift as a new generation of leaders aspired not to a relationship of equals with the US but to chart a completely new course. As Brazil began developing economically in the late 1960s, it embarked on a new foreign policy strategy that stressed
its independence from the US, identification with other developing countries, and aspirations to becoming a global power. These goals were inspired in part by a belief that the United States and the rest of the developed world was attempting to restrict Brazil’s emergence onto the world stage, and by frustration at years of American indifference. These aims did not change significantly, whether under military or democratic governments. However, Brazilian administrations did chose different means to achieve the same goals. In contrast to the military governments of the 1970s, the administrations of President Fernando Henrique Cardoso in the 1990s, and of President Luiz Inácio Lula da Silva during the first decade of the 21st century, both emphasized multilateral engagement whereas the nation’s military presidents focused on bilateral relations with states in Africa and the Arab world and took an intransigent stance in international organizations. For instance, the generals doggedly refused to sign the Nuclear Non-Proliferation Treaty. Not surprisingly, relations with the US began improving with the return to civilian rule in 1985 and grew closer in the mid-1990s as Brazil followed a less confrontational international agenda. Significantly, ties between the two countries also tended to improve whenever Washington adopted predominantly multilateral foreign policies, but suffered when US policy took a more unilateralist turn.

Bilateral relations were strained during much of President George W. Bush’s two terms, but are beginning to recover under President Barack Obama, who has promised that the US will pay closer attention to emerging powers such as Brazil. He said in a speech in 2010, that, “As influence extends to more countries and capitals, we also have
to build new partnerships, and shape stronger international standards and institutions.” Furthermore, Secretary of State Hillary Rodham Clinton said in a speech in 2009, that the administration would place “special emphasis” on relations with the four BRIC countries as well as Turkey, Indonesia, and South Africa.\textsuperscript{7} This rhetoric comes at a time when growth is accelerating throughout the developing world, while the Western world wrestles with problems that include heavy debts, large fiscal deficits, and aging populations.\textsuperscript{8} It has become conventional wisdom that emerging powers\textsuperscript{9} will overtake major OECD countries in GDP terms within thirty years.\textsuperscript{10} These forecasts assume that the West will continue to stagnate and that the developing world’s strong growth will continue uninterrupted. This economic transition will likely be accompanied by a shift in political and military power away from the US, Europe, and Japan, and toward China and India, and to a lesser degree by Brazil and other emerging powers. Thus, the Obama administration (at least in terms of its rhetoric) is seeking new policies that recognize the growing importance of the developing world.

Despite this realization, analysts and policymakers often agree that American foreign policy began losing its Eurocentric focus in the 1990s,\textsuperscript{11} but the US has yet to articulate a new foreign policy strategy for these emerging powers in any detail, and some doubt that such a strategy is even feasible.\textsuperscript{12}

**Two Questions**

This paper set out to address two questions. The first was to consider whether, with 200 years of history behind them,\textsuperscript{13} relations between Brazil and the United States
now were on diverging or converging policy trajectories. For most of this period, Brazil clearly sought foreign policy convergence with the US in regional politics, in economic relations, and in global affairs. Shortly after independence, Brazil sought the support of the US as the leading regional power, and adopted the Monroe Doctrine as a guiding principle of its foreign policy. The Baron of Rio Branco, the architect of Brazilian foreign policy in the first decades of the 20th century, made close relations with the US a cornerstone of his policies. This continued through World War II, when Getúlio Vargas joined the allied war effort. This convergence began to unravel in the postwar years and by the 1970s, Brazil and the US appeared to be on separate paths. While they had a common aim in combating subversion in Latin America, Brasília and Washington disagreed on almost everything else, from trade and economic relations to nuclear non-proliferation. This pattern of changed again with the onset of economic crisis and return to democratic rule in the 1980s. It was only in the mid-1990s that the two countries were able to improve relations when Brazil adopted a strategy of reconciliation with the US and participation in international organizations. While ties have recovered in recent years, it remains unclear if this improvement can be sustained. The second question posed was whether the American experience in managing relations with Brazil can help guide its policies toward other emerging powers, and if so, what shape this policy contribution might take.

Let us begin by taking the first point first: are relations between Brazil and the US on converging or diverging paths? In making the case for convergence, we agree that
both countries have a range of shared values, inherited from the European Enlightenment that include such notions as individual rights, democratic rule, free markets, and rule of law. These values have gained increased weight in Brazil following the return to civilian rule in 1985, and its switch in the 1990s to a free market economic strategy that sought to integrate Brazil more closely into the global economic system. Moreover, the growth of the Brazilian middle class, which now accounts for half the population, is exerting a moderating influence on Brazilian domestic politics and demand respect for these essential Enlightenment principles. Nonetheless, the vast difference in economic strength between the US and Brazil suggests that there are few areas in which their foreign policy can be closely aligned. Indeed, Brazil’s pursuit of economic development would seem to indicate that the two will continue to clash over a range of issues. These include trade and global affairs.

Let us now examine each of these points in a little more detail. Trade relations remain a source of friction between Brazil and the US, as they have done for decades. Brazil continues to reject US demands that it liberalize its government procurement procedures as well as its service industries, while the US continues to block imports of ethanol, steel, orange juice, and other products from Brazil. As a result, Brazil has become an active litigant in the World Trade Organization (see Figure 9), frequently accusing the US of blocking Brazilian access to its domestic market, and distorting world markets through subsidies and protection for US industries. Domestic political calculation in both countries makes it unlikely that their trade disputes will be dealt with
soon. Trade disputes may become even more heated in the future as Brazilian exports continue growing in volume and sophistication, as US exporters remain shut out of sectors of the Brazilian domestic market, and as companies from both countries clash in foreign markets. For instance, friction may worsen as exports of Brazilian biofuels or regional jet aircraft continue growing and begin to increasingly challenge US competitors. These industries have grown rapidly in both countries and have become politically well-connected in Brasília and Washington thus promising to make resolution harder to achieve.

Figure 9. Number of WTO disputes since 1995
Ten most litigious countries

<table>
<thead>
<tr>
<th>Country</th>
<th>As complainant</th>
<th>As respondent</th>
<th>As third party</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>94</td>
<td>110</td>
<td>80</td>
</tr>
<tr>
<td>EU</td>
<td>82</td>
<td>70</td>
<td>95</td>
</tr>
<tr>
<td>Japan</td>
<td>13 15</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>33 15 71</td>
<td></td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>19 20 62</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>25 14 60</td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>7 18 69</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mexico</td>
<td>21 14 52</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Korea</td>
<td>14 14 52</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td>13 3 43</td>
<td></td>
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</tr>
</tbody>
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Source: WTO

Additionally, Brazil and the US could begin clashing more frequently over foreign affairs and global governance as Brazil develops a more active foreign policy. It
does not help that Brazil’s political elite, the military, and the higher reaches of the bureaucracy remain suspicious of, if not hostile to, the West in general and the US in particular.\(^{23}\) Their hostility is based on the belief that the international system constructed over the years by the West is being used to perpetuate their power and interests over those of the developing world.\(^{24}\) This antagonism is perhaps becoming even more pronounced now as Brazil gains confidence as a regional leader, with its fast-growing economy, and the discovery of “supergiant” offshore oilfields with reserves estimated at 50 billion barrels.\(^{25}\) Senior Brazilian officials openly state the country may become a target of future American indirect or military intervention, just as the Middle East has become, as the US seeks to control secure sources of oil. Envisioning such a possibility, the Brazilian navy intends to build a nuclear submarine fleet to patrol its oilfields.\(^{26}\) The defense minister has warned the US against notions of “shared sovereignty” in the South Atlantic and stated, reflecting Brazil’s claim to regional leadership, that, “South Americans will not be partners of the United States so that it can maintain its role in the world.”\(^{27}\) These concerns can be seen as a continuation of longstanding Brazilian suspicions that the US covets Brazilian territory and aims to limit its sovereignty in key areas, notably the Amazon.\(^{28}\) However unfounded or bizarre these beliefs may appear in Washington, they are nonetheless deeply held among senior officials in Brazil’s national security establishment. In fact, these views have informed Brazilian opposition to aspects of US regional policy, such as military support for Colombia’s anti-guerrilla operations,
which some Brazilian officials believe is merely a form of covert US intervention in the Amazon.  

