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THE QUEST FOR AUTONOMY

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Andrew James Hurrell

THE QUEST FOR AUTONOMY

THE EVOLUTION OF BRAZIL'S ROLE IN THE INTERNATIONAL SYSTEM, 1964 – 1985

FUNDAÇÃO ALEXANDRE DE GUSMÃO

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Foreword

Oxford Professor Andrew Hurrell is one of the best-known and most renowned theoreticians in the field of contemporary International Relations. His creative intellectual production ranges across the fundamental issues of the current international order: he is one of the most incisive and balanced analysts of the phenomenon of globalisation; his articles on international law are exemplary; his texts on the transformations of the international world order and the rise of new emerging powers are mandatory reading for understanding today's international dynamics; and he has also written important papers on environmental matters and Latin American international relations. The best way to capture the nature of this work in a synthetic manner, however, is perhaps to quote Celso Lafer, who defined Andrew Hurrell as "an admirable representative and continuing figure of the English School". In fact, his largest work, *On Global Order – Power, Values and the Constitution of International Society*, may be read as a sequel to Hedley Bull's *Anarchical Society*, one of the core texts that shaped the English School. Hurrell renews and sensibly updates Bull's classic work.

However, it is important to underline in this Preface that Hurrell's notable intellectual trajectory began with a thesis on Brazilian foreign policy, defended at Oxford, in 1986. In it there

lay dormant many of the qualities he would come to develop during his future career. It is an innovative thesis, starting from the methodological creativity and the choice of the period, the military governments of Brazil, whose foreign policy had not yet been examined in a systematic way. But the text is much more than a mere historic review of a given period. It is of great value to those interested in the logic underlying the moves of Brazilian diplomacy, then and now. After all, both in the 1970s and today, there was a similar expectation of "Brazil's emergence" which highlights one of the defining characteristics of the country's international stance. Some things have changed, others have remained the same, and Hurrell's text helps determine which is which. Thus, the timely sponsoring of this publication by FUNAG will broaden the circle of readers, and our understanding of Brazilian foreign action will gain an important reference point.

Hurrell wrote his thesis as the academic interest on Brazilian foreign policy was beginning its expansion. This was motivated, on the one hand, by some remarkably uninhibited initiatives on the part of Brazilian diplomacy, which diversified the country's traditional international ties and made way for the adoption of a more independent attitude; on the other hand, the years of strong economic growth, along with the "miracle" of the beginning of the 1970s suggested that there was consistent support for such an "emergence". Diplomatic solutions were ceasing to be predictable and it was necessary to explain why a Western country aligned with the United States came to develop friction with the superpower in so many areas.

Academic interest on Brazilian diplomacy was stimulated by the evolution from the alignment of the Castelo Branco years to this new situation, and the new trend manifested itself in two movements. The first takes place overseas, especially in American universities, with a new generation of "Brazilianists" dedicated

to the study of diplomatic history, such as Stanley Hilton, or contemporary themes, such as Wayne Selcher, Riordan Roett and Keith Storrs, among others. More than just diplomacy, this was a period in which all that was happening in Brazil was beginning to attract attention outside. This is a broad movement which includes not only international relations but many other themes, as in the works of Albert Fishlow, Werner Baer, Thomas Skidmore, Alfred Stepan, Leslie Bethell and Kenneth Maxwell, among many others. Brazil was "trendy". Andrew Hurrell would come slightly later, in the mid-1980s, but it is possible to include him in that group of important researchers, and, among the English, he is one of the few who dedicates himself to the study of contemporary Brazilian foreign policy.

The second movement took place in Brazil. With the return of some professors who had obtained their doctorates in the United States or in Europe, such as Celso Lafer, Gerson Moura, Maria Regina Soares de Lima, Sonia Camargo, Marcelo Abreu, Amado Cervo, Antonio Carlos Peixoto and some others, Brazilian institutions for research on foreign policy were consolidated their role and their position through the 1980s. After the pioneer works by Helio Jaguaribe and José Honório Rodrigues, International Relations re-entered the Brazilian academic world.

These two movements converge and there is an intense dialogue between Brazilian and Brazilianist scholars. Cross-citations in books and articles are frequent and it seems clear that, in terms of diplomatic studies, a new perspective of analysis was emerging. Its most visible characteristic is that, on both sides, authors are intent on rigorously following the canons of academic production. The search for sources is broadened; statistical materials are brought in to support lines of argumentation; hypotheses are stated and tested more precisely. Another characteristic of both movements is the focus on the logic of diplomacy. "Modern" conceptual

apparatuses are constructed to study Brazil's relations with its partners (state-to-state relations) and the way in which medium or emerging countries, as they were then named, might come to influence the international order.

In this sense, the first contribution made by Hurrell's thesis was the axial choice of the issue of autonomy in theory and in history. We must recall that, no matter the methodological perspective, realist or liberal, the comprehension of international society begins by the realization that it is a game of mutual and constant influences. What differentiates the various academic schools of thought is the way in which they perceive the consequences of the game of mutual influence – whether they are necessarily conflictual, or whether they come to foster the possibility of sociability between the states. The ability to exert and prevent influence is central to the definition of the boundaries of "autonomy". In Hurrell's words, "Autonomy can be defined as the degree of effective independence that a state is able to attain. It is thus by definition a relative concept, with all states finding themselves on a continuum between autonomy on the one hand and dependence on the other". The key to this concept is thus to examine precisely what effective independence is, and how to mitigate the vulnerabilities and external pressures and influences that would pose obstacles to the accomplishment of the state's foreign policy objectives.

Another important element of the thesis is the connection between the conceptual discussion of autonomy on the one hand, and the theoretical models that steered the study of Brazilian international presence on the other. These models were essentially two-fold: the first fell within the framework of the realist tradition, and the second corresponded to interpretations of the theory of imperialism which were converted, with major internal variations, into the models of dependence. From the critique of those models,

Hurrell shows us that neither realism, especially in its simplified form, nor the dependence model dealt enough with the matter of autonomy.

In the realist model, the central goal was to examine the Brazilian ascension in the international scenario, listing the power factors that would explain it. The signs of Brazilian emergence were expressed in material data, such as size, territory and population, which, at the time, were combined with high rates of economic development. By combining both factors and the disposition to exert influence (or the will of power), the analyses sought to *measure* Brazilian power with sometimes unrealistic results, such as in Ray Cline's "world power assessment", according to which Brazil would be the third country with greatest potential in the world. Andrew Hurrell skilfully deconstructs this framework and demonstrates that power comparisons teach us little about any country's international presence. Based on David Baldwin's view, he shows that power is essentially a "relational concept": it depends on context, on constraints and possibilities established by history and the *status quo*. In this sense, autonomy gains specificity and becomes a true analytical instrument. It is not a case of summarising Andrew's words, but of drawing attention to the fact that, given that autonomy is an outward characteristic, it stops being just a piece of data and becomes an instrument for interpretation.

In its turn, dependency theory prevailed amongst Brazilian and Latin American theorists, in which there is less concern with state-to-state relations than with the country's insertion into the international capitalist system, a factor that shapes the social and economic organisation of all developing countries. There are multiple "theories" of dependency, but all of them include the need to link international dimension with the national one. Progress is identified as the transformations that create new social

realities, such as, for some, the emergence of socialism. Hurrell shows that theory limited itself when it stopped accepting that dependence could be understood in relative terms and in varying constellations. Returning to the dichotomy between "dependency" and "dependence", suggested by Peter Evans, Hurrell introduces the intermediate elements that were missing and, above all, overcomes the problem of establishing the opposite to dependence (which, in some versions, presupposed a revolutionary transformation of the means of production). Without a sense of gradation, of moments of greater or lesser autonomy, it is impossible to penetrate the logic of foreign policy. Thus, in Hurrell's perspective, dependence is converted into very specific and defined constraints that reflect the possibilities of a state achieving its goals. In truth, the very possibility of establishing one's goals would already be a sign of autonomy. One of the high points in Hurrell's thesis is precisely the manner in which he lists the Brazilian vulnerabilities throughout the period, the way in which they are mitigated, the strategies used, and their degree of success. In short, with solid conceptual bases, Hurrell explains the discussion of a theme which is crucial to the examination of the foreign policy of any country – that is how to build autonomy.

In the thesis, Hurrell combines the best qualities of the political scientist – beginning with the creative manner in which he defines his goal – with the most evident skill of a historian. Moreover, in this he is faithful to the best methodologies of the English School, which has, since Martin Wight, found in the experience of history one of the foundations for argumentation. He begins with a summary of the events that take place between 1945 and 1964, with emphasis to the proposals of independent foreign policy. On the latter, he observes that it undoubtedly represents "the clearest example before 1964 of a foreign policy that sought to escape from the constraints of United States

predominance by being prepared to challenge Washington on a number of important issues, by seeking to diversify the range of its external ties and, above all, by trying to exploit the emerging Third World movement as the basis for a more autonomous and independent international role". Independent foreign policy thus provided a formula of what the paths for autonomy would be, even if, at the time it was proposed, there was a lack of instruments and an incapacity to move it forward. It was an excellent starting point, especially to understand its opposite.

Hurrell moves on to make an impeccable review of the historical evolution of the foreign policy of the military Governments from 1964 to 1985. In truth, his thesis may have been the first effort towards a complete analysis of the period (another such attempt, covering a shorter period, was written by Carlos Estevam Martins, an article published by CEBRAP in 1974). The historic review is converted into an explanatory model, because, by initially showing the vulnerabilities of the Castelo Branco Government, which was a clear example of the limitations of autonomy, Hurrell astutely studies the strategies proposed by the subsequent military governments to mitigate those limitations and to broaden the space for diplomatic manoeuvre. The strategies vary, but emphasis is placed on the diversification of the international ties because, as Andrew points out, the necessary reference for understanding those limitations is the dependence on the United States in the economic, financial, military and, in a certain way, the ideological field.

There are several aspects that draw attention in the narrative. First of all, despite not possessing an abundance of primary sources, one would be hard-pressed to produce a better interpretation of the variations of the diplomacy of the military Governments. The documentation that is now available, including the long interviews given by Ministers Vasco Leitão da Cunha, Azeredo da Silveira and

Saraiva Guerreiro to CPDOC, confirm Andrew's narrative. It may warrant correction in some smaller points, but the core of the interpretation remains a mandatory reference to all wishing to study the period. Another aspect it reveals is the sense of continuity in foreign policy. Andrew emphasises the differences between Governments and even the severing in relations that took place, especially with Geisel, but he subtly shows how the strategies for diversification were gradually constructed. Thus, Geisel's African policy has precedents in Costa e Silva and especially in Médici; the same goes for the opening to Europe and Asia. The changes are clearly and abundantly documented with precise tables, especially on commerce and investment. Thus, Hurrell manages to convey the global vision of the foreign policy of each of the military Governments, showing, in each one, what elements gave them unity and consistency.

The narrative also enriches our historical understanding for another reason, which has to do with the struggle between realities and resolve. Each of the Governments analysed, including Castelo Branco's, drafts a project for increasing the country's autonomy and connecting Brazil together with the influential countries of the international scenario. With the partial exception of the Figueiredo Government, constrained by foreign debt, the diplomatic discourse tends to be optimistic in terms of the Brazilian position and its prospects. While the discourse is proactive, the strategy is not, for it depends on the constraints and the possibilities presented by the national and international *status quo*.

After the 1964 alignment, reasons for the alliance with the United States, the anchor for alignment with the West, are weakened. This is partly due to Brazil's frustration for not having obtained all it expected (a repetition, in different dimensions, of what had happened after World War II). Afterwards, it is the country's very projection that generates friction and demands a less aligned partnership.

The history of frictions begins with the case of tariffs on soluble coffee and broadens, as we all know, with the divergences on territorial sea, the problems stemming from the Nuclear Agreement with Germany, the disputes regarding intellectual property, the matters of human rights, etc. On the other hand, if the frictions are generated by Brazilian decisions corresponding to a given vision of the "national project", they are also explained by the relative loss of North-American capacity to influence Brazilian options. In short, what Hurrell masterfully demonstrates is the complexity of the "real" diplomatic game, how foreign policy goals are born and the winding paths to achieve them.

In fact, another quality of Andrew's analysis is the balance and sobriety in his assessments, recognising the complexity of international processes. The conclusions reached deserve the attention of every student (and practitioner) of Brazilian foreign policy. The analysis shows, firstly, that the statements of analysts of emergence were optimistic and they lacked a better examination of the context in which Brazilian "power" was projected. The gains in autonomy were real, but foreign action was still constrained and limitation factors persisted. On the other hand, those who argued on the side of dependence also misdiagnosed the situation, because, from the viewpoint of state-to-state relations, Brazil had gained some space for manoeuvre during the military Governments, although the absence of democracy undermined its credentials and its legitimacy. In this way the gains (and losses) of autonomy eventually affected the very manner in which the country is inserted in the capitalist system. The fact is that, by the end of the military cycle, the task of achieving autonomy was unfulfilled and a wide range of challenges remained. This is, perhaps, the lesson in the thesis, the idea that autonomy, in its various senses, is ever-changing. Even for a superpower, there are no absolutes in international relations, and in one way or another, there are

always constraints. One of the points underlined by Hurrell is the fact that the United States came to lose its capacity to influence Brazil even at times when the country's own vulnerabilities were clear due to the weight of foreign debt (the thesis was written one year before the 1987 moratorium).

To me, an avid reader of Hurrell's works, with whom I have had the pleasure of dialoguing and learning since the 1990s, re-reading the thesis was a renewing the reasons for admiration of the sharp observer he has always been. The text is worth reading due to its refined analysis of the diplomatic discourse and the sense of balance in the examination of the moves of Brazilian foreign policy. Andrew continues to regard the Brazilian international presence with interest. It will not be necessary to speculate on the thesis to know what he would write about the present. This work is already done in the sensible and creative essays he has written recently. I would like to mention two: "Cardoso e o Mundo" in D'Incao and Martins, *Democracia, Crise e Reforma: Estudos sobre a Era Fernando Henrique Cardoso*, São Paulo, Paz e Terra, 2010, and "Lula's Brazil: A Rising Power but Going Where?", *Current History*, February 2008.

Today, the international reality is much more complex than during the period analysed by the thesis. Brazil has changed significantly, achieving a new position in international processes. There is nothing better in order to measure and assess such changes than to take, as a reliable, consistent and clear starting point, Andrew Hurrell's text. It is a mandatory and permanent reference for all wishing to understand some of the central goals of Brazilian foreign action, to evaluate the current meaning of autonomy, to understand the ways in which it might be achieved, and the on-going challenges that it faces.

Gelson Fonseca Jr.

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Preface

This book was written at a different time and in very different historical circumstances. After having spent two years working in Brazil, I began to study International Relations for the first time in 1980. This book is my doctoral thesis and was written between 1981 and 1986. My teacher on the International Relations side was Hedley Bull. In what turned out to be the final period of his life he was working at the time on the rise of the Third World movement in the 1960s and 1970s. As was typical of his approach to International Relations, he wanted to place contemporary developments within a broader historical and conceptual framework. He insisted that the Third World should be seen as part of the longer-term process by which an originally European international society became global – what we might now describe as the globalization of international society; and to see the specific demands of the Third World in the 1970s as one aspect of a much broader revolt against the western dominance of global politics. He was interested in encouraging research on different regions of what was then called the Third World and on the foreign policies of major developing countries – especially in the light of the growing global activism of countries such as Brazil. This was the context for the choice of my research topic: an intense interest in, and great fondness for, Brazil on the one hand; and

a set of academic questions and concerns that drew on the work of those working in International Relations in Oxford in the early 1980s.

At that time there was relatively little academic work on the foreign policy of Brazil or, more broadly, the country's international insertion. And there was very little indeed in English: a few hard-to-track down doctoral theses, a number of rather superficial policy studies, and some serious academic work that was scattered and often obscure. My goal, then, as stated on the first page, was to provide a systematic account of the evolution of Brazil's role in the international system, concentrating on the period of military rule, and to evaluate that role through the lens of the 'quest for autonomy'. I sought to examine the motives and objectives that shaped Brazilian foreign policy in this period; to provide an account of the major developments that took place; and to analyse the principal internal and external factors that help us to understand and explain Brazil's evolving position and role within the global system.

This goal no doubt reflected a certain English empiricism. But it also reflected the belief of another of my intellectual heroes, Stanley Hoffmann. For Hoffmann, theory and empirical research need always to go hand in hand: '…remember that theory is necessary only as a help to understanding, as a path to interesting questions, but that it can all too often become a hindrance or a screen. Remember that much empirical research, of the sort that leads to further investigations and therefore, ultimately, to middle range theory, does not need to start by leaning on the brittle crutches of grandiose models'.[1] The goal therefore was to pull together the rather scattered English-language work that

1 Stanley Hoffmann, 'A Retrospective', in Linda B. Miller and Michael Joseph Smith eds., *Ideas and Ideal: Essays on Politics in Honor of Stanley Hoffmann* (Boulder: Westview, 1989), page 276.

had been produced, to draw on the important new work that was beginning to develop at that time inside Brazil, and to try and produce a persuasive overall narrative.

This empirical goal was greatly assisted by the strength of Latin American Studies in Oxford in the early 1980s. I relied very heavily on the wise advice of my thesis supervisor, Alan Angell, and on the intellectual input and encouragement of Laurence Whitehead. My thesis examiner was Leslie Bethell. All became close friends, colleagues and academic collaborators. I have continued to believe very strongly in the need to combine the theoretical and disciplinary study of academic International Relations with a deep knowledge of particular countries and regions of the world – an impossible goal, of course, but one to keep aspiring towards.

The account of Brazil in this work was written without access to many primary sources. The sources now available and the sophistication of historical work on Brazilian foreign policy have increased hugely in the intervening period.[2] Nevertheless many aspects of the story that I told have stood up pretty well. Or, at least, they served to open up issues and questions around which subsequent work could move forward. And many of the puzzles that fascinated me remain important. Why, for example, were relations with the United States not closer in periods when one might well have expected them to be? Why, despite all the fearsome rhetoric of the military geo-politicians did Brazil's attempts at regional power remain so feeble and so limited? How can we best understand the gap between Brazil's apparently clear-cut and obviously dominant power position within the region and the complexities of its regional role? How can we best understand the balance between continuity and change in the

2 The sheer volume of work published on Brazilian foreign policy in the intervening years means that I will not attempt to provide references for all the arguments made in this Introduction.

evolution of Brazilian foreign policy? And, perhaps above all, to what extent does the changing character of Brazil's integration in the global economy translate into greater scope for diplomatic bargaining and greater autonomy?

For the period addressed in this book, the Cold War was of course fundamental. But how did the Cold War actually impact on Brazilian foreign policy? Clearly the Cold War, as a broad systemic phenomenon, fed powerfully into the constraints on Brazilian autonomy. But were these constraints solely, or even predominantly, connected to US hegemony or to the Cold War structures of geopolitical power? Or do we need to see the Cold War in broader transnational, ideological and societal terms? After all, Cold War ideological confrontation affected very deeply the character of Brazilian domestic politics. On one side, domestic processes of urbanization and industrialization helped stimulate both political mobilization and demands for further rapid economic development. In this way, they fed directly into the developmental nationalism of the post-1945 period. But on the other, the fear of radicalization and the chosen path of top-down, conservative and exclusionary modernization acted as a powerful constraint on foreign policy activism and radicalism. A great deal has been written in the intervening years to advance our understanding of these questions. But many of the puzzles and a great deal of the intellectual fascination remain.

Of course no empirical study can be theoretically innocent. The thesis was written at a time when, explicitly or implicitly, discussion of Brazilian foreign policy was almost completely dominated by two analytical accounts. On the one hand there was a crude and simplistic power-political realism. This was visible both in the national geopolitical literature and in the foreign (mostly US) commentary that was obsessed with Brazil as a potential major power. And on the other side there were many

varieties of dependency theory, some sophisticated, others rather one-dimensional and reductionist. Indeed as I began to explore the debates surrounding Brazilian foreign policy two patterns of theoretical speculation kept recurring: first, a classical political realism (rather than academic neo-realism); and second the on-going attractions of dependency theory and of dependency-inspired ideas. It is worth noting that this is a significant and powerful combination, not least because it helps to explain the degree to which Brazil's national developmental project could potentially rest on a very broad domestic coalition, involving both hard interest and ideology and drawing support from both right and left (especially as we move out of the Cold War years). Machiavelli and Marx can often be found in constant, if not always very consistent, conversation.

My core conceptual move was to use the idea of autonomy as a means of navigating between these two poles. It was a conceptual lens though which to interpret the understandings of Brazilian foreign policy held by officials, diplomats and élites and an evaluative standard by which to judge and assess. Although I would not have formulated it in these terms at the time, this reflected my own strong belief that the concepts we use must 'make sense' to the participants involved but also provide some critical analytical distance.[3] The understanding of autonomy developed in the book owed much to the historical work on Gerson Moura (and from a rather different perspective Marcelo Abreu) and to the crucially important theoretical ideas and concepts of Helio Jaguaribe, as well as to my Brazilian friends and intellectual interlocutors – Gelson Fonseca, Monica Hirst, Celso Lafer and Maria Regina Soares de Lima.

3 Amongst the most important recent contributions on this issue, see John Levi Martin, *The Explanation of Social Action* (New York: Oxford University Press, 2011).

On one side, autonomy as a concept draws heavily on understandings of power both within the realist tradition and within dependency theory. As discussed in the book, this leads us quickly into further debates on the nature of hegemony, imperialism and sub-imperialism. On the other side, autonomy as a goal and as a guiding ideal was central to many of the most important understandings of Brazil's national project. Of course we must not oversimplify. There was significant variation of foreign policy across the period from 1945 to the 1980s. Debates raged fiercely with clear extremes, most notably the clash between the strong Third Worldism of the so-called independent foreign policy of 1961-1964 vs the anti-communist zealotry of the first post-1964 military government. Nevertheless the goal of autonomy and its close links to the project of national developmentalism provides the basic intellectual and policy framework for understanding the history of Brazilian foreign policy in the post-1945 period. It gave rise to a set of unspoken assumptions that were rarely, if ever, challenged: the intrinsic value of national autonomy; the importance of defending economic and political sovereignty; the imperative of developing a more diversified international role for the country; and the belief that the international economy contained more snares and constraints than opportunities.

Brazil provides a wonderfully rich case through which to examine the complexities of power. Although the role of power often seems so obvious, Brazil in fact represents a substantial and significant puzzle for realism. It has not played the power-political game in the way that the theory would lead us to expect. There have been frequent periods when power resources have not been developed – most notably the gap between the Hobbesian rhetoric of the national security doctrines and the tendency to downplay hard power-projection. And there have been other periods when

power seems to have been there but was not used or was used only very reticently. And of course realism is simply unable to make any sense of the changing pattern of conflict and cooperation with Argentina and of the rapprochement of the period since the early 1980s. In relation to Brazil, there is an almost complete absence of what one might call the 'De Gaulle syndrome' – that a second-tier state needs to construct a discourse of power and a narrative of its international importance – 'une certaine idée de la France' – and that projecting power, including by causing trouble, is the best way to be taken seriously in the councils of the powerful.

In the case of power much has changed but much remains the same. Now, as in the 1970s, commentators on Brazil's emergence come up with long lists of power resources and elaborate discussion of how these resources are 'inevitably' related to Brazil's emergence and the achievement of a more influential role in world affairs and global governance. In this book I criticized those accounts of Brazil's rise that placed excessive reliance on material power and that rested on narrow notions of relational and coercive power. These basic questions of social power analysis remain as relevant now as they did when I wrote in the early 1980s.

The most fundamental point is that lists of power resources can tell us very little about power, or, more accurately, they can only tell us something within a given view of global politics and global order. This was true in the 1970s and it remains true today. Power is one of the most complex and contested ideas in the social sciences. It is an essentially contested concept in that it is subject to the kind of debate that is not rationally resolvable. Differing interpretations result from differing moral and political priorities and commitments. There is no overarching theory of social power and no single analytical approach that can provide a magic key. There are a number of basic lessons in social power analysis that any discussion of emerging powers must take on

board. The first is the importance of context. To paraphrase Dahl: 'When you hear that country x is an influential regional power, the proper question is: Influential over what actors, in what period, with respect to what matters?' The second lesson is still more important. Discussion of power and influence cannot be separated from the analysis of motives and values. It may be true that all states, including emerging powers, seek power and security, but the real question is: what sorts of power do they seek and for what purposes? Third, power is relational and great attention has to be paid to the reception of all attempts at exercising power and to the successful cultivation of 'followership'. Fourth, power is structural. The analysis of power within any particular domain has to be alert to the way in which that domain is embedded within broader material, ideational and ideological structures. And, finally, and above all, power is a social phenomenon and the social aspect of power is crucial for understanding the nature of the potential challenge posed by emerging powers. This is why the analysis of rising powers cannot just involve lists of power resources and evaluations of how different kinds of power have shifted from one state or society to another. It has to connect with our theoretical understanding of world politics and those understandings cannot omit the social dimension.

In the case of dependency theory, the issue of relevance is more complex. Dependency theory dominated much of western academic debate in the second-half of the 1970s on the analysis of First World/Third World relations and, by extension, on how we should understand the role of apparently powerful developing countries such as Brazil. Sophisticated theorists accepted the fact of economic development but nonetheless argued that the character of that development would remain indelibly marked (and distorted) by the dependent status of the region. In shorthand, the focus therefore shifted from the notion of the 'development of

underdevelopment' (developed by such theorists as Andre Gunder Frank) to the analysis of 'dependent development' or 'associated dependent development' (as in the work of Fernando Henrique Cardoso and of Peter Evans).[4] The core focus was not those external aspects that dominated the consumption of dependency theory in the North (US imperialism, the role of multinationals). It was rather on variation in the forms of dependency in different geographical and historical circumstances and on the close and essential relationship between the internal and the external in terms of social class and the links between class and state.

In trying to make sense of the ideas that animated Brazilian foreign policy in this period I was therefore drawn both to the military thinking on national security but also to the intense debates of the 1960s and early 1970s about the scope for national economic development. This meant coming to terms with the purported links between Brazil's semi-peripheral position in the global economy and its diplomatic behaviour and foreign policy autonomy. It meant examining the kinds of national developmentalism associated, for example, with ISEB, with its emphasis on a conscious and planned strategy of national development built around a major role for the state, import substitution, and a cross-class coalition led by a modernizing national bourgeoisie, as well as the many critics of these

4 For a clear view that stresses the continued importance of imperialist control but the very different character of peripheral capitalist development, see Fernando Henrique Cardoso, 'Dependent Capitalist Development in Latin America', *New Left Review*, 1, 74 (1972). For the best analysis of the intellectual sources and shifting analytical categories within dependency theory, see Joseph L Love, 'The Origins of Dependency Analysis', *Journal of Latin American Studies* 22, 1 (1990): 143-168. I discuss these questions in more detail in Andrew Hurrell, 'Cardoso e o Mundo', in Herminio Martins and Maria Angela D'Incao eds., *Democracia, crise e reforma. Estudos sobre a era Fernando Henrique Cardoso.* (São Paulo: Editora Paz e Terra, 2010): 473-499.

ideas both to the right but especially within various stands of dependency theory.[5]

And, as with autonomy, dependency-style ideas also formed an important part of élite thinking on Brazil's international insertion – the argument that what was required for economic development, even in mixed economies, was conscious transformation of the institutional structures within which markets operate; the powerful sense in which external economic structures contained far more constraints and snares than opportunities; the notion that conflict with core capitalist countries was likely, if not inevitable; and the idea that what autonomy meant was 'internalizing the centres of decision-making' (in Furtado's classic phrase) – rather than, say, the alternative option of autonomy via participation. A further strand is the characterization of the global economy: an emphasis on material forces and structures; a belief that dynamics flow from technological change; and a certain downplaying of ideas, institutions, and normative shifts.

Dependency theory faded, of course, within academic International Relations. In its place debates on political economy and foreign economic policy came to be dominated by a dual liberal hegemony: a historicist hegemony that has too easily assumed that history is moving down a one-way street; and an analytical liberal hegemony that has tended to work with a narrow notion of agency; with too little room for the historical analysis of the structures within which supposedly historical logics of rational choice and collective action play out; and still less room for understanding their temporal and geographical rootedness.

5 See, Luis Carlos Bresser Pereira, 'Do ISEB a da CEPAL à Teoria da Dependência', in Caio Navarro de Toledo ed., *Intelectuais e Política no Brasil: A Experiência do ISEB* (Rio de Janeiro: Editora Revan, 2005): 201-232.

Without returning to the reductionism of old-style dependency theory, the importance of its core intellectual agenda for understanding Brazilian foreign policy needs to be recovered and debated once more. On this view, an excessive focus on the emerging nation-states of the Global South clouds and confuses the issue. What we are seeing is, in reality, the transformation of global capitalism from an old core centred on the advanced industrialized states into a far more global and far more thoroughly transnationalized capitalist order. The systemic change has to do with the unfolding of a de-territorialized global capitalism made up of flows, fluxes, networked connections and transnational production networks, but marked by inequality, instability, and new patterns of stratification. Rather than count up and categorize the 'power' of emerging powers, the intellectual challenge from this perspective is to understand the 'transnational whole' in which such countries are embedded and the social forces and state-society relations that give meaning to the national and developmental projects pursued by emerging country élites.

Perhaps more generally we need both to think *about Brazil in the world,* but also *the world in Brazil*. The country, after all, does not exist as a closed-off entity that interacts with the external world. Understandings of its interests are constantly being shaped and influenced by interaction with the external world. Especially given the highly unequal structure of the system, this will often involve the adoption and incorporation of external ideas, norms and practices and the meshing and clashing of these with domestic beliefs and historical traditions.

As I noted at the outset, my choice of research topic was partly inspired by the ideas and work on my teacher, Hedley Bull. Where does this thesis fit within the trajectory of the English School? In this book I was not primarily concerned with ideas of global order *per se* – although understanding changing external ideas of global

order (for example, during the period of détente) were discussed and were clearly important.[6] But I was very much concerned with what we would today describe in constructivist terms as a particular kind of national project and how this project – or these projects – reflected particular identities and were embedded within particular historical narratives. Interests, after all, cannot be simply assumed nor taken to be self-evident. It might be true that all states seek power, welfare and security. But the crucial constructivist questions are always: what kinds of power, welfare and security and pursued through what means? Identities are politically and socially constructed and shape attitudes and policies in normatively and behaviourially significant ways.[7]

The set of national projects that are discussed in this book were particularly concerned with Brazil's relations with the then Third World. This, in turn, reflected a fascination with the complex questions of how Brazil's international insertion can be related to varying understandings of the West on the one hand and of the developing world on the other – a country caught between first and third worlds as the literature of the time presented it. On the one hand, Brazil was formed as part of the process of European colonial settlement, involving subjugation of indigenous peoples. Its élites have seen themselves as part of West in cultural and religious

6 For this side of the English School agenda see my *On Global Order. Power, Values and the Constitution of International Society* (Oxford University Press, 2007). For work on how more recent Brazil fits with the changing global order see, Andrew Hurrell *Os Brics e a Ordem Global* (Rio de Janeiro: FGV Editora, 2009). Translation of special issue on the BRICs, including 'Hegemony, Liberalism and Global Order: What Space for Would-be Great Powers?' *International Affairs* 82, 1 (January 2006): 1-19.

7 Work on ideas and identity in Brazilian foreign policy is one area that has certainly increased in scope and sophistication but where there is still further research to be done. The other area, of course, has been the tremendous increase in work on the domestic side of Brazilian foreign policy, the expansion of the role of interest groups and civil society actors, and the broader impact of the increased politicization of foreign policy issues. The great challenge here remains to relate all of these various domestic 'dimensions' to some overall account of the changing character of the Brazilian state, including its dual-anchorage in both domestic and transnational society.

terms and there is a strong tradition of liberalism, including western ideas about international law and society (although with a noticeably far weaker tradition of economic liberalism). But, on the other, it is a society that has been shaped by slavery as well as by waves of immigration from Europe, the Middle East and Japan; has been preoccupied with the demands of economic and social modernization; and has engaged in heated debates over the legacy of its historical marginalization. It is not necessary to accept a civilizational view of world to understand that this duality has remained an important element of Brazilian debates of where the country 'fits in'. Certainly running through the post-1945 period are a persistent set of arguments as to whether Brazil is part of the West in its battle against communism and the Soviet Union or a member of the Third World in its struggle for development and a greater voice in international affairs. A great deal of the book is taken up with these debates as they played out in the period from 1964 to 1985. And, although they take different forms as we move into the more recent period, they never entirely fade away – to take just one example consider the discourse and language with which Brazil's policy towards Iran was debated during the latter years of the government of President Lula. In more recent years I have become ever more convinced that we need to avoid any particular set of claims about what Brazilian identity 'really is' and instead trace the politics of identity construction and the conflicts between varying conceptions of identity.[8]

Even exceptionalist accounts of political development involve an implicit view of why a country is different to others; and the rejection of a relatively non-activist role in the world (perhaps to

8 A crucial source of inspiration for me is Rogers M. Smith. See 'Identities, Interests and the Future of Political Science', *Perspectives on Politics*, 2, 2 (June 2004): 301-312; and his *Stories of Peoplehood: The Politics and Morals of Political Membership* (Cambridge: Cambridge University Press, 2003).

concentrate on domestic development) can be a central part of a national project. The intertwining of inside and outside is well captured by Luciano Martins's remarks on the growth of Brazilian debates about a national project in the 1920s:

> *An intelligentsia took form in Brazil in the 1920s. It began to ask what Brazil 'really was', as well as to search for the country's roots in order to think about its future. In short, Brazil began to be perceived not only in the light of (and by contrast with) the European or North American paradigms, but as having its own identity, which had to be preserved, and have huge potentialities, which had to be developed in order for the country to become a modern nation.*[9]

As a result what we see running through the period analysed in this book is three things: first, the historically strong role of the Brazilian state and its élite character, leading to the obvious issue as to 'what should we do?' Second, the recurring dilemmas that have arisen from Brazil's position as a late-industrializing society on what was for 150 years considered to be the periphery of the capitalist system. And third, the equally difficult set of questions to do with the meaning of the 'national' part of the Brazilian 'national project'. Here the double bind seems clear: on the one hand, national projects are necessary to mobilize and organize and to generate political support and legitimacy; but any attempt to mobilize too radically runs the risk of destabilizing the elite bargains and elite interests that have been so central to Brazil's political development. So perhaps the much commented upon reticence of Brazilian foreign policy in part reflects the limits of

9 Luciano Martins, 'Muddling Through Changing References: From Late Nation-Building to the Crisis of the Nation-State', in Brazil: Burden of the Past, Promise of the Future, *Daedalus* (Spring 2000), page 196.

what sorts of nationalist mobilization have been considered viable or desirable domestically.

One of the challenges facing the analyst of Brazilian foreign policy is that interpretation and analysis may slip all too easily towards exceptionalist accounts and implicit reliance on the specificities of national history without testing whether common factors and generalized processes may be at work. The dominant assumptions have been stated so many times, repeated in so many documents, and explored in so much Brazilian writing on international relations that they come to take on a 'taken for granted' character. When those assumptions are normatively shared by the historian, by the academic specialist of International Relations, and, of course, by the diplomat, the process of self-reinforcement is strengthened still further. The landscape seems so familiar that it is often easy to lose sight of some of the really big 'why' questions. We may cease to ponder sufficiently over the roads that Brazil did not take and the plausible alternative trajectories that might have emerged but did not. It is for this reason that theory, critical history, and comparative research are all important tools of analysis. Theory is a means of framing questions, of achieving some distance from the views and perceptions of the participants, of teasing out the often unspoken assumptions that drive policy. But theory without an expanding agenda of empirical research is an empty vessel.

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Introduction

This work seeks to provide a systematic account of the evolution of Brazil's role in the post-war international system, focusing on the twenty-one years of military rule from 1964--1985. It will examine the motives and objectives that have shaped Brazilian diplomacy in the period; provide an account of the major developments that have taken place; and analyse the principal internal and external factors that explain Brazil's international behavior. The primary aim is to address the central, but problematic, question of how far developments in Brazilian foreign relations over the past twenty-one years have enabled the country to attain a more autonomous and independent position in world affairs. The central objective, in other words, is to describe and evaluate Brazil's ambitions and limitations as a force in contemporary international relations.

The book is not intended to be an exhaustive study of every aspect of Brazil's foreign economic and political relations. Consequently there are a number of areas that are

either omitted or treated only in brief. Nor does it attempt to provide a definitive diplomatic history of the period. In the first place, the declassified documentation necessary for such a task remains unavailable – at least for the period after about 1955. In the second place, diplomatic history itself can provide only a partial, although still valuable, picture of a country's international behavior. In view of this the term "foreign policy" will be used throughout this study in its broad sense, that is, as a term that covers the influence of a wide range of factors – political, diplomatic, strategic and economic – on a country's international behavior. If foreign policy is "that area of politics which bridges the all important boundary between the nation state and its international environment", then it is clearly unrealistic to attempt an over rigid separation of the diplomatic and political world on the one hand from the economic on the other.[10] This is particularly important in the case of Brazil where, as we shall see, economic factors have played such a central role in almost every aspect of the country's foreign policy.

Above all an interdisciplinary approach is needed if we are to come to grips with the problem of autonomy. Autonomy can be defined as the degree of effective independence that a state is able to attain. It is thus by definition a relative concept with all states finding themselves on a continuum between autonomy on the one hand and dependence on the other. As a relative concept it can be distinguished from the concept of sovereignty which refers to a state's formal legal claim to independence irrespective of the degree to which it is able to implement that claim in practice. Autonomy and dependence are here defined in terms of the capacity of the Brazilian state to carry out its objectives in the international arena. The focus

10 William Wallace, *Foreign Policy and the Political Process* (London: Macmillan, 1977), p. 7.

is on Brazil's international behavior and the wide variety of factors – political, military and economic – that have influenced its capacity for independent action.

It should be made clear at the outset that autonomy does not involve withdrawal from the international system. It is true that we recognise a superpower as one which can "stand alone" and does not depend on others for its security and survival. Yet, as Kenneth Waltz has argued, even the superpowers are subject to powerful systematic constraints which they can influence but from which they cannot escape.[11] Similarly, autarky and extreme self-reliance are possible ways of achieving greater autonomy. Yet this option is both rare and problematic[12], because for most countries the costs of breaking the extensive international linkages that have developed over time remain prohibitive. Moreover, the status of countries such as Albania or Burma remains contingent upon a particular pattern of inter-state relations. A state can choose autarky. Whether it can successfully carry through such a policy will depend on the attitudes and policies of other more powerful states.

Increased autonomy is not incompatible with a high degree of involvement in the international political and economic system. Autonomy implies an ability to independently and coherently determine national policies, to resist attempts at outside control, to adapt flexibly and exploit favourable trends in the international environment and to limit and control the effects of unfavourable ones. A high level of involvement will not imply dependence if, firstly, the costs of severing external

11 Kenneth Waltz, *Theory of International Politics* (Reading, Mass.: Addison-Wesley, 1979), Chapter 4.

12 One of the problems with much dependency writing is the failure to specify what a non-dependent situation would look like. There is a strong implication in much of the literature that extreme self-reliance is the only way to achieve increased autonomy but little discussion of the viability of such a course for a large complex country like Brazil.

ties are low or, secondly, if there is a high degree of mutuality or reciprocity in a country's external relationships. This reciprocity might derive either from a capacity to impose costs on other actors or from an ability to provide benefits.[13]

Academic interest in Brazilian foreign policy – both inside Brazil and abroad – has increased a great deal since the early 1970s. Yet there is very little consensus as to whether the significant developments that have taken place have enabled the country to achieve a more autonomous and influential position in world affairs. Indeed seldom can interpretations of a country's international role have varied as widely. According to one view, Brazil should be seen if not as an immediate candidate for Great Power status then, at the very least, as an upwardly mobile middle power that has already made substantial progress towards greater autonomy and independence. The view of Brazil as a future major power is not of course new. The idea has a long history both inside Brazil and outside it. But to many observers, the economic successes of the Brazilian "miracle", when taken together with the country's intrinsic size and resources and the changes that were occurring in Brazil's international alignments, seemed to demonstrate that the sleeping giant of Latin America was at last beginning to harness its enormous potential.

> *Brazil possesses the will and the resources to reach for, and possibly achieve, the status of a major international power by the end of the 20th century.[14] (1975)*

13 On this point see David Baldwin, "Power and Interdependence: A Conceptual Analysis", *International Organization*, 23, 4 (Autumn 1980).

14 Riordan Roett, "Brazil Ascendant: International Relations and Geopolitics in the late 20th Century", *Journal of International Affairs,* (Fall 1975), p. 139.

> *Brazil is plainly among the most likely candidates for great power status during the next two or three decades.*[15] *(1976)*

As the 1970s progressed, commentators were forced to lay greater stress on the problems facing the country. Yet much of the underlying optimism persisted. Despite the problems, concluded Wayne Selcher in 1981, "... it is safe to say that Brazil is clearly becoming a more significant actor and a more important middle power and that it has strong potential through the 1980s to be one of the most important middle powers".[16]

The literature on Brazil as a future Great Power is flawed for two main reasons. Firstly, because of its exaggerated optimism and its failure to pay sufficient attention to the negative aspects of Brazil's international position. Secondly, because it frequently rests on oversimplified assumptions about the nature of power in international relations. Underlying much of the literature is the assumption that the mere possession of the extensive power resources will assure a relatively high level of influence and autonomy. Sometimes this approach is made explicit, with the clearest example being Ray S. Cline's *World Power Assessment*.[17] Far more frequently, however, it is adopted implicitly. Indeed almost every study of Brazilian foreign policy

15 Willian Perry, *Contemporary Brazilian Foreign Policy: The International Strategy of an Emerging Power* (Beverly Hills: Sage Publications, 1976), p. 3.

16 Wayne Selcher, "Brazil in the World: A Ranking Analysis of Capability and Status Measures", in Wayne Selcher ed., *Brazil in the International System. The Rise of a middle Power* (Boulder: Westview, 1981), p. 59.

17 Ray S. Cline, *World Power Assessment: A Calculus of Strategic Drift* (Boulder, Colo.: Westview, 1980). For a further, although more qualified, example see Wayne Selcher, "Brazil in the World: A Ranking Analysis of Capability and Status Measures", in Wayne Selcher, ed., *Brazil in the International System: The Rise of a Middle Power* (Boulder, Colo.: Westview, 1981). Although Cline is not writing specifically about Brazil his methodology has been taken over by such an influential Brazilian writer as Carlos de Meira Mattos. See *A Geopolítica e as Projeções do Poder* (Rio de Janeiro: José Olympio, 1977), pp. 127-134.

starts with a long list of the country's extensive resources with the implicit assumption that the possession of these resources must somehow contribute towards a more independent and influential role in world affairs.[18]

No one would deny that the possession of extensive power resources does have a significant impact on a country's level of dependence. Brazil's size, its large population, its great mineral and agricultural wealth and its developed industrial plant all provide a range of options and an ability to bargain effectively that the majority of Third World states simply do not possess. Yet the notion that the accumulation of power resources can provide a meaningful basis for assessing national power is entirely fallacious. Indeed, Brazil is fascinating precisely because of the discrepancy that exists between its tremendous power resources on the one hand and its still very constrained international role on the other.

Three basic lessons of social power analysis need to be borne in mind when trying to assess Brazil's level of autonomy and dependence. In the first place power is a relational concept. It makes no sense to speak of Brazilian power except in the framework of a particular historical relationship or set of relationships, within what David Baldwin has called a

18 This is particularly true of the many writers who view Brazil as an emerging major power. The recent spate of non-Brazilian books and articles describing Brazil as a future power began with Norman Bailey and Ronald Schneider's "Brazilian Foreign Policy: A Case Study in Upward Mobility", *Inter-American Economic Affairs*, 27, 4 (Spring 1974), 3-25. Other surveys written from this perspective include: David M. Landry, "Brazil's New Regional and Global Roles", *World Affairs* 137 (Summer 1974), 23-37; Riordan Roett, "Brazil Ascendant: International Relations and Geopolitics in the late 20th Century", *Journal of International Affairs* 9, 2 (Fall 1975), 139-154; William Perry, *Contemporary Brazilian Foreign Policy: The International Strategy of an Emerging Power*, Foreign Policy Papers, 2, 6, (Beverly Hills, Calif.: Sage Publications, 1976); Norman Gall, "The Rise of Brazil", *Commentary* January 1977; Jordan Yong, *Brazil: Emerging World Power* (Malabar, Florida: Robert Krieger, 1982); Ronald Schneider, *Brazil: Foreign Policy of a Future Krieger, 1982)*; Ronald Schneider, *Brazil: foreign Policy of a Future World Power* (Boulder, Colo.: Westview, 1977); Wayne Selcher ed., *Brazil in the International System: The Rise of a Middle Power*; Jim Brooke, "Dateline Brazil: Southern Superpower", *Foreign Policy* (Fall 1981), 167-180.

particular "policy contingency framework".[19] According to Ray Cline's *World Power Assessment*, Brazil ranks third in the world in terms of "perceived power", surpassed only by the Soviet Union and the United States. What makes this assessment both meaningless and misleading is that no attempt is made to relate this "power" to any conceivable political context or situation. As Robert Dahl has put it:

> *Any statement about influence that does not clearly indicate the domain and scope it refers to verges on being meaningless. When one hears that A is highly influential, the proper question is influential over what actors with respect to what matters?*[20]

Secondly, the compilation of lists of power resources is inadequate because it ignores the way in which, over time, power becomes embodied in political and economic structures. It is unrealistic to view power merely in terms of visible conflict when a state's power resources are deliberately used to coerce an opponent. All bargaining takes place within a given set of political and economic institutions that enable the major powers to lay down the "rules of the game", to set the agenda, to manipulate choices and to close off options.[21] As we shall see, this "second dimension" of power has formed an important part of United States relations with Latin America and its existence further underlines the need to treat the question of Brazilian autonomy within a specific historical context.

19 David Baldwin, "Power analysis and world politics: New trends versus old tendencies", *World Politics* 31 (January 1979), 161-194.

20 Robert Dahl, *Modern Political Analysis* (Eaglewood Cliffs N.J.: Prentice Hall, 1976) p. 33.

21 On this two-dimensional view of Power, see Steven Lukes, *Power. A Radical View* (London: Macmillan, 1974). For a parallel discussion of the power of economic structures see Susan Strange, "What is economic power and who has it?", *International Journal* 30, 2 (1975) and much of more recent literature on international regimes e.g. Stephen Krasner ed., *International Regimes* (Ithaca: Cornell University Press, 1983).

A third basic lesson of social power analysis is that power must be related to an actor's intentions, objectives and values. Implicit in much recent writing on Brazilian foreign policy is a powerful residue of Realist dogma, namely that power will always be used to maximise independence and influence.[22] If more attention were paid to Brazilian sources and the way in which foreign policy has actually evolved, it would become clear that, whilst international influence has been an important goal, it is only one amongst several. As we shall see, a distinctive feature of recent Brazilian foreign policy has been the conscious decision to put other goals, particularly the promotion of economic development, ahead of forging a wider international role or seeking to maximise autonomy and independence.

Yet, just as the view of Brazil as a future Great Power was gaining prominence, especially in the United States, many other writers were reaching exactly the opposite conclusion. Instead of viewing Brazil as a future Great Power, this second group of commentators, drawn largely from within the broad tradition of dependency theory, emphasised the qualified, ambiguous and dependent nature of the economic development that was taking place and the limits to the foreign policy innovations that accompanied it.[23] Writing in 1974, Maria Conceição

22 Cline makes this explicit by assigning high values to those states with "clear-cut plans for international aggrandizement", Cline, *World Power Assessment* (1975 ed.) pp. 134-5.

23 Dependency theory is more properly seen as a broad approach or perspective rather than a neat, formal theory and has been used to cover a very wide variety of writers from many different backgrounds. Within this broad field, the focus here is on what may be called the "second generation" of theorists who have concerned themselves with recent Brazilian development. Peter Evans and Fernando Henrique Cardoso are taken as the two most important representatives of this group. For a general survey of dependency see Gabriel Palma, "Dependency: A formal theory of underdevelopment or a methodology for analysing concrete situations of underdevelopment?", *World Development*, 6, 7/8 (1978), 881-924.

Tavares argued that "... as a 'dependent nation' it (Brazil) has not the slightest possibility of autonomously determining its international relations".[24] More recently, writers such as Peter Evans and Fernando Henrique Cardoso have acknowledged the reality of Brazil's rapid economic growth, the increased bargaining capacity of the Brazilian state and the development of a more broadly based foreign policy.[25] They nevertheless argue that, in all crucial respects, Brazil remains a dependent country enmeshed in a web of unequal economic and political relations both with the industrialised countries and with transnational corporations; that any apparent increase in the capabilities of the Brazilian state has been matched, if not exceeded, by the dominance of foreign capital and by the creation of new forms of dependence especially with regard to the debt; and that any signs of increased national assertiveness or anti-American policies are only superficial or insignificant.

According to Evans and Cardoso, the changing pattern of the internationalisation of capital has enable Brazil to develop and reach the stage of "dependent development" (Evans) or "associated dependent development" (Cardoso). Yet this development remains qualified and ambiguous:

24 Maria Conceição Tavares, "Commentary on C.E. Martins", in Julio Cotler and Richard Fagen, Eds., *Latin America and the United States: The Changing Political Realities* (Stanford: Stanford U.P., 1974), p. 309.

25 See especially, Peter Evans, *Dependent Development. The Alliance of Multinacional, State and Local Capital in Brazil* (Princeton: Princeton U.P., 1981). Peter Evans, "State, local and multinacional capital in Brazil: Prospects for the stability of the triple alliance in the 1980s", in Diane Tussie, ed., *Latin America in the World Economy. New Perspectives* (Aldershot: Gower, 1983). Peter Evans and Gary Gereffi, "Foreign Investment and Dependent Development: Comparing Brazil and Mexico", in Sylvia Ann Hewlett and Richard Weiner teds., *Brazil and Mexico. Patterns in Late Development* (Philadelphia, Inter-american Politics Series, Vol.3. Institute for the Study of Human issues, 1981). F.H. Cardoso and Enzo Faletto, *Dependency and Development in Latin America* (Beverly Hills, Univ. of California Press, 1979 ed.). F.H. Cardoso "The consumption of dependency theory in the United States", *Latin American Research Review*, XII, 3, (1977), 7-24. F.H. Cardoso, "As Tradições de Desenvolvimento Associado", *Estudos Cebrap*, 8 (1974), 41-75.

> *..."development" because it is characterised by the sort of accumulation of capital and increasingly complex differentiation of the internal productive structure that was integral to the development of the "core" countries, and "dependent" because it is indelibly marked by the effects of continued dependence on capital housed in those countries.*[26]

According to this second view, then, Brazil should be seen not as a potential Great Power but as a dependent and highly vulnerable country whose independence and international freedom of manoeuvre is still gravely constrained by a predominantly malevolent external environment. Whilst few anticipated the speed or the extent of the economic turnaround of the early 1980s, many have seen the debt crisis as a clear vindication of this second view.[27]

Yet the dependency thesis is open to question both because it downplays the positive aspects of the changes that have taken place and because of its theoretical weaknesses. In the first place, there is confusion in much dependency writing as to what exactly is being explained. As Robert Packenham has argued, dependency theory is a holistic approach which unites by definition national dependency, internal inequality, the nature of capitalism in Brazil and the authoritarian character of the military republic.[28] In order to clarify the confusion, James Caporaso has proposed a distinction between *dependency* and *dependence*.

26 Evans, *Dependent Development*, p. 112.

27 For example Celso Furtado, *A Nova Dependência – Dívida Externa e Monetarismo* (Rio de Janeiro: Paz e Terra, 1982).

28 Robert Packenham, "Trends in Brazilian National Dependency since 1964", in Riordan Roett, Ed., *Brazil in the Seventies* (Washington: American Enterprise Institute for Public Policy Research, 1976): 89-115.

> *The dependence orientation seeks to probe and explore the symmetries and asymmetries among nation-states... The dependency orientation is quite different. It attempts to clarify the process of integration of the periphery into the international capitalist system and the developmental implications thereof. ... For dependence theorists the object of explanation is international influence. Dependence is interesting precisely because it promises to provide an explanation of that influence. Dependency is interested in development in both its qualitative and quantitative aspects.*[29]

As Caporaso indicates, the primary concern of dependency theory has been with the impact of the external environment on Brazilian society. It arose principally as an attempt by Latin American scholars to understand the nature of the region's political and economic development. It became of increasing interest to international relations specialists because of the critical impact that the international system was believed to have on that development and because the approach implied a permanent pattern of dominance and dependence between nation states.

The present study falls firmly within what Caporaso labels the "dependence orientation" or what Robert Packenham would call "national dependency". It seeks to describe the evolution of Brazilian foreign policy and evaluate the scope for increased autonomy for the Brazilian nation state within the present international system. Of course, particularly in the longer term, a country's level of development is an important factor in determining its international freedom of manoeuvre. Yet,

29 James Caporaso, "Introduction to the special issue of *International Organization* on dependence and dependency on the global system", *International Organization*, 32 (Winter 1978), p. 2.

although related, the question of autonomy needs to be viewed as a logically distinct category and separated from problems of economic development or difficulties in establishing democratic institutions, development or difficulties in establishing democratic institutions, neither of which are the concern of this book.[30]

Caporaso's distinction also throws light on a second weakness of dependency theory, namely the lack of precision over which unit should form the primary level of analysis. Although many dependency writers do make judgements about the level of dependence of the Brazilian nation state, their analysis is ultimately based on social classes.[31] The state is an epiphenomenal reflection of property relations and class structures. This is an important point because one of the most common ways of denying that the economic development of the 1970s affected Brazil's overall level of dependency is by adopting a shifting definition as to what constitutes a "national" gain or loss. Cardoso and Faletto provide the clearest statement of this position.

> *Now after ten years of reasonable rate of economic growth, the expansion of global commerce, the industrialisation of important segments of the periphery of the capitalist world, and the strengthening of the state productive sector, the problems unfold in a more complex way. Strictu sensu the capacity for action of various Latin American states has increased. In this sense, one might*

30 This use of the term autonomy differs from that developed by Helio Jaguaribe. For Jaguaribe autonomy includes both a wide margin of freedom of manoeuvre internationally and "self sustained and basically endogenous national development". See Helio Jaguaribe, *Political Development: A General Theory and Latin American Case Study*, (New York: Harper & Row), p. 376. See also his important article, "Autonomia Periférica e Hegemonia Cêntrica", *Relações Internacionais*, 3 (June 1980).

31 Cardoso and Faletto, *Dependency and Development*, p. xvi and pp. 180-199. For a critique of dependency theorists' lack of consistency on this point see Robert Packenham's review, "Plus ça change… The English edition of Cardoso and Faletto's 'Dependencia y Desarollo en America Latina'", *Latin American Research Review*, XVII, 1 (1982): esp.

> *consider that they are "less dependent". Our concern is not, however, to measure degrees of dependency in these terms – which fails to ask "less for whom?" for which classes and groups.*
>
> *There may have been a redefinition of the "forms of dependency", in certain Latin American countries there may be "less dependency", and the state in these countries may be capable of exercising a greater degree of sovereignty. But for us, what is at issue is the nature of class conflict and alliances which the dependency situation encompasses.*[32]

Thus dependency has not been reduced because the national part of Peter Evans' triple alliance is not really "national" at all. It comprises those "with a primary interest in local accumulation" rather than those "whose concern is with the welfare of the entire citizenry".[33] Hence the assertion of continued dependence has much to do with the *nature* of Brazil's political and economic system rather than with the relationship of the Brazilian state to its external environment. Brazil is still dependent because of domestic injustice and inequality and because its economic system provides no possibility of better income distribution, full employment, improved social services etc. These concerns are important ones but they do not form the focus of this study. For this study the Brazilian nation state remains the key actor and autonomy and dependence are defined in terms of the success of the Brazilian state in carrying out its objectives.[34]

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32 Cardoso and Faletto, *Dependency and Development*, pp. 201 and 212.

33 Evans, *Dependent Development*, p. 105.

34 This need not assume a view, as Caporaso suggests of "internally unified states confronting the external environment as homogeneous units". (Caporaso, "Introduction", p. 2.) Clearly the Brazilian state is far from homogeneous and attention has to be paid to the attitudes and interests of the various groups that make up the Brazilian state. Yet there is no reason why a basically state-centric view cannot be suitably qualified to take factors into account.

A third problem with dependency theory is the over emphasis on economic factors.[35] Because dependency analyses focus so exclusively on the pressures and constraints of the international capitalist system they are bound to present an unbalanced account of a state's international behaviour. This is not just the well-worn argument that dependency theory cannot explain non-capitalist relationships, for example between the Soviet Union and its clients.[36] Rather, even within the context of capitalist core-periphery relations, economic dependency only presents a part of the picture. The place in which a country finds itself on the continuum between dependency and autonomy will depend on many factors. Some will undoubtedly be closely related to the constraints of the international capitalist system. On the one hand, a country's place in the international *political* system and the way in which it is able or unable to exploit the dynamics of superpower rivalry will be a crucial determinant of its margin of autonomy. Thus for both Czechoslovakia and Honduras it is the dynamics of this system that explain a great deal of their lack of autonomy. On the other, a state's freedom of manoeuvre will be influenced by the kinds of intrinsic power resources of the kind stressed by capability theory but strangely ignored by most dependency writers.[37] Size, the possession of natural resources, a strong military capability may all be important determinants of a country capacity to bargain effectively. Yet, as Dudley Seers has pointed out, none of these factors are stressed by dependency theorists:

35 The over-emphasis on economic factors is also true of Caporaso's concept of dependence and external reliance.

36 For a typical example of this kind of criticism see David Ray, "The dependency model of development in Latin America: Three basic fallacies", *Journal of Inter-American Studies and world affairs*, 15, 1 (February 1973): 4-18.

37 Thus it is puzzling how Caporaso is able to draw such a clear distinction between "relational inequality" i.e., inequality in the interactions or transactions among actors" and "attribute inequalities", and to claim that the latter is irrelevant to the former. Caporaso, "Introduction", p. 3.

> *Is the explanation (for this omission) that a dependency theorist, especially one influenced to some degree by Marxism would find it inconvenient to admit that a social revolution would not be a sufficient condition for eliminating dependence.*[38]

A final serious problem with dependency theory is the difficulty of applying it analytically to the foreign policy of an individual country. For its proponents, all the elements that make up a dependent situation have to be taken together. According to this view, it is precisely this holistic, historic-structuralist character that gives the approach its real value. This has two consequences. Firstly dependency writers reject the notion that you can talk of "degrees of dependency". Instead the focus should always be on specifying the forms of dependency that are relevant to an individual, concrete situation.[39] Secondly, they maintain that the concept will lose its value if it is disaggregated, that is, if the various components of a dependent situation are isolated and evaluated individually.[40] Yet both these arguments are highly problematic. On the one hand, if it were true that you can only speak in terms of specific, individual concrete situations of dependency, then it is fundamentally misleading to develop "dependency" into a term that can be applied to a large number of very different states. On the other, if you can apply the term to many states and if you accept that you cannot

38 Dudley Seers, "Development Options: The Strengths and Weaknesses of Dependency Theories in Explaining a Government's Room to Manoeuvre", in Dudley Seers, ed., *Dependency Theory: A Critical Reassessment* (London: Frances Pinter, 1981), p. 141.

39 For a strong statement of this point, see Cardoso and Faletto, *Dependency and Development*, p. xii, and Raymond Duvall, "Dependence and dependencia theory: notes toward precision of concept and arguments:, *International Organization*, 32 (winter 1978), pp. 54-58.

40 James Caporaso and Behrouz Zare, "An interpretation and Evaluation of Dependency Theory", in Heraldo Muñoz, ed., *From Dependency to Development* (Boulder, Colo.: Westview, 1981) pp. 48-55.

speak in terms of degrees of dependency, then you are logically forced to place Brazil and Burundi in the same category with no means of evaluating the differences between them. This is clearly contrary to both logic and common usage. Power, dependence, autonomy and independence are all relative terms. If you accept that dependency varies both between states and across time, then you are obliged to explain how and why, to isolate and compare the various elements of dependency, to speak in terms of more or less.

Given the difficulties with both these approaches, how does one begin to assess the international role of a country whose interests and activities are as extensive as those of Brazil and whose foreign policy has given rise to such divergent interpretations? Two sets of changes are fundamental for understanding Brazilian foreign policy in this period and for providing a basis for comparison. On the one hand, there are the changes that have taken place in the character of Brazil's relations with the United States. On the other, there are those changes involving Brazilian attempts to diversify its international ties and to develop alternatives to the previously central "special relationship" with Washington. These two developments form the two poles around which this thesis is organized. It is a central argument of the thesis that no picture of recent Brazilian foreign policy can be complete unless it examines the interrelationship between these two developments.[41]

41 Up until late 1960s Brazilian foreign policy was examined almost exclusively within the framework of inter-American relations and often with a heavy bias towards seeing developments in terms of the problems which they posed for US policy. In the 1970s a growing number of scholars were so attracted by the diversification of Brazil's foreign relations that the evolution of US-Brazilian relations tended to be downplayed. Selcher's 1981 study, for instance (see footnote 7), did not contain a single chapter dealing specifically with Brazil's relations with Washington.

The relationship with the United States forms the inevitable starting point for any study of the evolution of Brazilian foreign policy in the post-war period. In 1945 the major external constraints facing Brazilian foreign policy resulted principally from the country's geographical proximity to the United States, from the massive asymmetry of power between the two states, from Washington's determination to actively assert its influence over the region and from the absence of alternative relationships. The predominance of the United States was so great and so consistent that Latin America was widely viewed in the period as lying within a United States sphere of influence.

> *A sphere of influence is a determinant region within which a single external power exerts a predominant influence, which limits the independence or freedom of action of political entities within it.*[42]

United States influence within Latin America had of course preceded the Second World War. The Monroe Doctrine itself, which sought to exclude European powers from the American continent, was first enunciated by President James Monroe in 1823. It was developed in the No Transfer Principle of 1811 and in the Polk and Roosevelt corollaries to the Doctrine of 1845 and 1904. This formal claim to regional predominance began to gather real force as the United States replaced Great Britain as the region's preeminent economic power and as Washington became more and more prepared to use its power in pursuit of its Manifest Destiny. Yet, despite the steady growth of United States influence in the early part of the century, it was the Second World War and its aftermath that consolidated American hegemony over the region. In the first place, after the

42 Paul Keal, *Unspoken Rules and Superpower Dominance* (London: Macmillan, 1983), p. 15.

relative laxity of the 1930s and the Good Neighbour diplomacy, the preoccupations that had given rise to the Monroe Doctrine were forcefully revived by the political and ideological concerns of, first, the Second World War and then the Cold War. In the second place, the outcome of the war left the United States in a far stronger position to achieve its objectives in the region. It was the world's preeminent military power, with large conventional forces and the monopoly of atomic weapons. Alone of the major economies, the United States had escaped the devastation of the war. In stark contrast to both Europe and Japan the war years had witnessed a tremendous expansion of its productive base and its relative international economic power.

Hegemony is an elusive concept but one which accurately characterises the state of US-Latin American relations in the early post-war period. Hegemony clearly points to a relationship of inequality in which one state possesses a disproportionate ability to influence the behaviour of other less powerful states. Yet, it is an ability that is limited both in the *scope* of influence and the *means* of influence. Hegemony has been defined as a condition in which "one state is powerful enough to maintain the essential rules governing inter-state relations, and willing to do so".[43] The stress on inter-state relations is important. Hegemony will be used in this thesis to refer to the capacity of the United States to dictate the terms of its relationship with the states of Latin America; to develop and maintain its position as the principal political and economic link between the states of Latin America and the rest of the world; and to set down definite limits to what was permissible in terms of Latin American foreign policies. Although such a capacity clearly implies a degree of influence over domestic politics, the

43 Robert Keohane and Joseph Nye, *Power and Interdependence* (Boston: Little, Brown & Co., 1977), p. 44.

focus of this study is very definitely on interstate relations. The term does not imply total domination and can thus be distinguished from imperialism. Apart from being debased by overuse and excessive polemic, imperialism suggests a degree of external control that never existed even at the height of US influence over Brazil.[44] Hegemony is also a more useful concept than dependency. As we have argued, dependency is plagued by excessive generality and the difficulty of applying it analytically to a specific set of inter-state relations.

Hegemony can also be characterised by the means employed by the influencing state. It is useful here to refer to the distinction developed by Hedley Bull between dominance, hegemony and primacy.

> *Dominance is characterised by the habitual use of force by a great power against the lesser states comprising its hinterland, and by habitual disregard of the universal norms of interstate behaviour that confer rights of sovereignty, equality and independence upon these states.*
>
> *... At the opposite extreme to dominance there exists what may be called primacy. A great power's preponderance in relation to a group of lesser states takes the form of primacy when it is achieved without any resort to force or the threat of force, and with no more than the ordinary disregard for the norms of sovereignty, equality and independence. The position of primacy or leadership which the great power enjoys*

44 For a very useful discussion of theoretical problems of using the term imperialism in a post-colonial age see R. Robinson, "Imperial Theory and the Question of Imperialism After Empire", in Wolfgang Mommsen and Jürgen Osterhammel, *Imperialism and After. Continuities and Discontinuities* (London: Allen and Unwin, 1986).

> *is freely conceded by the lesser states within the group concerned, and often expresses the recognition by the latter of the disproportionately large contribution which the great power is able to make to the achievement of common purposes.*
>
> *... Occupying an intermediate position between dominance and primacy there is hegemony. Where a great power exercises hegemony over the lesser powers in a particular area of constellation there is a resort to force, but this is not habitual and uninhibited but occasional and reluctant. The great power prefers to rely upon instruments other than the direct use or threat of force, and will employ the latter only in situations of extremity and with a sense that in doing so it is incurring a political cost.*[45]

Hegemony then has two sides. On the one hand, it is clearly different from freely acknowledged leadership. It has a coercive core, although this rests only partially on the threat of force, with influence being far more frequently exercised by other indirect means. On the other, hegemony also has a consensual element which helps explain the willingness of small states to defer to hegemonic leadership in situations where no coercion is visible. In addition to coercion, then, hegemony also rests "on the subjective awareness by elites in secondary states that they are benefitting, as well as on the willingness of the hegemony itself to sacrifice tangible short-term benefits for intangible long-term gains".[46] Hegemony in other words does not preclude benefits accruing to the weaker state.

45 Hedley Bull, "Superpower predominance and World Order". Unpublished Paper. Quoted in Keal, Unspoken Rules, pp. 9-10.

46 Robert Keohane, *After hegemony. Cooperation and Discord in the World Political Economy* (Princeton: Princeton U. P., 1984), p. 45.

Given the importance of US hegemony as a major external constraint on Brazilian autonomy in the early post-war period, an important part of our analysis of Brazil's changing international role will involve examining precisely how United States influence over Brazil has changed during the period. Clearly one possible way in which Brazil's international freedom of manoeuvre may have increased is as a result of the erosion of United States hegemony.

Hegemony also provides a useful point of departure precisely because of the widespread belief that United States power has declined significantly over the past two decades. On one level this is visible in the almost universal assumption of declining American power that one finds in many general surveys of the post-war international system. On another level it is visible in the large and expanding literature on "hegemonic stability" which aims to trace the consequences of the end of US hegemony for international regimes.[47] On a third, and for this study more relevant, level the past decade has seen a number of studies which laid great stress on the reality of "declining hegemony" within Latin America.[48]

Proponents of this view emphasised the extent to which the historical predominance of the United States was coming under increasing strain. They pointed to the declining economic salience of the United States for many

47 The notion of "hegemonic stability" is particularly associated with writers such as Stephen Krasner, Charles Kindleberger, Robert Gilpin and Robert Keohane.

48 The theme of hegemony in decline has been developed particularly by Abraham Lowenthal. See for instance "The United States and Latin America: Ending the Hegemonic Presumption", *Foreign Affairs*, 55 (October 1976) and "Ronald Reagan and Latin America: Coping with Hegemony in Decline", in Kenneth Oye et. al., *Eagle Defiant. United States Foreign Policy in the 1980s* (Boston: Little, Brown and Co., 1983). It is interestingly a view shared by Soviet commentators. Thus V. Lunin & P. Yakovlev speak of "the weakening of US hegemony" in Washington's Latin America Policy", *International Affairs* (Moscow), 3 (March 1980), p. 20.

Latin American economies. They showed how the ideological conformity and political submissiveness of the early post-war period had all but disappeared and highlighted the growing list of political challenges to the United States. As we shall see in the case of Brazil, there is much substance to these arguments. The character of US-Brazilian relations has indeed changed enormously over the past two decades. The historic "special relationship" has become more troubled. The economic salience of the United States to Brazil has declined. Brazilian leaders have more confidently asserted their independence and have successfully challenged US policy on a number of important issues.

Yet the combination of two factors in the early 1980s has forced us to reassess the validity of the "declining hegemony" thesis. In the first place, there was the accession to power in 1980 of an American administration determined to forcefully reassert US influence over Latin America. Secondly, there was the debt crisis which has had such a profound impact on Brazilian foreign policy since it broke in late 1982. This thesis will argue that these events do not invalidate the argument that US hegemony has declined and that Brazilian autonomy has in consequence increased. They do, however, suggest that the notion of declining hegemony has been carried too far and that the power of the United States remains a very significant constraint on the degree of autonomy that Brazil has been able to achieve. The thesis also argues that there is a need to adopt a more nuanced approach to the whole question of US hegemony that places less emphasis on broad changes in the structure of US-Brazilian relations and more on the specific factors which determine the outcome of individual bargains and conflicts.

The second set of changes that are central to understanding recent Brazilian foreign policy concern Brazil's success in

developing new international relationships: new diplomatic partners, new trading partners, new sources of foreign investment, foreign loans, aid and technology – diversification in its various guises. Common sense suggests that there should be a high correlation between the success of diversification and the level of autonomy. The more options one has, the more dispersed is one's dependence on necessary external inputs, the greater should be one's freedom of manoeuvre. Certainly one can recognise that in the early post-war period, the external constraints on Brazil's foreign policy resulted not just from the power of the United States but also from the absence of alternative relations.

For the sake of analysis it is possible to identify four ways in which diversification might plausibly lead to an increase in autonomy. Firstly, a state located within a superpower's sphere of influence might seek to develop relations with the other superpower. It might try and exploit superpower rivalry by threatening to "change sides" and attempting to play one superpower off against the other. As David Vital has shown, this form of what he calls contingent power has been one of the most important ways in which small or weak states have sought to bargain with major powers.[49] Such a tactic also provides the basis of what one might call the opportunistic element in non-alignment, exemplified by Nasser's comment about Tito: "Tito is a great man. He showed me how to get help from both sides – without joining either".

Secondly, a state might seek to enlarge its freedom of manoeuvre by pursuing an active policy of diversification, but very clearly stopping short of developing close relations with the rival Great Power. This would involve increasing the range of

49 David Vital, *The Survival of Small States* (Oxford: Oxford U. P., 1971).

political and diplomatic contacts, together with a diversification of economic partners with which a country trades and from which it receives its essential inputs.

Thirdly, a state might join or form a coalition of small or weak states in the hope of increasing its influence in international affairs. This kind of "group power" provides the basis of such influence as the Third World has been able to achieve in world politics. For Brazil, this strategy might involve increased cooperation within Latin America or seeking to play a more assertive role within the wider Third World movement. Such a policy can offer additional benefits to the extent to which leadership within, for instance, the Non-Aligned Movement or the Group of 77 can itself provide the platform for international prominence.

Finally, a state might accept a generally subordinate position vis-à-vis the dominant powers but seek to expand its influence on a more localised, regional level. The relationship with the dominant Superpower might be close but need not necessarily be so. The crucial point is the ability to develop a regional role in an area of the world that will often be of peripheral importance to the Superpowers. It is under this heading that we shall deal with the claims that are often made about Brazil's regional preponderance within Latin America.

The second stage of this analysis of Brazilian foreign policy will therefore be to examine how far Brazil has been able to pursue one or more of the possible options outlined above and to what effect. As we shall see in the course of this study, diversification has been the dominant feature of Brazilian foreign policy since the late 1960s. Influenced by changes in the international system and by strong economic pressures, Brazil has increasingly sought to diversify and widen the range of its international and regional ties. As its economy has continued

to develop, Brazil's international needs and interests have widened and became more complex. In the first place, since the late 1960s, Brazil devoted considerable attention to developing relations with Western Europe and Japan. Economically, the expansion of relations with these countries offered the prospect of new export market as well as alternative resources of technology and investment. Politically, these relations came to be seen as an important counter-weight to the power and influence of the United States.

Secondly, as the 1970s progressed, Brazil expanded its bilateral ties with other developing countries and adopted a more demonstrative, although still qualified, advocacy of Third World aspirations on a multilateral level. In a policy that acquired momentum after 1974, Brazil made great efforts to increase its political and economic presence in Africa. Similarly, faced by the need to guarantee oil supplies and to reduce its large trade deficit with OPEC, the Middle East became the target for Brazil's aggressive economic diplomacy. Perhaps most significant of all was the modification of Brazil's previous policy towards Latin America and the decision, particularly visible after 1978, to develop a much more clear-cut Latin American dimension to its foreign policy. This "southern hemisphere strategy" and the decision to make greater use of the Third World components of Brazil's mixed identity represents one of the most important and interesting aspects of this process of diversification. It implies a far more radical departure from traditional foreign policy behaviour than moves to increase relations with Western Europe and Japan and as such became the subject of both dissent at home and concern abroad.

Thirdly, the process of diversification has included the expansion of relations with the Soviet Union, Eastern Europe and China. Whilst largely economic in nature, the growth

of these ties provides a good indication of the flexibility and pragmatism of Brazilian foreign policy as well as having an intrinsic political significance.

Just as in the case of the supposed erosion of US hegemony, the diversification of Brazil's foreign relations aroused substantial academic interest in the 1970s. Brazil's international emergence was widely seen as an important example of a more general trend in Latin America's international position. A growing number of writers focussed on what was called the region's "new internationalism".[50] Proponents of this view argued that, as the countries of the region had developed, so their international needs had widened and become more complex. On the one hand the list of external powers with interests in Latin America had grown to include the countries of Western Europe, Japan and the Soviet Union. On the other, the 1970s saw several instances of Latin American states seeking to project their influence outside the region in direct and novel ways. Amongst the examples most frequently cited were Cuba's interventions in Africa, Venezuela's role within OPEC, Mexico's and Peru's efforts to provide leadership in the Third World movement, and the expansion of Brazil's relations with Africa and the Middle East.

Again, there is much substance to these arguments. This thesis will argue that the diversification of Brazil's foreign relations does represent a fundamental change in the country's

50 See Ronald Hellman and H. Jon Rosenbaum eds., *Latin America: The Search for a New International Role* (New York: John Wiley, 1975). Roger Fontaine and James Theberge eds., *Latin America's New Internationalism: The End of Hemispheric Isolation* (New York: Praeger, 1976). And Elizabeth Ferris and Jennie Lincoln eds., *Latin American Foreign Policies: Global and regional Dimensions* (Boulder: Westview, 1981).

international role and has resulted in an increase in the level of autonomy. It will also show many of Brazil's new relationships are more firmly rooted than is the case elsewhere in Latin America, above all because of their underlying economic strength. Nevertheless, the "international emergence" thesis has also been carried too far. Not only does Brazil's capacity to influence events beyond its borders remain limited but many of the new relationships have proved either fragile or difficult to consolidate. Here too, the debt crisis has been a crucial factor underlining the limits and continuing constraints facing Brazil. The idea, then, that diversification can offer an easy or cost-free route to expanded international influence and autonomy has certainly not been born out by the Brazilian experience.

It remains to outline the organisation of the thesis. Part One will look briefly at the period between 1945 and 1964. Chapter One will examine the process by which United States hegemony over Brazil was consolidated in the aftermath of the Second World War and will identify in more detail the central elements on which that hegemony rested. Chapter Two will survey the extent to which the predominant position of the United States was challenged in the period before 1964 and assess the effectiveness of that challenge. Part Two represents the core of the thesis. Chapters Three to Seven will trace the evolution of foreign policy under the five military presidents that ruled Brazil between April 1964 and March 1985. Each chapter will chart the major foreign policy initiatives of the various governments and will isolate the underlying principles on which that policy was based. In each case the analysis will focus on two principal developments: the evolution of relations with the United States and the process of diversification. Part

three will seek to evaluate Brazil's international role. Chapter Eight will assess the degrees to which Brazil has been able to achieve a more autonomous position in its relations vis-à-vis the United States. Chapter Nine will consider the successes and limitations of the policy of diversification.

Focussing on the question of autonomy and tracing the evolution of these two developments – the changing character of US-Brazilian relations and the process of diversification – is not the only way of approaching Brazilian foreign policy. But it is one which has a number of advantages. First, the desire to achieve greater independence and the need to find expression for growing nationalist sentiment have been major objectives of all recent Brazilian Foreign policy and are likely to remain so. Second, the focus on autonomy provides a useful way of bringing together a number of different strands in Brazil's external relations that have usually remained firmly separated. In particular there is a need to integrate more closely the political and economic aspects of Brazil's international role. Third, Brazil's quest for autonomy provides fascinating insights into the strengths and weaknesses of several of the theories that have been put forward purporting to explain the character of Latin American foreign policies. Finally, Brazil's sheer size and importance, together with the significant developments that have taken place over the past two decades, make it something of a test case in trying to assess just what freedom of manoeuvre even large developing countries can hope to attain in the present international system.

PART I

Brazilian Foreign Policy Before 1964

1. The Second World War and the Consolidation of United States Hegemony over Brazil

The Second World War had a profound impact on the pattern of Brazil's foreign relations. The commercial and financial role of Great Britain, preeminent in Latin America until the 1880s and still very considerable in the inter-war period, declined dramatically. Relations with Germany, Washington's most serious competitor for influence in Brazil in the 1930s all but disappeared. Above all, the war accelerated the rise of the United States to a position of unparalleled pre-eminence over both Latin America in general and Brazil in particular.

The economic and political importance of the United States to Brazil had of course been growing steadily over the previous half century as its industrial and commercial might began to turn outward and as its government began to give more forceful and direct expression to the formal claim to regional predominance embodied in the Monroe Doctrine. Moreover, in the case of Brazil, and especially in the person of its celebrated foreign minister, the Baron of Rio Branco, Washington found a country that was anxious to build up ties. Rio Branco's aim was not to create a special

relationship with the United States but rather to develop relations as a counter-weight to the previously dominant position of Great Britain.[51] Nevertheless, the shift towards Washington over which Rio Branco presided marked an important development in Brazil's international alignments. By the end of the 1920s the United States was Brazil's major trading partner and had taken the lead in the financing of its coffee trade.[52]

Yet the position of the United States in relation to Brazil in the 1930s could in no sense be described as hegemonial. This was in fact the most open period in Brazil's international relations since independence, with the United States vying for influence with Great Britain, Germany, Italy and France and with this competition providing President Vargas with real room for manoeuvre and a significant margin of autonomy.[53] It was the Second World War that transformed growing influence into clear hegemony. The end of the war and the early years of the Cold War saw the consolidation of United States hegemony over Brazil through the elimination of rival influences, through massive increase in the industrial, financial and military power of the United States and, above all, through the unprecedented intensification of bilateral economic, military and cultural ties between the two countries.[54]

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51 See E. Bradford Burns, *The Unwritten Alliance. Rio Branco and Brazilian-American Relations* (New York: Columbia university Press, 1966), especially pp. 200-209, and Celso Lafer, *Paradoxos e Possibilidades* (Rio de Janeiro: Nova Fronteira, 1982), pp. 176-178.

52 The period between Rio Branco's diplomacy and that of President Vargas has been examined in C. Leuchars, "Brazilian Foreign Policy and the Great Powers, 1912-1930" (D. Phil. thesis, Oxford University, 1984).

53 On Brazil's ability to exploit Great Power rivalry, particularly between the United States and Nazi Germany, see Stanley Hilton, *Brazil and the Great Powers, 1930-1939: The Politics of Trade Rivalry* (Austin: University of Texas Press, 1975); Gerson Moura, *Autonomia na Dependência: A Política Externa Brasileira de 1935 a 1942* (Rio de Janeiro: Nova Fronteira, 1980).

54 The most important works dealing with this period are: Frank McCann, *The Brazilian-American Alliance, 1937-1945* (Princeton: Princeton University Press, 1977); Gerson Moura, "Brazilian Foreign

The hegemonial position of the United States had four essential components. The first pillar on which United States hegemony rested was the creation and consolidation of an extremely close military relationship with both the Brazilian government and the Brazilian military that was to affect relations throughout the post-war period. The military relationship itself dated back to 1922 when a US naval mission was sent to Brazil, followed in the 1930s by army and air force missions.[55] Yet in the 1930s this influence was balanced both by the dominant role of French military doctrines and techniques and by the growth of military training contacts and arms supplies with Nazi Germany.[56] The approach of war, however, forced Washington to adopt a far more activist policy towards Brazil, given its strategic location, its strategic minerals and the considerable sympathy for the Axis cause within sections of the Brazilian military.[57]

As the United States moved closer to war, military ties strengthened. In May and July 1939 there were visits by General Marshall to Brazil and by the Brazilian Chief of Staff, General Goés Monteiro, to the United States. In October

Relations 1939-1950. The Changing Nature of Brazil-United States Relations During and After the Second World War" (Ph.D. thesis, University College, London, 1983); Monica Hirst, "O Processo de Alinhamento nas Relações Brasil-Estados Unidos, 1942-1945 (Masters thesis, IUPERJ, Rio de Janeiro, 1982); R. A. Humphreys, *Latin America and the Second World War, 1939-1945*, 2 vols (London: Athlone, 1981 and 1982); and Stanley Hilton, "Brazilian Diplomacy and the Washington-Rio de Janeiro 'Axis' during the World War II Era", *Hispanic American Historical Review*, 59 (May 1979): 201-231.

55 See Colin Winkelman and A. Brent Merritt, "United States-Brazilian Military Relation", *Military Review*, June 1983, pp. 61-63.

56 On the growth of these contacts see Hilton, *Brazil and the Great Powers*, pp. 187-190.

57 The possibility of both an openly pro-Axis government and of a German attack on the Northeast of Brazil were taken very seriously, especially in late 1941 and early 1942, and contingency plans were drawn up for sending a 100,000 man expeditionary force to occupy the Northeast of Brazil, see John Child, *Unequal Alliance: The Inter-American Military System, 1958-1978* (Boulder: Westview, 1978), pp. 49-52.

1940 a Joint Brazilian-United States mission was set up by study plans for hemispheric defence and the first staff agreements were signed.[58] In October 1941 the Lend-Lease Agreement was signed, under which Brazil was eventually to receive US$ 361.4 million of supplies and equipment – 73% of the total sent to Latin America.[59] By the end of 1941 eight military air bases were being constructed (financed by Washington but run officially by Pan Air do Brasil), permission had been given for the South Atlantic Fleet to use Recife and Salvador, and Allied supplies were being ferried to North Africa via Northeast of Brazil. The most important of the war-time agreements were signed on 3 and 23 May 1942. Under the first, Brazil was to receive US$ 200 million in arms and permitted the US military presence in the Northeast to be expanded. Under the second (secret) agreement, two joint military commissions were established, one in Washington (JBUSDC) and one in Rio de Janeiro (JBUSMC). These "significant symbols of the special relationship" (Child) ushered in a period of very close military collaboration which included the dispatch of a 20,000 man Brazilian expeditionary force to Italy. In May 1944 the United States was granted full base rights in the Northeast for ten years, including their unlimited use by military personnel.

By 1944 United States military planners had begun to focus on ways of maintaining this close relationship after war. The central aim, documented by both Child and Moura, was to maintain US military predominance through a system of military coordination under US leadership, through preserving a dominant role in training, and through the adoption of standardised American military doctrines and weapons

58 For details of the wartime agreements see Moura, "Brazilian Foreign Relations", pp. 57-66.

59 Child, *Unequal Alliance*, p. 48.

systems.[60] In the case of Brazil this approach bore abundant fruit. The Brazilian armed forces had been almost totally re-equipped with American weapons. Pro-American feeling was very strong especially amongst those senior officers that had fought in Italy. Under Minister of War, Goés Monteiro, plans for a complete reorganisation of Brazil's military establishment were drawn up in 1944 under the Inter-American Military Cooperation Programme.[61] In 1946 a joint General Staff was created and the armed forces ministries were reorganised, both along American lines, and it was agreed that future training would be organised through the Joint Brazil-US Military Commission. In 1949 the *Escola Superior de Guerra* (ESG – The Higher War College) was created and, as we shall see, soon became a highly influential focus for the promotion of pro-American military and ideological attitudes. Thus, as a result of wartime and post-war collaboration, the Brazilian military had adopted standardised US equipment and training methods and had accepted US concepts of hemispheric defence as the basis for a common defence policy – a process that was taken still further with the signature of the Military Assistance Agreement in 1952 and the permanent status given to the JBUSMC in 1954.

Finally, whilst the inter-American military system was to be primarily bilateral, military ties were also formalised through a series of multilateral agreements. Towards the end of the war and with the growth of Cold War hostility, US policy moved away from the universalism embodied in the Atlantic Charter and the plans for the United Nations and towards a recognition of the benefits of a regional system that could, as Assistant Secretary of War, James McCloy, put it, "protect our concept

60 Ibid, pp. 72-73 and Moura, "Brazilian Foreign Relations", pp. 195-234.

61 Moura, pp. 251-277.

of preclusive rights in this hemisphere"[62] Brazil's adherence to the Act of Chapultepec in 1945, to the Inter-American Treaty of Reciprocal Assistance in 1947 and to the Charter of the OAS in 1948 therefore marked important further stages in the establishment of United States military hegemony over Brazil.

The second pillar of United States hegemony over Brazil was economic. On one level, as in the military sphere, this resulted from the numerous wartime agreements that were designed to promote economic cooperation. Several of these agreements covered the supply of strategic minerals. Thus in May 1941 an agreement was signed giving the United States exclusive rights for two years to purchase a wide range of strategic minerals.[63] In the course of 1942 this list was extended and exclusive purchase contracts covering Brazilian rubber production were signed.[64] In July 1945 a three-year agreement guaranteeing the United States 300 tons of monazite sands was signed. Other agreements were of a more general nature. In September 1940 the United States agreed to assist with the construction of the Volta Redonda steel plant with Eximbank finance and with US private firms providing technical assistance. In March 1942 a package of agreements was signed, providing Brazil with a US$ 100 million credit to help mobilize its productive resources, a US$ 5 million credit to aid rubber production and assistance with the development of the iron ore deposits at Itabira and with the Vitória-Minas railway.[65]

62 Quoted in David Green, "The Cold War comes to Latin America" in B.J. Berstein ed. *The Politics and Policies of the Truman Administration* (Chicago: Quadrangle, 1970), p. 161. See also, Keal, *Unspoken Rules*, pp. 87-115.