Furthermore, Brazil’s opposition to American foreign policy may become more vociferous as its own economic interests and global ambitions grow. For instance, Brazil, China, and India (among the world’s biggest carbon emitters) grouped together to oppose US and Western demands at the 2009 Copenhagen climate change summit that they slow economic development to restrain their greenhouse gas emissions. While the US has since abandoned the search for a global consensus on climate change, foreign policy analysts took this as evidence that emerging powers can cooperate effectively to oppose not just climate change proposals, but other Western interests such as human rights or defense issues. Significantly, these emerging powers will have an opportunity to prove their ability to coordinate policy in January 2011, when Brazil, Russia, India, China, and South Africa all join the UN Security Council as rotating members.

Until recently, the main points of disagreement between Brazil and the US were limited to trade disputes and had little global significance. However, these points of discord may become more significant as Brazil grows in stature and the cost to the US of demanding compliance with its policies also begins to rise. Imposing American policies on Brazil, such as demanding that it liberalize its domestic computer industry in the 1980s, was achieved at relatively little political or commercial cost to the US at the time. The effort required to confront Brazil has increased since then. For instance,
Brazilian opposition to US demands for far-reaching trade liberalization led to the demise of President George HW Bush’s Free Trade Area of the Americas.\textsuperscript{35}

Despite all of this, however, the argument for convergence is perhaps stronger than the case for diverging relations. As noted throughout this paper, Brazil has aspired, and consistently failed, to establish a relationship of equals with the United States. This failure was due both to Brazil’s inability to maintain a stable economic and political system and to Washington’s Cold War and Eurocentric foreign policy priorities. In spite of Brazil’s great (but unrealized) economic potential, it does not occupy a geo-politically significant region and Washington could, until recently, safely relegate Brazil to secondary status.\textsuperscript{36}

This attitude began shifting once Brazil was able to consolidate democratic rule and establish a relatively open economic system capable of delivering high rates of growth.\textsuperscript{37} As a result, Brazilian foreign policy underwent a profound shift, which began with its economic stabilization during the Fernando Henrique Cardoso administration in the mid-1990s. As it did under the generals during the 1970s, present day Brazil still aspires to global preeminence, but now seeks to reach this goal through a foreign policy strategy built on participation in, and leadership of, international organizations. This comes at a time when the world has begun to recognize that a number of problems such as trade or climate change are best tackled through policy cooperation at a global level. Policies that favor integration and cooperation would, almost by definition, prove favorable to improved relations between most countries. This may apply in even greater
measure to relations between Brazil and the United States. As we found in Chapter 3, bilateral relations improved considerably whenever US foreign favored a multilateral approach to foreign policy problems. When one or both countries took a more unilateral approach to policy, such as during the 1970s when Brazil followed a policy of Third World leadership predicated in part on hostility to the US, or during the presidencies of Ronald Reagan and George W. Bush, relations became more tense. Even though residual suspicion of the US persists, and despite the trade disputes that have dogged the bilateral relationship for decades, neither of these issues have caused a confrontation that has poisoned fatally the relationship as a whole. Indeed, the leftist Workers Party of President Luiz Inácio Lula da Silva has continued Cardoso’s “autonomy through participation” foreign policy strategy despite his loud attacks on American hegemony during the 2002 election campaign.\(^{38}\)

Bilateral relations are all the more likely to converge over the long term, if the somewhat haphazard trend in global politics toward increased integration and cooperation continues (see Figure 10).\(^{39}\) Globalization has accelerated through increased trade, investment flows, travel, and exchange of knowledge; through an expansion of democratic rule; and through a growth in the number of intergovernmental organizations which formulate and apply a body of laws and regulations that bind the international system ever more closely.\(^{40}\)
However fragile this process may appear, it has in fact proved remarkably resilient over the decades. It has survived the Cold War and decolonization, and has intensified in recent decades. Nonetheless, we should note that Washington has lost little of its ambivalence toward multilateralism. Although it was the main architect of the postwar international system, and perhaps one of its principal beneficiaries, it has refused to ratify landmark treaties on international criminal courts, landmines, international law of the sea, and on climate control, that have been adopted by almost every other country in the world. And neither can there be any certainty that states less invested in the western liberal tradition—such as China or Russia, for instance—will not seek to disrupt an international system built on Western, liberal values. While the international system’s past growth does not guarantee that it will continue developing indefinitely, we argue that a sufficient number of states—including Brazil—view the liberal order as a framework...
that enables them to advance their national interests more effectively than a predominantly unilateral foreign policy.\textsuperscript{43}

A global system based on increasing integration can be expected to favor a continuing convergence in relations between Brazil and the US. This is subject to a number of caveats, such as the likelihood that American foreign policy will oscillate unpredictably between multilateral and unilateral poles, or the more remote risk that Brazil will abandon its multilateral foreign policy in favor of a more unilateral strategy. We believe the latter remains a remote possibility. Brazil is likely to remain a secondary economic and military power on the global stage and therefore usually will find international organizations, international law, and collective political and moral suasion more effective ways to achieve its policy aims. US strategists also expect Washington to rely increasingly on international law and its relations with emerging powers to contain the influence of China in world affairs as American supremacy gradually erodes.\textsuperscript{44}

The two countries’ fundamental value systems also are becoming more similar as Brazilian society adopts many of the same bourgeois values that underpin American culture and politics. The values that contemporary Brazilian society is coming to espouse—restraint, individual rights, transparency, and rule of law—differ remarkably from its pre-modern elite, authoritarian structure.\textsuperscript{45} Eduardo Viola has noted that the growing maturity of US-Brazil relations is due in part to Brazil’s adoption of Western, and American, values such as democracy and free markets.\textsuperscript{46} Joseph S. Nye and Robert O. Keohane also have argued that accelerating globalization has allowed these liberal
values to spread around the world through a “multiplication of transnational channels of contact,” which have begun to spring up alongside traditional interstate relations preoccupied mainly with force and security.  

While it would be foolhardy to dismiss the depth of disaffection and hostility toward the US in Brazilian foreign policy circles, we find that the forces impelling Brazil toward cooperation with the US are far stronger. Fundamental patterns shaping international relations and national policy in the postwar period, such as the spread of democratic government, growing international trade volumes, and the voluntary acceptance by most states of international law all indicate that Brazilian (and American) foreign policy is likely to become increasingly multilateral in future years. Furthermore, to the dismay of America’s traditional foreign policy realists, unilateral pursuit of national interest goals by Washington is becoming less and less effective. As Huntington noted in 1999, the US may be able to lob Tomahawk missiles to achieve short-term military aims, but it cannot use arms to solve complex political problems unless it has won the support of friends and allies. The subsequent US experience in Iraq made his point even more compelling.

However, there are limits to convergence. Although Brazil may agree with the US on the fundamentals of international relations, this does not mean that it will align itself automatically with the US or avoid challenging policies it disagrees with, such as pharmaceutical patents or the appropriate response to Iran’s nuclear program. Equally, the US can scarcely be expected to revise key policies that Brazil opposes. For instance,
Congress has occasionally discussed, and invariably rejected, Brazilian and other emerging countries’ demands that it cut US farm support policies. In the next section, we will explore how American relations with Brazil can serve as a guide for US policy toward other emerging powers. Given the greater likelihood of relative convergence, it can be useful to explore how American relations with Brazil can serve as a guide for US policy toward other emerging powers. This is the purpose of the next section of the thesis.

An Example for the Emerging World?

Let us now address the second point, whether relations with Brazil can serve as a guide for US policy toward other emerging powers. Brazil occupies a special place in the shifting structure of contemporary global relations. On the one hand, with its relatively small population and limited economic and military resources, Brazil cannot be placed in the same category as China or India, which have vast populations, booming economies, and military establishments complete with nuclear weapons. On the other hand, however, Brazil towers over second tier emerging powers—its GDP is three times bigger than Turkey’s, six times larger than South Africa’s, and ten times greater than Pakistan’s.50

Although US relations with Russia, India, and China probably will continue to consume a large part of Washington’s policy resources, nonetheless the more numerous second tier countries still will require close and careful attention. While alliances and trade relations with these second tier countries have mattered relatively little to Washington, this is likely to change as the emerging powers’, and particularly these
second tier powers’, share of world trade, financial flows, population, and military spending expand. Nurturing relations with these countries therefore may become increasingly important, particularly if the West and China become rivals for their affections. Recent tensions between China and its neighbors and the US suggest this outcome is becoming increasingly likely. For example, Secretary of State Clinton stated in July 2010 that a peaceful resolution of territorial disputes between China and its neighbors over the South China Sea was in the US “national interest.” She urged a multilateral solution to the question, an approach supported by Vietnam and other regional governments, but opposed by Beijing. Brazil, which has assiduously courted Beijing for many years, has grown frustrated at the lack of reciprocity in relations and officials in Brasília are demanding, with increasing frequency, that China curb its exports of low-priced industrial goods. If Brazil does emerge as a primus inter pares among the new emerging powers, Washington therefore will have even more reason to seek a strong working relationship with Brasília.

Unlike other BRIC states, Brazil presents no military or strategic challenges to the US, and offers few critical policy challenges. It has renounced nuclear weapons. It considers itself part of the Western world. It is an imperfect but energetic democracy, with a market-based economic system. It respects international laws and organizations, recognizing that because these are effective ways to manage world affairs and because they open an avenue for emerging powers to limit the reach of incumbent powers. Brazil also shares many of these countries’ structural economic and political problems, as well
as their anxieties toward the United States. Brazil, as the smallest BRIC but the largest second tier emerging power, may come to occupy a special position in the new global political structure. It is trusted by many, threatens few, but is large and sophisticated enough to wield growing political influence.\textsuperscript{54} Developing a strong relationship with Brazil could make it easier for the US to advance its policies in Latin America and globally, and a more positive rapport with the US also would enable Brazil to further its own ambitions in the region and around the world.

**Divided they Stand**

There are few reasons to think that the emerging powers have enough in common to form a coherent group in the same way Western states are united by similar values, cultural heritage, and shared interests. The political divisions between many emerging powers are great, the structures of their economies varied, and their geopolitical contexts differ too greatly to allow a lasting community of interests and values to emerge. Indeed, those emerging powers that also are close neighbors (India and Pakistan; Algeria and Egypt; China and Russia) simultaneously are bitter, and occasionally violent, rivals. Only five of the eleven emerging powers are considered politically free, and while none of them has liberalized fully its economic system, two states—Mexico and Turkey—have signed customs unions with the US and EU that require them to respect free market principles (see Figure 11).\textsuperscript{55}
In fact, the differences between them may be greater on some issues than their
differences with the West and the US.\textsuperscript{56} For instance, Brazil was unable to overcome
Indian opposition to its farm trade liberalization at the 2008 World Trade Organization
(WTO) summit;\textsuperscript{57} resentment over Chinese commercial practices is building in Brazil.\textsuperscript{58}

![Figure 11. Indices of Political and Economic Freedom](image)

This suggests that while emerging powers may be able to form temporary
alliances of convenience to overcome specific problems, they are less likely to form
lasting bonds and act as a single, recognizable group in world affairs. This also suggests
that the US is less likely to be outflanked by groups of emerging powers, as occurred at Copenhagen in 2009, and will be able to manage relations with these countries on a bilateral basis. If these states are not united by common aims or values, then they are likely to be more susceptible to pressure from a major power.

Our analysis of US-Brazilian relations has demonstrated that interactions improved when the US followed a multilateral track that complemented a Brazilian strategy built on participation in international organizations. For example, it was only after Cardoso adopted a new foreign policy strategy and that the US foreign policy had swung toward a multilateral position in the 1990s, that Washington was able to pressure Brazil to adhere to international treaties such as the NPT in 1997, which previous governments had resisted for thirty years.

The US does seem to be taking such an approach, at least rhetorically. Secretary of State Clinton has recognized that the US increasingly may encounter resistance from emerging powers as they construct assertive new foreign policy strategies of their own. However, she believes that the US can, and must, intensify its engagement with these countries, and identify areas of agreement even when it opposes other aspects of their policies.

A strategy built on concession and forbearance only is likely to bear fruit with secondary powers, such as Brazil, that aim to participate in the international system, and adapt it to its needs, rather than disrupt it. A conciliatory approach by the US is less likely to be productive with larger, and potentially more aggressive, first tier emerging powers.
such as Russia, India, or China that are more likely to challenge the US\textsuperscript{64} and demand a reorganization of the international system’s political, legal, and value structures to better meet their aims. We have discussed in previous chapters how the current system of international rules and norms was built up over centuries on the foundation of Western legal, cultural, and philosophical ideas. We also saw that these furthered the strategic and economic interests of the leading powers of the 20\textsuperscript{th} century—the United States and its closest allies. All emerging powers want to change international system, at least to some degree, to better serve their own interests rather than further the interests of the developed world.

The economic strength and resources that the first tier of emerging powers are forecast to accumulate in the near future are so great that it is probable that the international system must also undergo a far-reaching reorganization to accommodate these new actors. For instance, the population of China is currently 1.33 billion and India’s is 1.16 billion, already equivalent to 19\% and 17\% of world population respectively.\textsuperscript{65} Their share of global GDP stands at 12\% today.\textsuperscript{66} If Goldman Sachs’s projections are confirmed, China’s economy would be equivalent to 60\% of the aggregate GDP of the G6\textsuperscript{67} economies by 2040, and India’s would be equal to 28\%.\textsuperscript{68} Both are building up nuclear and conventional military forces. China’s military expenditures were an estimated $100 billion in 2009, equivalent to about 7\% of world spending, but still a distant second to the US military budget of $661 billion. India ranked ninth in 2009, with spending of $36.5 billion.\textsuperscript{69} China has increased military expenditures by about 320\%
since 2000, while India and the US both doubled their spending in the same period.\textsuperscript{70} Since countries rarely choose not to exercise power, especially when they accumulate it at such a prodigious pace, it is reasonable to suppose that they will demand a reorganization of the international order in ways that may lead to a break with traditional Western values.

This is less likely to apply to smaller emerging powers that lack the vast populations, economic resources, and military establishments and nuclear forces available to first tier states. However, US analysts believe that for the time being, China and India “are likely to remain status quo powers”\textsuperscript{71} more concerned with their own economic development and in maximizing their benefits from the international system than in upsetting it, at least through 2025. One reason is that the Chinese economy (and that of other emerging powers) is unlikely to overtake the US in absolute terms before 2040, and even then would have per capita incomes that are less than half American incomes.\textsuperscript{72} These forecasts indicate that while change favoring the new powers may be inevitable, transformations in the international system are likely to come in fits and starts over a relatively long period of time. Nonetheless, in the interim, US policymakers need to consider how best to work with first and second tier emerging powers in order to preserve US interests. Perhaps the best way to manage relations with second tier states might be to apply the model of US-Brazil relations.
Neither Incumbents nor Revolutionaries

US policies toward Brazil can therefore better inform American foreign policy toward states that are regionally significant but are unlikely to achieve the same systemic importance of the first tier states such as China. And like Brazil, few second tier states present an overt military threat to their neighbors and most have settled outstanding territorial disputes through negotiation and by signing international treaties.

While these states (particularly the larger ones) have little to gain from maintaining the status quo intact, they neither do they have an obvious interest in upsetting the system altogether. Instead, they would stand to gain more from exploiting these existing structures more fully to further their national interests in areas such as trade, financial flows, intellectual property, and greenhouse gas emission volumes. As noted in Chapter 2, Brazil very explicitly chose to take a more active, and usually a more constructive, role in international organizations to advance a specific agenda (in patent law for instance) and promote its wider strategy of taking a leadership role in world affairs. The Cardoso administration’s “autonomy through participation” strategy required an innovative approach to diplomacy to support its companies more vigorously not as an adjunct of traditional diplomacy but as the core of the practice of foreign relations.

Economic development and trade are both important Brazilian foreign policy issues. Like most governments, its aim is to win access to developed country markets for its exports and concede as little access to its own markets for products that compete with Brazilian manufactures. The WTO has an important role in facilitating this agenda. Celso Lafer,
Cardoso’s foreign minister, said the WTO, enables countries to organize temporary alliances according to specific issues, rather than falling into established hierarchies, as is usually the case at bodies such as the UN or the World Bank. Activism in international organizations has brought Brazil some benefits, by winning trade battles with larger countries, notably the US. However, it also has probably brought greater intangible gains by raising its profile in world affairs and strengthening its claim to be a leader of the developing world.