63 Moura, "Brazilian Foreign Relations", pp. 50-57.

64 Ibid, p. 94.

65 McCann, The Brazilian American Alliance, pp. 268-269.

On a more general level, United States economic hegemony was based on the massive overall increase in the strength of the American economy that resulted from the war. In 1945, the United States produced and consumed some 40% of the world output, held 75% of the world stock of monetary gold, owned 52% of the world's merchant shipping and accounted for 22% of world exports. Such preeminence was inevitably reflected in changes in the pattern of Brazil's external economic relations. As Table 1 shows, the share of exports going to the United States market rose from 34.3% in 1938 to 43.2% in 1948 with imports from the United States increasing from 25.5% in 1938 to 52% in 1948. Transport links with the United States expanded and Pan Am replaced the German and Italian airlines Condor and Lati which had previously operated within Brazil. The war gave added impetus to the already expanding amount of US capital invested in Brazil which, as Table 2 shows, increased from 21% in 1930 to 48% in 1950.

Table 1: Geographical Distribution of Brazilian Trade 1938-1948

	1938		1948	
	% in total exports	% in total imports	% in total exports	% in total imports
United States	34.3	24.2	43.3	51.8
W. Europe (total)	48.7	50.3	32.5	25.6
Germany	(19.1)	(25.0)	(1.1)	(0.1)
France	(6.6)	(3.2)	(2.5)	(2.4)
Great Britain	(8.8)	(10.4)	(9.4)	(10.1)
E. Europe	n.a.	n.a.	1.8	1.1
Latin America	5.9	15.0	13.8	17.9
Asia	5.2	2.3	3.3	1.2
Other	5.9	8.2	5.3	2.4
	100.0	100.0	100.0	100.0

Sources: League of Nations, ***International Trade Statistics 1938*** *(Geneva, 1939), p. 50 and United Nations, IMF and IBRD,* ***Direction of International Trade****, Series T, Vol. XV, No. 9 (Washington 1960), pp. 150-152.*

On a third level, United States economic hegemony was strengthened by its ability to shape the groundrules of the post-war international economic order in line with its own preferences.[66] Buttressing the main planks of that order – the Bretton Woods Agreement and the GATT – was Washington's success in pressuring Latin American states to accept favourable economic resolutions at several important inter-American conferences. From the Rio Conference in 1942, through Chapultepec in March 1945, to Bogotá in 1948, successive resolutions reflected United States economic preferences, calling for the non-discrimination and the end of all restrictive trade practices, the suppression of all forms of economic nationalism, the discouragement of state enterprises and freedom for foreign investment.[67]

Table 2: Distribution of Foreign Investment in Brazil 1914-1950 (%)

	1914	1930	1950
North America	4	25	71
US	(4)	(21)	(48)
Canada	(-)	(4)	(23)
Europe	96	72	25
Britain	(51)	(53)	(17)
France	(33)	(8)	(3)
Germany	-	-	-
Other	(12)	(11)	(15)
Other	-	-	4
Japan	-	(1)	-
	100	100	100

*Source: Evans, **Dependent Development**, p. 82.*

66 On this important aspect of economic power, see Stephen Krasner, *Structural Conflict. The Third World against Global Liberalism* (Berkeley, Univ. of California Press, 1985), pp. 13-18 and Robert Keohane, *After Hegemony*, Chapters 1 and 2.

67 See Moura, "Brazilian Foreign Relations", pp. 72-117.

The third pillar of United States hegemony was the strength of its cultural ties. The increase of cultural contacts was partly a natural accompaniment of the intensification of relations in other areas, as the number of American missions proliferated, as American brands and products came to dominate the Brazilian market and as sympathy for the Allied cause broadened. Yet it was also the result of Washington's deliberate policy of seeking to eliminate Axis cultural influences and of the work of the Office of the Coordination of Inter-American Affairs, established in August 1940 under Nelson Rockfeller, to achieve that end.[68] Although intrinsically difficult to document with any precision, a few examples will give an idea of the range of United States activities in this area. The OCIAA produced its own books, radio programmes and articles. In 1943 alone it produced 122 films in Portuguese and sponsored 8,698 film shows. It supplied thousands of articles and pictures to Brazilian newspapers and promoted agreements between the Brazilian press and the major American news agencies. Given the shortage of newsprint, it was able to influence the supplies to individual newspapers. It promoted the distribution of US feature films, the use of American scientific and academic works in higher education, and presided over a massive increase of the number of exchanges and visits between the two countries. Finally, it participated in the compilation of the black list of individuals and firms said to have Axis sympathies.

The fourth pillar on which United States hegemony rested was the decline or elimination of the influence of other external powers. The elimination of German and Italian

68 For a fascinating study of the expansion of cultural influence and from which the above examples are drawn, see Gerson Moura, "O OCIAA e o Império Americano – O 'American Way Of Life' chega ao Brasil", Paper presented to the International Relations and Foreign Policy Study Group, Friburgo, 21-23 October 1981.

military, economic and political influence was nearly total. Thus, for example, Germany's share of Brazil's foreign trade fell from 22% in 1938 to 0.5% in 1948. France was too preoccupied with economic recovery at home, insecurity within Europe and growing problems in its colonial territories to devote any significant attention to Latin America.[69] Whatever view one takes of Soviet objectives in the early Cold War period, the fact remains that it was in no sense a world power. As even the CIA noted, it posed no military threat whatsoever to Latin America and was in no position to respond to the region's urgent economic needs.[70] Such Soviet influence as existed was based on the emergence in 1945 of the Brazilian Communist Party as the strongest Communist Party in Latin America. Yet success was shortlived with President Dutra suppressing the party in May 1947 and breaking off diplomatic relations with the Soviet Union in October of the same year.[71]

Of the Allied powers, only Britain might have been in a position to even question or qualify United States hegemony over Brazil. Yet materially, she was in no position to do so. By 1944 she had parted with foreign assets of over £ 1,000 million and incurred external liabilities of over £ 3,000 million.[72] Income from investments in Latin America fell from £ 665 million

69 On the unimportance of Latin America to France at least up to the 1960s, see Herbert Tint, *French Foreign Policy since the Second World War* (London: Weidenfeld & Nicolson, 1972), pp. 164-167 and 183-184, and "L'Amérique Latine et La France", *Notes et Etudes Documentaires* (La Documentation Française), No. 3084, 27 April 1964.

70 See CIA, Central Intelligence Group, "Soviet Objectives in Latin America", ORE 16, 10 April 1947.

71 For an account of these events see Thomas Skidmore, *Politics in Brazil 1930-1964: An Experiment in Democracy* (Ney York: Oxford University Press, 1967) pp. 65-67 and Cole Blasier, *The Giant's Rival. The USSR and Latin America* (Pittsburgh: University of Pittsburgh Press, 1983), pp. 32-33.

72 Humphreys, *Latin America and the Second World War*, p. 223.

in 1939 to £ 260 million in 1948.[73] In addition, two serious economic problems clouded relations with Brazil. The first concerned the question of Brazil's blocked sterling balances and Britain's inability to supply the capital equipment that Brazil needed. The second was over the proposed expropriation of British investments in certain public utilities.[74] In addition to Britain's material weakness, there was also political calculation. Although there were differences with the United States over Latin America (notably on policy towards Argentina) and although there was real concern over the loss of export markets and political influence in the region, the need to maintain good relations with Washington dominated British policy.[75] Indeed, there is a remarkable continuity in British policy at the highest level from Churchill's remark in June 1944 that "we follow the lead of the United States in South America as far as possible" through to Eden's support for Washington over Guatemala in 1954 and his comment that "Anglo-American solidarity was of overriding importance to us and to the West as a whole".[76]

After the relatively high degree of openness of the 1930s, Brazil thus found itself in 1945 in a United States sphere of influence and in what David Green has called "a Closed Hemisphere in an Open World".[77] The position of the United States vis-à-vis Brazil can accurately be described as hegemonial according to the definition developed in the Introduction.

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73 J.F. Rippy, *British Investments in Latin America, 1822-1949* (Minneapolis, 1959), p. 190.

74 Moura, "Brazilian Foreign Relations", pp. 278-287.

75 See Humphreys, *Latin America and the Second World War*, pp. 139-143 and 223-225.

76 Churchill's remark is quoted by Keal, *Unspoken Rules*, p. 77 and Eden's is taken from *The Memoirs of Sir Anthony Eden*, Vol. III (London: Cassell, 1960), p.135. Implicit in both remarks is the expectation of a *quid pro quo* with the United States with Britain following US policy in Latin America in return for American support in other areas.

77 Green, "The Cold War comes to Latin America", p. 165.

Three final points need to be made in order to provide a balanced picture of the state of Brazil's international position in 1945. Firstly, providing a brief list of the main elements of United States predominance may give the impression that Washington's control was monolithic. This was not the case even at the zenith of US influence.[78] As the detailed studies of the period show, the consolidation of United States hegemony was a complex process involving hard bargaining between Rio de Janeiro and Washington, unresolved differences on a number of important issues and the complicated interaction of a wide range of political forces within Brazil.

Secondly, it would also be misleading to suggest that Brazil was a passive player in this process or that it was powerless to resist the imposition of United States political and economic hegemony. As Vargas was keenly aware, the wartime situation gave Brazil considerable bargaining strength. Brazil was seen by Washington as strategically vital both for the defence of the United States and as a supply route to Europe. It was economically vital as a source of mineral resources. And it was politically important as a mediator with the rest of Latin America and as a sponsor for United States positions in inter-American conferences. Again, as the detailed historical studies demonstrate, what we see during the war is a process of sustained hard bargaining with Brazil only moving slowly and often ambiguously towards the Allied side. Vargas only acceded in the expansion of the United States influence in return for concessions on Brazil's four main wartime objectives: assistance with the industrialization of the country beginning with the construction of a large-scale steel plant; the modernisation

78 Stanley Hilton, "Brazilian Diplomacy and the Washington-Rio de Janeiro 'Axis'", p. 228. See also Frank McCann's reply in *Hispanic American Historical Review*, November 1979.

of Brazil's armed forces; the strengthening of Brazil's power position vis-à-vis Argentina; and the expansion of Brazil's international importance and prestige. The crucial point, however, is that the cards held by Vargas could only be played once. Once Brazil had committed itself to the Allied cause and as the international situation changed, the structures of United States hegemony remained in place whilst Brazil's ability to bargain effectively withered away.

The third point concerns United States policy. Stanley Hilton has argued forcefully that there is no evidence that Washington ever devised a programme for the political or economic domination of Brazil.

> *Did the United States seek to "dominate" Brazil? The historical record dictates a negative answer, showing clearly that the Roosevelt administration at no time devised a programme for establishing politico-economic control over that country, nor did it desire to do so.*[79]

The emergence of hegemony, however, does not necessarily imply the existence of a clear-cut, coherent programme for its establishment. Indeed, given the complexities of American foreign policy making, the existence of such clear-cut programmes is highly unlikely. Yet the pursuit of Washington's immediate wartime objectives (eliminating Axis influence in Brazil, mobilizing Brazil's economic resources and establishing close military cooperation), the general desire to shape the post-war world in line with American preferences (for example the policy of establishing a liberal economic order) and the massive increase in the military, financial and economic power of the

79 Stanley Hilton, "Brazilian Diplomacy and the Washington-Rio de Janeiro 'Axis'", p. 228. See also Frank McCann's reply in *Hispanic American Historical Review*, November 1979.

United States that resulted from the war did in themselves lead to the establishment of hegemonial position over Brazil. Thus Gerson Moura is surely correct in arguing that

> *It was not just a matter of securing Brazilian political and economic collaboration, but involved a whole series of US initiatives to "eliminate" Axis influence – which necessarily implied substituting her own influence – on the Brazilian economy, military organisation, means of social control and so forth.*[80]

Whilst accepting that there was no blueprint for domination, Moura concludes

> *But, on the other hand, it is also true that they [US policy makers] had concrete aims designed to increase US strength and these aims implied the creation of a new* power system *which would replace the declining European powers.*[81]

This chapter has outlined the central features of that new power system because all subsequent moves towards diversification and all attempts to achieve greater autonomy must necessarily be seen as moves away from the situation of US hegemony that prevailed in 1945. The early post-war period therefore provides the benchmark against which more recent developments in Brazilian foreign policy can be assessed. Before looking in detail at the period after 1964, the next chapter will consider the extent to which US predominance was challenged in the years between 1945 and 1964.

80 Moura, "Brazilian Foreign Relations", p. 317.

81 Ibid.

2. Challenges to United States Hegemony 1945-1964

Whilst the Second World War marked both a dramatic intensification of relations between Brazil and the United States and the consolidation of the United States hegemony over Brazil, it was not long before challenges to that hegemonial position began to emerge. These challenges can be considered under three broad headings: challenges arising from the growing disillusion within Brazil at the results of the special relationship; challenges at the level of thinking within Brazil about the country's international role; and direct challenges reflected in Brazilian government policy.

2.1. Disillusion with the results of the special relationship

As we have seen, Vargas entered into a close alliance with the Unites States as a result of a sustained process of hard bargaining and in expectation of receiving substantial benefits. The policy of close pro-American alignment was followed by the

Dutra administration that took office in 1946. Brazil faithfully supported United States positions at the United Nations. It accepted United States concepts of, and policies towards, hemispheric defence at both the Rio Conference in September 1947 and at the Ninth International Conference of American States in Bogotá in 1948. It adopted economic policies in line with American preferences, with restrictive credit policy, an extremely liberal import regime and liberal treatment of foreign capital.[82] In some ways it even went beyond Washington in the fervour of its anti-communist rhetoric and its suspension of diplomatic relations with the Soviet Union in October 1947.[83]

Yet whilst the policy of close alliance continued, the flow of expected benefits did not. To an increasing number of Brazilians the feeling grew that Washington was refusing to provide the political and economic support that Brazil had both earned and deserved by its fidelity to the Allied cause in the Second World War. Brazil looked to Washington for support in two crucial areas: the consolidation of its wider international role and the strengthening of its power portion within Latin America, especially vis-à-vis Argentina; and substantial economic assistance with its plans for rapid industrial development. In both areas it was to be disappointed.

Brazil had hoped that its entry into the war and its special relationship with Washington would entitle it to some participation in the various conferences that would decide the future of the post-war world. Yet, despite its protests, it was excluded from the Allied Reparations Council and from

82 See Lourdes Sola, "The Political and Ideological Constraints to Economic Management in Brazil, 1945-1964", (D Phil. thesis, Oxford University, 1982), pp. 47-50.

83 For a detailed examination of the Dutra administration see Moura, "Brazilian Foreign Relations", pp. 209-314.

the Bretton Woods Conference. Most importantly, it failed to secure a permanent seat on the United Nations Security Council – despite some support from Washington – because of the consistent opposition from Britain and the Soviet Union.[84] In addition it soon became clear that Washington had no interest in a special relationship that would give Brazil primacy within Latin America and would only complicate Washington's already difficult relationship with Argentina. The Truman administration opposed what it felt to be unnecessary spending on arms and was determined to ensure rough equality of treatment between Latin American countries.[85] The prospect of being placed on an equal footing with pro-Axis Argentina under the US military aid programme was particularly galling to Brazilian policymakers.

It was, however, the failure to secure economic assistance that was to have the most important long-term effects. The reasons for Washington's reluctance to meet Brazilian demands in this area are clear. In the first place there was the general downgrading of Latin America as the focus of official attention shifted to the economic reconstruction of Western Europe and then to the direct challenge posed by the Korean War.[86] Secondly, the prospects for economic cooperation were always limited by Washington's attitude to the kind of economic development policies that Brazil should pursue.

The divergence of economic perspectives soon became clear on the multilateral level at both the Chapultepec

84 On Brazil's policy at the United Nations, see Moura "Brazilian Foreign Relations", pp. 209-221.

85 See Stanley Hilton, "The United States, Brazil, and the Cold War, 1945-1960: End of the Special Relationship", *Journal of American History*, Vol. 86, no. 3 (December 1981), pp. 601-602.

86 Reflecting the general downgrading of Latin America was the fact that the region was formally classified in strategic terms as "secondary space", see Child, *Unequal Alliance*, p. 7.

Conference in February 1945 and at Bogotá in 1948. Latin American spokesmen argued continually for long-term loans for industrialization, recognition of the need to protect home markets and measures to guarantee stable export earnings. The United States stressed the need to end all forms of economic nationalism and to adopt policies reflecting the centrality of private enterprise.[87] Rejecting calls for a 'Marshall Plan for Latin America', Marshall argued forcefully at Bogotá that "private capital, whether domestic or foreign, would have to be counted upon and should be allowed to do the main part of the job".[88]

At the bilateral level, Brazilian policymakers were shocked and angered by the apparent shift in US policy from Roosevelt's willingness to finance major projects in Brazil to Truman's refusal to even countenance government to government loans and his insistence that development meant creating a stable environment for private investment. Whilst Brazil saw Volta Redonda as the model, Washington saw it as an exception made necessary by political circumstances. In February 1946, President Dutra made a personal appeal to Truman for US$ 1 billion of economic assistance over five years.[89] In fact, Brazil received only US$ 25.3 million of economic assistance in the period from 1946 to 1952 and only US$ 158.5 million of Eximbank loans.[90] Brazil's share of aid to Latin America in this period was only 4.2%, whilst Latin America as a whole

87 For details of these conferences, see Stephen Rabe, "The Elusive Conference: United States Economic Relations with Latin America, 1945-1952", *Diplomatic History*, 2 (Summer 1978), especially pp. 286-287. For Brazil's reaction to US Policy, see Moura, "Brazilian Foreign Relations", pp. 175-180.

88 Quoted in Green, "The Cold War comes to Latin America", p. 176.

89 Hilton, "The United States, Brazil and the Cold War", pp. 602-603.

90 See Chapter 8, Table 7.

received only 1.6% of total United States economic aid.[91] As in the case of military assistance, Brazil's disillusion was increased by Washington's willingness to provide aid to Argentina, for instance the US$ 125 million loan made to Perón in May 1950.[92] Finally, the perception both of a shift in American policy and of Washington's refusal to meet Brazil's real needs was increased by the recommendations of the Abbink mission sent in 1948 to examine the country's long-term development requirements. The Abbink mission explicitly rejected the stress on import substitution that had been visible in the report of the 1942 Cooke mission and instead produced a series of orthodox economic prescriptions, including recommending changes in the laws governing foreign investment.[93]

Outwardly, the years of the Dutra government (1946-1950) saw a continuation of the policy of close alliance with the United States. Official speeches talked of the need for friendship and collaboration and the necessity of unity in the face of the communist challenge. Transmitting the words of Brazil's foreign minister, João Neves da Fontoura, La Guardia wrote to Truman in February 1946, "Brazil will follow the policy of the United States".[94] Yet under the surface, disillusion with the practical results of the special relationship was growing and this disillusion represents the first serious challenge to United States hegemony in the post-war period.

91 US Dept. of Commerce, Bureau of Census, *Historical Statistics of the United States: Colonial Times – 1970* (Washington DC: 1975), vol. 2, pp. 872-874.

92 Hilton, "The United States, Brazil and the Cold War", pp. 606.

93 For a detailed discussion of the Abbink mission and the disappointments caused by its recommendations, see Sola, "The Political and Ideological Constraints to Economic Management", pp. 43-62 and Pedro Malan et. al., *Política Econômica Externa e Industrialização no Brasil, 1939-1952* (Rio de Janeiro: IPEA/INPES, 1977).

94 Quoted in Moura, "Brazilian Foreign Relations", p. 215.

2.2. The development of foreign policy thinking within Brazil

The second challenge to the dominant position of the United States occurred at the level of thinking within Brazil about the country's role in international affairs. Although it would be overstating the case to speak of an orthodoxy, there was a substantial body of intellectual opinion that provided support for the policy of close alliance with the United States. Two groups deserve particular mention. The first has already been referred to, namely the *Escola Superior de Guerra* founded in 1949 and the focal point for pro-American thinking within the Brazilian military.[95] For its founders and its chief intellectual inspiration, General Golbery do Couto e Silva, there was no doubt whatsoever that Brazil's future lay in continued close alliance with the United States. Deeply impressed by the level of US economic development and influenced by personal ties forged during training in the United States and during the Italian campaign, this section of the military adopted a rigorous Cold War vision of the international life.

> *In the world of today, the dominant antagonism between the United States and Russia, ... between the Christian civilisation of the West and the communist materialism of the East, and in which the stakes are the domination or the freedom of the world, regiments the whole planet through its oppressive dynamism.*[96]

95 Because of its influential role, especially after 1964, the ESG has attracted considerable academic attention, see for instance Alfred Stepan, *The Military in Politics. Changing Patterns in Brazil* (Princeton: Princeton University Press, 1971), pp. 174-178 and Wayne Selcher, "The National Security Doctrine and the Policies of the Brazilian Government, *Parameters* (Spring 1977): 19-23.

96 Golbery, *A Geopolítica do Brasil*, Second Edition (Rio de Janeiro: José Olympio, 1967), pp. 186-187.

Given the constraints of this "dominant antagonism" and Brazil's historical and cultural traditions, it was axiomatic that Brazil should favour a policy of close alliance with the West.

> *Thus Brazil, having emerged in the world and civilisation under the sign of Christianity itself, the product of a felicitous transplantation of that Western European culture to nearly deserted and virgin lands where there was no native culture that resisted it or could disturb its essence, traditionally nourished during its long historical journey of nearly five centuries from the purest western sources of thought and faith, would never renounce this West in which it was raised from the cradle and whose democratic and Christian ideas it profoundly incorporated into its own culture.*[97]

There could be no alternative to such a policy and Golbery decried neutralism as "essentially escapist" and disdainfully referred to that "comfortable and illusory 'Third Position'".[98] For the luminaries of the ESG the task facing the country was twofold. On the one hand, security must be guaranteed by a firm alliance with the United States externally and by a rigorous fight against communist subversion internally. On the other, development and progress towards the goal of great power status must be promoted by a close relationship with the international capitalist system. As we shall see, these twin themes of *segurança* and *desenvolvimento* were to become the vital props of the ideology and policies adopted by the military after 1964.

97 Ibid, p. 226.

98 Ibid, p. 242.

Buttressing the developmental and economic aspects of ESG ideology were the arguments of a large group of neo-liberal economists who in the early post-war period were arguably more influential than the generals of the ESG. This group – termed *técnicos cosmopolitas* by Lourdes Sola – were led by such figures as Eugénia Gudin, Otavio Bulhões and Alexandre Kafka.[99] They believed that Brazil's economic development would best be served by severely limiting the role of the State in both production and planning, adopting strict credit and fiscal policies to curb inflation, liberalising import barriers and, above all, allowing foreign capital to play a central role in the development process. As Sola puts it, they favoured "a model of association between national and foreign capital, in which Brazil would be a major Latin American partner of the United States".[100] These two groups then, together with what one might call the mythology of Rio Branco and the "special relationship", represented a powerful and influential body of Brazilian opinion in favour of close ties with the United States.

Yet, as the 1950s progressed, both these intellectual justifications of Brazil's policy of alliance with Washington came under increasing challenge. This was partly a consequence of the widely-felt disappointment with the fruits of that policy discussed earlier. On the economic side, it was the result of the evident failure of the neo-liberal economic policies of the Dutra government to provide a satisfactory basis for sustained growth and industrialisation.[101] Most importantly, it was a

99 Sola, "The Political and Ideological Constraints to Economic Management", pp. 28-38. For an earlier discussion of the debate on economic policy in the early post-war period, see Skidmore, *Politics in Brazil*, pp. 87-92.

100 Sola, p. 111.

101 Ibid, p. 51.

reflection of the deep-rooted social and political developments underway in Brazil. Under the twin pressures of urbanisation and industrialisation nationalist feeling was clearly growing in intensity. By the 1950s, the two dominant threads of Brazilian nationalism had come together for the first time and were gathering force. The developmental nationalism of the civilian and military élites and the desire to push for a national project of development that had first appeared in the 1930s were now supplemented by popular mobilisation made possible by the opening of the political system in 1945 and the participation of the new social forces thrown up by industrialisation and urbanisation.[102]

Within this new political climate new perspectives on Brazil's place in world affairs began to appear. An increasingly vocal group argued that Brazil should move away from its close alignment with Washington and should diversify its political and economic ties. This "developmental nationalism" was centred on the *Instituto Superior de Estudos Brasileiros* (ISEB), founded in 1955.[103] Its proponents argued that Brazil's foreign policy should not be based on the defence of the "Free World" or "Western, Christian civilisation" but should rather directly answer the country's development needs. The central focus of foreign policy should not be the East/West confrontation, but the emerging clash between developed and developing nations. Thus writers such as José Honorio Rodrigues, Adolpho Justo Bezerra de Menezes, Gilberto Freyre and Jorge de Oliveira Maia all argued,

102 On the growth and changing character of Brazilian nationalism, see Skidmore, *Politics in Brazil*, pp. 89-142.

103 On the importance of ISEB, see E. Bradford Burns, *Nationalism in Brazil* (New York: Preager, 1968), pp.89-92 and Sola, "The Political and Ideological Constraints to Economic Management", p. 65. The most important work from ISEB dealing with these questions is Helio Jaguaribe, *O Nacionalismo na Atualidade Brasileira* (Rio de Janeiro: ISEB, 1958).

albeit with differing emphases, for an expansion of relations with other developing countries, particularly in Africa.[104]

Moreover, just as these writers were challenging the Cold War vision of the ESG, so were others questioning the economic prescription of Gudin and his neo-liberal colleagues.[105] Under the influence of the ECLA theses and the Prebisch manifesto, these *técnicos nacionalistas* argued that integration into the international economic system worked profoundly to the disadvantage of developing countries. In response, they favoured an approach to development that gave a key role to state intervention both at the level of planning and production, that sought to limit and control the activities of foreign capital and that favoured import substitution behind high tariff walls. Above all, they stressed that all aspects of economic life should be brought under strict national control – the internalization of decision making centres as one of the group's leading spokesmen, Celso Furtado never tired of putting it.[106] Whilst not directly concerned with foreign policy, this group followed the first in emphasising both the centrality of economic development and Brazil's position as a developing country. More directly, the economic nationalism inherent in their prescription was to have a profound impact on US-Brazilian relations in the years between 1953 and 1964.

104 See José Honorio Rodrigues, *Brasil e África: Outro Horizonte* (Rio de Janeiro: Editora Civlização Brasileira, 1964), Adolpho Justo Bezerra de Menezes, *O Brasil e o Mundo Asio-Africano* (Rio de Janeiro: Irmãos Pongetti, 1956), Gilberto Freyre, *Uma Política Transnacional de Cultura para o Brasil de Hoje* (Belo Horizonte, 1960). For a detailed analysis of these arguments, see Roger Fontaine, "The Foreign Policy Making Process in Brazil" (Ph. D. thesis, The Johns Hopkins University, 1970), Chapter 1, and Wayne Selcher, *The Afro-Asian Dimension of Brazilian Foreign Policy* (Gainesville: University of Florida Press, 1974) pp. 48-96.

105 Lourdes Sola has produced by far the Best survey of the *técnicos nacionalistas*, see "The Political and Ideological Constraints", pp. 26-54 and 105-141.

106 See for instance, Celso Furtado, *Desenvolvimento e Subdesenvolvimento* (Rio de Janeiro: Editora Fundo de Cultura, 1961).

Thus from the early 1950s it is possible to distinguish two broad lines of thinking on how Brazilian foreign policy should be conducted. The first stressed the importance of maintaining close economic and political ties with the United States. The second emphasised the need for a broader and more independent approach with the focus on Brazil's status as a developing country.[107] Although often criticised as an over-simplification, this distinction does highlight a real tension in Brazilian thinking on the country's international role, a tension that results from Brazil's intermediate position between First and Third worlds.[108] As we shall see, the debate between these two positions has remained a consistent feature of Brazilian foreign policy from the early 1950s down to the present.

2.3. Direct Brazilian challenges to United States predominance

Although it is clearly not possible to provide a full account of Brazilian foreign policy in the period between 1945 and 1964, three examples will serve to illustrate how both disillusion with the results of the special relationship and the emergence of new perspectives on Brazil's international role began to be more closely reflected in the country's foreign policy.[109] The

107 The basic distinction between an "Americanist" and an "Independent" foreign policy comes from Jaguaribe's very influential book, *O Nacionalismo na Atualidade Brasileira*, pp. 221-296. For a similar distinction, see E. Bradford Burns, "Tradition and Variation in Brazilian Foreign Policy", *Journal of Inter-American Studies*, 9 (April 1967): 195-212.

108 For an example of this criticism see Ronaldo Mota Sardenberg, "A Política externa do Brasil nas duas últimas décadas", *Revista do Serviço Público*, 109 (1981), p. 29.

109 Whilst the period up to 1950 has now been analysed in some detail (see Chapter Two, footnote 4) and whilst the *política externa independente* has also received considerable scholarly attention, there is no satisfactory account of Brazilian foreign policy in the 1950s. Relations with the United States have been examined by Moniz Bandeira, *Presença dos Estados Unidos no Brasil: Dois Séculos de História* (Rio de Janeiro: Civilização Brasileira, 1973) and, more recently, by Stanley Hilton, "The United States, Brazil, and the Cold War, 1945-1960: End of the Special relationship", *The Journal of American History*, Vol. 68, no. 3 (December 1981): 599-624.

first example concerns the shift towards a more radical brand of economic nationalism that took place in the course of Vargas' second administration (1951-1954). Following his return to power, in June 1951 Vargas adopted a pragmatic approach to the problems of development and industrialisation. In particular, he hoped that the Korean War would enable him to repeat his earlier successful bargaining with Washington, trading political support and guaranteed access to strategic minerals in return for long-term economic assistance.[110] Against the background of the Point Four Program and the establishment of a Joint Brazil-United States Economic Commission in December 1950, it appeared for a time that progress might be made. Yet, the negotiations dragged on without results, leading to increasing frustration on both sides. Two additional factors worsened the situation. Firstly, on the domestic side, the balance of payments crisis had reached critical proportions by the end of 1951. Vargas responded by increasingly appealing to nationalist feelings, stepping up his attacks on the exploitative role of foreign capital and stressing the need for state corporations as basic instruments of industrialization.[111] In December 1951 Vargas sent a bill to Congress aimed at creating a state oil company – Petrobras – and in January 1952 a decree was passed establishing a 10% limit on profit remittances. Secondly, on the American side, the victory of the Eisenhower administration made a clash more likely. The new administration was even more determined to avoid any commitment to economic assistance than its

110 As Hilton notes, Brazil had grown sufficiently sceptical not to even contemplate meeting Washington's request for troops in Korea. See Hilton, "The United States, Brazil and the Cold War", pp. 609-610. Even the pro-US foreign minister, João Neves da Fontoura argued that Brazil should not make the "mistake of 1942", writing to Vargas in 1951 that "We will cooperate – and we must cooperate – with the United States, but the cooperation must be reciprocal…", quoted in Bandeira, *A Presença dos Estados Unidos*, p. 323.

111 See Skidmore, *Politics in Brazil*, pp. 92-115.

predecessor. It vigorously supported the role of private foreign capital as the key to development and emphasised the need for political rather than economic measures to combat communism in Latin America. Angered by Vargas' attacks on foreign capital, plans for a US$ 300 million loan were shelved and in January 1953, despite Brazilian protests, the JBUSC was disbanded.[112] Starting with the cabinet changes of July 1953, the last two years of Vargas' government saw economic nationalism grow in intensity, focussed above all on the debate over the creation of Petrobras and culminating with Vargas' famous suicide note with its melodramatic attacks on the foreign interests that had conspired to bring his downfall.

The second example concerns the gradual reassessment of Brazilian foreign policy that took place during the second half of the Kubitschek administration (1955-1960). On one level the years between 1955 and 1960 saw no serious clashes between Brazil and the United States. Much of the nationalist hysteria of Vargas' last two years had died away. Economic ties continued to expand as US investors saw substantial opportunities in Kubitschek's ambitious development plans and his promise of fifty years' development in five years. Thus, for instance, between 1955 and 1960 the United States supplied 46% of new foreign investment in Brazil.[113] In addition, important agreements were signed covering the peaceful use of atomic energy, the exploration of Brazil's uranium deposits and the construction of a missile tracking station on Fernando de Noronha in 1957.[114]

112 Hilton, "The United States, Brazil, and the Cold War", pp. 611-613.

113 *Annuário Banas 1962* (São Paulo: Editora Banas, 1962), p. 17.

114 Bandeira, *A Presença dos Estados Unidos*, pp. 376-377.

Yet on a deeper level, the divergence of political and economic perspectives continued to widen, as was evident at both Kubitschek's meetings with Eisenhower before he assumed the presidency in January 1956 and with Dulles in August 1958. The United States continued to emphasise the need for political measures to fight communism, the importance of maintaining a favourable climate for foreign investments and the need to avoid further examples of Petrobras-style economic nationalism. At both meetings, Kubitschek responded by saying that the creation of Petrobras was irreversible and that successful economic development was the key to combating communism in the developing world. Along with a growing number of Brazilians, Kubitschek found it difficult to understand why economic development in the form of the Marshall Plan had been Washington's response to instability in Europe, but that only political and security measures were to be used in Latin America.[115]

Faced with Washington's inflexibility, continued nationalist pressure at home and growing economic difficulties, Kubitschek gradually moved towards a more activist approach to Brazilian foreign policy that sought to look beyond the relationship with the United States. Firstly, Brazil began to pay greater attention to relations with Western Europe. Between 1955 and 1960 Europe supplied 44% of new foreign investment and the period is especially notable for the dramatic rise of German investment. West Germany alone supplied 20% of total new investment and German participation in the total of foreign investment rose from 0% in 1951 to 9% in 1961.[116] A further example of this trend occurred in the late 1950s when, after US car firms refused to

115 For an account of the meetings, see Hilton, "The United States, Brazil, and the Cold War", pp. 617-618.

116 *Annuário Banas 1962*, p. 17. See also Carlos von Doellinger, "A Study in International Economic Relations: The Brazilian German Case", Diskussionsbeiträge, no. 21, Ibero-Amerika Institut für Wirtschaftsforschung, Universität Göttingen, January 1979.

invest in Brazil, the government was successful in attracting European capital to fill the gap.[117] Secondly, Kubitschek explicitly warned Dulles that Latin America would have no option but to look to the Soviet Union and China if Washington refused economic assistance. Certainly from 1958 Brazil's economic relations with the Soviet Union began to expand. In 1958, the Soviet Union proposed to develop oil exports to Brazil in return for coffee, cotton and cocoa. In December 1958 Itamaraty established a high-level group to study the prospects for this trade and in 1959, a trade delegation visited the Soviet Union and trade and payments agreements were signed.[118]

Finally, and most importantly, Kubitschek's government came to emphasize Brazil's development needs as a crucial determinant of foreign policy. As he put it in a speech in 1958, "We wish to form part of the West but we do not want to constitute its proletariat".[119] This new attitude found its clearest expression in Kubitschek's proposals for *Operação Pan-Americana*, a bold multilateral project to solve Latin America's economic problems that involved greater cooperation between the countries of the region together with an increased US commitment to provide technical and financial assistance. The original proposal was contained in a personal letter to Eisenhower in June 1958 in which he called on the American president to review US policy towards Latin America and correct

117 Bandeira, *A Presença dos Estados Unidos*, p. 375.

118 Blasier, *The Giant's Rival*, p. 33.

119 Reprinted in *Revista Brasileira de Política Internacional*, 2, 5 (March 1959) p. 134.

its past neglect of economic development.[120] Eisenhower's reply was characteristic both in ignoring the question of economic development and in calling for the "more complete implementation of the anti-communist declaration agreed in Caracas in 1954.[121] Yet, whilst little of any substance was to emerge in the short-term, the OPA marks an important stage in the process by which new perspectives – above all the need for greater cooperation with other developing countries and the centrality of development issues – began to dominate Brazil's foreign policy.[122]

The third and best-known example of these developments in Brazil's foreign policy is the *política externa independente* of Presidents Quadros (January – August 1961) and Goulart (September 1961 – March 1964).[123] The foreign policy of Quadros had two basic aims: to encourage economic development and to display greater diplomatic independence. He was determined to draw Brazil out of the Cold War. "Not being members of any bloc, not even of the Neutralist bloc, we preserve our absolute freedom to make our own decisions..."[124] This disengagement was to bring Brazil closer not only to the socialist countries but also to the newly independent nations

120 The OPA is discussed in Bandeira, *A Presença dos Estados Unidos*, pp. 382-390 and in Hilton, "The United States, Brazil, and the Cold War", p. 620. See also João Carlos Muniz, "Significado da Operação Pan-Americana", *Revista Brasileira de Política Internacional*, 2 (September 1959), and Licurgo Costa, *Uma Nova Política para as Américas: A Doutrina Kubitschek e a OPA* (São Paulo, 1960).

121 *Operação Pan-Americana*, Documentário I, (Rio de Janeiro: Presidência da República, Serviço de Documentação, 1958), p. 16.

122 There is thus some justification for those who seek to date recent Brazilian diplomacy from 1958, see Sardenberg, "A política externa do Brasil", p. 28.

123 The most thorough analysis of the *política externa independente* is in Keith Storrs, "Brazil's Independent Foreign Policy 1961-1964", (Ph.D. thesis, Cornell University, 1973). See also Victor Wallis, "Brazil's experiment with an independent foreign policy", in Yale Ferguson ed., *Contemporary Inter-American Relations. A Reader in Theory and Issues* (Eaglewood Cliffs: Prentice Hall, 1972).

124 Jânio Quadros, "Brazil's New Foreign Policy", *Foreign Affairs*, 40, 1 (October 1961), p. 26.

of Africa and Asia, with whom Quadros felt Brazil shared many problems and where Brazil might develop new markets for its exports. Quadros believed that the development process itself might be used to increase Brazil's international prestige as the leader of the developing world under the banner of "disarmament, development and decolonisation". He thought that Brazil's history, geography and racial mix would enable it to play a crucial role as the link between the Third World and the West.[125]

Brazilian foreign policy under both Quadros and Goulart followed from these assumptions. Relations with the socialist countries continued to develop. In 1959, Quadros visited the Soviet Union. In May 1960 a clearing agreement was signed and in the spring of 1961 trade offices were opened in Moscow and Rio de Janeiro. In June 1961 the Soviet Union sponsored a large trade fair in Rio de Janeiro and in April 1963 a new trade agreement was signed. In addition a trade mission was sent to China and North Korea in 1961.[126] In November 1961, diplomatic relations were reestablished with the Soviet Union and Goulart indicated that he would support the call for China's admission to the United Nations.

The emphasis on Latin American unity that had begun to appear in the latter part of Kubitschek's government became a central feature of Brazilian policy. Brazil pushed for closer political and economic ties with Argentina, symbolised by the meeting between Quadros and Frondizi at Uruguaina in April

125 For further elaboration of the *política externa independente* by one of its leading exponents, see Francisco Clementino de San Tiago Dantas, "Política Exterior e Desenvolvimento", *Revista Brasileira de Política Internacional*, VII (Sept/Dec 1964): 521-534 and "O pensamento de San Tiago Dantas", *Relações Internacionais*, 1, 2 (May/Aug 1978): 41-53. See also the journal entitled *Política Externa Independente*, which in its brief life carried a series of articles arguing the case for Quadros' foreign policy.

126 See Storrs, "Brazil's Independent Foreign Policy", pp. 284-292 and Blasier, *The Giant's Rival*, pp. 32-34.

1961. In November 1963, at the São Paulo meeting of the Inter-American Economic and Social Council, Brazil called for a joint Latin American position at the forthcoming UNCTAD conference. Although the meeting was to discuss the Alliance for Progress, Goulart's speech emphasised Brazil's role as leader of Latin America against the United States and underlined the necessity of unity between developing countries. In a similar way, relations with Africa were expanded.[127] Official speeches stressed the importance of Brazil's African heritage, Brazil recognised many new African states, established an Afro-Asian institute in Rio de Janeiro and moved some way from its previously solid support for Portuguese colonial policy in Africa.

On a multilateral level, the switch towards the Third World was equally pronounced. Anti-colonialism was enthusiastically endorsed. Brazil supported calls for disarmament at the Geneva disarmament conferences and actively participated in preparations for the first UNCTAD in New Delhi whilst at the same time criticising the Alliance for Progress.[128] Ties with Non-Aligned Movement were forged. During his three-month world tour in 1961 Quadros visited such major figures of the Non-Aligned Movement as Nasser, Tito, Nehru and Bourguiba and in September 1963, Tito visited Brazil. Brazilian observers were sent to the non-aligned conferences at both Belgrade in 1961 and the Colombo preparatory meeting in March 1964.

Against this background relations with the United States steadily deteriorated. The early part of the Goulart government saw clashes over Brazil's policy towards Cuba and general

127 For details of the expansion of relations with Africa, see Selcher, *The Afro-Asian Dimension of Brazilian Foreign Policy*, pp. 80-88 and 156-165.

128 On the question of disarmament, see Storrs, "Brazil's Independent Foreign Policy", pp. 293-298.

concern over the direction of its independent foreign policy.[129] Brazil consistently expressed solidarity with Castro. Quadros had visited Havana in March 1960 at a time when Washington was putting pressure on Latin American states to break off relations. In August 1961 Che Guevara was decorated with the Cruzeiro do Sul and at Punta del Este in 1962 Brazil voted against suspending Cuba from the OAS.[130] In addition to differences on foreign policy, there were increasingly serious clashes over economic issues. Washington was concerned over what it saw as Goulart's failure of the Dantas-Bell Agreement of March 1963. More specifically, the United States was alarmed at the growing list of Brazilian measures affecting US investment in Brazil: the nationalization of AMFORP; Brizola's expropriation of the ITT subsidiary of Rio Grande do Sul in February 1962; the restrictive profit remittance law of January 1964 and the nationalization of all private oil refineries in March 1964. Most importantly, as Parker has documented, Washington grew increasingly concerned that the combination of a neutralist foreign policy and political chaos inside Brazil would result in the country falling "under full communist control" as Ambassador Lincoln Gordon reported in February 1964.[131]

The *política externa independente* undoubtedly represents the clearest example before 1964 of a foreign policy that sought to escape from the constraints of United states predominance by being prepared to challenge Washington on a number

129 The most thorough study of US-Brazilian relations in this period is Phyllis Parker, *Brazil and the Quiet Intervention* (Austin: University of Texas Press, 1979). See also Robert Wesson, *The United States and Brazil. Limits of Influence* (New York: Praeger, 1981), pp. 22-48.

130 On this issue, see Alceu Amoroso Lima, "A Posição do Brasil em Punta Del Este", *Revista Brasileira de Política Internacional*, 5, 17 (March 1962): 5-16.

131 Cable from Lincoln Gordon to the State Dept., quoted in Parker, *Brazil and the Quiet Intervention*, p. 69.

of important issues, by seeking to diversify the range of its external ties and, above all, by trying to exploit the emerging Third World movement as the basis for a more autonomous and independent international role.

2.4. Conclusion

It is clear from even the brief discussion on this chapter that the period between 1945 and 1964 witnessed important changes in Brazil's external relations. As nationalist feelings became ever more deeply rooted in Brazilian society, new perspectives on Brazil's position in world affairs opened up and the notion that Brazil's foreign policy should be focussed around the special relationship with Washington came under increasing challenge. It became axiomatic to a growing number of officials, politicians and intellectuals that the United States had neglected Brazil and, in particular, had failed to provide adequate assistance with its efforts to develop and industrialise. Similarly, the idea that dependence should be reduced by diversifying away from the United States and by expanding relations with both Western Europe and the newly independent countries of the Third World became an increasingly central feature of both official statements and actual foreign policy, culminating in the *política externa independente*.