Brazil has campaigned for changes to key international organizations ever since it was shut out of the League of Nations in 1926. It long has demanded that they should represent more closely the interests of developing nations in general, and those of the larger emerging powers in particular (Brazil has been pressing for permanent membership of the UN Security Council since its creation). While Washington pays lip service to Brazil’s pleas, and although it has accepted the principle of restructuring the Council and even established criteria for permanent membership, it has not attempted a sustained reform effort. While it may still be premature to begin the wrenching process of modernizing the Security Council, pressure will only grow for change. The US will eventually face the choice of allowing the UN to fall into obsolescence, or join Brazil and other emerging powers in revamping its structures. Washington already has begun pushing for change at the IMF, where it has pressured European shareholders to surrender a portion of their stake and allow emerging powers to increase theirs, to bring the Fund
“closer to the goal of achieving legitimate IMF representation based on countries’ economic weight in the world.”

Although European governments resist a reduction in their role in these organizations, and in the international system as a whole, there is a growing, if reluctant, recognition that change must come eventually. An influential British columnist has called on London to offer its Security Council seat to India and for France to give its place to a representative of Africa (he did not advocate for a Brazilian seat, however). The US can hope to win influence with emerging powers by agitating for change from within, rather than ignoring or soft pedaling demand and gradually losing their support. Rather than resisting these pressures, the US could become a champion for effective reform and thereby retain a dominant role in these bodies. The US under President Harry Truman took a similar approach in the postwar period, by leading the construction of new international organizations that would enable it to shape world affairs and further US policy.

**China, the New Threat**

Third World solidarity is an enduring, if vaguely defined, principle of Brazilian foreign policy that stretches back to the 1960s, when President Jânio Quadros hosted Che Guevara in Rio de Janeiro and recognized the Chinese government in Beijing. Yet, Roberto Abdenur, a former ambassador to China and to the United States, warned in 2007 that Brazilian politicians and foreign policy officials needed to update their “romantic vision” of China as a poor, backward, and agrarian society and realize that it
had become a world economic power and direct competitor. In recent years, the Brazilian business press has become hostile to China, demanding that the government draw up a “strategy to deal with the emergence of China as a world economic power.”

Brazilian exporters have been losing market share and blame much their losses on Chinese competitors. In some segments, such as specialized steel products, electrical transformers, or freezers, Chinese companies have routed Brazilian exporters by claiming 90%-100% of their markets around the world, including neighboring Latin American countries. Other Brazilian analysts have begun demanding that China revalue the renmibi (the Chinese currency), just as the US Treasury has been doing for years and, with about as much effect.

Brazilian officials concede they have little to show for friendship with China. Brasília never put human rights on the bilateral agenda, supported China’s WTO membership, and Lula has attended presidential BRIC summits. However, for example, Brazil has won no trade concessions or any support from China in its campaign for permanent membership of the Security Council. American strategists believe the US can turn this growing ambivalence toward China, not only in Brazil but also throughout the developing world, to its advantage. A 2008 National Intelligence Council assessment of world political and economic trends, notes that, “As China becomes more powerful, some wariness will be displaced onto Beijing, and the United States’ own function as a counterweight will become more appreciated.”
Alone, Brazil has little leverage in Beijing, but allied with the US it can hope for more success in pushing for changes in policy. Like the US and many emerging powers, Brazil has come to rely heavily on China as a source of financing and as an export market. However, like many other countries, Brazil is finding that its relationship with China is becoming increasingly unequal: while its exports to China consist almost entirely of raw materials, its imports from China are largely manufactures that compete directly with Brazilian companies. The US only has advocated on its own behalf with China in bilateral meetings and has usually avoided confronting it in the G-20 and other multilateral forums. If the US were able to organize an informal grouping of emerging states equally discontented with China’s exchange rate and export promotion policies, American demands for Beijing to change would carry somewhat greater weight. However, trade is only one aspect, if only the most visible and widely felt dimension, of China’s increasingly truculent policies. In East Asia, Clinton urged regional governments to adopt an “active agenda” toward foreign policy issues, which should include searching for a solution for maritime disputes, primarily China’s claims to sovereignty over the South China Sea.

By winning the support of a leading emerging power such as Brazil, the US might be able to gain greater leverage over China. Washington could even use its relationship with Brazil to reinforce its foreign policy interactions with other emerging states that share the same interest in handling China. For instance, Lula revived IBAS, a policy forum linking Brazil, India, and South Africa (but which excludes India’s rival, China).
The three IBAS heads of government have held four summits since 2003, mostly focused on economic and trade issues, and on reshaping international organizations.\textsuperscript{93} US analysts have suggested that Indonesia would be a logical candidate for membership in IBAS, which would thus diminish China’s claim to represent Asia.\textsuperscript{94}

**Public Goods and Global Bodies**

The transition to a new configuration of global power will surely be slow, stressful, and possibly conflictive.\textsuperscript{95} It promises to open many problems for global governance. A particularly thorny topic concerns the provision of international public goods, which since the 19\textsuperscript{th} century have been provided by western powers, principally Great Britain and the United States. International relations analysts often define public goods as benefits, such as freedom of navigation, that accrue to all states but are typically provided by a single power that is alone capable of exercising global leadership.\textsuperscript{96}

Few expect the US, today’s principal source of international public goods, willingly will abandon its leading role in international affairs or suffer a sudden collapse in economic and military power.\textsuperscript{97} Still, predictions of America’s imminent “disintegration and decay” are far from new,\textsuperscript{98} and the wide gap between the US and emerging powers is narrowing, and may close within the next 30-40 years. Who then will provide the international goods that form the basis for the globalized international system we enjoy today? That Brazil has used international organizations as a framework for its “autonomy through participation” foreign policies is an encouraging development that suggests it may be possible for public goods to be managed without constant supervision
by a dominant single power. Indeed, these organizations may prove a more viable framework for states to manage collective threats such as climate change, than the imposition of solutions by a single power, or group of central powers.

While Brazil identified international organizations as an important platform to advance its national interest, the US stance has been more ambivalent, alternating between a primarily unilateral orientation under Reagan and George W Bush, and more multilateral policies under the George HW Bush and Clinton administrations. This is despite the widely held view the Bretton Woods’ organizations and United Nations’ agencies were conceived by the US and its Western allies to reflect their values and further their political and economic aims. It helps that these institutions have also proved to be reasonably effective in managing the global system. The IMF ensured liquidity for countries facing balance of payments difficulties. The UN established a global political forum, established basic human rights standards, and created specialist agencies that facilitate global trade, science, health, and administration of international law. By successfully fostering global stability and integration, these bodies cemented Western values and interests into the norms that have underpinned the international system as it has expanded over the last half century.

This was a symbiotic process in which American determination to ensure currency stability and open markets ensured prosperity at home and enabled the rise of its global corporations, while it also created the foundations for economic growth around the world. In doing so, the US continued a tradition reaching back to the 19th century,
when these goods were provided by Great Britain. Theorists long have agreed that these international public goods could only be provided by a great power, or group of powers acting in concert. Great powers rarely act altruistically, nonetheless by pursuing their own interest they generate collateral gains that benefit many, if not all states. The British suppressed piracy in the 19th century to win control of sea lanes, to project imperial power, and to expand their trading routes. Yet in doing so it removed a scourge from the high seas that benefited all. The US today offers goods as varied as providing a reserve currency and open markets, a global nuclear deterrent, and even electronic services such as the GPS satellite network.

International public goods have expanded beyond basic benefits such as the freedom of navigation to cover a wider range of ever more complex issues written into international law, such as overseeing nuclear installations, fielding peacekeeping forces, or managing international financial flows. This has created powerful incentives for dominant powers to ensure they control these bodies, and for subordinate states to accept their control. For instance, major economies finance the IMF, which allows them to establish the international economic system’s operating rules. Countries that borrow from the Fund—historically, developing countries—benefit because they can access emergency support during a financial crisis, although they must accept the IMFs policies as a condition for the financing.