Three points are worth stressing here. Firstly, an examination of the period between 1945 and 1964 makes it abundantly clear that the move away from the United States that became so visible in the 1970s had its roots in this earlier period. The erosion of the "special relationship" is thus a deep-rooted process and was not something that appeared suddenly with the Geisel administration and the controversies of the Carter years. Secondly, the evidence of this period suggests not only that nationalism was a steadily growing force in Brazil but also

that the goal of achieving greater autonomy and independence could draw support from right across the political spectrum. As Peter Flynn has argued, the extreme reaction against the foreign policy of Quadros and Goulart was due mainly to the perceived internal political ramifications of that policy (especially the ties with Cuba) rather than against the idea of greater independence itself.[132] Thirdly, as we shall see in later chapters, the *política externa independente* left an enduring legacy on Brazilian foreign policy. On the one hand, the policies and thinking of Quadros and Goulart played a leading role in shaping the attitudes of many young officials – especially in Itamaraty (the Brazilian Foreign Ministry) – who began their careers in this period and who were to reemerge in senior positions in the 1970s. On the other, despite its excesses, the *política externa independente* recognised that the world was changing, that new forces were emerging in Western Europe, the Soviet Union and the Third World and that sooner or later Brazilian diplomacy would have to come to terms with those changes.

On the other hand, it is important not to overestimate the extent of the changes that had occurred prior to 1964 and the degree to which United States predominance over Brazil had been effectively challenged. This is partly because the special relationship with Washington was so dramatically reaffirmed by the military government that seized power in April 1964. More importantly, it is because of the intrinsic limits of the changes that occurred in the period before 1964.[133]

132 Peter Flynn, Brazil. *A Political Analysis* (London, 1978), pp. 216-217. Interestingly, the same point was made by the CIA in 1964: "There is growing pressure from a number of sources, *moderate as well as leftist* (my emphasis), for less reliance on the US and increasing relations with the communist bloc". CIA Survey of Latin America, 1 April 1964 (OCI, No.1063/64), p. 36.

133 Stanley Hilton has overstated the significance of the developments in this period by concluding that, in a less dramatic fashion (than the "loss" of China), but with profoundly negative results,

In the first place, it is evident that Washington's power over Brazil in the early 1960s remained considerable. As regards military ties, as the coup itself makes only too plain, Washington enjoyed extremely close relations with important sections of the Brazilian armed forces. More generally, United States dominance over Brazilian arms supplies and over training methods had hardly been dented.[134] Economically, whilst the process of diversification away from the United States had begun, it had not proceeded all that far. In 1964 the US still supplied 31% of Brazil's imports (down from 52% in 948) and took 33% of its exports (down from 43.3% in 1948), thus remaining by far Brazil's most important trading partner.[135] Even more crucially, the new markets in the Third World and the socialist countries, on which both Quadros and Goulart had pinned so many hopes, had failed to make any decisive impact on Brazil's external economic relations. In 1964 trade with Africa accounted for only 1.13% of total trade, with Asia (excluding Japan) 1.3%, with the Middle East 2.5%, with the socialist countries 5.7% and with Latin America 14.9%.[136] In terms of products exported, Brazil still remained heavily dependent on primary products. In 1964 coffee alone accounted for 56% of export earnings and only 5% of total exports were made up

Washington also "lost" Brazil, the world's fifth largest country and the eighth largest market economy in 1981, during the first postwar decade. In doing so it practically guaranteed the long-run decline of American influence in Latin America. (Hilton, "The United States, Brazil, and the Cold War", p. 599).

134 The sole important exception was the purchase of an aircraft Carrier, HMS Vengeance, from Britain in 1956. It is worth noting that rumours of arms supplies from the soviet bloc (helicopters from Poland and transport planes from the USSR) were an additional source of US concern in 1963/64. See Parker, *Brazil and the Quiet Intervention*, pp. 41-42 and 53-54.

135 See chapter 8, Tables 5 and 6.

136 Banco do Brasil, CACEX, *Intercâmbio Comercial, 1953-1976*, Vol. 1 (Rio de Janeiro, 1977).

of manufactured goods. As regards foreign investment, in 1964 43% of total foreign capital invested in Brazil was owned by US companies, the same percentage as in 1951. Finally, given the severe problems facing the Brazilian economy between 1958 and 1964, foreign aid remained an important source of influence which Washington was prepared to use both in its dealings with the federal government and as part of its policy in 1963/64 of seeking to influence events at a state level.

Even direct military intervention remained on the list of potential instruments of influence. In early 1964 contingency plans were drawn up for direct intervention in Brazil, covering the supply of arms, ammunition and fuel to the military rebels and the dispatch of a carrier task force to Brazilian waters.[137] On 31 March the carrier force was ordered to sail, a military commander was appointed for operation "Brother Sam" and twenty-five planes were prepared to airlift supplies to Brazil.[138] Although such action proved unnecessary, it is salutary to remember that as late as 1964 Washington was prepared to consider direct coercive intervention in Brazil.

Secondly, the absence of alternative foreign policy options severely limited the scope for a more independent and autonomous foreign policy. Firstly, although European economic interests in Brazil had grown both in terms of trade and investment, Europe's political voice was still limited and, in Latin America in particular, no European country was prepared to challenge United States predominance or had ceased to

137 See Parker, *Brazil and the Quiet Intervention*, pp. 33-37, 46-48 and 58-59, and Riordan Roett, *The Politics of Foreign Aid in the Brazilian Northeast* (Nashville: Vanderbilt University Press, 1972).

138 Parker, *Brazil and the Quiet Intervention*, pp. 68-70.

regard the region as an American sphere of influence. Secondly, Kubitschek, Quadros and Goulart had all tried to expand ties with the Soviet Union and, to a limited extent, thereby sought to exploit superpower rivalry as a means of increasing Brazil's freedom of manoeuvre. Yet not only were the practical results of that policy limited by the Soviet Union's inability to supply Brazil's economic needs, but the question of expanded ties with the communist bloc became a further factor in the bitter political strife that was engulfing Brazil in the last months of the Goulart government. Thirdly, despite the rhetoric, the Third World did not represent a solid basis for a more autonomous foreign policy. Bilaterally, as mentioned above, there was the lack of any solid economic foundation to many of the new ties in Africa and the Middle East. Multilaterally, the Third World coalition in the early 1960s had not yet acquired the kind of solidity that it was seen to possess in the post-OPEC era of the mid-1970s.

Finally, Brazil's ability to bargain effectively was limited by domestic political turmoil and the breakdown of the entire consensus on foreign policy issues. On the one hand, Brazil faced a United States government that was both united and seriously concerned at the course of events in Brazil – at Goulart's communist links, at the growth of relations with the Soviet Union, at Brazil's antagonistic policy towards the United States and, above all, at the growing political chaos inside Brazil and the possibility of further radicalisation. This high level of concern – itself an extremely rare occurrence in US-Brazilian relations – prompted Washington to use all its influence to help guarantee an outcome favourable to its interests. On the other, Brazil's ability to develop an autonomous independent role and

to effectively challenge the United States was severely weakened by the bitter divisions within Brazilian society over foreign policy as over all other aspects of political and economic life, as well as by the incoherence and incompetence of the Goulart government. Indeed it is clear that it was internal weakness rather than either the level of structural constraints or the lack of alternative foreign policy options that was the decisive factor in the failure of Brazil's experiment with an independent foreign policy in the early 1960s.

PART II

The Foreign Policy of the Military, 1964-1985

3. The Reassertion of the Special Relationship: Castello Branco and the Policy of Interdependence

3.1. Introduction

The military government that seized power in the self-styled Revolution of 31 March 1964 introduced sweeping changes in Brazil's foreign policy. Brazil's new leaders were determined to reserve what they saw as the dangerous and unrealistic excesses of the *política externa independente* and to return the country to its traditional policy of close political, economic and military alignment with the United States. Although often dismissed as the embodiment of *entreguismo*, the foreign policy of the Castello Branco government is worth examining in some detail for three reasons.[139]

Firstly, the reassertion of Brazil's close ties with Washington provides a benchmark against which subsequent

139 The foreign policy of the Castello Branco period has received little detailed attention. For an important earlier study see Carlos Estevan Martins, "A Evolução da Política Externa na Década 1964-1974", *Estudos Cebrap*, 12 (April/May/June 1975), pp. 58-67.

moves towards greater independence and diversification can be assessed. Secondly, the foreign policy of the period is interesting because it reflects more closely than under any subsequent administration the ideology of national security with which the new military government sought to rationalise and legitimise its rule. Any modification in foreign policy therefore raises the question as to how far this ideology – or at least its external components – was also being rejected or superseded. Finally, the years 1964-1967 provide the clearest example of Brazil explicitly seeking close ties with the dominant regional power in the hope of gaining special status and specific rewards.

3.2. The foundations of foreign policy

The central feature of Brazilian foreign policy under Castello Branco was the perception that all international life was fundamentally conditioned by the struggle against communism. Closely reflecting the main tenets of the national security doctrine, as taught by the *Escola Superior de Guerra* (ESG), the leaders of the new government believed that the Cold War had entered a new and dangerous phase.[140] In this phase, what Castello Branco called "the expansionist vocation of the communist world" was no longer likely to take the form of open aggression but would appear through subversion, revolutionary war and national liberation movements.[141] Although emphasis on the dangers of subversion had been a

140 Alfred Stepan has pointed to the disproportionately high percentage of ESG graduates amongst the instigators of the coup, see Stepan, *The Military in Politics*, pp. 183-187.

141 H.A Castello Branco, speech of 31 July 1964 reproduced in *A Política Externa da Revolução Brasileira* (Rio de Janeiro: Ministério das Relações Exteriores, Seção de Publicações, 1968), p.18. On the changed nature of the communist threat see Golbery, *A Geopolítica do Brasil*, pp. 193 and 227-239.

common theme of Brazilian military writing of the 1950s, it was the Cuban revolution and the perceived growth of Cuban-inspired subversive movements that gave new force to these arguments.[142]

Thus for the ideologues of the coup, there was always a close and clear link between domestic and foreign policy. Domestically, the coup had been necessary as a pre-emptive measure against the spread of communist influence. The military believed that Goulart had not only permitted communism to develop in Brazil, but had actively encouraged it for his own demagogic and populist purposes. Internationally, since they perceived communism as a world-wide movement, the internal struggle against subversion required a firm external alignment with the major anti-communist power, the United States.[143] The stridency of the military's anti-communist rhetoric often appears extravagant. Yet one must remember the extent to which anti-communism provided one of the principal bases on which the military regime sought to establish its legitimacy and credibility. The coup is consistently portrayed as the necessary defensive reaction against international communist aggression. In addition to its domestic function, such a claim was intended to attract the support of the United States and thereby, as we shall see, to further the other crucial source of legitimacy, the promotion of economic development. According to Luís Viana Filho, Castello Branco's Head of the Civil Household (Chefe da

142 The pro-American ideology of the ESG had changed remarkably little since its foundation in 1949. See for example the 1967 second edition of Golbery's *A Geopolítica do Brasil*. Whilst willing to recognise some "loose bipolarization", he still believed firmly that "The antagonism of the Christian West and the Communist East still dominates the world situation" (p. 4).

143 See Nicolas Boér, "A Revolução e a Política Externa", *Cadernos Brasileiros*, No.23, (May/June 1964), p. 23.

Casa Civil), Castello Branco was particularly concerned with foreign policy and quotes him as saying that it represented "one of the major operational means for the country to attain its national objectives".[144]

This stark picture of international life with its obsessive anti-communism forms the basis for the *política de interdependência* (policy of interdependence), defined by Castello Branco in the following terms:

> *In the present context of a bipolar confrontation of power with a radical political and ideological split between the two respective centres, the preservation of independence presupposes the acceptance of a certain degree of interdependence, whether in the military, economic or political field.*[145]
>
> *In the case of Brazil, foreign policy cannot ignore the fact that we have made a fundamental choice resulting in our cultural and political loyalty to the democratic, western system.*[146]

Just as strategic realities meant that Brazil could only guarantee its defence through an alliance with the United States, so Castello Branco argued that Brazil's economic interests would best be served by adopting a similar degree of interdependence in other fields, "above all in relation to foreign investments".[147]

144 Luís Viana Filho, *O Governo Castelo Branco* (Rio de Janeiro: José Olympio, second edition, 1975), p. 430.

145 Castello Branco, Speech of 31 July 1964, *A Política Externa*, pp. 12-13.

146 Ibid, p. 13.

147 Ibid. It is interesting to note that Castello Branco uses the Word *associativa* ('associated') to describe his conception of both Brazil's defence and development.

There could be no alternative. Speaking in terms of which John Foster Dulles would have been proud, Castello Branco rejected neutralism out of hand. It was too passive a policy for a country with the objectives and possibilities of Brazil and it represented an emotionally immature attempt to escape from the harsh realities of international life.[148] Quadro's and Goulart's policy of seeking to disengage Brazil from the Cold War and of trying to develop a more independent, nationalist policy was denounced as a dangerous illusion that had merely assisted the growth of communism inside Brazil. No doubt sensitive to the charges of *entreguismo*, Castello Branco repeatedly tried to draw a distinction between "true" and "false" nationalism: "More recently, nationalism was distorted to such an extent that it became little more than a disguised option in favour of socialist systems".[149]

Two sets of images were used to illustrate the policy of interdependence. The first was that Brazil's foreign relations should be seen in terms of a series of concentric circles with Latin America at the centre and then moving out to include the western hemisphere and then the western community.[150] The second, and more controversial, was the promotion by official speakers of the concept of "ideological frontiers". Although formally upholding Brazil's traditional support for the principle of non-intervention, Castello Branco's second foreign minister,

148 Again the influence of Golbery is very clear. He too speaks of neutralism as "essentially escapist" and disdainfully refers to a "comfortable and illusory 'Third Position'". See Golbery, *A Geopolítica do Brasil*, p. 242.

149 Speech of 31 July 1964. *A Política Externa*, p. 16.

150 A variation of this image was used by Castellos Branco's first foreign minister, Vasco Leitão da Cunha, who included an additional circle to allow for relations with the rest of the world. See Vasco Leitão da Cunha, Speech opening 19th Session of the UN General Assembly, 3 December 1964, reproduced in *Textos de Declarações sobre política Externa (de abril de 1964 até abril de 1965)* (Rio de Janeiro: Ministério de Relações Exteriores, Departamento Cultural e de Informações, 1965), pp. 99-101.

Juracy Magalhães, nonetheless argued the need for a revised conception of national sovereignty which would be based on shared socio-political systems rather than geographical frontiers and in which the general interests of the system would prevail over the interests of a particular state.[151] This notion of "ideological frontiers" became the rationale for Brazil's advocacy of a permanent Latin American collective security system which would be able to override traditional notions of non-intervention and territorial integrity.

> *We are advancing towards the establishment of a new order, with an international basis, in which awareness of the interdependence of peoples will replace the concept of national sovereignty and in which the general interest will prevail over the specific.*[152]

The principal conclusion which followed from this view of the international system was the need to reaffirm and strengthen Brazil's political and economic ties with the United States. The first foreign minister of the new government, Vasco Leitão da Cunha, defined the priorities of foreign policy in the following terms:

> *the relocation of Brazil within a framework where priority is given to relations with the West… and consolidation of ties of every kind with the United States, our great neighbour and friend of the North.*[153]

Or, as his successor, Juracy Magalhães, put in a speech in January 1966: "Brazil gives special importance to its relations

151 See Juracy Magalhães, *Minha Experiência Diplomática* (Rio de Janeiro: José Olympio, 1971), p. 11.

152 Juracy Magalhães, speech of 10 June 1965, quoted in Martins, "A Evolução da Política Externa", p. 62.

153 Interview with Leitão da Cunha, 6 July 1964, quoted in *Textos e Declarações*, p. 64.

with the United States of America which it recognises as the leader of the Free World and as the principal guardian of the fundamental values of our civilisation".[154]

3.3. The United States

This strong support for closer ties with Washington soon became visible and can be divided into three main areas: political, economic and military. Whereas Quadros had decorated Che Guevara with the Order of the Southern Cross, the new government broke off relations with Cuba on 13 May 1964 and in July 1964 supported Venezuelan calls for OAS sanctions against Cuba.[155] The language of Itamaraty's note justifying the suspension of relations gives a clear idea of the tenor of the military government's foreign policy.

> *The decision taken by the Brazilian government is in perfect agreement with its intention of not admitting communist action on national territory... By officially identifying itself as marxist-leninist, the government of Cuba has* ipso facto *excluded itself from participation in the Inter-American System... The regime of Fidel Castro... has isolated itself more and more from the countries of the continent, exploiting every opportunity to continue to export its subversive doctrines.*[156]

Brazil also wholeheartedly supported Washington's intervention in the Dominican Republic in 1965. On 6 May 1965, Castello Branco authorized the Brazilian ambassador at the OAS to vote in favour of United States "police action" and

154 Speech of 17 January 1966, *A Política Externa*, p. 29.

155 *Estado de São Paulo*, 24 July 1964.

156 Official statement, 13 May 1964, Textos e Declarações, pp. 50-51.

the creation of an Inter-American Peace Force. On 13 May the OAS called for 2,000 troops to be provided by Latin American countries and on the same day the *Conselho de Segurança Nacional* (National Security Council) unanimously agreed to the dispatch of 1130 Brazilian troops, together with the appointment of a Brazilian general, Hugo Panasco Alvim, as commander of the IAPF.[157]

Support for Washington's struggle against communism was not limited to Latin America. Policy towards China was reversed. Quadros had sought to develop relations with China, a trade mission had been sent in 1961 and Goulart had ordered his ambassador at the UN to vote in favour of Chinese admission. In the aftermath of the coup the members of the Chinese commercial mission in Rio de Janeiro, that had been established in 1961, were imprisoned and then expelled as spies. After 1964 almost all contacts were ended and Washington's policy of non-recognition and exclusion from the UN was firmly supported.

Brazil also firmly and publicly supported American policy in Vietnam and intensive secret negotiations were conducted over the possibility of direct Brazilian involvement. In the end, Brazil's support was largely token, limited to public messages of solidarity, the establishment of a diplomatic mission in South Vietnam and the dispatch of coffee and medical supplies.[158] 400 tons of medical supplies were sent to the government of South

157 See John W.F. Dulles, *Castello Branco. Brazilian Reformer* (College Station, Tex.: Texas A & M University Press, 1980), pp. 136-143. The importance of Brazil's support should not be underestimated, firstly because of the very narrow margin in favour of the creation of the IAPF, and secondly because Brazil supplied 65% of the Latin American contribution. Without Brazil's troops that contribution would have been totally nominal. See Piero Gleijeses, *The Dominican Crisis*, (Baltimore and London: Johns Hopkins University Press, 1978), pp. 260-263.

158 The Exchange of letters and Castello Branco's "message of solidarity" were reproduced in *Department of State Bulletin*, 28 September 1964, pp. 435-436.

Vietnam via the Red Cross in June 1965, a further 1.5 tons in September 1966 and 1000 bags of coffee in January 1967.[159] The case of Vietnam is nevertheless important for two reasons. Firstly, because the fact that more direct support was even considered gives a good indication of the depth and extent of Castello Branco's commitment to Washington. Secondly, because it provides a good example of Brazil seeking to exploit its "special relationship" with the United States in the hope of gaining further benefits. It appears that, towards the end of 1965, senior Brazilian officials sought to link the possibility of more active Brazilian support with negotiations then underway with Washington over Brazil's naval modernisation plans. In December 1965 US ambassador Lincoln Gordon was instructed to raise the issue of Brazilian support with Castello Branco for the second time (the first had been the previous July). This he did at a meeting on 15 December when Castello Branco told him that the matter would be considered.[160] On 31 December Pio Correa, Secretary General of Itamaraty, suggested to Gordon that Brazil should take delivery of the two 'B' class destroyers that it was seeking from the United States in Honolulu and then join American forces on exercises in Vietnamese waters. As a United States background paper explains,

> *As a* quid pro quo *for this naval contribution, in addition to the two modern 'B' class destroyers, Brazil might seek additional small vessels and the prospect for a reversal in the present phase-down of US military assistance. In addition, Brazil would expect to obtain further support for its claim to a "special relationship" with the United*

159 See Background Paper for Visit of Costa e Silva to Washington, "Brazil and Vietnam", 25-27 January 1967. National Security File, Countries Brazil. LBJ Library, Austin, Texas.

160 See Dulles, *Castello Branco*, pp. 230-232.

> *States – a status befitting its size and unique position – which would be recalled repeatedly in future economic and military aid discussions.*[161]

In the end, despite further letters from Johnson to Castello Branco in January 1966, nothing concrete emerged beyond Brazilian support for the resumption of the bombing of North Vietnam.[162]

Economically the United States was to occupy a pivotal place in the plans of the new Brazilian government. The new economic team, led by Roberto Campos, argued that Brazil's development ambitions could best be realised by integrating the country even more fully into the international capitalist system and by allowing foreign capital to play a central role in the development process. Thus Castello Branco criticised those behind "the internal pressures in favour of statism and nationalization", which had merely served as a "destimulus to foreign capital". In the future, he asserted, "Brazil will follow a policy of free enterprise and of an ordered welcome to foreign capital".[163]

Specific policies to encourage foreign capital soon followed. In August 1964, despite fierce domestic opposition, Goulart's law limiting profit remittances was abolished.[164] In October 1964 the government purchased the subsidiary of American Foreign Power under very generous terms, thereby settling the problems created by the pre-1964 expropriation of

161 Background Paper, "Brazil and Vietnam".

162 The details of the Brazilian side of the story remain unclear with senior officials refusing to discuss the negotiations. See "E o Brasil quase foi à Guerra", *Isto É*, 14 December 1977.

163 Castello Branco, Speech of 31 July 1964, reproduced in *A Política Externa*, p. 17.

164 The legislation was only passed by 152-146 after the *cassações* (removal of political rights) of leading opposition congressmen in April.

the company. In December 1964 Castello Branco allowed the Hanna Mining Company's project to build a private iron ore terminal near Rio de Janeiro to go ahead despite six months of constant lobbying by nationalist opponents. In February 1965 a new investment guarantee agreement was signed with the United States.[165] Above all, government spokesmen were keen to persuade foreign investors of the benefits of their policies to contain inflation and restore "discipline" to the labour market.

Whatever the precise extent of United States involvement in the coup of 1964, the Johnson administration was clearly pleased both with its outcome and the political and economic policies adopted by the military government.[166] Apart from Jonhson's congratulatory message to the provisional president, Ranieri Mazzilli, less than 18 hours after the coup, there are frequent references in American papers to the benefits of Brazil's pro-American stance and its position as "the keystone of our interests on the continent of South America".[167] Nevertheless, such feelings did not prevent Washington from using its economic leverage to influence events in Brazil. Thus the emergency US$ 50 million programme loan, arranged by Lincoln Gordon in June 1964 was to depend on a satisfactory settlement of the AMFORP affair.[168] Similarly, Gordon took every opportunity to press American preferences. In a meeting

165 For details of the agreement and a good indication of Brazil's attitude to economic development, see Vasco Leitão da Cunha's speech to the Chamber of Deputies, 11 June 1965, reproduced in *Revista Brasileira de Política Internacional*, 33/34 (May/June 1966), pp. 60-85.

166 For the best discussion of the United States involvement in the coup, see Parker, *Brazil and the Quiet Intervention*.

167 Thomas C. Mann to McGeorge Bundy, 8 December 1965, White House Central File, Confidential File TR49, LBJ Library.

168 Department of State, Cable to American Embassy, Rio de Janeiro, 19 June 1964, National Security File, Countries Brazil, LBJ Library, Jerome Levinson and Juan de Onis relate the claim that US embassy staff were actively lobbying for AMFORP during the votes in Congress. See *The Alliance That Lost Its Way* (Chicago: Quadrangle Books, 1970), p. 146.

with Campos, Bulhões and Leitão da Cunha on 30 June, for instance, he expressed his concern that inflation was not being attacked with sufficient vigour, especially in the area of wage controls, and emphasised the interests of US business in "improved profit remittance legislation".[169]

Yet Brazil did not need to be pushed very hard. The Castello Branco government followed Washington's preferences both because of the convergence of ideological positions and, more importantly, in the expectation of concrete and tangible gains. As Carlos Estevan Martins has pointed out, implicit in the policy of interdependence was the calculation that close pro-American alignment would bring substantial benefits, particularly in the economic field.[170] More specifically, the government hoped to increase the overall level of US investments, to obtain easier access to North American markets, and to secure favourable international funding.

These hopes were not entirely without foundation. A few days after the coup, the Inter-American Development Bank approved various loans which the US director had earlier vetoed.[171] In June 1964 President Johnson authorised an emergency US$ 50 million loan to assist the country's foreign debt rescheduling. On 1 July 1964 Brazil successfully rescheduled US$ 149 million of official loans with the Paris Club. In October 1965, after strong pressure from Lincoln Gordon, the United States government authorised a US$ 150 million programme loan to assist with Brazil's balance of payments and USAID loan of US$ 100 million for specific projects. In October

169 See Dulles, *Castello Branco*, pp. 63-64.

170 See Martins, "A Evolução da Política Externa", pp. 60-61.

171 See Peter D. Bell, "Brazilian-American Relations", in Riordan Roett, ed., *Brazil in the Sixties* (Nashville: Vanderbilt University Press 1972), p. 95.

1964 the first World Bank team since 1959 arrived in Brazil and in January 1965 approved a US$ 79 million loan for two power projects. Finally, in January 1965 the IMF issued a US$ 125 million stand-by credit to Brazil, its first loan in three years. As table 3 shows, total US economic assistance more than doubled in the five years after the military takeover, with USAID loans and grants rising particularly dramatically, from US$ 199.6 million in the period 1959-63 to US$ 1066.6 million in the period 1964-68.[172] In the period 1964 to 1970 Brazil received over 30% of all US economic aid to Latin America and its aid programme in Brazil was the largest in the world after Vietnam and India. Brazil had truly returned to the capitalist fold.[173]

Table 3: Comparison of US bilateral assistance 1959-63 and 1964-68 (US$ million)

	1959	1960	1961	1962	1963	Total
AID	8.9	11.6	7.5	85.1	86.5	199.6
Food for Peace	3.0	1.8	84.7	72.5	47.9	209.9
Other econ. aid	-	-	-	47.9	6.9	54.8
Eximbank loans	122.2	6.8	188.3	-	-	317.3
Total	134.1	20.2	280.5	205.5	141.3	781.6

	1964	1965	1966	1967	1968	Total
AID	179.5	234.7	243.7	214.9	193.8	1066.6
Food for Peace	150.9	24.6	79.1	21.6	82.9	359.1
Other econ. aid	6.5	11.3	6.2	3.5	19.8	47.3
Eximbank loans	-	6.0	16.9	30.0	50.8	103.7
Total	336.9	276.6	345.9	270.0	347.3	1576.9

Source: "US Overseas Loans and Grants", US Agency for International Development, Office of Financial Management (Washington, Various editions).

172 For a more detailed breakdown in US aid figures, see Chapter 8, Table 7.

173 The willingness of the multilateral financial agencies to fall into line with United States preferences provides a fascinating counterpoint to the "invisible blockade" of Chile after Allende's accession.

In addition to political and economic ties, the US-Brazilian military relationship also intensified. As outlined earlier, that relationship had always been a close one. Indeed it is often forgotten that the Joint Brazil-US Military Commision (JBUSMC), which dated from the Second World War and was given permanent status in 1954, was the largest military organisation of its kind ever formed, surpassing in size even bilateral arrangements with the United States NATO allies. The intensity of military ties was in large part a natural outcome of the 1964 coup itself. On the one hand the Brazilian government's heavy stress on security issues made it inevitable that military ties would expand. On the other, the Johnson administration's relief that "another China" had been averted and its own clearly supportive role in the coup itself, gave Washington an unavoidable and sizeable stake in the future fortunes of the Brazilian military. Two additional factors influenced the closeness of relationship. Firstly, there were the particularly close pro-American attitudes of that section of the Brazilian military associated with Castello Branco and usually know as the "Sorbonne Group".[174] The origins of these attitudes are usually sought in the close personal ties that developed between many Brazilian officers and their American counterparts during Brazil's participation in the Italian campaign and in the disproportionately high number of ESG graduates amongst Castello Branco's close advisers.[175] The second factor concerns the fundamental shift in United States policy towards the Latin America military that occurred in the early 1960s. Following Castro's victory and Krushchev's 1961 speech promising

174 The question of competing factions within the military and the relationship to foreign policy will be dealt with in Chapter Four.

175 See Stepan, *The Military in Politics*, pp. 123-130 and 174-184.

support for national liberation movements in the Third World, the Kennedy administration became increasingly concerned with countering the perceived threat of irregular warfare, subversion and insurgency.[176] As John Child has shown, this shift of emphasis had a crucial effect on relations with the military in Latin America.[177] On the one hand, any residual role in hemispheric defence against an external threat was all but extinguished. On the other, the military in Latin America were to be given a pivotal role in both of the policies with which the Kennedy administration hoped to combat subversion and instability: counter-insurgency and the promotion of economic development through the Alliance for Progress.

The belief in the viability of counter-insurgency led not only to an overall increase in the level of military assistance to Brazil, but also to the development of a direct training and advisory role in such fields as intelligence gathering, police organisation and interrogation methods. As far as economic development was concerned, increasing numbers of American policymakers came to see a special role for the military in Latin America. According to this view, the absence of stable social structures and consistent civilian leadership could be offset by making more use of the supposedly greater organisational capabilities of the military.[178] There was thus a significant body of opinion in Washington that was not completely averse to the dramatic expansion of the role of the Brazilian military into all aspects of the country's life that took place in the period after 1964.

176 For a survey of this shift at the general level of US foreign policy, see J.L. Gaddis, *Strategies of Containment. A Critical Appraisal of Postwar American National Security Policy* (New York: Oxford University Press, 1982), Chapter 7, esp. pp. 208-218.

177 Child, *Unequal Alliance*, pp. 146-149.

178 For a survey of this subject, see Robert Packenham, *Liberal America and the Third World* (Princeton: Princeton University Press, 1973), pp. 59-85 and 192-242.

These close military ties were visible in many areas. The United States continued to be Brazil's largest arms supplier and, as the table below shows, deliveries under the Foreign Military Sales programme increased from US$ 5.1 million in the period 1960-64 to over US$ 56 million in the period 1965-1969.

Table 4: Foreign Military Sales Deliveries, 1960-1969 (US$ millions)

1960	1961	1962	1963	1964	Subtotal
5.079	-	-	-	75	5.154

1965	1966	1967	1968	1969	Subtotal
3.491	13.290	6.099	15.684	17.700	56.264

Source: ***Military Assistance and Foreign Military Sales Facts*** *Department of Defense, Office of the Assistant Secretary of Defense (Washington, various editions).*

The number of Brazilian military receiving training in the United States or the Panama Canal Zone rose from 358 in 1964 to 626 in 1969 with a total of 2,885 for the period of 1964 to 1969. This took the total number that had received training in the period since 1950 to 6856.[179] Moreover, the range of training increased to include the police and the security forces. Under the USAID Public Safety Program US assistance was being given to 15 state police forces as well as federal agencies by 1967.[180] Subjects taught included intelligence gathering, riot control, communications and interrogation methods and the United States also supplied Brazil with significant quantities of riot control equipment.[181]

179 Hearings Before the Subcommittee on Western Hemisphere Affairs of the Committee on Foreign Relations, US Senate, Ninety-second Congress, First Session, 4, 5 and 11 May 1971, *United States Policies and Programs in Brazil* (Washington: US Government Printing Office, 1971), p. 85.

180 Ibid, pp. 4-7.

181 Ibid, p. 152.

It is clear, then, that the period 1964-68 saw a remarkable reassertion of Brazil's close relationship with the United States and an intensification of political, economic and military ties. Relations with Washington not only formed the central focus of Castello Branco's foreign policy but also found an American administration keen to expand and develop its ties with Brazil. Such a policy also had important implications for Brazil's relations in three other areas: Latin America, Africa and the Third World.

3.4. Latin America

Brazil's hard-line anti-communist and strongly pro-American policy coloured its relations with the other countries of Latin America. The breaking of relations with Cuba and its participation in the intervention in the Dominican Republic are the most obvious examples of this, but they are far from being the only ones. There were two main issues that dominated Brazil's regional policy in this period: the creation of a permanent Inter-American Peace Force and the question of reform of the OAS, which was to be the subject of the Second Special Inter-American Conference, originally due to be held in Rio de Janeiro in May 1965, and subsequently postponed until November.

Brazil's military leaders strongly supported the creation of a permanent IAPF under which each state would set aside a military unit available for mobilisation whenever required by a two-thirds majority of the OAS.[182] Such a force had been an American aspiration since the early 1960s.

182 For an early call for strengthened collective security arrangements, see Leitão's speech to OAS foreign ministers in Washington, 26 July 1964, in *Textos e Declarações,* pp. 68-73.

> *The idea of an Inter-American Peace Force was an absolutely essential foundation for the new concept of Hemispheric defense and development envisioned by the United States in the early 1960s.*[183]

The force created during the Dominican crisis was seen by Brazilian leaders as the model for the future and the matter of a permanent IAPF was discussed during Harriman's visit to Rio de Janeiro in May 1965 and again at a meeting between Leitão da Cunha and Dean Rusk in New York in September. Both realised the difficulties involved but it was agreed that the idea should be discussed at the forthcoming OAS foreign ministers conference.[184] According to Viana, by the time that meeting took place the following month, Rusk was convinced that the proposal should be dropped because of the mounting opposition from other Latin American states, led by Chile and Mexico.[185]Yet, despite this cooling of Washington's enthusiasm for the idea, Brazil still pushed ahead. In his speech to the Second Special Conference, Castello Branco spoke of the new and "subtle" nature of communist aggression through infiltration, subversion and guerrilla war and went on:

> *We need, however, to recognise realistically the stupidity of wanting collective protection and collective action, without creating effective mechanisms of collective decision and joint action.*[186]

In response, Mexico and Chile issued immediate public statements disassociating themselves from the whole concept

183 Child, *Unequal Alliance*, p. 164.

184 Dulles, *Castello Branco*, p. 433.

185 Viana, *O Governo Castelo Branco*, p. 433.

186 Ibid, p. 435.

of the IAPF.[187] Yet even after this evident failure to win support, Brazil continued to promote the idea as, for example, during Juracy Magalhães's visits to Bolivia, Chile, Argentina and Uruguay in 1966.[188] The IAPF story stands out both as example of the extent of Brazil's determination to follow, and even go beyond, United States policy and its willingness to put the rhetoric of "ideological frontiers" into practice.

The second important feature of Brazil's Latin American policy concerns the proposals for reform of the OAS that were to be discussed by the Second Special Conference. Brazil's concern here was that the OAS meeting could become a forum for attacks both on itself and the United States and that the proposed reforms might have the effect of weakening Washington's role within the organisation. Brazil saw this danger both in Frei's call for a Latin American common market and in the suggestion made by the foreign ministers of Argentina and Uruguay that a new organisation might need to be created without United States participation.[189] In April 1965 Juracy Magalhães wrote to castello Branco, warning him of the strong anti-American feeling amongst delegates and of the dangers of "the creation of a system of economic integration which, under the praiseworthy intention of promoting Latin American development, would tend to transform Latin America into a bloc cut off from its traditional pan-American policy".[190] At the conference itself, Brazil worked in conjunction with the

187 *Jornal do Brasil*, 19 November 1964. For a useful summary of the conference, see "la IIe Conférence Extraordinaire des États Americains", *Problèmes d'Amérique Latine*, 3300 (17 June 1966), pp. 5-13.

188 Ibid, 16 August 1966.

189 See Castello Branco, personal memorandum to Itamaraty of mid-1964, reproduced in Viana, *O Governo Castelo Branco*, p. 430.

190 Juracy Magalhães, letter to Castello Branco, 13 April 1965, reproduced in Viana, p. 436.

United States to head off Latin American dissatisfaction with Washington, particularly on economic issues. Together they succeeded in toning down the final "Ata Economico-Social", focussing the discussion of economic development in terms of political security and stressing the importance of traditional inter-American relationships".[191]

Brazil's attitude to regional integration and its overtly pro-American policies contributed to a marked cooling in its bilateral relations with its most important neighbours. Both Chile and Mexico were, as we have seen, sharply critical of Brazil's policy towards the IAPF and reform of the OAS. In 1964 Castello Branco, in his memorandum to Itamaraty, expressed his concern at Frei's victory in Chile, but was reasonably optimistic: "Without doubt, we should create conditions for him to improve relations with Brazil".[192] Two years later in a private memorandum to Juracy Magalhães, his attitude had hardened: "The Christian Democratic Party and the Communist work with success against Brazil".[193] In the same memorandum, he dismisses Mexico's leaders as "fascists of a single party who dedicate themselves to speaking about self-determination and non-intervention".[194] Relations with Venezuela remained difficult, following Venezuela's decision to sever relations with Brazil in accordance with the Betancourt Doctrine under which regimes that had come to power by undemocratic means would not be recognised. This breach came at a time when relations were already troubled by Brazil's abrogation of its oil-purchase

191 See "1 IIe Conférence Extrairdinaire", pp. 10-12.

192 Castello Branco, personal memorandum to Itamaraty, Viana, p. 431.

193 Castello Branco, Private Memorandum to Juracy Magalhães, 17 January 1966, quoted in Dulles, *Castello Branco*, p. 234.

194 Ibid.

agreements with Venezuela and its switch to Middle East oil.[195] Finally, relations with Brazil's historic rival, Argentina, were mixed. Much of the cooperative sentiment that had resulted from the Quadros-Frondizi meeting at Urugaiana in 1961 had faded in the light of differences towards the reform of the OAS. During the first two years the main focus of Brazil's policy was on the expansion of economic ties, as seen in the fruitless proposal made in February 1967 for a common market between the two countries, and, more concretely, in the steady growth of bilateral trade from US$ 121 million in 1963 to US$ 249 million in 1968.[196] Relations improved markedly after the military coup in Argentina in 1966, which resulted in a clear convergence of attitudes on ideological and security issues – "an informal resurrection of the Urugaina axis with a strong anti-communist bias".[197]

Brazil's policy towards Latin America was thus clearly dominated both by its preoccupation with anti-communism and the priority given to its relations with Washington. The impact of this policy on its relations within the hemisphere was largely negative. If the aim was to achieve a special status within the region, then this could only be based on the support of Washington rather than on any cooperation with its Latin American neighbours.

3.5. Africa and the Third World

The policy of seeking to develop closer relations with Africa that had begun to emerge during the Quadros and Goulart

195 See Robert Bond, "Brazil's Relations with the Northern Tier Countries", in Wayne Selcher, ed., *Brazil in the International System*, p. 127.

196 Banco do Brasil, CACEX, *Intercâmbio Comercial, 1953-1976*, Vol. 1 (Rio de Janeiro: Banco do Brasil, 1977), p. 35.

197 F. Parkinson, *Latin America, the Cold War and the World Powers, 1945-1973* (Beverly Hills: Sage, 1974), p. 220.

years was quickly downplayed by the new military government. Quadros had hoped that disengagement from the Cold War would draw Brazil closer to the newly-independent states of Africa and Asia. Brazil had therefore recognised many of these new states of Africa and Asia. Brazil had therefore recognised many of these new states, had begun enthusiastically to endorse anti-colonialism in the United Nations and had moved away from its previously solid support for Portuguese colonial policy in Africa. The premises of the new foreign policy were very different. While officially disapproving of apartheid, Brazil refused to support calls for any kind of sanctions against South Africa and actively promoted closer ties with that country.[198] Bilateral trade increased from US$ 8 million in 1963 to US$ 13 million in 1967 and in July 1966 the South African foreign minister, Hilgard Müller, visited Brazil to discuss the expansion of trade and other ties.[199] This was followed in October 1966 by the visit of a Brazilian trade mission to South Africa which returned optimistic about future opportunities.

More importantly, Brazil reaffirmed its traditional support for Portugal's colonial policy. "Any realistic policy of decolonisation cannot ignore the specific problems of Portugal, nor the dangers of a premature disengagement by the West".[200] In an interview, Castello Branco expressed his "confidence in the civilising mission of Portugal in Africa" and floated the idea that the solution to Portuguese decolonisation might lie "in the

198 See interview with Leitão da Cunha, 24 December 1964, reproduced in *Textos e Declarações*, p. 115 and speech by the Brazilian representative to the Security Council, in *Revista Brasileira de Política Internacional*, VII, June 1964, pp. 351-352.

199 *Intercâmbio Comercial, 1953-1976*, p. 206.

200 Castello Branco, Speech of 31 July 1964, p. 19.

gradual formation of an Afro-Luso-Brazilian community".[201] Concrete steps in this direction followed with the visit to Brazil in June 1965 of the Portuguese foreign minister, Alberto Franco Nogueira, and, in September 1966, with the signing of a series of agreements which significantly expanded the scope of the 1953 Treaty of Friendship and Consultation.[202]

A similar shift was visible in Brazil's attitudes and policies towards the Third World and as a bridge between North and South, the new government downplayed all talk of solidarity with the Third world. The leading role which Brazil had taken in the preparations for the first UNCTAD in Geneva was given far lower priority. Whilst continuing to take part, Juracy Magalhães expressed the moderate stance that Brazil would adopt and declared his opposition to "any form of 'class struggle' between states, setting the poor against the rich".[203] According to Castello Branco Brazil was, in any case, not truly an underdeveloped country. "More correctly, therefore, than to classify Brazil as an underdeveloped country would be to classify it as a nation still having regional pockets of underdevelopment".[204]

3.6. The Limits to Brazil's Pro-Americanism

So far we have emphasised what is clearly the dominant thrust of Brazil's foreign policy under Castello Branco, namely the priority given to relations with the United States and the

201 Ibid and interview of 30 October 1964 reproduced in *Textos e Declarações*, p. 35. For a detailed discussion of the evolution of the idea of a Luso-Brazilian community and a more detailed discussion of Brazil's African policy in this period, see Wayne Selcher, *The Afro-Asian Dimension of Brazilian Foreign Policy* (Gainesville: University of Florida, 1974), especially pp. 166-168.

202 For details, see Selcher, *The Afro-Asian Dimension*, p. 169.

203 Juracy Magalhães, Speech to the 21st Session of the UN General Assembly, 22 September 1966, reproduced in *A Política Externa*, p. 43.

204 See statement in *Textos e Declarações*, p. 37.

stress on Brazil as a western, Christian, anti-communist country. But in view of the fact that the Castello Branco years are so often dismissed as a period of total subservience to Washington, it is important to consider how far this interpretation needs to be modified. Five qualifications can be suggested.

First, one can argue that, despite the heavy emphasis on ties with the United States, the Brazilian government was interested in expanding relations with other areas. The visits of President de Gaulle and President Lübke of West Germany can be seen as evidence of the growing importance of relations with Western Europe. Similarly, it was in this period that the first serious efforts were made to expand trade with Africa and the Middle East. In September 1964 Leopold Senhor of Senegal visited Brazil and a range of cultural and commercial accords were signed. In 1965 a trade promotion mission visited Senegal, Liberia, Ghana, Nigeria, Cameroon and the Ivory Coast and in 1966 a further mission visited South Africa, Angola, Mozambique and the Ivory Coast.[205] In June 1966 the National Association of Exporters of Industrial Products sent a private trade mission on a tour of the Middle East. On the level of official statements, the significance of such contacts was often alluded to.

> *Brazil, simultaneously (with its inter-American commitments) will open its doors ever more fully to Europe and will continue maintaining contacts witch the countries of Africa and Asia. There couldn't be better examples of this than the recent visits of the presidents of Germany, France and Senegal.*[206]

205 See Selcher, *The Afro-Asian Dimension*, pp. 92-93.

206 Castello Branco, Interview, 30 October 1964, reproduced in *Textos e Declarações*, p. 33.

Interestingly, this policy also extended to the Soviet Union and Eastern Europe, where, unlike the cases of China and Cuba, trade relations were actively encouraged. In September 1965 the Planning Minister, Roberto Campos, made a 12 day visit to Moscow to promote trade.[207] In August 1966 the two governments signed an agreement covering the provision of credit for Soviet deliveries of machinery and equipment and including a Soviet commitment to take 25% of its imports from Brazil in manufactured of semi-manufactured goods.[208] Despite a slight fall-off between 1963 and 1964, trade with the COMECON countries grew steadily from US $88 million in 1964 to US$ 141 million in 1969.[209]

Against this, however, it is difficult to argue that such relations significantly qualify the pro-American thrust of Castello Branco's foreign policy. In the first place, the political content of such relations was explicitly limited.

> *Brazil will try to develop its foreign trade with all areas in order to diversify its export markets and its sources of supply, maintaining these relations on a strictly commercial level.*[210]

In the second place, these economic relations were neither dynamic nor significant enough to bring with them the kind of foreign policy importance that they were to acquire in the 1970s. Thus trade with Africa represented only 1.14% of Brazil's

207 *Estado de São Paulo*, 16 September 1965.

208 *Revista Brasileira de Política Internacional*, IX (Sept/Dec 1966), p. 126.

209 *Intercâmbio Comercial 1953-1976*, p. 93.

210 Castello Branco, Interview, 16 May 1964, reproduced in *Textos e Declarações*, p. 2. For a strong statement by a senior Brazilian diplomat of the need to seal off trade from "ideological contamination", see J. O. de Meira Penna, "Brazilian Relations with Eastern Europe", in J. Gregory Oswald and Anthony J. Striver, eds. *The Soviet Union and Latin America* (New York: Praeger, 1970), esp. pp. 83-84.

total trade in 1966, with the Middle East 2.6% (including oil imports), and with Eastern Europe 5.3%.[211] Trade with Western Europe was of course far larger, representing 36% of total trade in 1966, but de Gaulle's visit provides an important insight into how these relations were viewed and shows how – in direct contrast to the 1970s – Brazil was not interested in using Western Europe as a political or economic counterweight to the United States. The basic aim of de Gaulle's 1964 visit to Latin America was to promote the ties of *latinité* between France and the region and to persuade Latin America governments to follow his own independent and clearly anti-American foreign policy. Yet, Castello Branco responded to de Gaulle's talk of independence by emphasising Brazil's central place in the inter-American system and firmly rejecting once again any policy that implied non-alignment.[212]

A second set of qualifications has been suggested by Frank McCann.[213] McCann has argued that the two most quoted examples of Brazil's pro-American policy, the intervention in the Dominican Republic and support for the IAPF, were, in fact, far less clear-cut. On the one hand, the experience of serving in the Dominican Republic was a largely negative one. On the other, Brazil's promotion of the IAPF was, at least partially, aimed at curbing Washington's freedom to intervene unilaterally in Latin America. There is clearly some substance to the first point. There were difficulties between Brazilian and

211 *Intercâmbio Comercial 1953-1976*, pp. 91, 141 and 201. In addition, the report of the trade mission to Africa was largely pessimistic about the prospects for future trade. See *Textos e Declarações*, pp. 121-131.

212 Castello branco, Interview, 30 October 1964, reproduced in *Textos e Declarações*, p. 31. See also, Dulles, *Castello branco*, p. 77.

213 Frank D. McCann, "Brazilian foreign relations in the twentieth century", in Wayne Selcher, *Brazil in the International System*, pp. 18-19.

United States officers and there was a feeling amongst many officers that Brazil had done Washington a great service at the same time as incurring substantial costs itself. The incident therefore added to the expectation that Brazil deserved special treatment which, when it was not forthcoming, helped weaken the overall enthusiasm in sections of the military for a policy based on close ties with the United States.[214] One must point out, however, that this feeling was not in any way reflected in Castello Branco's own attitude. In his private memorandum to Juracy Magalhães of January 1966, he hoped that "an atmosphere without irritation" would prevail following the replacement of Panasco Alvim as commander of the Inter-American forces in the Dominican Republic.[215] McCann's second point is more debatable. As we have seen, the most striking thing about the IAPF affair was Brazil's determination to continue promoting the IAPF even after Washington had backed away. Against this background one can argue that talk of curbing unilateral United States action was merely an attempt to present the IAPF in a form most likely to win the support of other Latin American states.

A third qualification concerns Brazil's relations with Paraguay and the agreement of 1966 over the use of the Paraná River for hydroelectric projects. Paraguay had protested to Brazil since the early 1960s over the latter's plans to build a hydro-electric plant at Sete Quedas. Despite the close contacts that existed between the Brazilian and Paraguayan military, relations reached a dangerous point after an incident on the border in January 1966. Intensive but fruitless discussions followed until 22 June 1966 when, after strong Brazilian pressure, Paraguay

214 This point is also made by John Child, see *Unequal Alliance*, p. 174.

215 As quoted in Dulles, *Castello Branco*, pp. 233-234.

agreed to sign the "Ata das Cataratas".[216] Under this agreement, Paraguay would receive 50% of all electricity produced but would sell back to Brazil at a fair price all the electricity that it could not consume. It was on the basis of this agreement that the way was subsequently cleared for the massive Itaipu hydro-electric project. This is a significant qualification both because it prefigures a pattern of Brazilian behaviour towards its neighbouring states that is to become increasingly common in the 1970s and because it shows a Brazilian government clearly intent on pursuing its own independent interests.

A fourth important qualification concerns the gradual shift that took place in Brazil's attitude towards nuclear energy and the creation of a nuclear-free zone in Latin America. Brazil had advocated regional denuclearisation as early as 1961 and in April 1963, President Goulart joined with the presidents of Bolivia, Chile, Ecuador and Mexico in issuing the Five Presidents' Declaration. This call for a multilateral agreement to exclude nuclear weapons from Latin America attracted widespread attention and marked the start of the process that led to the Treaty of Tlatelolco.[217] Following the coup of 1964, the new military government at first moved cautiously. It continued to express support for the principle of banning nuclear weapons from Latin America, but withdrew Brazil from its earlier leading position. Gradually, however, Brazil's position became more equivocal. A high level meeting was held between

216 For an account of this episode, see Viana, *O Governo Castelo Branco*, pp. 445-446.

217 For a detailed discussion of the evolution of the Treaty of Tlatelolco, see Hugh Stimson and James Cochrane, "The movement for regional arms control in Latin America", *Journal of Inter-American Studies and World Affairs*, 13 (January 1971): 1-17, and John Reddick, "The Tlatelolco regime and non-proliferation in Latin America", *International Organisation*, 35, 1 (Winter 1981): 103-104.

Castello Branco and his senior advisers in Rio de Janeiro on 15 September 1965 to review Brazil's position at the Third Session of the Preparatory Committee charged with drafting a treaty. At this meeting, it was decided that Brazil would argue that the treaty should only come into force when it had been ratified by *all* Latin American states and when the relevant protocols had been ratified by *all* outside states having territorial interests in Latin America and by *all* nuclear powers.[218] These reservations emerged in the draft treaty put forward by Brazil and Colombia at the Coordinating Committee in January 1966, resulted in a compromise formula in the final treaty and continued to form the basis of Brazil's conditional ratification of the final treaty that was signed in February 1967.[219]

In addition to these reservations, Brazilian spokesmen began to stress more forcefully that neither Tlatelolco nor any other treaty should prevent Brazil from acquiring nuclear technology, described by Castello Branco as "an indispensable instrument for the future of the Nation"[220] It was also in respect of nuclear technology that Castello Branco admitted the possibility of differences emerging between Brazil and its western allies.

> *The affinity of systems does not guarantee a coincidence of interests. As a country struggling to develop we have priorities and commercial interests which many times will differ from those of the developed countries of the western world.*[221]

218 See Viana, *O Governo Castelo Branco*, p. 448.

219 For a detailed description of the ratification process, see Reddick, pp. 106-107.

220 Viana, *O Governo Castello Branco*, p. 449.

221 Ibid, p. 447.

Brazil's attitude to the wider issue of proliferation was still evolving in the Castello Branco period, but signs of the country's future strong opposition were becoming evident. In his speech to the UN General Assembly in September 1966, Juracy Magalhães spoke in favour of proliferation but only if there was an "entirely secure framework of juridical and material guarantees" that will bind both non-nuclear and nuclear powers alike.[222]

The nuclear issue is an important qualification because it prefigures the centrality that the question of access to nuclear technology was to have for subsequent administrations and because it provides evidence of Brazil's interest in preserving its independence and freedom of action. It should be remembered, however, that in this period the nuclear issue did not involve Brazil in any conflict with the United States, both because the non-proliferation issues had not yet gained the importance they were to have in the later part of the Johnson Administration and, even more, in the Carter administration and because the United States had reservations of its own about the Treaty of Tlatelolco.[223]

The fifth and most important qualification that can be made against the charge of *entreguismo* is that the close pro-American policy of the Castello Branco period should not be seen as an end in itself but rather as a means of furthering Brazil's wider aims of economic development and greater independence.[224] In his speeches Castello Branco argued that

222 Juracy Magalhães, Speech to 23rd Session of the UN General Assembly, 22 September 1966, reproduced in *A Política Externa*, pp. 40-41.

223 See Stimson and Cochrane, "The movement for regional arms control", pp. 12-13.

224 On this point, see Hans Jürgen Brummel, *Brazilien zwischen Abhängigkeit, Autonomie und Imperialismus* (Frankfurt am Main: Haag und Herchen, 1980), pp. 100-101.

independence remained the goal of his foreign policy and, more specially, that the objectives of that policy were the strengthening of Brazil's power and the attainment of full social and economic development.[225] Yet he goes to say that "independence is, however, a terminal value" and that his policy of interdependence should be seen as the "instrument" by which to attain it.[226] As we have seen, implicit in the policy of interdependence was the idea of a bargain. Brazil would act as Washington's closest ally in Latin America; it would crush the danger of communism inside Brazil; it would adopt an active anti-communist policy on major international issues; and it would pursue an economic policy in line with United States preferences. In return Brazil expected to gain recognition and support from Washington of its special regional importance and substantial economic benefits. This expectation was heightened by what Castello Branco saw as Brazil's key demographic and strategic position in world affairs.[227]

The notion of a bargain is another example of the influence of Golbery do Couto e Silva, who had developed the idea in a rather more explicit form. Whilst the all-encompassing struggle between East and West left Brazil with no viable alternative but to ally itself with Washington, Golbery did not see this alliance as necessarily disadvantageous. This was because Brazil possessed a number of important assets which would enable it to reach a loyal bargain (*uma barganha leal*) with the United States.[228]

225 Castello Branco, Speech of 31 July 1964, reproduced in *A Política Exterior*, p. 17.

226 Ibid, p. 13.

227 Ibid, p. 16.

228 Golbery do Couto e Silva, *A Geopolítica do Brasil*, pp. 50-51.

Brazil's strengths were based on: the unreliability of most other the Latin American states with their anti-Americanism and tendency to neutralism; Brazil's own strategic importance, particularly in relation to the North East; the Amazon Basin and the South Atlantic; its complementary economy; its long and proven record of friendship; and, finally, its rich endowment of natural resources, especially manganese and monazitic sands.[229] In addition, Brazil possessed another crucial advantage, namely that, unlike Mexico, it was sufficiently distant from the United States for their interests not to collide.

"We can also invoke a 'manifest destiny', even more so because it does not collide in the Caribbean with that of our more powerful brothers to the north".[230]

In return Brazil should press for recognition by Washington of Brazil's special role and status (*real estatura*) within Latin America and the South Atlantic and for substantial development assistance.[231]

However one may judge such a policy, it is one that needs to be taken seriously as a plausible means of achieving a more significant and independent international role. It is of course difficult to judge to what extent the talk of nationalism and greater independence was merely rhetorical gloss to cover that policy which was most likely to perpetuate the military's domestic power and their instinctive preference for the United States. It would also be wrong to exaggerate the element of calculation. Yet the point remains that Brazil entered into its

229 Ibid, p. 52.

230 Ibid, p. 52.

231 Ibid, pp. 239-249.

close pro-American alignment in the years after 1964 in the expectation of receiving substantial benefits, both political and economic. What one can say with some certainty, and what is important for this study, is that the Brazilian military themselves came to see the limits of this policy and to feel the need for a foreign policy that looked beyond Washington and the ideological straightjacket imposed by Castello Branco. It is to the story of the gradual erosion of the relationship with Washington and the emergence of other perspectives that we will turn in the next chapter.

4. The Beginnings of Change: Costa e Silva and the Diplomacy of Prosperity

4.1. Introduction

The new government of General Costa e Silva introduced important, although often overlooked, changes in both the tone and the direction of Brazilian foreign policy. Whereas for Castello Branco the Cold War and the bi-polar confrontation between East and West had represented the dominant feature of international life, spokesmen for the new government pointed to the gradual easing of tensions between the super-powers and the growing complexity of the international system. This broader perspective was clearly expressed by the new foreign minister, José de Magalhães Pinto, in a speech to the *Escola Superior de Guerra* in July 1967.

> *In the post-war period, security concerns assumed a clear predominance both on the international and the national level. This was a natural consequence of a new balance of power, based on the bipolarization of the*

> *world in both military and ideological terms. ...Twenty years on, we are witnessing a progressive easing of military and ideological tension in the relations between East and West, with the gradual shift of these tensions from the centre to the periphery.*[232]

According to official spokesmen, three consequences followed from the emerging signs of superpower détente. Firstly, the relaxation of East/West tensions made disagreements between allies and within alliance blocs more common.

> *On this wide world-political plane, problems are tending to be the result more of the lack of cooperation amongst allies than of disagreement between adversaries.*[233]

Secondly, this tendency was exacerbated by the emergence of new centres of power, particularly in Western Europe and Japan.

> *New centres of power are emerging as a result of their own economic development and of the growing divergence between allies as regards their political, military and economic interests. In consequence, traditional considerations of national power are once more asserting themselves.*[234]

Thirdly, whilst the East/West divide remained central, the North/South division between rich and poor nations was assuming an ever-increasing importance in international life. To quote a senior diplomat speaking in June 1967:

232 Reproduced in *Documentos de Política Externa*, Vol. I, (15 March to 15 October 1967), (Rio de Janeiro: Ministério das Relações Exteriores, Secretário-Geral Adjunto para o Planejamento Político, 1967), p. 80.

233 Ibid, pp. 80-81.

234 Ibid, p. 81.

> *The international scene has been clearly evolving: the bi-polar context of world-wide tensions between East and West is being gradually succeeded by a situation tending towards polycentrism and in which tensions are localised. In this new context, the division of the world along North/South lines is progressively emerging as one of the great problems of international politics.*[235]

These three changes within the international system provided the basis for a new approach to Brazil's foreign policy. In the first place, there was to be a more nationalist emphasis to foreign policy decisions. As Costa e Silva expressed it: "Only our own national interest will be able to guide us, as it is the permanent foundation of a sovereign foreign policy".[236]

Secondly, whilst security and the fight against communist subversion continued to preoccupy the military government, the definition of security was broadened and less emphasis was placed on military solutions – at least as far as foreign policy was concerned.

> *History teaches us that a people will not be able to live in a climate of security whilst they are suffocated by underdevelopment and uncertain of their future. Equally, there is no room for collective security in a world in which the contrast grows ever more acute between the wealth of the few and the poverty of the many.*[237]

235 Paulo Nogueira Batista, speech in Brasilia, 26 June 1967, quoted in Martins, "A Evolução da Política Externa Brasileira", p. 69.

236 Costa e Silva, speech of 5 April 1967, reproduced in *Documentos de Política Externa*, Vol. I, p. 12.

237 Ibid, pp.11-12.

Or to quote Magalhães Pinto.

> *The defence of national institutions against subversion is the duty primarily of the armed forces of each country. Yet the experience of recent years shows the high cost and precariousness of a military solution to the guerrilla problem... From this there emerges the urgency of finding a more profound and definitive solution. This solution can only be provided by development which eliminates the political and social causes which generate subversion.*[238]

In consequence, the new government placed greater emphasis on economic development as the major determining factor behind foreign policy. This new policy – the "diplomacy of prosperity" – was defined by Costa e Silva in the following terms.

> *We will thus give priority to the problem of development. The diplomatic actions of my government will aim, at both bilateral and multilateral levels, at widening our external markets, at obtaining fair and stable prices for our products, at attracting capital and technical assistance and – of particular importance – at the cooperation necessary for the peaceful nuclearization of the country.*[239]

Economic growth was therefore seen both as the answer to the problem of security and as the prerequisite for a wider and more independent international role in the future.

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238 Magalhães Pinto's speech to ESG, July 1967, *Documentos de Política Externa,* Vol. I, p. 81. It should be stressed that this broader view of security did not prevent the imposition of severe repression within Brazil during the Costa e Silva presidency.

239 Costa e Silva, speech of 5 April 1967, Ibid, p. 12.

> *In order for Brazil to be able to acquire greater freedom of action, in accordance with its most natural inclinations, resources and historical momentum, it is indispensable, before anything else, that it grows.*[240]

This very close integration of foreign policy with economic priorities was to become the staple of countless foreign policy speeches and statements over the next eighteen years. As Costa e Silva explained, the imperatives of economic development were forcing Brazil to widen the range of its international ties and to take advantage of the changes that were occurring in the international system. The government's firm pro-western sentiments were thus having to be balanced by new perspectives.

> *As a result of geographic conditioning, coherent with its cultural traditions and faithful to its Christian development, Brazil is integrated into the western world and is adopting democratic models of development. However, we will be attentive to new perspectives of cooperation and trade which have resulted from the very dynamism of the international situation, which has evolved from the rigidity of the position characteristic of the 'Cold War' towards a situation of relaxation of tensions.*[241]

These changes in the general orientation of Brazilian foreign policy soon became visible both in relations with the United States and in growing moves towards diversification.

240 Magalhães Pinto, speech to the ESG, 3 July 1969, reprinted in *Boletim de Direito Internacional*, XXV, 49/50 (Jan-Dec 1969), p. 69.

241 Costa e Silva, speech of 5 April 1967, *Documentos de Política Externa*, Vol. I, p. 12.

4.2. The United States

Although the Costa e Silva years did not see any major difficulties in relations with the United States, it quickly became evident that much of the warmth had faded from the relationship. In retrospect it has also become apparent that the late 1960s saw a basic reassessment on the part of Brazilian policymakers of the role that the United States was to play within the wider framework of the country's foreign policy.

On the United States side, various factors came together to produce a feeling that the Johnson administration was "overcommitted" to Brazil. Firstly, there was real concern over the deteriorating political situation within Brazil and the extent to which Washington was all too visibly tied to a regime whose repressive proclivities were becoming harsher and which was attracting increased international criticism. Ever alert to public, and particularly Congressional, opinion, it became harder for the Administration to pass off the dictatorial nature of the Brazilian regime as a transition period that was preparing the ground for the restoration of democracy.[242] Both the very size of the American presence in Brazil and the extent of Castello Branco's pro-American policies had become a source of embarrassment to Washington. Thus Gordon's successor, John Tuthill, has commented "the result was that, by 1966, in almost every office involved in administering unpopular tax, wage or

242 Lincoln Gordon had argued in 1966 that the Castello Branco government was a "transitional regime with some arbitrary powers" that was "moving very rapidly in the direction of full constitutional normality", *Nomination of Lincoln Gordon to be Assistant Secretary of States for Inter-American Affairs* (Committee on Foreign Relations, US Senate, 88th Congress, Second Session, 7 February 1966) p. 34. This expectation does appear to have been sincere. Thus, for example, Thomas Mann had written to McGeorge Bundy the previous year, "An immediate return to 'politics as normal' may not be feasible in these circumstances. But I have no doubt that within a relatively short period of time there will be a return to full democratic procedures". Thomas Mann to McGeorge Bundy, 23 February 1965, White House Central File, Confidential File, TR49, LBJ Library.

price decisions, there was the ubiquitous American adviser".[243] Or, as the US embassy concluded in early 1967 "the Castello Branco administration's all out public support for United States policies has served rather to increase anti-American feeling than to lessen it".[244]

Secondly, there was uncertainty about the new administration's "reliability" on foreign policy questions and doubts about the probable success of the economic stabilization programmes in Brazil. Thus Johnson's National Security Adviser, Walt Rostow, wrote to the president in June 1967 that "Performance in two areas is of particular concern to us: foreign policy and the domestic stabilization program".[245] Rostow compares the new government with Castello Branco, with whom "Cooperation with us on foreign policy matters could hardly have been closer" and speaks of the failure of Costa e Silva to hammer a consistent set of policies.

> *As a result, there is a puzzling ambivalence in the orientation of the Costa e Silva administration. For example, in foreign affairs Costa e Silva expresses close identification with our policies – and I believe he is sincere in this. But his foreign minister publicly advocates a "non-involvement" policy on Vietnam, insists on a nuclear test-for-peaceful-uses exception in the Non-Proliferation Treaty, strikes a reluctant stance*

243 John Tuthill, "Operation Topsy", *Foreign Policy* 8 (Fall 1972), p. 65.

244 US Embassy Rio de Janeiro to State Dept., cable 24 January 1967, quoted in Dulles, *Castello Branco*, p. 442.

245 Memorandum from Walt Rostow to LBJ, 14 June 1967, National Security File, Countries Brazil, Vol. 7, LBJ Library.

> *on Venezuela's complaint against Cuba and takes an equivocal position on our efforts to unscramble the Israeli-Arab problem.*[246]

Speaking of economic issues, he goes on

> *What concerns us is that if Costa e Silva does not develop a responsible fiscal and financial program and stick to it, the stabilization program will be undermined and our assistance will be wasted.*[247]

Thirdly, the new ambassador to Brazil, John Tuthill, did not develop the same kind of close personal relationship with Costa e Silva and his senior advisers as had clearly existed between Lincoln Gordon and both Castello Branco and Roberto Campos. This lack of warmth became quickly apparent. Thus, for example, when Tuthill met with Carlos Lacerda, a severe critic of the government, Costa e Silva refused to meet the American ambassador at all.[248] A further example occurred 1969 when Nelson Rockefeller visited Brasilia as part of the Rockefeller Mission. The Head of the Military Household, Jayme Portello de Mello, has recorded the "bitter dialogue" that took place between Rockefeller and Costa e Silva and the latter's very sharp reply to Rockefeller's questions on the domestic political situation.[249]

246 Ibid. Both these fears follow up an earlier analysis by the embassy in Rio de Janeiro. See "Thirty Days of Costa e Silva", US Embassy Rio de Janeiro to State Dept., cable, 21 April 1967, National Security File, Countries Brazil, Vol. 7, LBJ Library.

247 Ibid. Both these fears follow up an earlier analysis by the embassy in Rio de Janeiro. See "Thirty Days of Costa e Silva", US Embassy Rio de Janeiro to State Dept., cable, 21 April 1967, National Security File, Countries Brazil, Vol. 7, LBJ Library

248 Wesson, *The United States and Brazil*, p. 56.

249 Jayme Portello de Mello, *A Revolução e o Governo Costa e Silva* (Rio de Janeiro: Editora Guavira, 1979), pp. 739-742.

Finally, US policy towards Brazil was, as always, crucially affected by the wider developments that were taking place in American foreign policy. Johnson's attitude towards Latin America and the Alliance for Progress had always been narrower than Kennedy's, with far less emphasis on the crusading mission to transplant democracy and development and far more on ensuring that economic aid should produce tangible political benefits.[250] As Levinson and de Onis have commented: "The Johnson administration placed the alliance in a new perspective dominated by pragmatic judgements and technical standards".[251] Thus during his administration the proportion of aid used for immediate security purposes rose continually as against money devoted to long-term development projects. The high levels of aid to Brazil came under increasing pressure from Congress, a development that Johnson's dwindling political capital could do little to alter. Most important of all was the fact that Johnson's interest and energies were directed principally towards domestic issues and the Great Society reforms and that the greatest part of foreign policy attention was concentrated on one area as the country became progressively more and more entrapped in the mire of Vietnam.

As a result of these factors, to quote John Tuthill, "The stage was set in the summer of 1967 for a basic reappraisal of US government operations in Brazil".[252] In the first place this meant the adoption of a far lower profile in Brazil and a reassessment of the level of official support for the Brazilian government. Thus the overall size of the US mission was cut from 920 in

250 See Packenham, *Liberal America and the Third World*, pp. 85-91.

251 Levinson and de Onis, *The Alliance that Lost Its Way*, pp. 87-88.

252 Tuthill, "Operation Topsy", p. 67.

1966 to 719 in 1969 to 527 in 1972.[253] US staff involved in the USAID programme fell from 433 at the end of 1966 to 248 in 1971.[254] Economic assistance (excluding Eximbank loans) fell from US$ 280.7 million in 1968 to just US$ 29.2 million in 1969 and from US$ 849.7 million for the three years 1966-1968 to US$ 300.8 million in the years 1969-1971.[255] Similarly, the size of the military mission was reduced from 150 in 1966 to 54 by January 1972.[256] Military aid fell from US$ 36.1 million in 1968 to US$ 0.8 million in 1969 and total military assistance dropped from US$ 103.7 million in the years 1966-1968 to just US$ 13.7 million in the years 1969-1971.[257]

In the second place, there was a parallel decision to try and use economic aid to steer Costa e Silva's government towards more acceptable positions as regards economic policies and the level of repression. Thus Rostow advocated in 1967 "a strategy for trying to make the Brazilians face their problems and take corrective action", making it clear that further economic aid was dependent on following an agreed stabilization programme.[258] As regards the political situation in Brazil, the proclamation of the repressive Fifth Institutional Act in December 1968 prompted Washington to place a US$ 188 million loan "under review" and to stall on negotiations of further loans.[259] Writing

253 Ibid, p. 66.

254 Committee on Foreign Relations, *United States Policies and Programs in Brazil*, p. 238.

255 See Chapter 8, Table 7.

256 Tuthill, "Operation Topsy", p. 66.

257 See chapter 8, Table 7.

258 Walt Rostow to LBJ, 14 June 1967, National Security File, Countries Brazil, Vol. 7, LBJ Library.

259 Bell, "Brazilian-American Relations", p. 98.

to Johnson in January 1969, Rostow describes the "dictatorial trend" in Brazil and advocates a general policy of holding-back, "in particular in anticipation of strong negative reactions from Congress".[260]

> *State has followed this line since December 13 – while maintaining normal diplomatic, aid, and military contacts, we have been "reviewing" our assistance programs, a polite way of saying "no new commitments".*[261]

On the Brazilian side, there was a growing dissatisfaction with the results of the close pro-American alignment instituted by Castello Branco. As we have seen, the "policy of interdependence" had been at least partially based on the notion of reciprocity. Brazil would acknowledge United States leadership of the "Free World", would provide political support for American diplomacy and would adopt economic policies in line with American preferences. In return Washington would both respect Brazil's preeminent position within Latin America and provide substantial economic assistance in the form of aid, increased investment and expanded trade. Yet to many within the new administration the actual gains appeared too small to warrant such rigid self-imposed limits on the country's foreign policy interdependence, particularly at a time when new international opportunities were beginning to appear.[262] In addition, Oliveiros Ferreira has pointed to the reassessment of the power and reliability of the United States that was taking

260 Walt Rostow to LBJ, 13 January 1969, National Security File, Countries, Brazil, Vol. 8, LBJ Library.

261 Ibid.

262 Personal interview with Mario Gibson Barbosa, Costa e Silva's ambassador to Washington and subsequently foreign minister under President Médici. London 31 October 1984.

place within influential sections of the Brazilian military at this time.[263] The emergence of racial and social violence in the Unites States and, above all, the apparent impotence of the leader of the "Free World" in Vietnam prompted many senior figures within the Brazilian military to ask whether Washington would be able to fully honour its commitments to such major allies as Brazil.

The result of this gradual reassessment was not any immediate conflict but rather a feeling that relations should be seen in far more pragmatic, nationalist terms. As Magalhães Pinto put it, "It is no longer possible to speak or act within the framework of an automatic alliance... The only possible alliance is thus the alliance with the national interest".[264]

Economic relations were one of the first areas where this more nationalist attitude became apparent. Thus, on a general level, the United States was clearly not exempted from Brazilian strictures about the evils of undervelopment and the constraints of the international economic system.

> *In the Western world, there also exists coercion. It shows itself, for example, when the industrialised countries prescribe for the rest a policy of free trade and free enterprise, almost always incompatible with the necessities of countries in different stages of development.*[265]

263 Oliveiros Ferreira, "O Brasil e o Destino de Grande Potência", *Digesto Economico*, XXXV, 260 (March/April 1978), pp. 112-114. A journalist with the *Estado de S. Paulo*, Ferreira had very close connections with the nationalist wing of the Brazilian military. See Stepan, *The Military in Politics*, p. 251.

264 *Gestão de Magalhães Pinto no Ministério das Relações Exteriores*, Relatório Final (Brasilia: Ministério das Relações Exteriores, 1969), p. 2.

265 Magalhães Pinto, speech to the ESG, 3 June 1969, reprinted in *Boletim da Sociedade Brasileira de Direito Internacional*, XXV, 49/50 (Jan-Dec 1969), p. 66.

This statement by Magalhães Pinto in 1969 certainly provides a striking contrast with the economic ideas of Castello Branco's "interdependence" speech of 31 July 1964.[266] In addition, there were various specific examples of emerging strains in the economic field. There was growing Brazilian resentment at the quarterly loan reviews (semi-annual after 1968), at the close American surveillance of Brazil's economic policies and at the attempt to use economic aid to pressure Brazil. As Peter Bell has pointed out, these reviews involved many detailed aspects of social and economic policy and created both mistrust and dislike of American paternalism.[267] Helio Beltrão, for instance, spoke up publicly against the uncertainly and unreliability of aid levels which hindered consistent social and economic planning. There were also differences over shipping policy and Brazil's demand that a greater share of US-Brazilian trade should be carried by Brazilian ships.[268]

The most important economic dispute of the period was the clash over Brazil's soluble coffee exports to the United States. By 1967 Brazil was producing 100 tons of soluble coffee and exporting half its production to the United States.[269] In February 1967, US coffee producers complained officially to the State Department that they were discriminated against because the export price of Brazilian green coffee was lower than the price for domestic coffee producers. Charges of dumping persisted and in June 1968 the United States demanded the right to take unilateral sanctions against future unfair coffee

266 See page 146.

267 Bell, "US-Brazilian Relations", p. 99.

268 For details see *Department of State Bulletin*, 12 August 1968.

269 On this issue see "Les Relations Extérieures", *Problèmes d'Amérique Latine* 3558-3559 (31 January 1969), pp. 78-79.

imports. In April 1969 Brazil signed an agreement whereby it agreed to impose an export tax on green coffee of 13 cents per pound but the United States reserved the right to impose import restrictions unless the tax was increased to 30 cents by May 1970.[270] Despite the agreement friction persisted and the dispute was not finally settled until 1971 when it was agreed that Brazil would sell 560,000 bags of green coffee free of export taxes. Although in itself of only limited importance, the clash over soluble coffee prefigures the central role that trade disputes were to play in US-Brazilian relations in the 1970s. As Brazil sought to expand its exports of processed and manufactured products and as it developed a complex system of export incentives and subsidies to encourage those exports, so the traditional basis of economic complementarity was weakened and the likelihood of trade disputes increased.

A second important issue that emerged in this period was the question of arms sales. By the late 1960s Brazil's military government had decided to embark on an extensive programme of modernising the armed forces. This programme was made necessary by the fact that much existing equipment was obsolete, consisting in large part of surplus US stock supplied after both the Second World War and the Korean War. [271] Yet this programme conflicted with Washington's desire to reduce the visibility and the level of its military relationship with Brazil. In addition there was mounting opposition within

270 For details of the agreement see *Department of State Bulletin*, 26 May 1969, p. 453.

271 *Estado de S. Paulo*, 6 July 1967. On the evolution of arms supplies to the armed forces, see Adrian Engilsh *The Armed Forces of Latin America* (London: Jane's, 1984), pp. 91-131. Thomaz Guedes da Costa has drawn attention to the impact which the Six Day War had on the Brazilian military's plans for modernisation, both in terms of need to modernise and the performance of French weapons. See "A Indústria de Material Bélico no Brasil: Alguns Aspectos da Instalação do Setor Aeronáutico no País", Paper presented to Fifth Annual Meeting of International Relations Working Group, ANPPCS, Friburgo, 21-23 October 1981, pp. 15-16.

Congress to high levels of arms exports to Latin America. In 1967 Congress added a provision to the foreign assistance legislation which placed an upper limit of US$ 75 million per year on military assistance and arms sales to individual Latin American countries. Under the Conte Amendment economic assistance was to be reduced by the same amount as countries in the region spent on sophisticated weaponry.[272] These events had three important consequences for the relationship between Brazil and the United States. Firstly, there was the effect that Washington's arms policy had on attitudes and thinking within the Brazilian government and armed forces. The feeling began to emerge – and here we are only talking about the beginnings of a process that was to become far more prominent in the 1970s – that Washington could not always be counted upon to meet Brazil's essential needs. On the one hand, resentment and incomprehension in military circles resulted from the fact that in some cases Washington was refusing to supply Brazil with weapons that were, by world standards, neither especially modern nor sophisticated. Thus, for example, when a projected sale of M16 rifles took three years to receive the necessary export licences, the Brazilians cancelled the deal.[273] On the other hand, an increasingly self-confident and economically successful Brazil resented the fact that it could not even buy more sophisticated American arms "with its own money", on a purely cash basis. Although the size of the transactions involved was small, their significance lies in the fact arms sales directly affected that section of the Brazilian governing élite that had always been most supportive of US policy, namely the military.

272 For further details of US policy, see Lewis Sorley, *Arms Transfers Under Nixon: A Policy Analysis* (Lexington: University of Kentucky Press, 1983), Chapter Nine.

273 Ibid, p. 154.

Secondly, the refusal of the United States to supply up-to-date weapons encouraged the Brazilian government to turn to alternative suppliers, particularly in Western Europe. On 18 October 1967, a few days after Washington announced that it would uphold the ban on supersonic aircraft sales, Magalhães Pinto confirmed that Brazil was considering purchasing the Mirage III fighter from France.[274] Later that month a French military mission arrived in Brazil and serious negotiations started over the purchase of 15-30 Miarage IIIs in place of the American Northrop F5s that had originally been planned. In June 1968 the Brazilian government placed an order for seven French Magister CM170-2 trainer aircraft and in May 1970 the purchase of sixteen Mirage IIIs was finalised. In addition to these purchases from France, the period also saw the decision in October 1969 to build 112 MB326 jet trainers in Brazil under licence from Aermacchi of Italy and the 1969 decision to buy two Oberon class submarines from Britain. According to Oliveiros Ferreira the modernisation plans that were developed in this period were overwhelmingly oriented towards Western Europe.[275] Taken together with the parallel success of European, and particularly French, arms exporters in Argentina, Colombia, Venezuela, Chile and Ecuador, the late 1960s represent a significant break in the previous dominance of the United States over the Latin American arms market.

Thirdly, the difficulty of securing external support from the United States for its military modernisation programme prompted the Brazilian government to give far greater priority to domestic arms production. To Brazil's military rulers, the creation of an independent and efficient national arms industry

274 For details of the negotiations with France see "Les Relations Extérieures", pp. 83-84.

275 Oliveiros Ferreira, "O Brasil perante os Estados Unidos", *Estado de S. Paulo*, 18 December 1977.

represented an important way of both reducing the country's vulnerability and preparing the ground for a larger international role in the future. The origins of Brazil's arms industry can be traced back to the late 1940s and especially the decision in 1946 to form the *Centro Técnico Aeronáutico* (CTA).[276] Yet by the mid-1960s the industry was still embryonic, limited to the production of various types of small arms under licence and the country imported some 95% of its arms requirements. The decision to devote greater attention to the arms industry can be dated to the period between 1966 and 1968 and was visible in a number of areas. In the field of aerospace, a 1966 official report had called for public sector involvement in aircraft production and a concerted policy of "nationalising" component supplies. In August 1969 EMBRAER was founded by the Brazilian Air Force and the CTA, and the prototype of the highly successful Bandeirante turboprop aircraft was tested.[277] In the field of armoured vehicles, the sector's leading company, Engesa, speeded up its development programme and the first Cascavel armoured car was produced in 1970.[278] Where necessary, co-production agreements were entered into (as with Aermacchi of Italy) and in 1968 a general import substitution programme was launched in the military sector. Whilst the initial concept of simply reproducing US equipment was of limited success, the basis was laid in this period for the ultimately far more

276 See Costa, "A Indústria de Material Bélico no Brasil", p. 18. The most detailed work on the Brazilian arms industry has been carried out by Clóvis Brigagão. See "The case of Brazil: Fortress or paper curtain", *Impact of Science on Society*, 31.1 (1981): 17-31 and "Military Research and Develoment in Brazil: An Evaluation", mimeo 1981.

277 Brigagão, "The case of Brazil", pp. 25-26.

278 Ibid, p. 18.

successful policy of developing military equipment using locally available civilian products and designs specifically adapted to Third World conditions. As we shall see, this development has proved to be of lasting importance, given the success of the industry, its implication for relations with the United States and the significant role that arms exports have played in the diversification of Brazil's external relations, especially in the Third World.

A third important factor in US-Brazilian relations in this period concerned Brazil's attitude towards nuclear proliferation, which after 1966 became a central plank of the Johnson administration's arms control policy and of the emerging détente with the Soviet Union. As we have seen, reservations about international measures to prevent the spread of nuclear technology had already begun to emerge under Castello Branco. Under the generally more nationalist Costa e Silva administration both the aim of acquiring nuclear technology and the policy of resisting international non-proliferation measures became major priorities. One of Costa e Silva's first actions was to uphold Brazilian reservations over the treaty of Tlatelolco and to order the *Conselho de Segurança Nacional* (CSN) to produce a plan which would establish the guidelines for a national nuclear energy policy.[279] In October 1967 the CSN established a nuclear energy capability as a Permanent National Objective – the highest level of national objective under the National Security Doctrine.[280]

279 Portello de Mello, *A Revolução e o Governo Costa e Silva*, pp. 451-452.

280 Schneider, *Brazil*, p. 91.

During the Costa e Silva government the importance of nuclear technology was continuously emphasised by official spokesmen. For the foreign minister, Magalhães Pinto, it was the "subject of the century".[281] Or, as Costa e Silva himself put it:

> *In the present context, nuclear energy will play a dominant role, and is, without doubt, the most powerful resource to be put within the reach of developing countries in order to reduce the distance which separates them from the industrialised nations.*[282]

Nuclear technology was seen as important both in its own right and as the key to developing a national capability in other high technology areas. Similarly, whilst the emphasis in official statements is exclusively on the peaceful use of nuclear technology, it is impossible to believe that the possibility of providing Brazil with the military option at some future time was entirely absent from official thinking.

Given this consistent stress on nuclear technology as one of the keys to overcoming underdevelopment, it is not surprising that the country's attitude towards non-proliferation measures should have hardened.[283] Under Castello Branco, official spokesmen, whilst favouring such measures, emphasised the need for cast-iron controls on all states and warned that such measures could not be imposed simply by the veto of

281 Speech by Magalhães Pinto, Belo Horizonte, 13 October 1967 reproduced in *Documentos de Política Externa*, Vol. I, p. 116.

282 Speech by Costa e Silva, Brasilia, 5 April 1967, IBID, p. 14.

283 For study of Brazilian attitudes to the NPT, see H. Jon Rosenbaum and Glenn Cooper, "Brazil and the Nuclear Non-Proliferation Treaty", *International Affairs* 46, 1 (1970): 74-90. Brazilian statements on the question are collected in "A Política Brasileira de Energia Atómica" *Revista Brasileira de Política Internacional*, X (May/June 1967), esp. pp. 51-62 and 142-163.

the major powers. Brazilian opposition now centred around three arguments, all of which are illustrative of the changing attitude towards foreign policy. Firstly, the NPT was seen as perpetuating the inferiority and technologically dependent status of the non-nuclear states.

> *On the other hand, still not freed from one form of underdevelopment, we will find ourselves rapidly trapped in another and more dangerous form, which will be scientific and technological underdevelopment.*[284]

> *Conscious of its possibilities and faithful to its sovereignty and its aspirations to progress, Brazil is not prepared to accept limits which condemn us, in the scientific age which is just dawning, to a permanent stage of inferiority.*[285]

Secondly, Brazil resented the way in which the NPT was being negotiated by the superpowers and then simply handed down to the rest of the world as a fait accompli. Thirdly, Brazil saw the NPT process as discriminatory, imposing no limits on the existing nuclear powers and forcing the non-nuclear powers to be content with vague promises of nuclear assistance.

> *It is principally because we do not desire to be simply importers of final products, without any guarantee of supply, that we cannot accept the provisions of the Non-Proliferation Treaty that in fact prevents our access to genuine nuclear technology.*[286]

284 Costa e Silva, Brasilia, 17 March 1967, "A Política Brasileira", p. 7.

285 Speech by Magalhães Pinto, Belo Horizonte, 13 October 1967, *Documentos de Política Externa*, Vol. I, p. 112.

286 Ibid.

As an issue in US-Brazilian relations the nuclear question had two aspects. In the first place, there was United States displeasure at Brazil's refusal to agree to the NPT. Secondly, there was already Brazilian dissatisfaction with the kind of nuclear assistance that had been obtained from the United States. After initial fruitless attempts to develop an independent nuclear programme, in 1954 the CNEN (National Nuclear Energy Commission) was established and in 1955 a nuclear agreement was signed with the United States. Yet by the late 1960s Brazil's plans for developing a national nuclear capability clashed with the very limited training and research support that was available under the Atoms for Peace programme.[287] These divergent attitudes to the nuclear question could be seen during the visit to Brazil of Glenn Seaborg, president of the US Atomic Energy Commission in July 1967.[288] Seaborg reaffirmed Washington's desire to maintain control over nuclear development in Latin America and offered what Brazil saw as a very limited programme of cooperation. His Brazilian counterpart issued a statement which, whilst expressing satisfaction with the visit, did not attempt to hide the differences between the two sides. Just as in the field of arms supplies, one of the results of these events was to stimulate contacts in the nuclear field with other suppliers, particularly in Western Europe. Thus in May 1967 an agreement on nuclear technology was signed with France. In October 1968 a Canadian delegation visited Brazil to study the possibility of supplying Canadian natural uranium or heavy water reactors. Most important were the growing ties with West Germany. In October 1968 the Minister of Mines and Energy, Costa Cavalcanti, paid an eight-day visit to Germany to

287 For further details of Brazil's early moves in the nuclear Field, see Schneider, *Brazil*, pp. 47-49.

288 See "Les Relations Extérieures", pp. 82-84.

discuss the future construction of nuclear power plants. In March 1969 the West German Minister for Scientific Research, Stoltenberg, visited Brazil. In June 1969 Magalhães Pinto and Willy Brandt signed a scientific and technical agreement which covered nuclear research. Finally, in April 1971, the CNEN signed an important cooperation accord with the Jülich Nuclear Research Centre.[289]

Although the results were not immediately apparent, the Costa e Silva period therefore saw an important change in the character of US-Brazilian relations. On the American side, there was a clear feeling that the country was over-committed to Brazil and that the level of US support for the military government in Brazil should be reduced. On the Brazilian side, there was a parallel awareness that foreign policy needed to broaden and move away from the constraints of the special relationship that had been so vigorously reasserted by Castello Branco. The adoption of more nationalist approach to the relationship and the beginnings of differences on trade, arms sales and nuclear policy clearly prefigure the more dramatic changes in the relationship that were to occur in the 1970s.