To ensure the credibility of these institutions, hegemonic powers also must submit to their rules, further encouraging subordinate powers to participate in international
organizations and to comply with their regulations. This has the effect of “softening” American power, in particular, by allowing other governments to “participate in decisions and that act as a sort of world constitution to limit the capriciousness of American power.”\textsuperscript{108} The US has been able to extend its global dominance not only through its economic and military reach, but also by indirect methods, such as proposing international policy issues and mobilizing political support to achieve them.\textsuperscript{109} Soft power in this analysis is effective because it co-opts rather than coerces others, and is all the more so when American values are viewed in a positive light.\textsuperscript{110}

For these reasons, US administrations have generally taken an internationalist approach to foreign policy during the 20th century, enabling an expansion of international law to regulate statecraft and the domestic policies of states.\textsuperscript{111} At the same time, however, the US has acted unilaterally by ignoring or overruling international agreements that did not meet its needs.\textsuperscript{112} For instance, President Richard M. Nixon acted alone when he dissolved the Bretton Woods fixed exchange rate system in 1971 by announcing a “temporary” suspension of the dollar’s convertibility into gold, because he judged the dollar had become overvalued.\textsuperscript{113} US administrations also have trampled on international law by clandestinely intervening in sovereign states to remove leaders it opposed; Washington removed Guatemala’s President Jacobo Arbenz in 1953, and Chile’s Salvador Allende in 1973.

Unilateralism comes at a cost. Taken too far, it can erode support for the US among states that would otherwise accept American leadership, making it harder for
Washington to achieve its policy goals. Unless unilateral action is viewed as legitimate, perhaps by providing wider benefits to a group of nations, it can further add to the costs of implementing policy. Thus American policies that have generated (or have been perceived to generate) generate few public goods are rarely been popular outside the US. Nye recalls a Canadian foreign minister complaining that Americans call bullying “global leadership.” In future, the US is likely to weigh the costs of unilateral foreign policy actions more carefully than before, and to seek wider international support for its interventions than it did for most of the postwar period.

As the structure of global power changes, so must the role of the US in providing these public goods. International relations theorists argue that as the power of hegemonic states declines, so does their ability and willingness to provide international public goods. For example, resentment in the US over the cost of providing public goods, such as open markets, has been growing for many years and has certainly deepened since the 2008-2009 global crisis. Theorists also long have held that maintaining the international system’s institutional framework consumes resources and time, and without a dominant committed to doing so, it tends to decay. Transition from British to American leadership in the 20th century proceeded relatively well because the process took place gradually, and because it took place between two consenting countries with deep cultural-historical connections and shared objectives.

Today, the outlook for a smooth transition away from US power is less clear. Although few doubt that the US will remain a dominant actor in international affairs for
the foreseeable future, notwithstanding the rise of China and other emerging powers, its interest in providing public goods may falter as their benefits no longer appear to outweigh their costs. While the United States will likely remain the world’s single most powerful state, dwindling economic and military capabilities may force it into increasingly difficult policy choices as it struggles to balance growing domestic and foreign policy priorities.¹¹⁹

As such, a few major emerging powers could shoulder some of the costs—and seize the benefits, as well—of providing these public goods. None of these countries have sufficient resources to enforce international rules alone, as Great Britain once did or as the United States still does, yet they have an interest in ensuring the continuity of international rules and norms that benefit all. This is a delicate transition, particularly since the US would not be bequeathing its privileges to a single like-minded successor, and one that is likely to take place gradually and far from smoothly.

 Nonetheless, there is cause for very cautious optimism, both for US policy and for the international system. Brazil has used international forums as a platform to challenge American interests and advance its own agenda, yet in doing so it also demonstrated a sincere commitment to multilateral agencies and their ethos, and as such has upheld Western liberal values such as rule of law and individual rights. Despite the difficulty of managing a highly complex and inter-related global system through multilateral bodies, governments were able to adapt existing bodies and create new ones to manage the global economic crisis of 2008-2009. The G-20, which comprises leading developed and
developing nations (including Brazil) was able to coordinate global economic policy and prevent a descent into protectionism during the crisis. The Basel III set of rules for bank capitalization were adopted globally to deal with some of the causes of the crisis. The International Monetary Fund and World Bank both received fresh capital injections, including loans from former clients such as Brazil, allowing them to support economies affected by the crisis.¹²⁰

However, the expectation is that as Brazil demands—and obtains—a greater role in international affairs it also must contribute more to the provision of collective international goods. For instance, in its relations with neighboring South American states, Brazil under Cardoso avoided shouldering the costs of leadership expected of a regional leader to avoid accusations of imperialism or expansionism.¹²¹ However, the need for decisive regional leadership is perhaps all the more necessary for a continent that lacks both an effective institutional framework and a global hegemon willing to manage its affairs. Indeed, critics have argued that Cardoso’s reluctance to take regional political leadership undermined Brazil’s claims to a global role.¹²²

In contrast, Lula’s government has taken a more energetic approach to regional policy, for instance by using BNDES, Brazil’s national development bank, to finance infrastructure projects in South and Central America and the Caribbean.¹²³ Lula also played a key role in assembling a UN stabilization force for Haiti in 2004. Brazil’s contingent is the largest in the multinational force, which is commanded by a Brazilian officer. Its presence was intended to show the US and other Latin American states that
Brazil was willing and able to solve regional problems and to provide public goods, such as security, as befits a country aspiring to an enhanced role in global affairs. The troops have performed well, and established a good relationship with a much larger US force flown into the island after the January 2010 earthquake.

More broadly, these initiatives also are intended to signal that Brazil has broken with its past history of upheaval, and now can be relied upon as a serious and committed member of the community who can be entrusted with greater responsibilities. However, there continue to be skeptics who doubt that Brazil has truly broken out of its cycle of instability and believe that, Brazil “remains, as it has for decades, if not centuries, a land of problems.”

For example, some argue that Lula has eroded the credibility, which Cardoso built up with great effort, by embarking on pointless international initiatives such as wading into Middle Eastern politics or making offensive remarks about world leaders. Other observers remain unconvinced that Brazil has the resources and capacity for sophisticated strategic thinking needed to establish leadership credentials. Andrew Hurrell points out that Brazil needs to compensate for its lack of ample “hard power”—economic and military might—with a clearly articulated policy of seeking influence by setting agendas, embedding ideas within institutions, and showing moral leadership, such as establishing itself as a defender of human rights. This is difficult because regional institutions such as Mercosur are weak, because Brazil has human rights problems of its own, and because it has never seen the advantages of winning leadership through “self-binding,” as
Germany has in the European Union. Furthermore, Brazil’s struggle to define a role in Latin America may interfere with its pursuit of global ambitions. For example, poor management of a Middle East-Latin America summit in Brasília in 2005 led to a walkout by the presidents of Argentina and Chile. Five years later, Lula was unable to assemble even nominal support for his effort with Turkey to broker an agreement with Iran over its nuclear program.

Cardoso and Lula both attempted to build a global foreign policy strategy in the Canadian or Scandinavian “constructivist” mold, aiming to make Brazil into a reliable, trusted, and independent player in international affairs. Celso Amorim, Lula’s foreign minister, says he uses a language of “persuasion, friendship and co-operation” to build Brazil’s credibility in world affairs. However, American and Brazilian career diplomats ridicule this approach—demonstrated in offers to broker a Middle East peace deal and settle the Iranian nuclear crisis—as naïve and amateurish. Nonetheless, planned and executed well, a “friends with everyone” approach to foreign policy may bear fruit in the future. A US intelligence scenario imagines Brazil successfully acting as an honest broker in a crisis between the US and China in 2021. However, this analysis of Brazil as an altruistic and well-intentioned actor on the global stage overlooks a somewhat more brutal dimension of regional policy in which it has used its hard power resources to intimidate its smaller and weaker neighbors Bolivia, Paraguay, and Uruguay.

In order to play a successful role in world affairs, Brazil will have to assume the burdens of leadership more readily than it has in the past. It has taken some steps in this
direction, but will need to do more to gain credibility. Brazil will be expected to contribute more resources to international bodies, reduce trade barriers and open its markets to its neighbors, and develop a broader and more collaborative relationship with Washington. The US must also make sacrifices—such as reducing trade barriers, including those that hurt Brazilian exports—to cement a close relationship with Brasília. And what may appear outlandish today, such as cutting agricultural price supports that damage Brazilian farm exports, may yet become reality as the constraints on US fiscal policy grow more severe.¹³⁵
CHAPTER 6

CONCLUSION

We set out in this chapter to consider first whether Brazil-US relations are on diverging or converging paths, and then to discuss if and how American policies toward Brazil can inform its approach to other emerging powers. While ties between the two countries certainly have become more complex and difficult to manage, particularly as Brazil’s economy has developed and its foreign policy aims have become more ambitious, we found that the challenges in the relationship are not severe enough for us to believe that the two countries are on divergent policy tracks. On the contrary, governments in the United States and Brazil—under two political parties in Brazil, and under two Democratic administrations in the US—have followed multilateral policies and sought to resolve problems by consensus or through rules-based procedures. Even under the more unilateralist Republican administration of George W. Bush, the relationship remained fundamentally sound, if somewhat strained. Disputes, especially over trade, never threatened the relationship.

Their ties are further strengthened by their shared inheritance of Enlightenment values such as rule of law, democracy, and universal rights. As the world continues to progress, however unsteadily, toward a Kantian peace built on trade, democratic rule, and the growth of intergovernmental organizations,¹ the outlook for the relationship remains positive. One should not forget, however, the tendency of US foreign policy to oscillate
between unilateralist and multilateral tendencies, which suggests that the relationship will continue to be subject to considerable turbulence. Relations between Brazil and the US usually deteriorate when American foreign policy goes through a unilateral phase, but the damage done has never been severe enough to inflict lasting harm. For its part, Brazil is also subject to recurrent economic crises. Although the economy today is strong and the country has recently discovered large offshore oilfields, it remains financially fragile. A growing current account deficit, reliance on exports to China, and continuing dependence on commodity exports indicate that it is still struggling with profound structural problems. Balance of payments crises in 1998-1999 underlined its economic vulnerability when it had to call in a US-led international rescue package that provided $41.6 billion in emergency loans. Economic crises have had far-reaching consequences: the 1973 and 1979 oil crises snuffed out Brazil’s last attempt at a global foreign policy strategy and led to the “Lost Decade” of the 1980s. If history is a guide, a future economic crisis would once again divert Brazil from its leadership aspirations, and cement its reliance on US support.

Although a single foreign policy approach for states as disparate as Brazil, Turkey, South Africa, or Indonesia makes little sense, there are two broad insights from its relations with Brazil that Washington could apply as it develops a foreign policy strategy for these emerging powers. The first would be to begin fundamental reform of the major international organizations to favor these emerging powers, while reducing the representation of most incumbent states; happily for the US, the size of the American
economy and its population would ensure that it can continue to dominate these organizations. In Europe, elite opinion, notably in the UK, is beginning to accept that the existing international system has become archaic and requires reform. Although change likely will be politically costly and time consuming, a new international architecture would possibly still leave the US as the preeminent power, especially if it were to lead the reform process from the outset and were able to structure the new architecture to meet its own interests. The reforms would therefore enhance American influence, better enabling it to build alliances with second tier emerging powers to manage the potentially disruptive rise of the new superpowers, particularly China.

The second insight concerns the threat posed by China. Foreign policy officials in Brazil, and other second tier powers, are keenly aware of the threat posed by China’s development and the way it is transforming international relations. No country has risen as quickly and to such great stature as China has in the 25 years since Deng Xiaoping began his economic reforms. It is therefore inevitable that this process will upset traditional global economic, political, and military and strategic relations. Brazil, and other emerging powers, would be better able to deal with these changes if they were able to rely on Washington as a reliable counterweight to China.

Furthermore, while few doubt the US will remain the preeminent global power into the foreseeable future, doubts remain over its willingness and its ability to continue providing global public goods as it has done for much of the postwar period. If the US were to withdraw from this role, the international system would be presented with a
unique challenge: how should states and international organizations provide these public goods collectively? The approach Brazil has taken since it unveiled its multilateral-oriented foreign policy strategy in the mid-1990s, is cause for guarded optimism. Cardoso understood that as a large, but secondary power, Brazil can advance its national interest more effectively by operating through collective bodies than attempting to act alone. It may yet be possible for a sufficient number of states whose national interests are sufficiently aligned to ensure that these goods can be produced and managed collectively where they were once provided by a single great power, whether it be Ancient Rome, the British Empire, or the United States.

Given its size and early success in positioning itself as a leader of the developing world, the US, in a sense, can use Brazil to “road test” these and other policies toward other emerging powers. While policies on topics such as climate change, economic affairs, or resource management, would need to be tailored to meet the specific needs of each counterpart, the US and other governments can adjust these policies through early discussions with trusted partners such as Brazil. Active participation by Brazil in negotiations and policymaking would add to its value as partner for the US in policy areas in which they have shared interests. This would make it easier to “sell” these proposals to other emerging powers, particularly those which may be tilting toward China and thereby help the US manage the shift in global power toward Beijing.

From a Brazilian perspective, a realignment in international relations in which the West—the US, Europe, and Japan—recognizes an enhanced new role for the emerging
powers, would lead to the fulfillment of its own long-held aspirations to global leadership. But this also would require Brazil to develop a new approach to key partners. While the United States is likely to remain its single most important relationship, attitudes toward the US remain colored by suspicion and resentment\(^6\) while its stance toward Latin America risks becoming predatory.\(^7\) Greater wealth, growing sophistication, and international recognition of its role in world affairs may yet win Brazil its coveted place in the inner councils of world bodies such as the UN Security Council. However, it would then become harder for Brazil to resist demands for greater trade liberalization,\(^8\) or for an aggressive climate change pact, or for it to shoulder the cost of leadership—such as contributing to the creation and management of global public goods.

A great many risks lie ahead. One danger is that Brazil could choose a policy strategy that alienates the US for little or no gain, and leads to a long-term deterioration in the relationship. Another is that Brazil’s foreign policy remains focused on developing countries that lack political heft or major export markets,\(^9\) instead of aligning its commercial and foreign policy interests more closely by enhancing ties with the West.\(^10\) But the greatest risk is perhaps Brazil’s hubris and overconfidence. It is still a developing nation, vulnerable to political instability and whose commodity export-driven economy subjects it to boom-and-bust cycles. The last cycle peaked forty years ago, just as contemporary observers predicted that Brazil would achieve world power status by the year 2000.\(^11\)
CHAPTER 1: INTRODUCTION


2 Jim O’Neill, Goldman Sachs’ head of global economic research and inventor of the BRICs concept, recognized in a July 2007 paper “Current Answers (and Questions) About BRICS and the N-11,” that several other countries including Indonesia, Mexico, and South Korea may also qualify as BRIC economies. See also Leslie Elliott Armijo “The BRICs Countries as an Analytical Category: Mirage or Insight?” Asian Perspective, 31, no. 4, (2007): 40. The author concludes that the BRIC category is “strictly speaking, a mirage.”


5 Goldman Sachs, Dreaming with BRICs, 3.

6 Ibid., 19.

7 Ibid., 10.

8 A comparison of data for the four BRIC countries’ actual GDP growth rates from the International Monetary Fund with Goldman Sachs’ original projections, shows their forecast of 3.5% average annual growth in 2000-2010 for Brazil was correct; their 5.4% forecast for Russia was also correct. However, projections for India underestimated growth by 1.5 percentage points and underestimated China’s growth rate by 2.3 points in the period.


14 Ibid., 67.


24 The nine “pivotal states” are Mexico, Brazil, Algeria, Egypt, South Africa, Turkey, India, Pakistan, and Indonesia.


28 Kennedy, et al., The Pivotal States, 2.

29 Donald CF Daniel and Andrew L Ross, “US Strategic Planning and the Pivotal States” in Kennedy, et al., The Pivotal States, 393.


33 Stefan Zweig, Brasilien: Ein Land der Zukunft (Stockholm: Bermann-Fischer, 1941).


37 Ronald M. Schneider, Brazil: Foreign Policy of a Future World Power (Boulder, Co.: Westview Press, 1976), xiii.

38 Economist Intelligence Unit, Brazil Country Forecast, July 2010.


CHAPTER 2: AN UNEQUAL RELATIONSHIP


3 Faoro, Os Donos do Poder, 210 and 733.

4 Dawson, The First Latin American Debt Crisis, 83.

5 Burns, The Unwritten Alliance, 58.

6 Wesson, Limits of Influence, 12.

7 London brokered independence negotiations between Brazil and Portugal. The talks dragged on for six years. Slavery, reparations, European balance of power considerations, and the status of the Brazilian monarchy were the main issues of contention. The US was also divided over recognizing the Empire of Brazil as an independent country because it was both a slave state and a monarchy. Trade relations between the two countries were limited at this time, and mattered less to the US than political considerations. See Clodoaldo Bueno, “Da Pax Britannica à Hegemonia Norte-Americana: o Integracionismo nas Conferências Internacionais Americanas (1826-1906),” Estudos Históricos, 10, no. 20 (1997).