4.3. Emerging Moves towards Diversification

Parallel with, and partly in response to, the changing character of relations with Washington were growing moves towards diversification, involving the expansion of ties with Western Europe, Japan and the socialist countries and the adoption in official statements of a greater commitment to solidarity with other developing countries.

289 Scheneider, *Brazil*, pp. 91-92.

4.4. Western Europe and Japan

A central feature of the Diplomacy of Prosperity introduced by Costa e Silva was the idea that Brazil's economic relations should be diversified and that all opportunities for economic exchange should be exploited.

> *In the search for capital and markets, we will equally have in sight the countries of Western Europe, in particular the European Economic Community, which today constitutes the second unit in international trade. We want to strengthen our cultural and political identity with the countries of this area by means of an increase in our economic, scientific and technical interchange.*[290]

In a similar way Magalhães Pinto, speaking in July 1967, saw the duty of the government to lie

> *"...in the systematic and profound exploitation of every concrete opportunity for economic exchange, for economic cooperation, for technical assistance and for investment which the present world situation can offer."*[291]

"We believe that the principal task consists of the expansion and diversification of our international markets."[292]

The expansion of arms supplies from, and nuclear contacts with, Western Europe has already been mentioned. Between 1967 and 1972 Brazil was responsible for 40% of Europe's arms sales to Latin America, whilst the growth of technical agreements laid the basis for such developments in the 1970s as the 1975 nuclear agreement with West Germany. During the

290 Costa e Silva, speech of 5 April 1967, *Documentos de Política Externa*, Vol. I, p. 11.

291 Magalhães Pinto, speech to ESG, 28 July 1967, Ibid, p. 82.

292 Magalhães Pinto, speech in Minas Gerais, ibid, p. 75.

Costa e Silva period economic contacts flourished. Exports with the EEC rose 72% between 1967 and 1970, from US$ 553 million to US$ 957 million, whilst imports increased by 109%, from US$ 354 million to US$ 739 million.[293] In June 1969 an economic cooperation agreement was signed between Brazil and the EEC during the visit of Magalhães Pinto and Delfim Neto to Europe. There was a series of high level contacts with West Germany, in particular the visits to Brazil of Ludwig Erhard in April 1968 and Willy Brandt in October 1968. In May 1969 Volkswagen announced that vehicle production in Brazil would be stepped up to 1000 vehicles per day. As regards contacts with Britain, the queen visited Brazil in 1968 and in September 1969 Brazil's first permanent trade centre in Europe was opened in London. There were various trade missions to and from Italy (July 1968, December 1968, February 1969, April 1969). In addition to the conclusion of arms deals with France, various cultural agreements were signed, it was agreed that a French satellite monitoring station should be constructed in the Northeast of Brazil. Brazil also participated with the French navy in joint manoeuvres in November 1968.

The late 1960s also marked a significant increase in economic contacts between Brazil and Japan. Trade ties had been low for must of the post-war period, accounting in 1964 for only 1.89% of Brazil's exports and 2.72% of imports. 1965 saw a high-level Brazilian trade delegation visit Japan and during the period from 1967 to 1970 exports rose 253% from US$ 41 million to US$ 145 million, whilst imports increased from US$ 39 million to US$ 159 million.[294] Japan's share of Brazil's exports rose from 1.89% in 1964 to 5.78% in 1970

293 *Intercâmbio Comercial 1953-1976*, Vol. I, p. 105.

294 Ibid, p. 188.

and imports from 2.72% to 7.06%. In addition to trade the late 1960s saw significant signs of an expansion of Japanese investment in Brazil with the decision to increase the level of investment in both the USIMINAS steel project and the Ishikawajima shipbuilding firm.[295]

4.5. Socialist countries

A second area in which the Diplomacy of Prosperity led Brazil to broaden relations was the Soviet Union and Eastern Europe. The stress on expanding economic ties with the region that had been visible under Castello Branco was continued. In February 1968 COLESTE (Group for the Coordination of Trade with the Socialist Countries) was restructured and the Costa e Silva years saw a flurry of trade and economic agreements.[296] In May 1967 an agreement was reached with the Soviet Union under which Brazil purchased 50,000 tons of wheat in exchange for coffee and other primary products. Also in May a Soviet mission visited Brazil to study possible Soviet assistance in the construction of a petro-chemical complex in Bahia. In October 1967 an agreement was signed covering the supply of Soviet technical material to Brazilian industrial schools. In March 1968 a Soviet trade mission visited Brazil and the USSR agreed to supply US$ 26 million of oil in return for 110,000 tons of Brazilian wheat. In April 1969 a new payments agreement was

295 See Cleantho de Paiva Leite, "Brasil-Japão: Uma Relação Especial", *Revista Brasileira de Política Internacional*, XVII, 65/68 (1974), pp. 34-35. Japanese investment in Brazil began in the 1950s with the establishment of Brazilian branches of a number of trading companies. Initial investment in the USIMINAS steel project and the Ishikawajima shipyard took place in 1958/59 but the overall level of Japanese investment remained low until the 1970s. See T. Ozawa, *Multinationalism, Japanese Style* (Princeton: Princeton University Press, 1979), pp. 123-125.

296 COLESTE was composed of representatives of various ministries, the Banco do Brasil and CACEX and had originally been formed in 1962. See *Comércio Exterior* 3 (Oct/Nov 1971), p. 21.

arranged. This was designed to increase flexibility by permitting the convertibility of Brazil's habitual trade surplus with the region. Trade agreements were also signed with Czechoslavakia (25 May 1967) and Yugoslavia (10 August 1968). A transport agreement was signed with Poland in October 1968, a technical assistance agreement with Czechoslavakia in May 1969 and ties with Rumania were increased with the visit of the Rumanian foreign minister in October 1968 and of a Brazilian commercial mission to Rumania in April 1969.[297]

4.6. The Third World

4.6.1. Multilateral

As we have seen, one of most interesting features of Costa e Silva's approach to foreign policy was the renewed emphasis on development and the need for cooperation with other developing countries. As Carlos Martins has pointed out, some of the themes of the *política externa independente* had already begun to reemerge, albeit in a more cautious and limited form.[298] The need for cooperation with other developing countries was continually emphasised by government spokesmen. Thus, for example, Magalhães Pinto, speaking in July 1967:

> *Through cooperation for development, the Brazilian government sees a means of overcoming the dramatic division of the world between North and South, between the rich and the poor.*[299]

297 For details of these agreements see *Documentos de Política Externa*, Vol. III, pp. 31, 99 and 207.

298 See Martins, "A Evolução da Política Externa Brasileira", p. 70.

299 Speech to the ESG, 28 July 1967, *Documentos de Política Externa*, Vol. I, p. 80.

This new attitude was clearly visible in the positions adopted by Brazil at Unctad II in New Delhi in 1968.[300] In contrast with Unctad I, where Brazil had abstained on five crucial votes, Brazil now spoke up far more forcefully in support of Third World demands. In a strongly-worded speech to the conference, Magalhães Pinto attacked the industrialised countries for the decline in the levels of aid, for discriminating against Third World exports, especially manufactured exports, and for failing to agree to measures to lessen the instability of primary product prices on world markets. Speaking of the need to "go beyond the prevailing liberal ideology", he went on "It is necessary that trade ceases to be a means of exploiting the productive effort of the underdeveloped countries."[301]

Brazil was elected president of the Group of 77 for the final and decisive phase and the Brazilian representative, Antonio Azeredo da Silveira, was instrumental in pressing for the conference to be declared a failure and for the blame to be placed firmly on the industrialised countries.[302]

A similar attitude was apparent in Brazil's stance towards the question of Latin American unity. Whereas the previous government had urged Latin American unity as part of a crusade against communist subversion, Costa e Silva stressed that unity should based on "solidarity resulting from the similar stage of our development".[303] At the OAS meeting in Punta del Este in March 1967, the new president ended Brazil's support for the

300 For a more detailed examination of Brazil's position's at Unctad II, see Selcher, *The Afro-Asian Dimension*, pp. 203-208.

301 Magalhães Pinto, speech to Unctad II, reproduced in *Revista Brasileira de Política Internacional*, XI, 43/44 (Sept/Dec 1968), p. 92.

302 Selcher, *The Afro-Asian Dimension*, pp. 204-205.

303 Costa e Silva, speech of 5 April 1967, *Documentos de Política Externa*, Vol. I, p. 12.

idea of a permanent Inter-American Peace Force.[304] In various speeches he argued for closer regional economic cooperation.

> *The historic decision to institute a Latin American common market should be taken in the near future and will count on the most dedicated support of Brazil.*[305]

Brazil also participated actively within CECLA (Special Latin American Coordinating Committee), again in sharp contrast to Castello Branco, who had insisted that the United States should be included in all regional schemes. Brazil firmly supported the Consensus of Viña del Mar, formulated at a CECLA meeting in June 1969, which consisted of a common set of positions on trade and economic development and was sent directly to President Nixon.[306] In his speech in Viña del Mar, Magalhães Pinto made clear Brazil's dissatisfaction with the achievements of the Alliance for Progress and gave a good indication of his country's new attitude to the problems of development.

> *Inter-american cooperation for development has followed a long path from 1958 to 1969... We have made progress in absolute terms and in terms of per capita income. But growth has occurred in conditions which do not guarantee its continuation or autonomy. And at the same time, the distance which separates us from the developed world has increased.*[307]

304 The switch of policy on the IAPF was especially clear-cut. At the OAS foreign ministers meeting at Buenos Aires in February 1967, Juracy Magalhães had once again defended the idea of a limited IAPF. Two days before the meeting started, both Costa e Silva and Magalhães Pinto publicly announced their opposition to the whole idea. See Dulles, *Castello Branco*, p. 442.

305 Costa e Silva, speech of 5 April 1967, p. 13.

306 CECLA's significance lies principally in the fact that it was the first Latin American forum for developing joint demands and positions against the United States, see G. Pope Atkins, *Latin America in the International Political System* (London: Collier Macmillan, 1977), pp. 302-303.

307 Magalhães Pinto, speech in Viña Del Mar, *Documentos de Política Externa*, Vol. III, p. 165.

Given this situation, Latin America should do all it can to increase cooperation, make a "great effort to internalize its economies and reduce the degree of dependence" and press the United States on the questions of both aid and trade.[308]

4.6.2. Bilateral

The main point that needs to be made is that, despite the rhetoric of Third World solidarity, relatively little priority was given during this period to developing bilateral ties with other developing countries. There was, however, some movement. As regards Africa new diplomatic and consular posts were created in Addis Ababa and Nairobi and in October 1968 the head of the Brazilian Coffee Institute visited Tanzania, Ethiopia, Kenya and Uganda.[309] An economic team visited Ghana and there were trade missions from Morocco in September 1968 and Algeria in October 1968.[310] In April 1967 Petrobras signed a deal with the Iranian National Oil Company covering the supply of oil in return for agricultural and industrial products. As regards Asia, Magalhães Pinto visited India, Pakistan and Japan in 1968 at the time of the New Delhi Unctad meeting and there were visits to Brazil by Indira Ghandi, the Thai prime minister, a trade mission from South Korea and the vice-president of the Phillipines.[311]

4.7. The Limits to Change

Significant though these developments were, it is important not to overestimate the extent of the changes in foreign policy

308 Ibid, p. 167.

309 See Selcher, *The Afro-Asian Dimension*, p. 93.

310 See "Les Relations Extérieures", p. 80.

311 Selcher, *The Afro-Asian Dimension*, p. 94.

introduced by Costa e Silva. Firstly, the years between 1967 and 1969 witnessed few major foreign policy initiatives and the government was clearly preoccupied with the deteriorating political situation within Brazil. Whilst the leaders of the coup in 1964 had not envisaged the establishment of long-term military rule, mounting domestic opposition pushed the government towards the progressive institutionalisation of military control (as seen for instance in the administrative reforms and constitution of January 1967 and the Fifth Institutional Act of December 1968) and towards greater repression. The narrower, more nationalist attitude of the Costa e Silva government was thus in part also a result of the predominance of serious domestic problems.

Secondly, despite the cooling in relations between Brazil and the United States, Washington remained the focus for much of Brazil's foreign policy activity. The military maintained a firm grip over foreign policy in this period and hard-line anti-communism continued to be a basic determinant of the government's approach to external relations. This meant that there would inevitably be limits to estrangement from Washington. Brazil's deep-rooted anti-communism could be seen, for instance, in the bitter condemnation of the Soviet invasion of Czechoslovakia and in the strength of anti-Castro feeling, with an official spokesman calling the OLAS conference in Havana a "declaration of war on Latin America".[312] Similarly, on many major issues Brazil continued to be a firm supporter of United States policy. Thus, for example, it consistently opposed the admission of China to the United Nations and supported Washington in its dispute with Peru over the nationalisation

312 See "Les Relations Extérieures", p. 81.

of oil.[313] Economically, the Brazilian government continued to place a high priority on attracting US investment with Costa e Silva vetoing a bill in 1968 which would have placed restrictions on the sale of land to foreigners. Even the willingness of the Brazilian government to accede to the demands of the kidnappers of US ambassador, Burke Elbrick, in 1969 was seen by nationalist opinion as excessively compliant to American interests.[314]

Equally, it would be wrong to overstate the importance of the differences that arose between the two governments. Difficulties over arms sales went largely unnoticed at the time, whilst Brazilian rhetoric at the NPT conference did not preclude continued cooperation on nuclear matters. On this issue there was an interesting division between the more ideologically nationalist position of Itamaraty (and especially its Secretary General, Sergio Correa da Costa) which was in charge of international negotiations, and the more pragmatic Minister of Mines and Energy, José Costa Cavalcante who was in charge of the details of Brazil's nuclear programme. Thus despite the clear differences on the question of nuclear policy between Brasilia and Washington, in 1972 Brazil decided to accept the proposal of Westinghouse to build the country's first nuclear power reactor, Angra I.[315]

It is not true to say, as Robert Wesson suggests, that "Differences with the United States were of little depth".[316] The differences were important but their significance lies,

313 Wesson, *The United States and Brazil*, p. 58.

314 McCann, "Brazilian Foreign Relations", p. 19.

315 See Scheiner, *Brazil*, pp. 91-92.

316 Wesson, *Brazil and the United States*, p. 58.

firstly, in their longer-term implications rather than in their immediate impact and, secondly, in the extent to which they were indicative of a serious reassessment taking place amongst Brazilian policymakers about the role and nature of relations with Washington.

Thirdly, there were clear limits, both practical and ideological, to the process of diversification that was discussed in so many official statements. Thus, for instance, notwithstanding the flurry of visits and trade agreements, imports from the socialist countries actually fell from US$ 59 million in 1966 to US$ 51 million in 1970 whilst exports rose only slightly from US$ 104 million in 1966 to US$ 123 million in 1970.[317] The region's share in total Brazilian trade fell on the export side from 5.86% in 1966 to 4.51% in 1970, and for imports from 4.76% to 2.06%. There were also limits to Brazil's newly rediscovered sense of solidarity with the Third World. The incident in October 1967 when the foreign minister, Magalhães Pinto was ordered by the CSN not to participate in the group of 77 meeting in Algiers "in order not to associate Brazil with a massive condemnation of the policy of the United States", points to the limits of the military's acceptance of radical Third World positions.[318] More importantly, there is an obvious discrepancy between the rhetoric of Third World or Latin American solidarity and the low priority that was attached to expanding bilateral ties with other developing countries. Within Latin America, except for Argentina and Paraguay, contacts were neither particularly frequent nor especially close and Brazil's

317 *Intercâmbio Comercial 1953-1976*, Vol. I, p. 93.

318 Quotation from official statement, see "Les Relations Extérieures", p. 81.

trade with the region grew only modestly.[319] As a percentage of overall trade, exports rose from 9.9% in 1967 to 11.48% in 1970, whilst imports fell from 14.3% in 1967 to 11.6% in 1970.

More generally, Brazil's policy on two important issues placed it outside what could be described as the Third World consensus: its friendship with Portugal and its attitude towards the Middle East. Wayne Selcher has suggested that, in the early months of the Costa e Silva government, there was a certain indecision in Brazil's African policy and a greater sensitivity to the effect that close ties with Portugal might have on relations with the Third World.[320] Yet sympathy with Portugal was particularly strong within the military and the tradition of friendship with Portugal was reaffirmed with the ratification in March 1968 of the 1966 Lisbon accords, the celebrations for the 500th anniversary of Cabral's birth and the visit of Marcelo Caetano to Brazil in July 1969. Unwilling to break away from Portugal, the late 1960s saw Brazil seriously isolated in a number of forums because of its refusal to criticise Portuguese colonial policy in Africa. In April 1968 at the International Conference on Human Rights in Tehran, it was the only state to vote against a draft resolution condemning all colonial regimes for their failure to implement UN Resolution 1514 (calling for the end to all forms of colonialism).[321] Similarly, in November 1968 it sided with Portugal and South Africa to cast one of only three votes against Resolution 2395 (condemning Portuguese

319 Relations with Argentina remained good in this period, backed by a shared ideological perspective and not yet clouded by the dispute over Brazil's plans to build a hydro-electric plant on the Paraná River. A sign of these good relations was the signature in April 1969 of the Cuenca del Plate Accord between Argentina, Brazil, Bolivia, Paraguay and Uruguay.

320 Selcher, *The Afro-Asian Dimension*, pp. 171-172.

321 Ibid, p. 177.

policy) in the UN General Assembly.[322] The prospects of economic opportunities in Angola and Mozambique were one factor in Brazil's decision to continue support for Portugal despite its long tradition of rhetorical anti-colonialism. Economic interests also led Brazil towards South Africa and in March 1969 the South African foreign minister, Hilgard Müller, visited Brazil and extended a US$ 20 million trade credit to Brazil.[323] Moreover, despite official denials, the late 1960s saw continual reports of closer military cooperation between the two countries and the possibility of Brazil joining with South Africa and Argentina in some form of South Atlantic pact.[324]

As regards the Middle East, Brazil's official policy described by Magalhães Pinto as "equidistant and concerned".[325] Or as a press note in October 1967 put it: "The Brazilian position, as regards the crisis in the Middle East, has always been without exception one of impartiality, never one of indifference".[326] Similarly, in his speech to the UN Emergency Meeting of the General Assembly in 1967, Magalhães Pinto referred to the existence of both Jewish and Arab communities in Brazil and criticised both sides: on the one hand "the obstinacy of the Arabs for not recognising the fact of the legal existence of Israel" and on the other, the Israelis for not helping to find "a just solution for the problem of the Arab refugees from Palestine".[327]

322 Ibid, p. 178.

323 *Frankfurter Allgemeine Zeitung*, 15 April 1969.

324 For a survey of these reports, see Andrew Hurrell, "The Politics of South Atlantic Security: A Survey of Proposals for a South Atlantic Treaty Organisation", *International Affairs*, 59, 2 (Spring 1983): 178-193.

325 Speech of 28 July 1967, *Documentos de Política Externa*, Vol. II, p. 83.

326 Press Note, *Documentos de Política Externa*, Vol. I, p. 61.

327 Ibid, p. 64. The Jewish community in Brazil numbered around 140,000 and the Arab community over 400,000 – the largest group being Lebanese of various Christian denominations. See Edy Kaufmann et.al., *Israel-Latin American Relations* (New York, Transaction Books, 1979), pp. 33-48.

Beneath the surface, however, Brazil's position was generally more favourable to the Israelis. Brazil was on the working group that composed a draft resolution to the UN's Fifth Emergency Special Session –a resolution that was more favourable to Israel than the counter pro-Arab draft proposed by Yugoslavia.[328] More significantly, there was a great deal of sympathy for Israel, especially from within the Brazilian military. On the one hand the military were impressed both by Israel's military successes and by its development achievements. On the other, there was a marked tendency to view Israel as a bastion of anti-communism and to see its victory in the Six Day War as a victory over a common enemy. Thus Brazil's ambassador, J.O. de Meira Penna, in a speech to the ESG in 1967, spoke of the analogy between Arab terrorism and Castro's revolutionary tactics within Latin America.[329] The late 1960s also saw a number of visits and bilateral contacts. In 1967 a nuclear cooperation agreement was signed during the visit of Brazil's minister of the Interior, Albuquerque Lima, to Israel. In 1968 an Israeli team produced a study for the Brazilian government on the use of subterranean waters in the Northeast where the Israeli firm Sondotecnica Tahal was already involved in irrigation projects.[330] In 1969 both Ben Gurion and the Israeli trade minister, Zeev Sharef, paid visits to Brazil.[331]

328 See Kaufmann, *Israel-Latin American Relations*, p. 6.

329 Ibid, p. 50.

330 See "Chronologie Du Brésil". "Les relations Extérieures", *Problèmes d'Amerique Latine*, 3769-3750 (30 Dec 1970) p. 80.

331 Ibid, p. 89.

4.8. The Reasons for Change

So far this chapter has considered the ways in which Costa e Silva's foreign policy differed from that of Castello Branco and the limits to the changes that took place. Yet how are these developments to be explained?

The reasons for these important changes in both the tone and direction of Brazilian foreign policy can be divided into internal and external factors. On the external side, the two major factors are implicit in much of the above discussion. Firstly, there were the growing doubts about the wisdom of a foreign policy that placed so much emphasis on the special relationship with Washington. As we have seen, the benefits of such close ties did not seem to justify the limits which Castello Branco's policy of interdependence had placed on Brazil. On the one hand, there was the inability and apparent unwillingness of the United States to fully meet Brazil's needs on such issues as nuclear technology and arms supplies. On the other, the economic benefits of the policy of interdependence had not lived up to expectations. The level of aid had fallen off, access to the US market had not improved significantly and there were signs of increasing friction on trade matters, and the Alliance for Progress had generated little except cynicism and disillusion. Thus, the reassessment of the relationship with Washington, although not having any immediate or dramatic short-term effect on relations, was a fundamental factor in persuading policy-makers of the need to broaden the range of Brazil's foreign policy.

The second factor on the external side was quite simply that alternative, or perhaps additional, options were beginning to appear on the international scene that any nationally-minded government would be likely to try and exploit. Very few states

are able to mould international events in line with their own preferences and the great majority of national foreign policies are therefore essentially reactive. Brazil is no exception and from the late 1960s what we see is a country seeking to benefit from the wider changes that were taking place in the international political and economic system. The changes are familiar ones and constantly recur in official speeches and statements throughout the 1970s: the growing complexity of the system, the emergence of détente between the superpowers, the relative decline in the power of the United States, the economic emergence of Western Europe and Japan and the gradual consolidation of the Third World coalition. As we shall see, the impact of these developments on Brazil's foreign policy gathers force during the 1970s. Yet it is during the Costa e Silva period that the discussion of these changes becomes a central part of the official presentation of foreign policy and begins to be reflected in the actual direction of that foreign policy.

However, in order to understand how Brazil chose to react to such external factors it is necessary to turn to the internal side of the equation. Here two crucial factors emerge, the first economic, the second political. Although important for any government, economic constraints and considerations become especially relevant to Brazilian foreign policy from the late 1960s in two senses. In a general sense, as it becomes clear that military rule is unlikely to be a short-term phase, so the need to provide high levels of economic growth as an important prop to the regime's legitimacy becomes an ever more pressing concern. In a more specific sense, the late 1960s witnessed a very important modification in the direction of economic policy that was to have a direct and profound impact on Brazil's external relations.

Whilst the years immediately following the military coup of 1964 were devoted largely to economic stabilization, by 1967/1968 it had become clear that import substitution as a motor force for development had run its course and that an alternative approach to economic policy was required. Import substitution industrialisation (ISI) had been Brazil's primary development strategy since the early 1950s.[332] The hope had been that this inward orientation would make Brazil less dependent on the external world and that the dynamic of continued rapid development would lie in Brazil's growing industrial sector. Yet by the late 1960s the extensive import substitution that had already taken place made it unlikely that renewed ISI would be sufficient to revive Brazil's flagging economy. The "easy" phase of substituting consumer durable products had been largely completed and progress towards substituting intermediate and capital goods would inevitably be far harder and would impose further strains on the country's already troubled balance of payments.

Indeed the hope that ISI would provide an easy answer to Brazil's chronic shortage of foreign exchange had proved illusory. Although the composition of imports had certainly changed, the demand for imports continued as the growing industrial sector necessitated the import of primary products (for example oil) and intermediate and capital goods that could not be produced domestically. In addition to reaching the limits of the capacity to compress imports, the balance of payments

332 See Werner Baer, *The Brazilian Economy. Growth and Development*, Second Edition (New York: Praeger, 1983), pp. 95-98 and 156-157 and Joel Bergsman and Pedro Malan, "The structure of protection in Brazil", in Bela Belassa et.al., *The Structure of Protection in Developing Countries* (Baltimore and London: The Johns Hopkins Press, 1971), pp. 104-105.

situation had been worsened by the stagnation of exports that had occurred throughout the ISI period. Exports stagnated above all because of the maintenance of an overvalued exchange rate but a rising demand for inputs from the buoyant consumer durable sector also tended to push producers towards the home market. Contrary to expectations, then, ISI had resulted in increased external vulnerability, with Brazil remaining well into the 1960s heavily dependent on the export of a few primary products –above all coffee, which in 1964 still accounted for 53% of export earnings.

Despite the success in cutting back inflation, the economic performance of the first years of military rule was not encouraging. Overall growth in the period 1961-1967 averaged only 3.7% p.a. – half Brazil's post-war average – whilst growth in the manufacturing sector had fallen from 9-10% in the 1950s to 3.4% in the 1960s, with exports growing at only 3.8% p.a. between 1960 and 1966.[333] The result of these problems was a reappraisal of economic policy that was clearly visible in Costa e Silva's *Plano Estratégico de Desenvolvimento*. The central feature of the new approach was that far higher priority was to be given to the expansion of exports and, in particular, the promotion of manufactured exports. As Carlos von Doellinger has commented:

> *The ever increasing need to export has resulted from the pressing need to expand import capacity, as indicated in the mid-1960s by government diagnoses of the Brazilian economy. These studies concluded that the country's import capacity would become the principal factor*

333 See Baer, *The Brazilian Economy*, p. 99.

> *limiting the achievement of the desired product growth rate. The alternative to the nonexpansion of exports was seen to be the stagnation already initiated in mid-1962.*[334]

This switch towards a more "outward oriented" approach was visible in series of specific policies that were implemented between 1966 and 1969.[335] In 1966 the National Foreign Trade Council (CONCEX) was created. In 1967 with Decree Law 63 the country's tariff structure was overhauled with substantial tariff reductions on a wide range of inputs for domestic industry. Exchange rate policy was modified with a large devaluation of the cruzeiro and the restoration of a single import exchange rate in 1967. Most importantly, in August 1968 a crawling-peg policy of frequent mini-devaluations was introduced both to eliminate short-term capital movements and to reduce uncertainty by establishing a reasonably firm relationship between internal production costs and those on the world market. In March 1969 under Decree Law 491 a wide range of subsidies and incentives for manufactured exports was established, including tax exemption from ICM and IPI, income tax allowances for export promotional expense and subsidised export financing under Central Bank Resolution 71. Finally, exports were to be encouraged by an extensive series of administrative reforms aimed at simplifying bureaucratic procedures.

The major factor behind this change in policy was clearly the perceived limitations of ISI and the belief that subsidies for manufactured exports were necessary both to overcome the

334 Carlos Von Doellinger, "Foreign Trade Policy and Its Effects", *Brazilian Economic Studies* (IPEA/INPES), No. 1 (1975), p. 39.

335 Brazil's foreign trade policy has attracted a large literature. For detailed studies of the 1966-1969 policies, see von Doellinger, "Foreign Trade Policy", pp. 43-50 and especially William Tyler, *Manufactured Export Expansion and Industrialisation in Brazil* (Tübingen: J.C.B. Mohr, Kieler Studien No. 134, 1976).

threshold costs of entry into the world market and to counter the tendency of industrialised countries to discriminate against manufactured exports from developing countries. In addition it appears that policymakers were also attracted by the recent successes of such export-based economies as Hong Kong, Taiwan and South Korea.

This change in the direction of external economic policy had two important implications for Brazilian foreign policy. In the first place, the adoption of an outwardly oriented economic policy forms a central part of the explanation as to why Brazil sought to diversify and broaden the range of its international ties. Secondly, as we shall see in more detail in subsequent chapters, the systematic and successful expansion of manufactured exports helps explain how Brazil was able to develop relations with many new areas, especially in the Third World, and overcome many of the obstacles that had traditionally limited such contacts.

The second set of internal factors is political and concerns the distribution of power between the various groups within the Brazilian government and the military. These internal political factors help explain both the reasons for the changes in foreign policy under Costa e Silva and also underline the limits to those changes. One of the ways in which Brazil can be distinguished from other developing countries is that its foreign policy is not the exclusive preserve of a single dominant figure or even a single group within the ruling élite. Many writers have stressed the extent to which foreign policy in developing countries is often the unfettered preserve of the leader and his friends.[336]

336 See for example John J. Stremlau ed., *The Foreign Policy Priorities of Third World States* (Boulder: Westview Press, 1981) and Christopher Clapham ed., *Foreign Policy Making in Developing States* (London: Saxon House, 1977).

This kind of personalised foreign policy is not only to be found in small states: one thinks, for instance of India under both Nehru and Indira Ghandi and Indonesia under Sukarno. This has not been the pattern in Brazil. As the country's foreign policy needs have become more complex, so the institutional processes which underlie policymaking have become more sophisticated.[337]

Broadly speaking, there were three major groups of actors concerned with the formulation of foreign policy during the period of military rule: the president and the military hierarchy, the foreign ministry, and the ministries which deal with the country's economic and development policies. These are clearly not the only groups.[338] Yet given the centralisation of power under the military republic, particularly in the period up to 1974, it is legitimate to concentrate on these primary actors.

The Brazilian foreign ministry, Itamaraty, has traditionally enjoyed a high reputation for its professionalism. H. Jon Rosenbaum, in his study of Itamaraty, concluded that it was "one of the most professional... ministries of the developing countries".[339] Brady Tyson repeats this judgement: "The Brazilian foreign service has a justified reputation as a highly professional corps of competent diplomats".[340] And Alexandre Barros has recorded similar comments from within Latin

337 There has been little detailed work on foreign policy making in Brazil. The two important exceptions are: Alexandre Barros, "The formulation and conduct of Brazilian diplomacy", Paper presented to the Latin American Studies Association, Washington, March 1982 and Ronald Schneider, *Brazil. Foreign Policy of a Future World Power*, chapters 3-7.

338 For an examination of the limited impact of groups outside government see Schneider, *Brazil*, chapter 6.

339 H. Jon. Rosenbaum, "A critique of the Brazilian foreign service", *Journal of Developing Areas*, 2 (April, 1968), p. 378.

340 Brady Tyson, "Brazil", in Harold Davis and Larman Wilson eds., *Latin American Foreign Policies: An Analysis* (Baltimore: Johns Hopkins University Press, 1975), p. 249.

America.[341] Whilst such judgements are clearly difficult to prove, what one can say with more certainty is that Itamaraty has, in general, been the most consistent advocate of an independent foreign policy and of developing a more clear-cut Third Worldist approach to the country's external relations, an approach that Alexandre Barros has labelled "nationalist-pragmatic".[342]

Itamaraty's advocacy of greater independence and increased involvement in the Third World can be traced to the 1950s and it is noteworthy that, unlike other areas of government, there was a significant continuity of personnel and attitudes from the pre-1964 period. In the first place, whilst a number of diplomats were purged because of their political beliefs, the number was relatively small (between 1964 and 1970 only 34 diplomats out of a total of 3604 were purged).[343] This continuity applied to even quite senior figures. Thus, for example, João Augusto de Araújo Castro, who had been Goulart's last foreign minister in 1963-1964, remained in the diplomatic service, becoming ambassador to the UN in 1968 and to the United States in 1971. His strongly nationalist writing had an important impact on thinking on foreign policy in the late 1960s, especially, but not exclusively, within Itamaraty. Secondly, unlike the cases of both Chile in 1973 and Argentina in 1976 and in contrast to other ministries in Brazil, the foreign ministry after 1964 remained largely immune from external intervention. No non-career officials, civilian or

341 Barros, "The formulation and conduct", p. 1.

342 Ibid, p. 7. There are of course exceptions to this generalisation. See for instance the article by Manoel Pio Correa, Secretary General of Itamaraty in the late 1960s, defending Brazil's position as an integral part of "Western, Christian civilization". "A Política Nacional Externa", *Revista Brasileira de Política Internacional*, XVI (1973).

343 Barros, "The formulation and conduct", p. 27.

military, were admitted to Itamaraty after 1964 and, with very few exceptions, all ambassadors were career diplomats. Thirdly, by the late 1960s the generation of diplomats that entered the service during the period of the *política externa independente* were beginning to rise to senior positions and undoubtedly carried with them something of the ethos of that period. Yet, whilst Itamaraty remained an important actor in foreign policymaking after 1964, its earlier predominance was increasingly challenged by the other two groups: by the increasing importance of the economic ministries and by the political and ideological constraints imposed by Brazil's military rulers.

The second group of actors concerned with the formulation of foreign policy were the economic ministries and departments: the ministries of Finance, Planning, Industry and Commerce, the Central Bank and the Banco do Brasil. The influence of these groups was felt particularly through two inter-ministerial bodies: the national foreign trade council (CONCEX), dealing with all aspects of external trade relations, and the national monetary council (CMN), dealing with all aspects of monetary policy, including external indebtedness. In the first place, an increase in the influence of these groups followed on naturally from the increased importance that economic factors were assuming in Brazil's foreign policy. Secondly, their influence increased because of the extent to which particular economic ministers were able to dominate Brazilian development policy, including its external aspects. This was particularly true of the two "Superministers" of the 1960s, Roberto Campos and Antonio Delfim Neto. Thirdly, the role of the economic ministries increased in importance because of the sheer size of state involvement in the Brazilian economy. The general level of state involvement has been

frequently noted by commentators.[344] Less frequently noted and, as we shall see, an increasingly important feature of Brazil's external relations have been the foreign activities of a wide range of state sector companies, including Petrobras, Nuclebras, the state trading companies Cobec and Interbras and the state mining company CVRD.

The third and most important group of actors involved in the formulation of Brazil's foreign policy was the president and the military hierarchy that formed his natural constituency. One of the most notable features of the Costa e Silva period was the institutionalisation of military rule and the introduction of a high degree of centralised control over many aspects of Brazilian economic and political life. The constitution of January 1967 enshrined the National Security Doctrine as the dominant ideology of the military government and centralised power to an unprecedented degree on the president and the National Security Council (CSN). Decree Law 200 of February 1967, which reformed the federal administration, gave the president the exclusive right to determine and set Brazil's national security objectives, advised by the CSN, the National Intelligence Agency (SNI), the Armed Forces High Command, and the Armed Forces General Staff.[345] Interestingly, DL 200 also specifically limited the influence of Itamaraty, allowing it "participation in" rather than control or coordination of "commercial, economic, financial, technical and cultural negotiations with foreign countries

344 See for example Sylvia Ann Hewlett, "The State and Brazilian Economic Development: The Contemporary Reality and Prospects for the Future", in Willian Overholt ed., *The Future of Brazil* (Boulder: Westview, 1978) and Luciano Martins, "A Expansão Recente do Estado no Brasil. Seus Problemas e Seus Atores", Documento de Trabalho, IUPERJ, 1977. Martins's work includes a detailed examination of state activity in the foreign trade sector, pp. 114-151.

345 Brummel, *Brasilien*, p. 153.

and entities".[346] Finally, Decree Law 348 of February 1968 further strengthened the role of the CSN making it responsible for all internal and external aspects of national security. National security was here very broadly defined to include decisions over *inter alia* internal and external security, all treaties that affected national borders or defence, atomic energy policy, raw materials policy, and industrial policy.[347]

The first point to make then is that during the Costa e Silva period the military occupied the central role in foreign policymaking. Even if the military did not take sides on every issue, the military viewpoint set both the tone and the limits of the debate on Brazil's foreign policy options. It is worth mentioning that the years between 1966 and 1969 formed the only period during the twenty-one years of military rule when the foreign minister was not a career diplomat. The second significant factor is that the period saw a marked shift in thinking on foreign policy within the military.

As Chapter Four explained, Castello Branco's government was closely associated with that section of the military known as the Sorbonne Group. This group had strong connections with the ESG and many of its leading members had served during the Second World War in Italy and been trained in the United States.[348] Typically, its members feared what they regarded as excessive nationalism and saw Brazil's development and security needs as depending on close identification with the United States. Yet, as Alfred Stepan has pointed out, these ideas were not typical of majority sentiment with the armed forces and

346 Schneider, *Brazil*, p. 108.

347 Brummel, *Brasilien*, p. 153.

348 Stepan, *The Military in Politics*, pp. 248-249.

the second military president, Costa e Silva, stood closer to a second group within the military often loosely termed the *linha dura* and labelled by Stepan "authoritarian nationalists".[349] The views of this group had been less influenced by the ideology of the ESG and experience in Italy and fewer of its members had been trained in the United States. It was less pro-American and favoured a generally more independent and nationalist stance on foreign political and economic-issues.

Although Stepan's distinction between these two groups has been widely accepted, it must be used with some caution when applied to foreign policy. Firstly, whilst favouring a more nationalist foreign policy line, the vehement anti-communism typical of the authoritarian nationalists made them particularly wary of close identification with radical regimes in the Third World or the socialist countries, or with radical Third World demands in international forums. Secondly, whilst the authoritarian nationalists were in a generally stronger position after 1967, they were clearly not in complete control of government policy. This is demonstrated by the failure of General Albuquerque Lima – the leading presidential candidate of the authoritarian nationalists – to be accepted as the military's choice to succeed Costa e Silva in 1969.[350] Thirdly, the distinction does not apply easily throughout the period of military rule. Thus, for instance, the Geisel government saw both a leading role for many *Castellistas* and the adoption of an independent and clearly nationalist foreign policy. Nevertheless, however one seeks to label the different groups, this shift of power within the military

349 Ibid, pp. 250-251.

350 See Stepan, pp. 260-262 and Flynn, *Brazil: A Political Analysis*, pp. 425-431 for a discussion of Albuquerque Lima and the problem of the succession. Stepan suggests that Costa e Silva himself did not fully represent the views of the authoritarian nationalists, but rather was "a bridge between them and the Castello Branco government's liberal internationalism" (p. 252).

represents an important part of the explanation of the changes that took place under Costa e Silva. On the one hand, it helps explain the adoption of a more nationalist approach to foreign policy, including a more pragmatic approach to relations with Washington. On the other, the dominance of military thinking helps us understand the limits to Brazil's espousal of Third World positions, its intransigence over Cuba and China and continued sympathy towards Portugal and Israel.

4.9. Conclusion

The Costa e Silva years mark an important stage both in the evolution of relations with the United States and the process of diversification. On the one hand, the period sees the beginnings of the gradual erosion of the special relationship that had been so vigorously reasserted by Castello Branco. On the other, new options, concerns and alternatives begin to figure in the formulation of foreign policy. It is true that the changes relate more to attitudes and perceptions than to radical changes in actual policy. Yet they remain significant. The need to adjust to the growing complexity of international politics; the feeling that foreign policy could not remain focussed so exclusively on the United States; the need to look towards Western Europe and Japan as additional sources of capital, technology and investment; the rediscovery that, on many issues, Brazil's interests coincided with those of the Third World; the dominance of the problems of economic development rather than ideology or anti-communism in the formulation of foreign policy; the adoption of a more outward orientation in foreign economic policy. All these issues point forward to the attitudes and assumptions that were to dominate official statements on foreign policy in the 1970s. It is to the gradual development of many of these themes that we will turn in the next chapters.

5. President Médici and the Foreign Policy of the "Miracle"

During the government of President Médici (1969-1974) this revived trend towards a broadening of Brazil's foreign relations continued to develop and began to be more closely reflected in actual foreign policy decisions. Reading through the speeches and documents of the period it is clear that there are a number of areas of similarity with the foreign policy of the Costa e Silva period. In the first place, spokesmen for the new government continued to stress the growing complexity of the international system and in particular the significance of the emerging détente relationship between the superpowers. For the new foreign minister, Mario Gibson Barbosa, "...the brutal simplification of a world divided into two groups" had disappeared and the international system was increasingly characterised by the "fragmentation of the two great blocs" and the "weakening of the links of the alliance systems".[351]

351 Speech by Mario Gibson Barbosa to the *Escola Superior de Guerra*, 17 July 1970, *Documentos de Política Externa*, Vol. IV, p. 161.

> *As a result of this weakening, individual interests, or rather individual nationalisms, have emerged and have meant that the interests of the leader of the alliance do not always coincide with those of the components… I believe that this increasing nationalist tendency on the part of small and medium powers is bound to set the parameters for our evaluation and forecasts for the 1970s.*[352]

Secondly, development remained, both in official statements and in practice, a central determinant of the country's foreign policy. As the new president put it in a speech in 1970: "The essential target of my government can be summarised in one word: development".[353]

Thirdly, there was continued emphasis on the need to diversify the country's external relations, both in response to the changing international environment and as a result of Brazil's changing needs:

> *In recent years, the growth of Brazil, the identification of its new national interests and the continued modification of those interests have meant that it has become necessary to continually widen the scope of our diplomatic activities in the world.*[354]

Introducing an idea that was to become a staple of official statements in the 1970s, spokesmen began to use the term "universalist" to describe the country's foreign policy. As Gibson Barbosa put it: "Brazilian foreign policy is, in effect, a policy that I would call globalist".[355]

352 Ibid, p. 162.

353 Speech by Médici to Itamaraty, 20 April 1970, *Documentos*, Vol. IV, p. 75.

354 Interview by Gibson Barbosa to *Jornal do Brasil*, 15 October 1972, *Documentos*, Vol. IV, p. 279.

355 *Documentos*, Vol. IV, p. 358.

Fourthly, the tendency for Brazilian foreign policy to be cast along more sharply focussed nationalist lines continued. Thus Gibson Barbosa spoke of the need to go beyond the traditional and largely rhetorical priorities of Brazilian foreign policy – peace, non-intervention, etc. – and to devote greater attention to analysing the country's concrete interests and submitting all decisions to careful pragmatic evaluation.[356] According to Gibson Barbosa this would result in greater weight being placed on Brazil's immediate development needs, rather on than vague obligations to either the "Christian, democratic West" on the one hand or the "solidarity with the developing countries" on the other".[357]

Finally, there was no substantial shift in the internal balance of power with respect to foreign policy. On the one hand, the trend towards a stronger nationalist emphasis and the expansion of Brazil's influence abroad found broad support from within most sections of the ruling élite. On the other, the balance of interests remained generally against any radical assertion of independence and, in particular, the development of a more strident *terceiromundismo* that was finding increasing favour within Itamaraty. Two points should be noted. Firstly, the influence of the military remained clearly visible in setting the limits to the changes that were taking place. Anti-communism and security remained important determinants of foreign policy, especially in relations with Latin America, southern Africa and China. Secondly, the influence of the economic ministries continued to increase due partly to the growing importance of economic factors and also to the personal power of the finance minister, Delfim Neto.

356 Gibson Barbosa, speech to ESG, *Documentos*, Vol. IV, p. 164.

357 Ibid.

Although it is difficult to generalise about the attitudes of a group as diverse as the economic ministries, one can say that they placed generally greater emphasis on building up relations with the industrialised countries and showed little interest in Itamaraty's plans to develop relations in Black Africa and the Third World. As we will see, this difference in perspective came to a head in 1972 over Brazil's policy in Africa.

Yet alongside these broad similarities with the Costa e Silva period, foreign policy under the new government assumed a novel and distinctive character that brought the need to widen the range of Brazil's external ties and to redefine its relationship with Washington into much sharper focus.[358] Two factors are fundamental to understanding this shift: Firstly the impact of the economic successes of the Brazilian "miracle"; secondly the increasing self-confidence of the Brazilian government and the emphasis that came to be placed on Brazil's role as an emerging great power.

5.1. The Impact of the Miracle

The bare facts of Brazil's so-called economic "miracle" have been recounted many times but they remain an essential part of any analysis of Brazil's recent international role. In 1968 the Brazilian economy entered a sustained seven-year boom, undergoing a rapid and extensive transformation of its productive structure. Having grown at an average rate of 3.7% p.a. in the 1962-1967 period, average real GDP growth rose to 11.3% in the years between 1968 and 1974.[359] Growth was

358 Whilst the need to bring out the distinctive features of the new government's foreign policy is important, Carlos Martins overstates the case by affirming that the Médici administration "traced a path that was diametrically opposed to that followed by the previous government". "A Evolução da Política Externa", p. 81.

359 Baer, *The Brazilian Economy*, p. 98.

centred on the industrial sector with manufacturing production increasing at an average of 15% p.a. and with some individual sectors growing still faster. The production of transport equipment, for example, grew at an average rate of 28.5% p.a. between 1967 and 1973. The specific examples quoted by Werner Baer are worth repeating because they provide a good indication of the scale of Brazil's economic expansion: Steel output increased from 2.8 million tons in 1964 to 9.2 million tons in 1976; installed electrical capacity expanded from 6,840,000 megawatts in 1964 to 21,796,000 megawatts in 1976; cement production rose from 5.6 million tons to 19.1 million tons in the same period whilst the number of vehicles produced increased from 186,000 per year to 986,000.[360]

Such expansion was of course built on the steady development that had occurred over the previous forty years, during which time the economy had grown at an average rate of around 7% p.a. Nonetheless, the expansion of the early 1970s visibly brought home the extent to which Brazilian society had been transformed by the twin processes of industrialisation and urbanisation. The population had risen from 41 million in 1940 to 93 million in 1970. Between 1940 and 1970 the percentage of the labour force employed in agriculture fell from 68% to 43% whilst the percentage of the population living in cities of over 100,000 had risen in the same period from 31% to 56%.[361]

Such rapid expansion would almost certainly have had important repercussions on any country's international role. In the case of Brazil the impact was particularly striking, firstly, because of the outwardly oriented economic policy adopted in

360 Ibid, p. 99.

361 World Bank, *Brazil-Human Resources Special Report* (Washington: The World Bank, 1979), Annex I, p. 5.

1967/68 which placed heavy emphasis on trade expansion, and, secondly, because of the growing role that foreign investment and foreign lending came to play in the Brazilian economy. Increases in both these areas form the two dimensions of the increasing "internationalization" of the Brazilian economy which has been such an important factor underlying the country's foreign policy since the early 1970s.

The most striking feature of the period was the substantial expansion of trade with exports rising at an annual rate of 24% p.a. between 1967 and 1973 and imports growing still faster at an average rate of 27% p.a. over the same period. The policy of expanding trade led to a significant increase in the degree of openness of the Brazilian economy, with the ratio of imports/exports to GDP rising from 5.2% in 1967 to 8% in 1973.[362] Exports rose from US$ 1,654 million in 1969 to US$ 6,199 million in 1973 with the average growth of 24% p.a. comparing to 2.8% in the period 1956-62 and 6.4% in the period 1962-67.[363] Two features of Brazil's export performance need to be stressed. Firstly, there is the diversification of exports markets. The growth of economic ties with individual areas will be examined later in this chapter. But, in overall terms, the Médici period saw a number of significant developments. On the one hand the share of exports going to the Unites States fell from 26.4% in 1969 to 21.9% in 1974 and to Western Europe from 46.2% to 37.4%.[364] On the other the share of exports to Japan rose from 4.6% in 1969 to 7.8% in 1974. Most significant for the present

362 Von Doellinger, "Foreign Trade Policy and its Effects", pp.52/53. As Doellinger points out, despite the changes, Brazil remained a relatively closed economy by world standards.

363 Ibid, p. 56.

364 See Chapter 8, Table 6.

study was the increase in exports to "non-traditional" markets in the Third World and the socialist countries, which rose from 21.5% to 30.3% between 1969 and 1974.

The second feature concerns the diversification of the products exported. By the mid-1970s Brazil had become a substantial exporter of manufactured goods and the dominance of coffee as the country's principal earner of foreign exchange had been broken. Manufactured and semi-manufactured goods increased their share to total exports from 5% in 1964, to 15% in 1969, to 36% in 1974, whilst coffee's share fell from 53% in 1964 to just 13% in 1974.[365] The reasons for the success of manufactured export expansion are complex.[366] Brazil was able to achieve success in this field partly because of the size of its domestic markets which made product diversification easier and partly because of the timing of its entry for manufactured goods. The first developing countries to emphasise manufactured goods tended to concentrate on relatively simple products with a high labour content. However, as more and more countries started to develop the same kind of products, there was a major incentive to move towards less labour-intensive products. Having started its export drive when its domestic production was already quite diversified, Brazil was able to move quickly into the export of more complex goods.

A further aspect of this success was Brazil's ability to develop and market products that are especially suited to Third World markets.

365 Baer, *The Brazilian Economy*, p. 162.

366 The expansion of Brazil's manufactured exports has attracted considerable attention. See especially: Willian Tyler, *Manufactured Export Expansion and Industrialisation in Brazil* (Tübingen: Mohr, 1976) Kieler Studien No.134 and Renato Baumann Neves, "The Expansion of Manufactured Exports", *BOLSA Review*, 16 (May 1982).

As Francisco Sercovitch has remarked:

> *... Brazil is increasingly performing the role of a world technology recycler by absorbing advanced countries' know-how and technical skills, putting them to work in the Brazilian milieu, adding know-how derived from Brazilian experiences and R&D efforts, adapting these skills, and finally exporting them with varying degrees of domestic innovative additions, mainly to less developed Third World markets.*[367]

Finally, almost all studies have concluded that the success of Brazil's export drive depended to a considerable extent upon the structure of the government incentives that were introduced in 1967-68. Renato Baumann Neves concluded that "Export performance depended considerably upon the structure of incentives and of public support in general".[368] Willian Tyler goes further and argues that "the export boom in general and that for manufactures in particular, must largely be attributed to economic policy".[369]

This striking growth in manufactured exports is particularly important for the expansion of trade with other developing countries. One of the major traditional barriers to increased South/South trade has been the lack of economic complementarity, with most developing countries remaining heavily dependent on the export of primary products.[370] That

367 Francisco Sercovich, "The Exchange and Absorption of Technology in Brazilian Industry", in Thomas Bruneau and Phillipe Faucher eds., *Authoritarian Capitalism. Brazil's Contemporary Economic and Political Development* (Boulder: Westview, 1981), p. 128.

368 Baumann Neves, "The Expansion of Manufactured Exports", p. 71.

369 Tyler, Manufactured Export Expansion, p. 279.

370 For a study of the problems of South/South trade see H. Jon Rosenbaum and Willian Tyler, "South-South Relations: The Economic and Political Content of Interactions Among Developing Countries",

Brazil has been able to counter this trend has been due, at least in part, to the country's success in expanding its manufactured exports.

The first part of the impact of the "miracle" on foreign policy during the Médici period is thus largely positive. The expansion of exports, the diversification of markets and the diversification of products exported provide an increasingly solid basis for the more general diversification of Brazil's external ties. This is particularly true of relations with other developing countries, with this increasingly solid economic foundation proving a marked contrast to the *política externa independente* of the early 1960s.

Yet, even leaving aside the domestic injustices of the "miracle", the impact of economic factors on Brazil's international role in this period is by no means wholly positive and unproblematic. There are four factors which point to the underlying fragility of Brazil's international economic position and which highlight the extent to which success was the product of temporary circumstances. In the first place, in addition to the factors discussed above, part of the explanation for the success of Brazil's trade expansion clearly has to do with the highly favourably international external economic environment and, in particular, with the extraordinary growth in world trade which expanded at an annual rate of 18% p.a. in dollar terms between 1967 and 1973.[371] Secondly, the growth of exports

International Organisation 29, 1 (Winter 1975). As the authors point out, up to the mid-1970s such trade relations had been decreasing steadily, pp. 265-266.

371 Pedro Malan and Regis Bonelli, "The Brazilian Economy in the Seventies: Old and New Developments", *World Development* 5, ½ (1977), p. 23. The degree of importance attached to the favourable external environment has been the subject of much controversy. In addition to Malan and Bonelli, see Edmar Bacha, "Issues and Evidence on Recent Brazilian Economic Growth", *World Development* 5, ½ (1977), pp. 50-60.

needs to be set against the fact that imports were growing still faster, at an average annual rate of 27%, leading to substantial trade deficits in 1971 and 1972.

Thirdly, there was Brazil's energy vulnerability. Although this only became a dominant problem after the 1973/74 oil crisis, it is during the years of the "miracle" that the country's energy vulnerability rises dramatically and that energy begins to become a significant factor behind foreign policy. As we shall see, this is especially true of relations with Latin America, the Middle East, Africa and the Soviet Union. The origins of Brazil's energy vulnerability lie in the pattern of economic development favoured by successive post-war governments. Brazilian economic planners, consciously or unconsciously, attempt to create a modern industrial economy that was in many ways similar to that of the United States and which took for granted the continued availability of cheap imported energy. The clearest sign of this was the dominance of road transport. Petrol was subsidised throughout the 1950s and 1960s and the increase in roadbuilding was dramatic, from 3,100 km of paved roads in 1955 to 73,300 in 1974.[372] By the early 1970s lorries carried nearly 78% of the country's freight and a large vehicle industry had been created, which produced just under a million vehicles year. Yet energy vulnerability was in large measure a product of the "miracle". Much of the fastest growth occurred in energy intensive sectors such as cement production, steel, petrochemicals. Oil consumption rose by 120% between 1967 and 1974 with oil's share of total energy consumption increasing from 35.3% in 1967 to 47.4% in 1974.[373] Brazil's dependence on

372 Kenneth Paul Erickson, "Brazil", in Kenneth Stunkel ed., *National Energy Profiles* (New York: Praeger, 1981), p. 225.

373 See Chapter 9, Table 12.

imported sources of energy (oil and coal) rose from 23.7% in 1967 to 38.6% in 1974, with the country having to import some 75% of its crude oil requirements in 1974.[374]

Finally, as Pedro Malan and Regis Bonelli have pointed out, the combination of a very high rate of capital accumulation (domestic production of capital goods rose by an average of 20.5% p.a. between 1967 and 1974) and very high rates of consumption expenditures was only possible because of the rapidly expanding foreign debt and the continued inflow of foreign investment.[375] Brazil's foreign debt quadrupled from US$ 3.3 billion in 1967 to US$ 12 billion in 1973 with the percentage of currency loans rising from 20% in 1967 to 62% in 1973. In the same period net direct foreign investment totalled some US$ 2.7 billion.[376] The availability of such large capital inflows represented the second very favourable feature of the external economic environment of the period but one which was, of course, to have important long-term implications for Brazil's international behavior.

The other aspect of the impact of economic factors on foreign policy is thus less favourable, with the underlying fragility of the Brazilian economy providing a powerful impetus to continued efforts at diversification. Firstly, Brazil needed to increase its exports still further to keep pace with the ever expanding demand for imports. Secondly, it needed to search for new and more stable sources of energy, a search which by the end of the Medici period had become a very high priority

374 Ibid.

375 Malan and Bonelli, "The Brazilian Economy", pp. 24-25. See also John Wells, "Brazil and the Post-1973 Crisis in the International Economy", in Rosemary Thorp and Laurence Whitehead, eds. *Inflation and Stabilisation in Latin America* (London: Macmillan, 1979), p. 231.

376 Banco Central, *Boletim*, various issues.

of foreign policy. Thirdly, the rapid increase in Brazil's demand for foreign loans and foreign investment provided a strong incentive towards diversifying ties towards other industrialized countries. Fourthly, both the success of export promotion and the external constraints of the Brazilian economy increased the political salience of protectionism in the industrialised countries, especially the United States. Finally, economic motives made it highly likely that Brazil would support at least some aspects of Third World demands for reform of the international economic system.

5.2. Brazil as an Emerging Power

The second distinctive feature of the foreign policy of the period was the growing self-confidence of the Brazilian government and the increasing emphasis that came to be placed on Brazil's role as an emerging power. Aspirations to greatness and exaggerated optimistism about the country's potential were nothing new in Brazil. E. Bradford Burns, in his history of Brazilian nationalism, has traced the development of these aspirations and of *ufanismo*, a kind of chauvinistic pride in the country's enormous potential.[377] Of much greater importance was the extent to which the drive to achieve Great Power status had come to form an integral part of the ideology of both the *Escola Superior de Guerra* and the National Security Doctrine adopted by Brazil's military government in the late 1960s.[378] From its earliest days the ESG had stressed Brazil's

377 E. Bradford Burns, *Nationalism in Brazil* (New York: Praeger, 1968).

378 On this question see Shiguenoli Miyamoto, "A Geopolítica e o Brasil Potência", Paper presented to the fifth annual meeting of National Association of Post-graduate Social Science Research, Friburgo, 21-23 October 1981.

potential for Great Power status and had seen its primary task as identifying the obstacles that stood in Brazil's way. As one of the fundamental principles of the ESG put it:

> *Brazil possesses all the basic requirements (area, population, resources) indispensable to become great power … it is clear that only faith in the possibilities of the country will be able to serve as an incentive for the effort needed to create and assure the development of our general power.*[379]

Similarly, Golbery talked of Brazil's *vocação de grandeza* and saw Brazil as having a duty "to construct the greatness of tomorrow".[380] Such sentiments were repeated many times by writers, both military and civilian, in the 1950s and 1960s.[381]

What was new in the Médici period was the extent to which what Miyamoto has called the "project of national greatness" had become a central part of government thinking. The high rates of economic growth of the years of the "miracle", in addition to the country's abundant natural resources, appeared to many members of Brazil's ruling élite to provide a firmer and more realistic basis to the traditional dreams of *grandeza* and *Brasil Potência*. As Mario Gibson Barbosa put it in a speech to the ESG in July 1970:

> *I would say, before anything else and quite simply, that Brazil is a rising power* (uma potência em ascenção). *I do not believe that it is possible to argue with this assertion. This statement… is not a product of ufanismo*

379 Idálio de Sardenberg, "Princípios Fundamentais da Escola Superior de Guerra", documented adopted in 1949, *Segurança e Desenvolvimento* XX, 144 (1971), pp. 5-26, quoted in Miyamoto, p. 10.

380 Golbery do Couto e Silva, *A Geopolítica do Brasil*, p. 62.

381 See for example Pimentel Gomes, *O Brasil Entre As Cinco Maiores Potências No Fim deste Século* (Rio de Janeiro: Leitura, 1969) and *Por que Não Somos Uma Grande Potência* (Rio de Janeiro: Civilização Brasileira, 1965).

> *with which people used to describe, in our school books, the riches of our country, but on the contrary results from a serious realisation of what we already are and of what we still need to do...*[382]

Or to quote the new president speaking in 1970:

> *As we grow and as we convert promises into reality, our participation in international relations will also widen and deepen. It falls to us to demand, with simplicity but without hesitation, the recognition and respect for the new dimensions of our interests.*[383]

That this formed a central feature of the government's programme is illustrated by the *Metas e Bases de Ação de Governo*, drawn up by the CSN in 1970. This stated that the aim of the government was to create "an effectively developed, democratic, and sovereign society, thus ensuring the economic, social and political viability of Brazil as a great power" by the year 2000.[384]

Given this perspective one of the central features of the government's foreign policy was the identification and removal of the barriers that stood in the way of Brazil's upward progress. According to official spokesmen, Brazil had to actively oppose anything that might lead to a "crystallisation of the world order" or a "freezing of world power". Any such "freezing" could only impede the rise of a dynamic and developing Brazil. The clearest statement of this view is to be found in the books, speeches and articles of Joao Augusto do Araújo Castro, a former foreign

382 Gibson Barbosa, speech to ESG, 17 July 1970, *Documentos*, Vol. IV, p. 160.

383 *Documentos* Vol. IV, p. 74. For similar sentiments from senior officers and officials see Schneider, *Brazil*, pp. 32-33.

384 Quoted in Martins, "A Evolução", pp. 83-84.

minister under Goulart and ambassador to both the United Nations and the United States.

> *On various occasions ... Brazil has been trying to characterize what is now clearly visible, namely an undisguised tendency towards a freezing of world power. And when we speak of power, we are not talking only of military power but also of political power, economic power, scientific and technological power.*
>
> *The international policy of Brazil ... has on its objectives to remove whatever obstacles stand in the way of its full economic, technological and scientific development ... and the affirmation and growth of its national power.*[385]

What were the principal areas in which Brazil felt its upward mobility to be threatened by this trend? The first such area concerned the progress in the late 1960s towards détente and the regulation of conflict between the superpowers. Whilst détente was in some ways the prerequisite for greater independence, it was also seen as a potential threat to that independence. In various speeches in the early 1970s, Gibson Barbosa on the one hand praised the benefits of détente and the positive aspects of a reduction in tension between the superpowers. But on the other he expressed the fear that it would merely legitimise and cement superpower dominance; that its benefits would be regional and that the focus of conflict would be transferred to the Third World; that it would be "an instrument for the imposition of hegemonic arrangements"[386]; that it sought "to institute and justify new

385 Araújo Castro, "O Congelamento do Poder Mundial", speech to members of the ESG in Washington, 11 June 1971, quoted in Araújo Castro's collected works: Rodrigo Amado ed., *Araújo Castro* (Brasilia: Editora Universidade, 1982), pp. 200 and 206.

386 Gibson Barbosa, speech to UN General Assembly, September 1973, reprinted in *Digesto Econômico* 234 (Nov/Dec 1973), p. 169.

forms of freezing the distribution of power, as well as to establish, implicitly or explicitly, zones of influence"[387]; Brazil's ambiguous attitude towards détente closely paralleled that of other middle powers of widely varying ideological outlooks such as France, China, India and Canada.[388]

A second, and closely related, example of the trend towards a "freezing of world power" was the Nuclear Non-Proliferation Treaty. As we saw in the previous chapter, Brazilian opposition to the NPT had been growing since 1967. In December 1969 Gibson announced Brazil's formal decision not to sign the treaty.[389] The arguments remained the same as before: For Brazil the treaty involved the "immobilisation of the politico-strategic framework of 1945;[390] it established a division between "one category of strong powers which are considered to be adult and responsible and another of weak powers which are seen as immature and irresponsible".[391] It therefore institutionalised the inequality between states and imposed no serious limitations on the existing nuclear powers. An indication of the continued importance attached to the nuclear question can be gauged from the 1971 curriculum of the ESG which was organized around "the three great antagonisms" of the contemporary world: the East/West

387 Gibson Barbosa, speech to UN General Assembly, September 1971, reprinted in *Revista Brasileira de Política Internacional*, XIV, 55-56 (1971), p. 102.

388 See Carsten Holbraad, *Middle Powers in International Politics* (London: Macmillan, 1984) especially 143-158.

389 "Chronologie du Brésil", *Problèmes d'Amérique Latin* Nos 3749-50, 30 December 1970, p. 91.

390 Araújo Castro, speech of 11 December 1970, *Araújo Castro* p. 180.

391 Ibid., p. 181.

struggle, the North/South divide and the conflict between nuclear and non-nuclear powers.

Thirdly, Brazil saw the negative attitude of the major powers to the problem of economic development as a further area in which the present power structure was being deliberately frozen and the rise of new and dynamic states obstructed. Speaking of the "co-presidency" of the superpowers, Gibson Barbosa commented:

> *this freezing of power does not have as its objective, let us recognise, antagonising those countries that are seeking to break the chains of economic dependence. But the result is practically the same.*[392]

As we shall see, this perspective had an important bearing on Brazil's policy towards the Third World and its demands for reform of the international economic system.

Lastly, Brazilian spokesmen pointed to other specific examples of "freezing of world power". Brazil attacked the stress by many of the developed countries on the dangers of pollution and ecological imbalance, especially that caused by rapid industrialisation in the Third World. This was seen as, according to the less developed countries, "the passive function of being a reserve of environmental purity, a kind of compensatory filter for the industrial activity of the developed countries".[393] Brazil saw a similar danger from those who emphasised the need for limiting population growth, believing

392 Gibson Barbosa, speech to ESG, 17 July 1970, *Documentos* Vol. IV, p. 163.

393 Speech by Mario Gibson Barbosa to the Group of 77, Lima, 28 October 1972, *Documentos* Vol. V, p. 260. See also Araújo Castro, "Environment and Development: The Case of the Less Developed Countries", *International Organisation* 26 (1972) and Thomas Sandars, "Development and Environment: Brazil and the Stockholm Conference", American University Field Staff (East Coast South America Series), XVII, 7 (June 1973).

that many developing countries "require a demographic growth in line with their needs for the full use of their natural resources and the effective occupation of their territory".[394] Brazil repeatedly called for reform of the UN Charter to take account of changes in the distribution of power that had occurred since 1945.[395] Finally, Brazil was highly critical of the position of the major western powers on the law of the sea and in 1969 sponsored a United Nations resolution to freeze all sea-bed exploration until ratification of a treaty to protect the interests of developing states.[396]

The diplomacy of national interest, the growing importance of economic factors and the rising self-confidence of the government had two effects. On the one hand it accelerated both the process of diversification and the changes in the character of relations with Washington. On the other, it gave to the Médici administration's foreign policy a distinctive character that was different both to its predecessor and its successor. This distinctive character will become apparent as we examine the main features of Brazil's foreign relations in the period.

5.3. The United States

The increased confidence of Brazil's military rulers, based on the economic successes of the early 1970s and a more sharply focused nationalism, inevitably had implications for relations with the United States. The relationship between the Médici government and the Nixon administration has often been mistakenly seen as one of close alliance. As we shall see,

394 Araújo Castro, article in *International Organisation*, p. 163.

395 See Gibson Barbosa's speech to UN General Assembly, September 1972, *Documentos,* Vol. VI, p. 203.

396 On Brazil's policy towards the Law of the Sea, see Michael Morris, *International Politics and the Sea: The Case of Brazil* (Boulder: Westview, 1979).

this is particularly true of those who have viewed Brazil as an example of a "sub-imperialist" power. The reality is more complex. On the one hand relations were generally more cordial than under Costa e Silva, there was much rhetoric about the "special relationship" and the disputes that occurred were not serious enough to damage the overall framework of friendship. Yet, at the same time, the downgrading of the "special relationship" that had begun under Costa e Silva continued and the increasing number of specific differences and divergences were symptomatic of the growing distance between the two governments. The Médici period, then, saw relations hover – not always consistently – at a point between the active propagation of the "special relationship" of the Castello Branco years and the active estrangement of the Geisel period.

Reading through the speeches and documents of the period one finds frequent official reaffirmation of the closeness of relations with Washington and the importance of the relationship to Brazil. Thus Médici speaking during his visit to Washington in December 1971: "It (the visit) seemed to me the happiest of opportunities, not only to reaffirm our traditional and secure friendship but also to develop the bases for a new fraternal, frank and objective dialogue between the United States and Brazil."[397] Such rhetoric reflected a clear coincidence of interests on many important international issues. This was particularly true of the political and security fields with the rigorous anti-communism of the Médici government fitting in well with the attitudes and policies of the Nixon administration. Spurred on by the spread of urban guerrilla violence and kidnappings inside Brazil from 1969 to

397 Médici's speech in Washington, 9 December 1971 reprinted in *Revista Brasileira de Política Internacional*, XIV, 55/56 (1971), p. 92.

1971, the government's attacks on what it saw as the dangers of communist subversion within Latin America were, if anything, even harsher than those of its predecessors. An active and assertive campaign against terrorism became a central feature of Brazil's regional diplomacy. Almost every major statement on foreign policy contained a plea for greater international cooperation in the fight against terrorism and, in a dramatic gesture on February 1971, Gibson Barbosa walked out of an OAS meeting having failed to win support for Brazil's view that terrorism and subversion should be classed as ordinary crimes and thus not subject to the right of asylum.[398] Brazil followed the United States in its hostility towards Allende and its scarcely veiled satisfaction with the results of the 1973 coup and in its intransigence on the question of Cuba's readmission to the OAS.[399]

Secondly, economic and commercial ties between the two countries continued to expand. Exports to the United States rose by 185% between 1969 and 1974, from US$ 610 million to US$ 1.7 billion and imports grew by 402% in the same period from US$ 613 million to US$ 3.08 billion.[400] In addition, as we have seen, the attraction of foreign investment was a high priority of the Médici government, with spokesmen frequently criticising the kind of restrictions being placed on foreign investment by the Andean Pact. During the Médici years total US investment in Brazil more than doubled from US$ 816

398 See *Estado de S. Paulo,* 26 January and 2 February 1971. For an earlier strong attack on "foreign ideologies" that were affecting the "peace and security not only of our own countries but of the whole continent", see Gibson Barbosa's speech to the OAS in June 1970, *Documentos* Vol. IV, p. 131.

399 On the question of Cuba see *Times,* 20 January 1970.

400 *Intercâmbio Comercial*, p. 15.

million to US$ 1.72 billion, with the US supplying some 31% of new investment in the period.[401] Similarly, the United States was the dominant supplier of foreign loans in the period and in 1974 some 73% of total foreign debt was owed to US creditors.

Lastly, even in areas where the rhetoric of Brazilian diplomacy might have suggested conflict, Brazil's traditional pragmatism often prevailed over dogma. The clearest example is in the nuclear field. Fervent criticism of US policy towards the NPT did not prevent Brazil from basing the first stage of its nuclear programme on a deal with the American firm Westinghouse to build the country's first plant, Angra I.[402]

Against this pattern of continued close economic ties and coincidence of interests in the security field, needs to be set a growing number of specific differences. In the first place, there was the dispute over Brazil's decision in March 1970 to establish a 200 mile territorial sea limit.[403] In June 1971 the Brazilian government began to enforce the decree and the navy was authorised to confiscate fishing cargoes and levy fines. In response the US State Department ordered some 200 vessels to remain in Brazilian waters. On June 8, 10 foreign vessels from France, Japan and the United States were arrested and on June 15 there were allegations in Washington that US finishing boats had been fired on.[404] Washington, however, backed away from its hard-line opposition and by the end of the year it

401 Banco Central, *Boletim*, various issues.

402 See *Le Monde*, 27/28 May 1971 and *Financial Times*, 21 May 1971.

403 See *New York Times*, 26 April 1971.

404 *Le Monde*, 10 April 1971 and 10 November 1971.

was clear that it would accept the new limit.[405] In early 1972 Washington formally recognised the change and agreed that US vessels would pay the same tolls as other foreign boats. A final agreement was reached in May 1972. A closely related area of friction concerned Brazil's demand that 40% of its trade should be carried by Brazilian ships with the remainder divided between 40% for the other trade partner and 20% for third parties. This clashed with US reluctance to regulate the market in this way but after long negotiations an agreement was reached in December 1972 which embodied the 40:40:20 principle for Brazil's export trade to the US.[406]

Secondly, trade disputes continued to develop. The dispute over soluble coffee rumbled on. In August 1970 Brazil refused to increase taxes on exports as had been required by the 1969 agreement. Negotiations during 1970 and early 1971 ended in deadlock before a new agreement was eventually signed in July 1971 under which Brazil agreed to supply 560,000 bags of coffee beans free of export tax. Yet this agreement became involved in clashes over marketing quotas in the International Coffee Agreement in London and in May 1973 Brazil cancelled the 1971 agreement.[407] Textile exports were a further source of difficulty. In June 1970 there was strong Brazilian reaction to suggestions by the US Trade Secretary that it should voluntarily limit its textile exports.[408] Negotiations followed, but without result, and in late June Brazil announced that it would stop purchasing US wheat in retaliation. In August the US placed a

405 *New York Times*, 20 December 1971.

406 Schneider, *Brazil*, p. 45.

407 *New York Times*, 17 May 1973.

408 "Chronologie Du Brésil", p. 93.

limit of US$ 2 million on Brazilian cotton imports. In September negotiations reopened and an agreement was reached under which Brazil would resume wheat purchases in return for an import quota of 75 million square yards.[409]

The period also saw other small but significant signs of disagreement. In May 1970 both the Brazilian press and Brazilian officials reacted angrily to Washington's decision to halve the level of US aid to Brazil.[410] Also in 1970 there was a diplomatic clash over remarks made by the US ambassador Burke Elbrick over the level of protection given to foreign diplomats. He was sharply rebuked over both these and other comments that he had made about Brazil during the period when he had been kidnapped. In June 1970 he was replaced, reportedly after Brazilian pressure.[411]

Although relatively minor, these specific differences were, as in the Costa e Silva period, symptomatic of a gradual but important shift in Brazilian attitudes to the United States. In the first place they provide clear examples of the more sharply focussed nationalism of the Médici government and of the determination to pursue national objectives regardless of whether they conflicted with US policy. Araújo Castro made the point well in 1971: "Brazil has grown, has gained confidence in itself and can afford the luxury of realism and pragmatism in its relations with the most powerful country in the world…"[412]

409 Ibid, p. 95.

410 *Estado de São Paulo*, 24 May 1970.

411 *Le Monde*, 24 July 1970.

412 Araújo Castro, "Relações Brasil-Estados Unidos", *Araújo Castro*, p. 210.

Hence one finds the consistent stress on the rejection of an automatic alliance with the United States and the awareness that a coincidence of interests in the security sphere did not prevent a clash of interests in other areas, above all on economic matters.

Secondly, this shift in attitudes is closely linked to the general orientation of Brazilian foreign policy. The focus on the obstacles to great power status clearly affected the tenor of relations with Washington. As we have seen, it was the United States that was held responsible for many of the specific examples of the "freezing of world power": the constraints of détente, the creation of a non-proliferation regime, the lack of progress in the North/South dialogue. Symptomatic of this trend was Gibson Barbosa's criticism of Nixon's August 15 package of economic measures in his speech to the UN General Assembly in 1971.[413]

Thirdly, although economic ties expanded, the relative economic salience of the US to Brazil was declining. The US share of total exports had fallen from 26.4% in 1969 to 21.9% in 1974 whilst the US share of Brazil's total imports had dropped from 31% to 25% in the same period. Similarly, the US share of total foreign investment in Brazil had fallen from 48% in 1969 to 31% in 1974. The shift in attitudes thus reflected the simple fact that, as the Brazilian economy expanded, the US was becoming relatively less critical for Brazil.

Finally, as under the previous government, the continued distancing was to some extent a reaction to the increasingly low priority attached to the region by the Nixon administration. As Gibson Barbosa wrote in 1971:

413 Speech to the UN General Assembly, September 1971, *Revista Brasileira de Política Internacional*, XIV, 55/56 (1971), p. 106.

> *The introspective tendency which international observers are increasingly identifying in the United States, provides yet more justification for the efforts, already underway, to open up new sources of cooperation with other industrialised countries...*[414]

This shift in US policy is important and needs to be examined in some detail. The waning of interests in Latin America, visible in the latter part of the Johnson years, became an explicit part of Nixon and Kissinger's foreign policy. Responding to over-extension in Vietnam, the decline of relative US economic and military power and the break-up of the domestic consensus on foreign policy, the central objective of that policy was to scale down the extent of US commitments and to try and bring interests and capabilities more firmly into balance.[415] According to Kissinger, the central means of achieving this objective was by a skilled and efficient manipulation of the central balance with the Soviet Union. Events in Latin America or elsewhere in the Third World that did not directly impinge on this central relationship were automatically of secondary importance.

The logic of this approach to US foreign policy led to the adoption of the "low profile" or "low keyed" policy in relations with Latin America. In 1969 Kissinger ordered the NSC staff to produce six studies on Latin America, including one on Brazil.[416] The basic approach that emerged was the need for the United States to reduce the scope of its relations with Latin America. It should keep an eye on trouble-spots, make goodwill gestures, stress and support the fight against subversion and

414 *Documentos*, Vol. V, p. 299.

415 Amongst the massive literature on US foreign policy in the period, see especially Gaddis, *Strategies of Containment*, chapters nine and ten.

416 Tad Szulc, *The Illusion of Power, Foreign Policy in the Nixon Years* (New York: Viking Press, 1978), p. 176.

emphasise the central role of foreign investment rather than aid in the development process.[417] Both in the heavy emphasis on subversion and on the role of private investment, the new approach resembled the policies of the Dulles/Eisenhower years. Yet in one crucial respect it was different. Central to the Nixon/Kissinger strategy was the idea that a reduction in the scope of US commitments in the Third World would be balanced and covered by building up and supporting friendly regional powers. This was formalised in the Nixon Doctrine announced by President Nixon at Guam in 1969.[418] As Robert Litvak has written:

> *Closely related in Administration thinking to this effect of estabilising the superpower relationship was the development of regional "middle powers" under American auspices. These pivotal, locally preponderant states were to be the recipients, as it were, of American devolution and become increasingly responsible for the promotion and maintenance of regional stability.*[419]

The various strands of this approach are clearly visible in the administrations's Annual Reports to Congress:

> *The ambitious US undertaking to lead the whole continent to democracy and progress – exemplified in our directing role in the Alliance for Progress – could not be sustained in a new period of accelerating expectations*

417 Ibid. As Szulc points out, support for the Latin American military was the only part of the 1969 Rockefeller Report implemented by the administration. A further and very useful discussion on the "low profile" is contained in the section dealing with Latin America of the House of Representatives, Committee on Foreign Affairs, *An Analysis of the President's 1973 Foreign Policy Report and Congressional Action*, 93rd Congress, 1st Session (Washington: GPO, 1973).

418 See Gaddis, *Strategies of Containment*, pp. 298-299.

419 Robert Litvak, *Détente and the Nixon Doctrine*, p. 135.

> *and greater assertion by Latin Americans themselves of their right and capacity to determine their own future.*[420]
>
> *Therefore, this Administration has adopted a new approach to hemispheric policy, more consistent with modern reality. It reflects the new thrust of United States foreign policy under the Nixon Doctrine.*[421]
>
> *Thus we deliberately reduced our visibility on the hemispheric stage, hoping that our neighbours would play a more active role.*[422]

Such was the tenor of the Nixon/Kissinger approach to Latin America. Yet, if one looks more closely, it is clear that neither the "Low profile" nor the Nixon Doctrine should be taken at face value. In the first place, there is the obvious contradiction between the rhetoric of the "low profile" and the Administration's willingness to adopt active and vigorous policies on such issues as Cuba or Chile. This contradiction is related to a basic tension in Kissinger's view of the Third World. On the one hand, he both wrote and spoke at great length about the need to recognise limits to US power, to distinguish between vital and secondary interests and to bring interests more into line with capabilities. Yet, on the other, he both sought to implement an extremely ambitious attempt to mould Soviet behaviour and, in practice, held to an extraordinarily wide definition of America's worldwide interests. Thus, in practice, he was unwilling to let even minor "challenges" in the Third World go unchecked because, when it came to it, there seemed to

420 "Third Annual Report to the Congress on United States Foreign Policy", 9 February 1972, in *The Public Papers of the Presidents of the United States: Richard Nixon* (Washington: GPO, 1973), p. 259.

421 Ibid, p. 260.

422 "Fourth Annual Report", 3 May 1973, 1973 Volume, p. 433.

be few events in the Third World that did not affect superpower relations and hence demand an American response.[423]

Now the fact that the US administration adopted a "high profile" on questions like Chile or Cuba was not in itself a problem for Brazil. As we have seen, there was a clear coincidence of interests and perspectives on these issues. What was a problem, however, was the blindness of the Administration to other issues – transfer of technology, market access etc. – that were of equal and increasing importance to the Brazilian administration. It was precisely the adoption of "low profile" on these other issues that further contributed to the Brazilian feeling that it should continue to broaden the range of its foreign policy and downgrade the centrality of the "special relationship".

Secondly, there is the question of the Nixon Doctrine. This is of direct importance because Brazil was one of the regional middle powers that were selected for special treatment under the Doctrine and because Brazil's position has been so frequently misinterpreted. In particular, the Nixon Doctrine, taken within the context of the historic "special relationship", the close ties that followed the 1964 coup and Brazil's active policy within Latin America, fuelled cries from within Spanish Latin America that Brazil was acting as a "sub-imperialist" power. The term "sub-imperialism" has been used in two distinct senses. Firstly, it has been used in a specific sense by Ruy Mauro Marini to describe the character of Brazil's overall political and economic system.[424] Writing within a clear Marxist framework, he uses

423 See Stanley Hoffman, *Dead Ends. American Foreign Policy in the New Cold War* (Cambridge, Mass.: Ballinger, 1983), Chapter Two.

424 Ruy Mauro Marini, "Brazilian Subimperialism", *Monthly Review*, February 1972.

the term to describe a stage in the evolution of capitalism, "the form which dependent capitalism assumes upon reaching the stage of monopolies and finance capital".[425] The whole thrust of his work is to explain why Brazilian capitalism needs to expand beyond its borders, an explanation that is bound up with his notion of "superexploitation". This definition of "sub-imperialism" will not be dealt with here, firstly, because it has been discussed and heavily criticised elsewhere and, secondly, because it merely assumes as its starting point the existence of a firm alliance with the United States but without providing any evidence for the existence of such an alliance.[426]

Secondly, the term "sub-imperialism" has been used in a general sense, "to denote a subsidiary expression of US expansionism through the aegis of another country such as Iran or Brazil".[427] Thus according to a prominent proponent of this view, Paulo Schilling, "One had to disguise North American domination and the best way for this was by choosing a junior partner, a straw man which would represent yankee interests in a united Latin American market".[428] Brazil thus "fulfils its orders and functions as a gendarme".[429]

How accurate is this picture? There is certainly evidence that the US administration did view Brazil as precisely the kind of regionally powerful state that should be encouraged

425 Ibid, p. 15.

426 For a detailed discussion of Marini's ideas and of Cardoso's critique of them, see Brummel, *Brasilien*, pp. 173-193. See also Vagu Mikkelsen, "Brazilian Sub-imperialism: Myth or Reality", *Ibero Americana*, 6, 1 (May 1976): 56-66.

427 NACLA, "Brazil: The Continental Strategy", *Latin America and Empire Report*, IV, 4 (May-June 1975), p. 4.

428 Paulo Schilling, *Brasil Va a La Guerra* (Buenos Aires: Schapire, 1974), quoted in Brummel, *Brasilien*, p. 175.

429 Ibid.

to assume greater responsibility for regional stability. One can point to the clear coincidence of interests on political and security matters within Latin America; one can point to the refusal of the Nixon administration to condemn human rights violations in Brazil, despite mounting public criticism in the United States;[430] Above all, one can point to the visit which Médici made to Washington in December 1971 and to Nixon's famous remark that "as Brazil goes, so will go also the rest of the Latin American continent".[431] During his visit the spoke of the two countries as the "closest friends" and included Brazil in the consultations held before his visits to Moscow and Peking – the only non-OECD country to be included.[432] This visit was widely seen at the time as overt recognition of Brazil's special status.

Yet the rhetoric of the Médici visit and of the Nixon Doctrine is misleading because it overstates the degree of US-Brazilian friendship and cooperation in this period. On the Brazilian side, as we have seen, there was a growing desire to avoid any kind of "special relationship" and to treat relations with Washington as merely one part in the overall framework of foreign policy. There was also the growing willingness to oppose United States policy when Brazil's political or economic interests so dictated. And however flattered Brazil's rulers may have been by Nixon's remarks, this was more than balanced by

430 There were mild State Department protests about human rights violations in Brazil. See *New York Times*, 23 April 1970. But generally the administration fought doggedly to prevent Congress cutting aid and military assistance because of such violations. For an example of the widespread condemnation of human rights abuses in the US press, see "Brazil: Terror and Torture", *New York Times*, 29 April 1971. Congressional criticism was focussed around Senator Frank Church's 1971 Senate Hearings, *United States Policies and Programmes in Brazil*, see Chapter Three, fn. 41.

431 Reprinted in *Revista Brasileira de Política Internacional*, XIV, 55/56 (1971).

432 *New York Times*, 8 December 1971 and *Estado de São Paulo*, 7 December 1971.

the disastrous impact that they had on Brazil's relations with Latin America.[433]

It is true that Brazilian and American interests within Latin America generally coincided and that Brazilian policymakers did see themselves in some sense as taking advantage of the vacuum left by the decline of US influence. But, on the other hand, Brazilian policy towards the region is more properly seen as the pursuit of its own interests – the desire to increase its influence in the border states, to counter Argentinian influence, to expand its export markets and to secure sources of energy – and in no way as merely fulfilling the orders from Washington. There is no evidence of direct US involvement in the pursuit of these objectives. Depending on one's definition of imperialism, Brazil's policy might be judged to be imperialist, yet it can hardly be seen as "sub-imperialist".[434]

On the American side, there is little evidence that Washington went beyond purely rhetorical deference to Brazil's size and status. Firstly, unlike other Third World states selected for special treatment under the Nixon Doctrine such as Iran or Zaire, Brazil received very little material assistance. Economic and military aid to Brazil declined dramatically. Economic aid fell from US$ 1,146 million in the period 1965-1969 (23% of Latin American total and 5.5% of the worldwide total) to US$ 364 million between 1970 and 1974 (10.6% of the Latin American total and 1.9% of the worldwide total).[435] Military assistance fell from US$ 119 million in the period 1965-1969 (29% of the Latin American total) to US$ 104 million between 1970 and

433 Personal interview with Gibson Barbosa, London, 9 November 1984.

434 On this point see Brummel, pp. 190-193.

435 See Chapter 8, Table 7.

1974 (just 3.03% of the Latin American total). As regards arms sales, it is true that Nixon used his waiver to authorise the sale of 36 Northrop F5E Tiger II fighters in May 1973. Yet, this was dictated above all by the general loss of the Latin American market to European suppliers and included not only Brazil but also Argentina, Chile, Colombia and Venezuela.[436]

Secondly, there are clear signs that, as in the past, Washington backed away from the idea of promoting special ties with Brazil in the face of the furore which Nixon's remarks caused throughout the rest of Latin America. It was very noticeable, for example, that during William Rogers' visit to Brazil in May 1973 there was little talk of "special relationships" – a sign that the Brazilian press took as a clear indication of the lack of US interest in Latin America, including Brazil.[437]

In retrospect, then, it is clear that neither Brazil nor the United States had any major interest in turning the Nixon Doctrine into reality. For Washington the region simply was not important enough and it is illustrative of Henry Kissinger's own lack of interest that in 2751 pages of detailed memoirs covering the period from 1969 to 1974 Brazil should only be mentioned twice, both times in relation to Chile.[438] The Brazilian case clearly bears out Robert Litvak's conclusion:

436 See Sorley, *Arms Transfers under Nixon*, p. 157.

437 See *Estado de S. Paulo*, 24 May 1973 and *New York Times*, 23 May 1973. See also Kissinger's interview of 4 May 1973 in which the stated that good relations with Brazil did not mean that "we will hinge our whole Latin American policy on one country alone". "Kissinger Briefing on Foreign Policy Report", United States Information Service, US Embassy, London, 4 May 1973.

438 Even more telling were Kissinger's reported remarks to the Chilean foreign minister in 1969. "You come here speaking of Latin America, but it is not important. Nothing important can come from the South… The axis of history starts in Moscow, goes to Bonn, crosses over to Washington, and then goes to Tokyo. What happens in the South is of no importance." Quoted in Seymour Hersh, *The Price of* Power (London: Faber & Faber, 1983), p. 263.