9 Burns, The Unwritten Alliance, 58.


13 Burns, *The Unwritten Alliance*, 146.


16 Ibid., 13.


18 Burges, *Brazilian Foreign Policy*, 19.

19 Burns, *The Unwritten Alliance*, 200.


22 There are no readily available data on US exports to Brazil for this period.


24 Burns, *The Unwritten Alliance*, 203.

25 Ibid., 204.

26 Ibid., 13.

27 Ibid., 86.


30 Ibid., 359.

31 Ibid., 363.

32 Burns, *The Unwritten Alliance*, 199.


Ibid.

Burges, *Brazilian Foreign Policy*, 20.


Ibid., 328.

The 1932-1935 Chaco War between Bolivia and Paraguay grew out of a longstanding border dispute in the remote Chaco region. Land-locked Bolivia saw conquest of the Chaco as a way to reach the sea through the Paraguay River. The war was South America’s bloodiest conflict, in which both sides fielded armies totaling almost 400,000 men and cost about 100,000 lives. Argentina considered Paraguay a vassal state and supported it before and during the outbreak of war, while Brazil strove to remain neutral. Cf. Matthew Hughes, *Logistics and Chaco War: Bolivia versus Paraguay, 1932-35*. *The Journal of Military History*, 69, no. 2, April 2005, 411-437.


Ibid., 328.


Ibid., 18.
51 Ibid., 18.
52 Ibid., 18.
54 Hirst, *Long Road of Unmet Expectations*, 106.
56 Burges, *Brazilian Foreign Policy*, 21.
60 Hirst, *Long Road of Unmet Expectations*, xvii.
64 Daly Hayes, *A Basis for U.S. Foreign Policy*, 1.
65 Matias Spektor, “Brazil on Brazil,” (panel discussion at Woodrow Wilson Center conference on *Brazil as a Regional Power: Views from the Hemisphere*, Washington DC, March 12 2010).


Burges, Brazilian Foreign Policy, 22.


Prebisch, El Desarrollo Económico, 480.

Prebisch, Joint Responsibilities, 624.

Luiz Alberto Moniz Bandeira, “Brazil as a Regional Power and its Relations with the United States,” Latin American Perspectives 33, no. 3 (May, 2006), 15.

Wesson, Limits of Influence,107.


Hirst, Long Road of Unmet Expectations, 7.

Frederick C. Turner, “Hegemony and the Case of Brazil,” International Journal 46, no. 3, (Summer, 1991); 479.


86 Moniz Bandeira, *Brazil as a Regional Power*, 18.

87 Ibid., 18.


89 McCann, *The Brazilian General Staff*, 299.


91 Spektor, *Brazil on Brazil*.


93 Ibid.

94 Spektor, *Brazil on Brazil*.


98 Ibid.


101 Moniz Bandeira, *Brazil as a Regional Power*, 18.

103 Ibid., 59.


111 Ibid.


116 Wesson, *Limits of Influence*,82.


118 Ibid.

119 Ibid.

120 Ibid.

122 Albert Fishlow, “The United States and Brazil: The Case of the Missing Relationship,” Foreign Affairs 60, no. 4 (Spring, 1982): 921.

123 Schneider, Foreign Policy of a Future World Power, 39.

124 Wesson, Limits of Influence, 163.

125 Burges, Brazilian Foreign Policy, 49


CHAPTER 3: A NEW AGENDA


2 Ibid., 384.

3 Ibid., 338-340.

4 Ibid., 456.

5 Although Sarney had defaulted in 1987, debt kept mounting because unpaid principal and interest continued to accrue and because refinancing packages only added to its debt. Brazil resumed debt payments in 1988, after a year of talks with bankers led to a 20-year rescheduling agreement which included exit bond facilities and $5.2 billion in fresh loans to pay accrued interest. Official sector credit from Western governments, the World Bank, and the IMF also continued to pile up. Cf. Margaret Daly Hayes, “The U.S. and Latin America: a Lost Decade?” Foreign Affairs 68, no. 1.

6 Cardoso, A Arte da Politica, 16.


8 Hirst, Long Road of Unmet Expectations, 129


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14 Daly Hayes, *A Basis for U.S. Foreign Policy*, 3.


16 Ibid., 214.


18 Evans, “Declining Hegemony,” 214.


22 Ibid., 92.

23 Moniz Bandeira, *Brazil as a Regional Power*, 20.


25 Moniz Bandeira, *Brazil as a Regional Power*, 20.


28 The Common Market of the Southern Cone (Mercosur) was created as a customs union that reduced trade barriers between the four member states. Mercosur established a common external tariff on imports from outside the region. Mercosur has deepened trade links, especially between Argentina and Brazil, by enabling companies to share capacity and for
multinationals to integrate operations in both countries. Although ostensibly a trade agreement, Mercosur developed a "political logic" of its own. Brazil has used it to further its diplomatic aims in the region and globally, while Buenos Aires has used Mercosur to moderate Brazil’s policies in the region and toward Argentina. Cf. Andrew Hurrell, "The Politics of Regional Integration in Mercosur," in Victor Bulmer-Thomas ed., Regional Integration in Latin America and the Caribbean: The Political Economy of Open Regionalism, (ILAS: London, 2001), 209-211.

29 Lampreia and Seabra da Cruz Jnr., “Brazil: Coping with Structural Constraints,” 102.
30 Boughton, Silent Revolution, 3.
36 Cardoso, A Arte da Política, 606.
37 Boughton, Silent Revolution, 30.
42 Vigevani and Fernandes de Oliveira, “Search for Autonomy through Integration,” 63.


48 Lampreia and Seabra da Cruz Jnr., “Brazil: Coping with Structural Constraints,” 103.

49 Burges, *Brazilian Foreign Policy*, 35.


53 Ibid., 615.


56 Ibid., 47.

57 Moniz Bandeira, *Brazil as a Regional Power*, 21.


60 Burges, *Brazilian Foreign Policy*, 151.


64 Vigevani and Fernandes Oliveira, “Search for Autonomy through Integration,” 68.


70 Burges, Brazilian Foreign Policy, 38.

71 Ibid., 39.


73 Cardoso, A Arte da Política, 628.

74 For instance, the US had objected to a 1996 Brazilian law giving its health authorities the right to override international AIDS drug patents. In 2000, Washington placed Brazil on a section 301 Watch List and followed this up with a complaint to the World Trade Organization. In 2001, negotiations at the WTO ended in a compromise that favored Brazil. Nonetheless, the dispute was not escalated to senior political levels, as the computer industry market reserve had been in 1985. See Marcelo Fernandes de Oliveira, “Multilateralismo, Democracia e Política Externa no Brasil: Contenciosos das Patentes e do Algodão na Organização Mundial do Comércio,” in Contexto Internacional 29, no. 1 (January/June 2007): 16.


76 William Hyland, Clinton’s World: Remaking American Foreign Policy, (New York: Praeger, 1999), 75.

77 Viola, “Variações do Nacionalismo,” 73.

78 Ibid.

79 Ibid.

80 Burges, “Brazil as Regional Leader: Meeting the Chávez Challenge,” 55.

81 Hirst, Long Road of Unmet Expectations, 45.
82 Burges, *Brazilian Foreign Policy*, 132.


84 Burges, *Brazilian Foreign Policy*, 43.

85 Ibid., 48.

86 Ibid., 48.

87 Ibid., 47.


89 In 2000, Brazil attracted $32.78 billion compared to $38.40 billion for China and $17.94 billion for Mexico.


91 Burges, *Brazilian Foreign Policy*, 61.


97 Ikenberry, *Liberal Order*, 222.

98 Hirst, *Long Road of Unmet Expectations*, 42.


100 Vigevani and Fernandes de Oliveira, “Search for Autonomy through Integration,” 77.

101 Ibid., 68.

102 Hirst, *Long Road of Unmet Expectations*, 42.

103 Ibid.


Burges, “Brazil as Regional Leader: Meeting the Chávez Challenge,” 58.


Burges, “Brazil as Regional Leader: Meeting the Chávez Challenge,” 58.


Erikson, 61.
118 Ibid.


120 Wilson, Much at Stake.

121 Moniz Bandeira, Brasil Como Potência Regional, 14.


123 Hirst, Long Road of Unmet Expectations, 111.


125 Hirst, Long Road of Unmet Expectations, 106.

126 Ibid.


128 Hirst, Long Road of Unmet Expectations, 107.


130 Burges, Brazilian Foreign Policy, 163.

131 Burges, “Brazil as Regional Leader: Meeting the Chávez Challenge,” 56.

132 Marcel Fortuna, La Política Exterior Brasileña, 19.

133 See Fernandes de Oliveira, “Multilateralismo, Democracia e Política Externa.”

134 Congressional Research Service, Brazil-US Relations.

135 Burges, Brazilian Foreign Policy, 165.

136 Ibid.

137 Leo, A Paciência Estratégica do Brasil.

138 Ibid.


Burges, Brazilian Foreign Policy, 167.

Ibid., 166.

Trebat, “Brazil and the Transatlantic Community.”


Cabral, “Nem na Ditadura.”


Ibid.

Ibid., 9.

Ibid., 20.

Burges, Brazil as Regional Leader, 56.


CHAPTER 4: VALUES, HEGEMONY, AND LEADERSHIP

1 Nye, Paradox of American Power, 15.

2 Kindleberger defines public goods as assets for which it is impossible to exclude consumers, but in which consumption by one group does not exhaust the availability of the good for others. He notes they are usually underproduced and vulnerable to exploitation by free riders. Charles P. Kindleberger Comparative Political Economy: A Retrospective, (Cambridge, Mass.: MIT Press, 2000), 442.


5 Theorists argue that if the international system lacks a central sovereign government, then nations are, in principle at least, in a state of permanent war (punctuated by periods of uneasy peace). Other theorists accept that while nations can and must overcome this state of war by imposing order on the anarchic international system. A rival school notes that these schematic approaches ignore the fact that states usually cooperate with each other, even when they are rivals. This notion of sovereign states accepts that although countries have conflicting interests, they generally prefer an orderly international system. States can advance their interests by recognizing the sovereignty of other states and by recognizing limits on their use of force. See Hedley Bull, The Anarchical Society: A Study of Order in World Politics, (New York: Columbia University Press, 2002), 199-242 as well as Kai Anderson, ed. Hedley Bull on International Politics. (New York: Palgrave, 2000) 78-83.


7 Ikenberry, Liberal Order, 272.

8 Nye, Paradox of American Power, 164.

9 Ikenberry, Strategic Reactions, 3.

10 Ibid.

For the purposes of this thesis, the term emerging states or emerging powers refers to the nine “pivotal states” identified by Kennedy, with the addition of China. They are: Algeria, Brazil, Egypt, India, Indonesia, Mexico, Pakistan, South Africa, and Turkey.


24 Ibid., 36.


30 Ibid., 53.

31 Vigevani and Fernandes de Oliveira, “Search for Autonomy through Integration,” xvii.


33 Hirst, Long Road of Unmet Expectations, 40.


35 Hurrell, et al., 7


37 Lafer, “Brazilian International Identity and Foreign Policy,” 213.


40 Ibid.

41 Ibid., 54


43 Ibid.


47 Burges, Brazilian Foreign Policy, 165.


49 Burges, Brazilian Foreign Policy, 132.
50 Wesson, Limits of Influence, 67.

51 Burges, “Brazil as Regional Leader,” 55.


57 Hurrell, “Lula’s Brazil: A Rising Power, but Going Where?,” 52.


62 Burges, Brazilian Foreign Policy, 43.


64 Hurrell, et al., Paths to Power,1.

65 Ibid.


67 Hurrell, et al., 3.
CHAPTER 5: CONVERGENCE AND DIVERGENCE

1 Carranza, “Neighbors or Partners?,” 147.

2 Schneider, Foreign Policy of a Future World Power, 34.


7 Clinton, Foreign Policy Address at the Council on Foreign Relations, July 15, 2009


9 For the purposes of this essay, the term “emerging powers” refers to the four BRIC states selected by Goldman Sachs—Brazil, Russia, India, and China—plus seven more “pivotal states” identified by Kennedy, et al. They are Mexico, Algeria, Egypt, South Africa, Turkey, Pakistan, and Indonesia. See Kennedy, et al., The Pivotal States: A New Framework for U.S. Policy in the Developing World, 6.

10 Goldman Sachs, Dreaming with BRICs, 4.


13 Wesson, Limits of Influence, 12.


15 Ibid.


28 Spektor, Brazil on Brazil.

29 Hirst, Long Road of Unmet Expectations, 41.


32 Rachman, “Is America Losing the Free World?”

Evans, “Declining Hegemony,” 211.


Daly Hayes, A Basis for U.S. Foreign Policy, 200.

Cardoso, A Arte da Política, 604-606.


Faoro, Os Donos do Poder, 365.

Viola, “Variações do Nacionalismo,” 64.


Cabral, “Nem na Ditadura.”


57 Trebat, “Brazil and the Transatlantic Community.”


61 Rachman, “Is America Losing the Free World?”

62 Cardoso, A Arte da Política, 614.


For instance, the UN is a creation of the victors of World War II and consciously structured to reflect their interests: four of the Security Council’s five permanent members were wartime allies. While Great Britain, France, and Russia are today much diminished in status, neither Brazil or India, (nor Germany and Japan) have been accepted for permanent member status. Similarly, the World Bank and IMF, both created in the aftermath of the war, have shareholding structures that entrench the power of the US and Europe, whereas the WTO (created in 1995), grants all participating countries equal rights and duties regardless of their economic or political strength, and reaches decisions by consensus. See World Trade Organization, “Understanding the WTO: The Organization,” http://www.wto.org/english/thewto_e/whatis_e/tif_e/org1_e.htm#ministerial (accessed June 5,2010)


84 Luiz Alberto Moniz Bandeira, "Brazil as a Regional Power and Its Relations with the United States," Latin American Perspectives 33, no. 3, (May, 2006), 16.

85 Cabral, "Nem na Ditadura."

86 Sérgio Leo, A Competitividade.

87 Ibid.

88 Kupfer, "O Ponto G 20."

89 Hurrell Lula's Brazil, 57.

90 National Intelligence Council, Global Trends 2025, 96.


Ibid., 109.


Cervo, A Agenda Externa, 9.

Evans, “Declining Hegemony,” 211.


Farer, “Toward an Effective International Legal Order,” 224.

Kindleberger, *Comparative Political Economy*, 452.


Ibid., 15.

Ibid.

Farer, “Toward an Effective International Legal Order,” 226.


Ikenberry, *Liberal Order*, 270.

Evans, “Declining Hegemony,” 211.

Kindleberger, *Comparative Political Economy*, 452.


Hanson, “Brazil on the International Stage.”

Burges, *Brazilian Foreign Policy*, 61.

Kaufman Purcell, “Brazil Steers an Independent Course.”


Burges, *Brazilian Foreign Policy*, 4.


Leonêncio Nossa, “Crise foi causada por ‘gente branca e de olhos azuis’, diz Lula,”*Agência Estado*, 26 March 2010. Lula told British Prime Minister Gordon Brown that the 2008-2009 world crisis was caused by white people with blue eyes.

Andrew Hurrell, “Brazil as a Regional Power,” (panel discussion at Woodrow Wilson Center conference on *Brazil as a Regional Power: Views from the Hemisphere*, Washington DC, March 12 2010).

Hurrell, Woodrow Wilson Conference.

Burges, *Brazilian Foreign Policy*, 164.


CHAPTER 6: CONCLUSION

1 Russett, “Peace in the Twenty-First Century?,” 8.

2 Economist Intelligence Unit, Brazil Country Forecast, July 2010.


10 Cardoso, “Novas Oportunidades,” 22.

11 Schneider, Foreign Policy of a Future World Power, 39.
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