> *On the periphery, the transitional and ambiguous nature of the Nixon Doctrine was evidenced in the awkward, uncoordinated manner in which the Administration conducted relations with those countries which were nominally targeted to be recipients of any regional devolution of American power – Brazil, Zaire, Iran and Indonesia. Although this tentative, ad hoc approach to regional security questions might be attributed to the general state of flux within the international system, it is also evident that these matters were considered of secondary importance relative to the Administration's major diplomatic undertakings – the Vietnam negotiations, the opening to China and SALT.*[439]

5.4. Diversification

5.4.1. Japan

The Médici period saw an extraordinarily rapid growth of economic ties between Brazil and Japan. Brazil's exports to Japan rose by 430% from US$ 105 million in 1969 to US$ 557 million in 1974, taking Japan's share of total exports from 4.6% to 7.0%. In the same period imports rose by 1052% from US$ 95 million to US$ 105 million taking Japan's share of total imports from 4.7% to 8.7%.[440] By 1974 Japan had become Brazil's third largest trading partner after the United States and West Germany with trade based largely on the exchange of Brazilian minerals and agricultural products for Japanese capital goods, chemicals and other industrial products.

439 Litvak, *Détente and the Nixon Doctrine*, p. 137.

440 *Intercâmbio Comercial*, p. 188.

The other important area of expansion was Japanese investment in Brazil, which rose by 478% from US$ 55 million in 1969 to US$ 318 million in 1973, taking Japan's share of total foreign investment from 3.2% to 7.1%.[441] By 1974 Japan had become Brazil's third largest source of investment capital. By 1974 over half of Japan's investment in Latin America was in Brazil, which alone accounted for 7% of Japanese total foreign investment, the largest outside Asia. Investment was concentrated in three areas: Firstly in manufacturing, especially in shipbuilding, the steel industry, petro-chemicals, vehicle components and financial services.[442] In 1973 43% of new foreign investment in the steel and iron industries came from Japan, 80% in shipbuilding and 18% in overall manufacturing.[443] In addition to the established investments in Usiminas (Brazil's largest steel plant) and the Ishikawajima – Ishibras shipyard, noteworthy new examples included the investments of Mitsubishi Heavy Industries and Teijin in the Bahia petrochemical complex and Nippon Electric in the telephone industry.[444] Secondly, Japan invested in raw material production, including coal mining, iron ore and wood processing (for example the joint project between Itch and CVRD in cellulose production). Thirdly, the period saw substantial Japanese investments and loans in infrastructure projects, especially the improvement of transport along the so-called export corridors.[445]

441 Chapter 8, Table 9.

442 Cleantho Leite, "Brasil-Japão", p. 39.

443 *Neue Züricher Zeitung*, 19 October 1974.

444 *Visão*, 22 May 1972, *Japan Times*, 20 April 1970. 21 December 1970 and 8 November 1972.

445 According to the *Japan Times* around 30% of the finance for such investments came from Japan, 3 November 1972.

During this period there was a great deal of optimism based on the supposed natural economic complementarity of the two economies: On the one side Japan being overpopulated, needing to import 90% of its raw materials and having large amounts of surplus capital. On the other, Brazil having the raw materials, both needing foreign capital and providing a favourable political environment for foreign investment, and having the largest Japanese community outside Japan totaling around 713,000 by the mid 1970s.[446]

Whilst the relationship was clearly predominantly economic both in character and motivation, both governments worked hard to further the expansion of economic ties. On the Brazilian side there were the visits of Gibson Barbosa in July 1970, Planning minister Reis Velloso in January 1972 and Finance Minister Delfim Netto in October 72.[447] Delfim's visit received much publicity in Japan with talks with Tanaka, the Japanese prime minister, and the signature of US$ 200 million of new loans.[448]

On the Japanese side it was also clear that the government actively supported the expansion of ties. Certainly a central feature of Japanese activity was the high level of coordination between the government on the one hand and Japanese industry, trading companies and banks on the other. There was the visit of Foreign Minister Kiichi Aichi in September 1970 and the signature of an agreement on technical cooperation.[449]

446 For a strong argument in favour of the idea of natural complementarity see the comments by Paulo Yokota, a director of the Banco Central, in *New York Times*, 9 November 1972. For details of the Japanese community in Brazil see *Japan Times*, 6 October 1976.

447 *Visão*, 22 May 1972.

448 *Japan Times*, 3 November 1972.

449 *Japan Times*, 20 September 1970.

There was a flood of well supported trade missions, visits of industrialist and trade fairs. Particularly important was the visit of the head of the Federation of Economic Organisations in November 1972 who spoke of "unlimited opportunities" and who announced plans for US$ 1.2 billion of new Japanese investments over the following five years.[450] In 1973 Japan mounted a trade fair in São Paulo that was the largest ever held outside Japan.[451] In 1974 a business coordinating committee was created consisting of 27 leading Japanese firms with investments in Brazil. Finally, the Japanese government was often directly involved, occasionally as a direct investor (eg. in Usiminas) or, more commonly, by providing long-term loans assist the construction of infrastructure projects.

A good example of the pattern of Japanese activity was the investment in the Aguas Claras iron ore mines. It was a joint venture with the Brazilian firm MRB. The Japanese consortium consisted of six large steel producers and six trading companies including Mitsui and Marubeni. It involved US$ 8.2 of direct investment and US$ 50 million of loans, US$ 30 million of which was supplied by the Japanese Export-Import Bank. Finally, the deal was tied to a long term agreement whereby Brazil would supply Japan with 7 million tons of iron ore per year for 16 years.[452]

5.4.2. Western Europe

The Médici period also saw a large increase in economic contacts between Brazil and Western Europe, although their political visibility and significance remained generally low.

450 *Japan Times*, 3 November 1972 and *Le Monde*, 7 March 1973.

451 *Japan Times*, 8 November 1972.

452 *Japan Times*, 27 February 1971 and *Neue Züricher Zeitung*, March 1971.

Brazilian exports to the region rose 195% between 1969 and 1974 from US$ 1,069 million to US$ 3,154 million.[453] Imports rose 414% over the same period from US$ 765 million to US$ 3,931 million. Western European investment increased by 245% during the Médici years from US$ 530 million to US$ 1,831 million and the region's share of total foreign investment rose from 31% in 1969 to 40% in 1974.

West Germany remained the most dynamic relationship. By the early 1970s West Germany was Brazil's second largest single trading partner and source of foreign investment and the pattern of high level visits established in the late 1960s continued. The most important was the visit of foreign minister Walter Scheel to Brazil in April 1971 during which one finds for the first time the idea that Brazil-German relations might serve as a model for first-Third World ties.[454] To quote Gibson Barbosa: "Our relationship should serve as a model of cooperation between fully developed countries and those in the process of development".[455] There was a heavy stress on the expansion of technological cooperation. During Scheel's visit a further agreement on nuclear cooperation was signed. In August 1970 an agreement on geological and geophysical research was signed during the visit of the Mines and Energy minister to Bonn. In early 1971 negotiations between Brazil and Kraftwerk Union over the construction of nuclear power stations opened that were to reach fruition in 1975.[456] Ties with France continued with the visits of the foreign minister, Maurice Schumann, in July 1970 and the finance minister, Giscard d'Estaing, in September

453 *Intercâmbio Comercial*, pp. 103-125.

454 *Frankfurter Allgemeine Zeitung*, 20 April 1971.

455 *Documentos*, Vol V, pp. 97-98.

456 *Financial Times*, 29 January 1971.

1971.[457] The arms relationship flourished with the conclusion of the Mirage deal in May 1971, the sale of Roland surface to air missiles and a radar system in 1972 and Gazelle helicopters in 1973.[458]

Whilst the expansion of these economic ties form an important part in the continuing diversification of Brazilian foreign policy, their political significance remained generally low. On the Brazilian side, although the diversification of external relations was seen as a central aim of foreign policy, there was no willingness in this period to try and exploit the "European card", for instance in relations with the United States. Brazilian interests in Europe were almost exclusively economic, contacts were uncontroversial and were in any case growing satisfactorily without the need for a strong political input. On the European side, for all countries including West Germany, relations with Brazil remained a low priority and widespread condemnation of repression within Brazil was a further factor inhibiting the development of closer political ties.

5.4.3. Soviet Union, Eastern Europe and China

Economic relations with the COMECON area began to expand more rapidly under the Médici administration despite its vigorously anti-communist ideology. Brazilian exports to the area grew 222% from US$ 123 million in 1970 (4.51% of total exports) to US$ 396 million in 1974 (4.98% of total), with imports rising 205% from US$ 52 million (2.06% of total) to US$ 157 million (1.24% of total).[459] Especially notable was

457 *Le Monde*, 21 July 1970 and *Figaro*, 12 September 1971.

458 *Le Monde*, 20 May 1972 and 13 February 1973.

459 *Intercâmbio Comercial*, p. 91.

the deal in 1972 whereby Brazil sold 200,000 tons of sugar to the Soviet Union, 10% of its total sugar exports.[460] Trade missions and promotional tours continued to proliferate, the most important of which was the visit in November 1969 of a high level Soviet delegation to renew the 1966 trade agreement and to discuss the obstacles to trade.[461] In March 1970 a Czech economic mission visited Brazil. In 1972 a large Brazilian trade mission toured the Soviet Union and Eastern Europe and in February 1973 there were further delegations from Hungary and Czechoslovakia.

An important development during the period was the growth of contacts in the energy sector. In May 1970 there were talks in Brazil with the Soviet minister of energy over the possibility of the Soviet Union supplying hydroelectric equipment for Brazil's ambitious hydro-electric programme.[462] In October 1970 an agreement was signed in Moscow involving the USSR supplying turbines worth US$ 36.5 million in return for the purchase from Brazil of 1,200,000 sacks of coffee at world prices.[463] In February 1973 negotiations began in Brazil over possible Soviet participation in the Itaipu hydroelectric complex.[464]

Yet the growth of relations was not without its problems. Firstly, credit arrangement providing for full convertibility existed only with the Soviet Union and Czechoslovakia, with

460 *New York Times*, 3 January 1972.

461 "Chronologie Du Brésil", p. 91.

462 Ibid, p. 93.

463 Ibid, p. 95.

464 *Financial Times*, 27 February 1973.

trade to other countries impeded by a cumbersome system of clearing accounts.[465] Secondly, and most importantly, there was a persistent trade imbalance in Brazil's favour. Brazil's exports to the Soviet Union consisted of raw materials, especially sugar, cotton and coffee which in 1970 accounted for 79% of the total.[466] Yet, whilst there was continued Soviet demand for these products, there was a marked lack of Brazilian demand for Soviet goods. The 1966 trade agreement had provided a US$ 100 million credit for the import of such goods, yet up to 1970 only 4% of this credit had been taken up.[467] There was a particular reluctance to import Soviet capital goods. Apart from doubts over quality, any substantial increase in such imports would have involved extensive changes in Brazil's western-oriented industrial plant, training, spare part services etc.

5.4.4. China

In contrast to the Soviet Union, China provides an interesting case of ideology limiting diversification despite the possibility of economic advantage. Relations with China had for all practical purposes begun with Goulart's visit to China in 1961. As we have seen, they were abruptly broken off by the 1964 coup with the military government seeing China as a major exporter of subversion and consistently supporting its international isolation. Speaking of military attitudes in the Médici period, Hugo Abreu, Geisel's Head of the Military Household, commented: "If the communist countries were

465 "A Complicada Aproximação", *Visão*, 24 February 1975.

466 *Comercio Exterior*, 3 (Oct/Nov 1970).

467 "Chronologie Du Brésil", p. 91.

regarded by us with a natural lack of confidence, China and Cuba were then considered as the real demons (bichos-papões)".[468] What is interesting is that this antipathy persisted well into the 1970s despite three important developments. Firstly, there was China's abandonment of an overtly revolutionary foreign policy and its stress on the normalisation of state-state relations. Secondly, there was the rapprochement after 1971 of China with Brazil's major ideological ally, the United States. And thirdly, there were the beginnings of trade ties netween Brazil and China. Trade had been at extremely low levels in the 1960s – between 1965 and 1970 exports to China had averaged US$ 412,000 and imports only US$ 21,000.[469] In 1972 exports increased to US$ 70 million following the sale of 400,000 tons of Brazilian sugar to China, negotiated secretly in London by Brazil's representatives of *Instituto do Açúcar e do Álcool*.[470] Yet, despite progress on the economic front, ideology prevented any movement on the diplomatic front, with Gibson Barbosa underlining Brazil's support for China's continued isolation during the visit of a Taiwanese delegation in September 1972.[471]

5.4.5. Third World: Multilateral Ties

Brazil's Policy towards the Third World provides a particulary good example of the change in emphasis introduced by the Médici government. The vague talk of solidarity and the increased advocacy of many Third World demands for reform of

468 Hugo Abreu, *O Outro Lado do Poder* (Rio de Janeiro: Nova Fronteira, 1979), p. 39.

469 *Intercâmbio Comercial*, p. 107.

470 *New York Times*, 12 March 1972 and *International Herald Tribune*, 19 December 1972.

471 *Japan Times*, 17 September 1974.

the international economic system that had been revived under Costa e Silva remain a central part of Brazil's foreign policy. Yet, consistent with the new focus on direct national interest, there is now a much more hard-headed attitude to the Third World.

> *Not just a convergence of interests and an identity of demands, but also the awareness that we must be a dynamic force in the world, explain our policy of active solidarity with the developing countries...* [472]

This statement by Médici in April 1970 nicely illustrates the two sides of Brazil's increased support for Third World aspirations. On the one hand, support was based on a genuine "convergence of interests" on many, although clearly not all, elements in the Third World case for reform of the international economic system. On the other, the Third World movement was seen both as an area for expanded Brazilian influence and as a useful vehicle for assisting Brazil's central aims, entry into the developed world and the achievement of great power status.

As the period progressed, Brazil's protestations of solidarity with the Third World increased both in frequency and stridency.

> *As a country grows, its responsibilities increase as does its degree of influence (parcela de decisão) in the international community. This is the case with Brazil. We believe that this increase in the influence of Brazil should be used to place ourselves ever more closely in the side of the developing countries, in order that we can break the barriers of poverty and ignorance, all together through solidarity. I would also say that Brazil has a permanent position of solidarity with those who share with us the struggle of development.*[473]

472 *Documentos*, Vol. IV, p. 75.

473 Gibson Barbosa, interview, 21 December 1972. *Documentos*, Vol. VI, p. 357.

Similarly, Brazilian attacks on the injustices of the economic system grew harsher. As Gibson Barbosa told Walter Scheel in 1971:

> *Brazil has been insisting that economic security is an essential element of both collective political security and lasting peace. Peace is not synonymous with the maintenance of the status quo but is rather the result of a dynamic process which will alter the unjust structures of inter-state relations which have to a large extent caused the very problem of underdevelopment.*[474]

It was in the area of trade reform that Brazil's talk of solidarity most clearly reflected a genuine "identity of demands". Gibson Barbosa frequently attacked the GATT system because it resulted in "the consolidation of the North/South division, reserving to the North the principal advantages of international trade".[475] In line with countless other Third World speakers, Brazilian spokesmen called repeatedly for the end to protectionism in the industrialised countries, for easier or preferential access to OECD markets and for greater stability for raw material export earnings. Brazil, as a major Third World exporter, would of course stand to gain disproportionately from such reforms.

In addition to specific benefits the Third World movement also came to be seen as a useful way of assisting Brazil's upward progress. For a country concerned that the international power

474 *Documentos*, Vol. V, p. 98. For a further typical summary of Brazil's position see Gibson Barbosa's speech to the Group of 77, Lima, 29 October 1971, ibid, pp. 257-264.

475 Gibson Barbosa, "A Política Brasileira de Comercio Exterior", *Revista Brasileira de Política Internacional*, XIII, 49/50 (1970), p. 64.

structures had been frozen and its upward progress impeded, a radical and revisionist Third World movement becomes a natural ally. A unified Third World was therefore seen by Brazil as a means of changing the international climate and facilitating an environment favourable to change and the redistribution of power. As Gibson Barbosa pointed out in 1970:

> *One must not forget that, however limited they may be, the recommendations and principles of UNCTAD constitute the only point of departure for the developing countries in their struggle to change the status quo.*[476]

It is of course true that Brazil's solidarity with the Third World was far from total, although it is questionable whether Brazil's much discussed pragmatism is really very different to that of any other Third World State. It retained its distance from the Non-Aligned movement and, as we shall see, from such central Third World political causes as the attacks on Portugal, South Africa and Israel. Its calls for reform of the international economic system were limited, with Brazil attacking those states which sought to restrict the activities of foreign companies. Similarly, it had little reason to seek reform of an international monetary system from which it was at the time a substantial beneficiary.[477] Finally, on one famous occasion in 1973, Gibson went so far as to deny the existence of the Third World as a rigid grouping in international politics.

476 Ibid, p. 67. As Robert Rothstein has pointed out, it is this general interest in changing the status quo rather than the achievement of specific benefits that often explains the unity of Third World groups. See *Global Bargaining* (Princeton: Princeton U.P., 1979), chapter 7.

477 Carlos Martins has argued that, for the Médici government, "… nothing needed to be altered in the established world order except the relative position occupied by Brazil". ("A Evolução", p. 84). Whilst correctly stressing the qualified nature of Brazil's solidarity, this underemphasises the extent to which Brazilian speakers did see the need for changing at least certain aspects of the established order.

> *The activists of the Third World try and perpetuate a strange and unacceptable division of the world between those peoples which make history and those which suffer it. Brazil does not belong to this group nor does it believe in the existence of the Third World.*[478]

Yet, despite the ambiguous and qualified nature of its support, the Médici period saw a continuation and a deepening of Brazil's multilateral diplomacy and its involvement in North/South issues and thus forms a part of the general progress towards diversification.

5.4.6. Africa

Unlike the cases of both Western Europe and Japan, Brazilian interests in Africa in the early 1970s were complex, with economic motives forming only part of the story. Brazil certainly did have important economic interests in the region. The drive to increase exports, especially of manufactured goods, led to greater attention being paid to the potential of the African market. During the Médici period exports to the region increased from US$ 24 million in 1969 to US$ 417 million in 1974, and the region's share of total exports rose from 1.05% to 5.24%.[479] Africa was also an important source of oil. Between 1971-1974 crude oil accounted for an average of 68% of imports from the region with Africa supplying an average of 20% of Brazil's needs.

478 Quoted in Martins, "A Evolução", p. 79. Although this quotation again points to the ambiguous nature of Brazil's position, it does not completely undermine the idea of Brazil's solidarity with the Third World. Firstly, it needs to be set against the numerous occasions when Brazilian spokesmen have spoken of the need for Third World unity. Secondly, the aim of Gibson's remark was to deny that Brazil belong to a rigid bloc of weak states unable to change their situation. As we shall see in subsequent chapters, Brazil's policy of no "automatic alliances" applied as much to the Third World as to the United States.

479 *Intercâmbio Comercial*, p. 204.

Yet the diversification of Brazil's relations with Africa was complex because these economic interests were balanced by a series of other factors: Firstly, Brazilian military and geopolitical writing from Golbery in the 1950s to Meira Mattos in the 1970s had identified the South Atlantic and the west coast of Africa as a key area for Brazilian security and as a potential zone for the expansion of Brazilian influence.[480] By the early 1970s this view was widespread within the armed forces with security concerns now intensified by the protracted liberation struggles being fought in Portugal's colonial territories.[481] Secondly, the tradition of solidarity with Portugal remained very strong within Brazil in general and within the armed forces in particular. Thirdly, both security concerns and ideology led to strong support for close ties with both Portugal and South Africa in common defence of the values of "Western, Christian civilisation".

The major feature of the Médici period is the tension between two alternative approaches to the diversification of ties with Africa.[482] The first stressed traditional friendship with Portugal and argued that both economic needs and security interests would be best served by close ties with both Portugal and South Africa. The second argued that the future lay with Black Africa because of its economic attractions in terms of exports and oil, because it would also provide an area

480 Golbery do Couto e Silva, *A Geopolítica do Brasil*, pp. 239-249, and Carlos de Meira Mattos, *Brasil Geopolítica e Destino*, pp. 75-76.

481 For an example of this concern see Admiral Hilton Moreira, "O Brasil e suas Responsabilidades no Atlântico Sul", *Segurança e Desenvolvimento*, 21 (1972).

482 For more detailed studies of Brazil's policy in Africa in this period see Guy Martinière, "La Politique Africaine du Bresil", *Problèmes d' Amérique Latine*, No. 4474 (13 July 1978); Wayne Selcher, "Brazilian Relations with Portuguese Africa in the Context of the Elusive 'Luso–Brazilian Community'", *Journal of Interamerican Studies and world Affairs*, 18, 1 (February 1976); and José Honório Rodigues, *Brasil e Africa. Outro Horizonte*, (Rio de Janeiro: Nova Fronteira, 1980), pp. 467-537.

for expanded Brazilian political influence and because of the wider advantages of a more consistent Third World approach to foreign policy. As we will see in this section, by the end of the period, Brazil's policy had moved a considerable distance towards the second option.

For most of the period, however, it was the first option that was clearly dominant.[483] Continuing the policy of Costa e Silva, relations with Africa continued to develop. In 1969 South Africa was easily Brazil's most important trading partner in Africa, taking some 67% of exports and providing around 10% of imports. During the period exports increased 181% to US$ 45 million and imports by 476% to US$ 28 million. In 1971 a direct air service between Brazil and South Africa was opened. January 1972 saw an important South African trade mission visiting Brazil and in July a large Brazilian commercial mission went to South Africa. In 1973 a South African industrialist invested US$ 30 million in a chemical plant in Brazil. Perhaps most significant was the statement in February 1972 by the Brazilian Finance Ministry spokesmen, Villar de Queiroz, that Brazil's best economic prospects lay in developing ties with South Africa and Portugal's African colonies.[484] On the diplomatic front the most important event was the visit of foreign minister Hilgard Müller to Brazil in early 1973 during which he proposed joint meetings of the two countries' Chiefs of Staff to discuss South Atlantic security. Yet despite strong sympathy for the idea of

483 See Martinière, "La Politique Africaine", pp. 10-15.

484 This announcement followed Delfim Neto's own view and ran directly counter to Gibson Barbosa's policy of seeking to improve relations with Black Africa. It led to a protracted and semi-public quarrel between the two ministers which was only ended after the personal intervention of the president. Delfim Neto was reflecting a common view in Brazil at the time. Thus the *Jornal do Brasil* could comment on 22 March 1972: "If we are going to represent our national interests by a reliable diplomatic policy, then we must consider South Africa as the most important country on the African continent".

military cooperation, Brazil continued to deny any intention of joining any sort of pact or alliance with South Africa. It is worth noting that these ties flourished despite strong official condemnation of apartheid, the illegal regime in Rhodesia and South Africa's occupation of Namibia. Echoing the consistent western view, Gibson Barbosa denied that Brazil should cut back its trade links: "On the contrary, we should expand our exports wherever we can and not submit commercial interchange to ideological considerations".[485]

Again following the pattern of the Costa e Silva period, Brazilian support for Portugal was maintained and it was during the first three years of the Médici period that the idea of a Luso-Brazilian community came closest to realisation. Firstly, Brazil steadfastly refused to condemn Portuguese policy in Africa. In an interview in October 1972 Gibson Barbosa argued that the Portuguese case was entirely different to that of South Africa and Rhodesia and that "It is up to Portugal and to Portugal alone to resolve this problem".[486] Secondly, Brazil continued to assist Portugal in international forums. In November 1972 it was one of six countries to vote against a UN resolution recognising the African liberation movements as the legitimate representatives of the populations. The following year it was one of seven to vote against another resolution welcoming the independence of Guinea-Bissau. Thirdly, the period saw the intensification of bilateral diplomatic and economic relations.[487] In April 1970 the six-day visit of a Portuguese naval mission reaffirmed the

485 Interview with *Jornal do Brasil*, reprinted in *Documentos*, Vol. IV, p. 277.

486 Ibid.

487 Martinière, "La Politique Africaine", pp. 15-20. Rodrigues, *Brasil-Africa*, pp. 514-515.

traditional close ties between the two navies. In July 1970 Gibson Barbosa signed an agreement in Lisbon which allowed Brazilian firms to develop exports to Portugal's colonies in Africa. In April 1970 a double taxation agreement was signed. In September 1971 a further agreement was signed during Rui Patricio's visit to Brazil granting each other's citizens equal civil and political rights. In April 1972 the Portuguese president Americo Thomaz came to Brazil bearing the mortal remains of Dom Pedro to celebrate the 150th anniversary of Brazil's independence. In May 1972 Defim Netto visited Lisbon to sign an agreement establishing warehouse facilities in Angola and Mozambique and announced the creation of a freight service between Brazil and the two African colonies. Finally, in June 1972 the Portuguese Finance minister visited Brazil to discuss further projects of economic integration.

The challenge to this policy began in earnest in 1972, dubbed by Itamaraty as the "Year of Africa". Although contacts with Black Africa had been growing, the most important symbol of this new approach to Africa was Gibson Barbosa's visit to eight west and central African countries in October 1972, during which 17 bilateral cooperation agreements were signed.[488] In his speeches on his tour, Gibson Barbosa introduced many of the themes that were to dominate Brazil's Africa policy throughout the 1970s. He stressed Brazil's African heritage; its tradition of racial tolerance; the common interests between Brazil and Africa in fighting for a fairer international economic system; scope for cooperation with other producers of coffee, cocoa and cotton; Brazil's ability to supply technical help and manufactured goods

488 For details of the agreements, see *Documentos*, Vol. VI, pp. 289-340.

fitted to tropical conditions; and, above all, the possibility for mutually beneficial trade with Brazil needing raw materials from Africa such as oil, copper and cobalt and able to supply food and manufactured goods.[489]

Gibson's trip was widely seen as a success. He returned to Africa, visiting Kenya in February 1973 and early 1973 saw an increased number of visits to Brazil from the Ivory Coast, Kenya, Nigeria and Zaire. Particularly noteworthy was the long-term oil supply agreement signed with Algeria in April 1973, under which Braspetro was to begin exploration in Algeria.[490]

At the time of his visit Gibson Barbosa stated that Brazil would not give up its special ties with Portugal and there appeared to be a feeling within the Brazilian government that both African options could be pursued without contradiction.[491] Yet within a year Brazil had moved visibly away from the Portuguese/South African option. In November 1973, during the visit of the Ivory Coast foreign minister, the joint communiqué spoke not just of the rights of self-determination but, for the first time, of the rights of "independence" of all peoples.[492] At the same time it was leaked to the press that Brazil would abstain on any future votes in the UN on Portuguese Africa. In January 1974 the visit of the Nigerian foreign minister brought a strong Brazilian condemnation of colonialism and at the same time Brazil refused to agree to South Africa's request to upgrade the level of diplomatic representation.[493] Finally, the Médici

489 See for example Gibson Barbosa's speech in Nigeria, ibid, pp. 327-331.

490 *Financial Times*, 7 March 1973.

491 Selcher, "Brazilian Relations", pp. 28-29.

492 Ibid, p. 36.

493 *New York Times*, 27 January 1974.

government left recommendations to its successor that Brazil should support the independence of the Portuguese colonies in Africa.[494]

What accounts for this change of direction? The common view was that it was the result of political pressure from the Afro-Arab bloc with Brazil placing oil supplies and export markets above solidarity with Portugal.[495] There is much truth to this argument. Already in May 1973 the Saudi foreign minister in Brasilia had warned that the Arabs would withhold oil supplies from states which "help our enemies".[496] More directly, a UN resolution in November 1973 by seventeen African countries included Brazil on a list of countries targeted for sanctions unless they ended support for South Africa and Portugal. Shortly afterwards there was solid African support in the United Nations for a resolution which supported Argentina in its dispute with Brazil over the energy resources of the Paraná River.[497] Brazil's traditional Africa policy thus raised the possibility of direct sanctions and political costs and there was growing talk in Brazil about the stupidity of making "useless sacrifices".[498]

Whilst generally correct, this interpretation needs to be qualified in two ways. Firstly, Brazil's motives were more complex than simply oil and exports. On the one hand, Gibson Barbosa's African policy was only one part of a more general approach which, as we have seen, laid greater stress on the importance

494 See Hugo Abreu, *O Outro Lado do Poder*, p. 53.

495 See for example, Rodrigues, p. 522.

496 *Le Monde*, 31 May 1973 and *Egyptian Gazette*, 30 May 1973.

497 Selcher, "Brazilian Relations", pp. 36-38.

498 *Le Monde*, 1 December 1973.

of close ties with the Third World movement. Unless Brazil switched its policy on Africa, the viability of this wider policy would have been in jeopardy. On the other, as Portugal's position crumbled, a shift in policy became ever more necessary if Brazil was to have a future role in independent Portuguese-speaking Africa. Secondly, although the change in direction only became visible in late 1973, the seeds of change had been laid earlier. From early 1972 many Brazilian officials had become convinced that Portugal should seek a negotiated end to its involvement in Africa and Brazil had begun an intensive but discreet attempt to assist a negotiated settlement. Several African countries had for some time been suggesting that Brazil should act as a mediator. Although this suggestion was officially rejected by the Brazilian government (for fear of alienating Portugal and antagonising Portuguese supporters within the government), Brazil by early 1973 was engaged in an intensive effort to bring the two sides together, urging Portugal to end its attempt at a military solution and trying to get moderate African states such as Senegal and the Ivory Coast to ease the armed pressure on Portugal.[499] By May 1973, however, it was clear that this effort was not going to produce a result. The communiqué at the end of Médici's visit to Lisbon in May 1973 omitted any reference to Africa, Petrobras's plans to drill for oil in Angola had been postponed and it was evident that the grandiose plans of the Luso-Brazilian community had come to nothing. Portugal had wanted to use the bait of economic concessions to draw Brazil more closely into its struggle in Africa. Brazil, on the other

499 *Observer Foreign News Service*, 19 March 1973. Confirmed by Gibson Barbosa, personal interview, London, 9 November 1984.

hand, had decided that it did not want its future in Africa compromised by any new overt act of support for Portuguese policy.[500]

Although this shift in attitude was only indirectly reflected in government policies, the Médici years mark a highly significant stage in the process of diversification. Not only had economic relations with Africa expanded steadily, but Brazil had retreated a substantial distance from its previous focus on South Africa and Portuguese Africa and had thereby prepared the ground for the more dramatic shifts in policy that were to come during the Geisel period.

5.4.7. Middle East

As in the case of Africa, the Médici period saw both a steady expansion of economic ties followed in late 1973 by a dramatic change of political direction. For most of the period the policy of "equidistance" tinged with an underlying sympathy for Israel continued. On the one hand, links with Israel continued to develop with the visits in May 1970 of the Israeli minister of labour, in July 1970 of the head of the Department of Cooperation of the Israeli foreign ministry and in August 1972 of the Israeli finance minister, Pinhas Sapir.[501] On the other, increasing imports of crude oil necessitated a growing economic relationship with the Arab countries. Imports from the region rose from US$ 92 million in 1969 to US$ 527 million in 1973 with exports increasing from US$ 22 million to US$ 174 million.[502] Other examples of this included Petrobras's

500 For further details of the visit, see Selcher, "Brazilian Relations", pp. 30-32.

501 *Egyptian Gazette*, 12 August and 24 September 1972, *International Herald Tribune*, 25 September 1972.

502 *Intercâmbio Comercial*, p. 143.

first package agreement with Iraq in 1971, which linked the purchase of oil to the sale of Brazilian manufactured goods, and a further agreement in August 1972 under which Braspetro would start oil exploration and production in Iraq.[503]

The visits of Gibson Barbosa to Egypt and Israel in January and February 1973 provided clear evidence of the continuation of Brazil's even-handed policy. In Egypt he spoke of the role of the Arab community in Brazil and the common interests in the struggle for development.[504] In Israel he similarly praised the role of the Jewish community in Brazil, underlined Israel's right to security and again spoke of their common interests – although this time because both formed integral parts of the West. Agreements were signed on scientific cooperation and rural development including a three-year irrigation project in the Northeast of Brazil.[505]

Yet the October War and the oil price rise produced a dramatic shift in Brazil's position leading to a downgrading of relations with Israel and the adoption of an ever more strident pro-Arab position. Two elements lay behind this. The first was the sharp increase in Brazil's dependence on Middle East oil with the share of Brazil's oil imports coming from the region rising from 58% in 1971 to 81% in 1973.[506] Taken together with the rise in the costs of oil imports (US$ 485 million in 1973 to US$ 1.9 billion in 1974) this would have inevitably meant much greater attention being paid to relations with the Arab states.

503 *Le Monde*, 9 August 1972, *Times*, 7 August 1972.

504 *Documentos*, Vol. III, pp. 7-12.

505 *Egyptian Gazette*, 30 January 1973.

506 See Chapter 9, Table 12.

Secondly, Brazil was subject to clear political pressure from the Afro-Arab bloc described in the previous section. It was this that ensured that Brazil's switch in policy was as sudden and clear-cut as it was. By the end of January 1974, Brazil's position had swung firmly behind the Arabs. At a reception for representatives of the Arab League in Brasilia, Gibson Barbosa stressed his sympathy for the rights of the Palestinians, called for a rapid Israeli withdrawal from the occupied territories and omitted the usual reference to Brazil's "neutrality".[507]

5.4.8. Latin America

In one sense to speak of the diversification of Brazilian foreign policy towards Latin America may appear odd. Brazil's relations with Latin America – and especially with Argentina and the border states – have always been deeper and more complex than with any other part of what we now call the Third World. At the same time Brazil has historically been politically and culturally isolated from her Spanish speaking neighbours and there have been few significant economic links between the countries of the region. Brazil, it is often said, is in Latin America, but not of Latin America. Since the late 1960s, however, there has been a marked intensification of economic and political ties that can justifiably be seen as part of the broader process of diversification that this thesis seeks to analyse. Whilst it is impossible to provide a full account of Brazil's involvement in Latin America, the main features of the broadening of Brazil's regional ties needs to be examined.

During the Médici period the most noticeable aspect of Brazil's regional policy was the expansion of the country's political and economic presence in the border states of Paraguay

507 *Jornal do Brasil*, 1 February 1974.

and Bolivia.[508] Political ties between Brazil and Stroessner's Paraguay were close and included a 1971 joint agreement on the suppression of terrorism.[509] Brazil's trade with Paraguay expanded dramatically: Brazil's exports rose from US$ 6.5 million in 1969 to US$ 98 million in 1974, imports from just US$ 387,000 to US$ 23 million.[510] In August 1971 a US$ 15 million monetary stabilisation loan was extended to the Paraguayan government. The construction of new bridges, new road and rail links and the use by Paraguay of the Atlantic port of Paranaguá helped to draw the country into Brazil's economic orbit as did the fact that, by 1973, there were around 40,000 Brazilian "colonists" in the Paraguayan border region of Alto Paraná.[511] But the core of the relationship was the development of cooperation over the hydroelectric exploitation of the Paraná River. The 1966 Ata das Cataratas had both ended the disputed claim to the area around the Sete Quedas falls and laid the basis for future agreement on the use of the river. Further meetings of the two presidents in March 1969 and July 1971 prepared the ground for the signature in April 1973 of the Itaipu Agreement which envisaged the construction of a massive 12.6 million KW hydroelectric plant at Itaipu.[512]

A similar pattern is evident in Bolivia. On the political side, relations were difficult until the August 1971 coup which brought the pro-Brazilian Hugo Banzer to power and in which Brazilian

508 The most detailed survey of this aspect of Brazilian foreign policy is contained in Brummel, *Brasilien*, Chapter 5.

509 See "Une Diplomatie Active", *Problèmes d'Amerique Latine*, 3913/3914, 28 July 1972, p. 68.

510 *Intercâmbio Comercial, 1953-1976*, p. 41.

511 *Visão*, 28 May 1973. For detailed survey of the colonisation question, see Andrew Nickson, "Brazilian Colonisation of the Eastern Border Region of Paraguay", *Journal of Latin American Studies*, 13, 1 (1981).

512 For details of the agreement see *Documentos*, Vol. VIII, 1973, pp. 57-85 and Brummel, *Brasilien*, pp. 217-230.

involvement now appears to have been clearly established.[513] On the economic side, Brazil's exports to Bolivia rose from US$ 3.9 in 1969 to US$ 37 million in 1973 and imports from US$ 666,000 to US$ 18.4 million. In 1971/72 Brazil provided Bolivia with credits totaling US$ 46 million (the second largest after the US$ 52 million provided by the United States).[514] Brazilian investment expanded especially in the banking sector and, as in Paraguay, there were extensive land purchases in the Bolivian border regions by Brazilian settlers. In March 1972 Banzer and Médici signed an agreement on expanding road transport links.[515] Again, as in the case of Paraguay, a central feature of the relationship concerned energy. Following the meeting between Médici and Banzer in August 1972, Bolivia signed an agreement in November 1973 to supply Brazil with 240 million cubic feet of gas per day over twenty years. In return Brazil was to build a steel works to develop the iron deposits of El Mutún.

As regards the rest of the region the picture is very different. On the one hand, there is a steady increase in economic contacts. Thus Brazil's exports to Colombia rose from US$ 2.2 million in 1969 to US$ 19 million in 1973, to Peru from US$ 4.8 million to US$ 40.5 million and to Venezuela from US$ 4.5 million to US$ 63.1 million, with Brazil extending export credit loans to Peru, Colombia, Venezuela, Guyana and, despite the ideological antagonism, Chile.[516] On the other hand, relations between Brazil and the other major states of the region varied from

513 See James Dunkerley, *Rebellion in the Veins*, (London: Verso, 1984), pp. 197-198 and 205-206.

514 Brummel, *Brasilien*, p. 239.

515 See *Le Monde*, 12 April 1972.

516 See *Le Monde* 19 May 1971. On the increase of economic ties with Chile and Gibson Barbosa's visit of July 1973 see *Financial Times*, 19 July 1973. Political relations with Chile were distant with Brazil sending no representative to Allende's investiture and denouncing the regime for harbouring Brazilian "terrorists". See *Le Monde*, 1 December 1970.

cool to openly hostile. The size of Brazil, its rapid economic development, its apparently close ties with the United States and the expansion of Brazilian influence in the border states all helped to rekindle traditional fears of Brazil's expansionist and hegemonic ambitions. Political distance was increased by the ideological divide that separated Brazil's military government from Allende's Chile, Velasco's Peru, Lanusse in Argentina and Torres in Bolivia.

Despite two major regional tours by Gibson Barbosa in 1971 and 1973, Brazil was unable in this period to ease the situation. The focal points of opposition to Brazil were Venezuela and Argentina. In addition to traditionally cool relations, Venezuela was particularly concerned with the expansion of Brazilian influence into the Amazon basin following the launch of the *Programa de Integração Nacional* by the Médici government in 1970. In the case of Argentina, the close ideological ties that had existed between Costa e Silva and Ongania were ended by the arrival in power in 1971 of General Lanusse. The new Argentinian government preached ideological pluralism, improved relations with Allende's Chile and favoured the readmission of Cuba to the OAS.[517] Most importantly, it sought to intensify Argentina's ties with the Andean Pact in order to form a united anti-Brazilian front. The historic rivalry between the two countries and especially the struggle for dominance in the border states reemerged with renewed force over Argentina's campaign against the Brazilian-Paraguayan hydroelectric

517 See *Le Monde*, 28 July 1971. For two general surveys of Brazilian-Argentinian relations that cover this period see Helio Jaguaribe, "Brazil-Argentina: Breve Análisis de las relaciones de conflito e cooperacion", *Estudios Internacionales*, XV, 57 (1982) and Stanley Hilton, "The Argentine Factor in Twentieth Century Brazilian Foreign Policy Strategy", *Political Studies Quarterly*, 100, 1 (Spring 1985).

project at Itaipu.[518] Although it had been growing beneath the surface since the mid-1960s, it reemerged in mid-1972 and was to sour relations between the two countries until 1978.

Finally, the distance which separated Brazil politically from the other countries of the region was also visible on the multilateral front. Although Brazil laid great rhetorical emphasis on the need for Latin American unity, its attitude towards regional organisations was ambiguous. On the one hand, multilateral regional groupings could usefully complement Brazil's economic diplomacy and help to prevent the formation of an anti-Brazilian regional block. On the other, as an economically more developed country, it was wary of any moves towards integration that would involve making concessions to weaker members. Moreover, Brazil was particularly reluctant to allow Latin American solidarity to interfere with its relationship with the United States. As Araújo Castro put it:

> *I want make it very clear that Brazil does not accept that its relations with the United States of America, relations between two sovereign states, constitute a mere chapter in the relationship between the United States and Latin America.*[519]

This chapter has shown the broadening of Brazil's international position continued to evolve during the Médici period, although both the impact of the miracle and the ideology the Médici government imposed a distinctive character on the changes that occurred. Behind the rhetoric of the Nixon Doctrine and Médici's visit, relations with Washington had

518 For a detailed examination of the Itaipu dispute from an Argentinian viewpoint see Juan Archibaldo Lanús, *De Chapultepec al Beagle. Política Exterior Argentina, 1945-1980,* (Buenos Aires: Emecé, 1984), Chapter 6.

519 *Araújo Castro*, p. 315.

continued to move apart. The diversification of ties towards Western Europe and Japan had made significant progress. Economic ties with the Soviet Union and Eastern Europe had expanded. Brazil's Middle East policy had shifted dramatically at the very end of this period as a result of the October War and the accompanying oil price rise. Gibson Barbosa's African policy had gone a long way towards preparing the ground for the more substantial changes that were to take place in 1974 and 1975. Within Latin America Brazil's economic presence had expanded, especially with the border states, despite the political distance that separated Brazil from most of its Spanish-speaking neighbours. Most important of all, the economic processes that underlay the broadening of Brazil's international role were by now well established.

6. Geisel, Silveira and the Assertion of Independence

6.1. Introduction

The previous two chapters have shown how the direction of Brazilian foreign policy had begun to change from the late 1960s as a result of a wide range of political and economic factors both within Brazil and outside. They demonstrated how the bases of a more assertive, diversified and independent foreign policy were laid in this period, both in terms of the shift in the attitudes of policymakers and in the development of actual policy. Thus by 1974 relations with the United States had moved a considerable distance from the policy of "interdependence" of the Castello Branco period. The process of diversification was well under way with a significant increase in the range of relations with Western Europe, Japan and the Socialist countries and the beginnings of change in policy towards the Third World. The elements of continuity between

the Geisel period and its predecessors are therefore stronger than is sometimes suggested.[520]

At the same time, it is impossible to deny that the policy of "responsible pragmatism" introduced by President Geisel and his foreign minister Antonio Azeredo Silveira does represent a sharp stepping up of the pace and extent of change, both in terms of relations with the United States and of the process of diversification, above all towards the Third World. What we see in the Geisel period is the coming together of many of the ideas that had been developing over the previous seven years combined with a far greater determination to implement them in practice. This determination is a response partly to the increased nationalism and self-confidence of the Brazilian government, partly to developments in the external environment and, most importantly, to the increasingly serious economic problems facing the Brazilian economy.

According to the new foreign minister, Antonio Azeredo Silveira, Brazil's foreign policy in the Geisel period could be "summed up in the concepts 'pragmatism', 'responsibility' and 'ecumenism'".[521]

> *Brazilian diplomacy of today does not consider the international situation as a source of perplexing problems that will lead to inaction, but rather as a collection of coincidences, convergences and clashes between states*

520 For instance by Maria Regina Soares de Lima and Gerson Moura, "A Trajetória do Pragmatismo – Uma Análise da Política Externa Brasileira", *Dados*, 25, 3 (1983): 349-363. The previous chapter has attempted to show that Médici's foreign policy consisted of more than "political attitudes of symbolic value", (p. 349).

521 Antonio Azeredo Silveira, "Brazil's Foreign Policy", (London; Brazilian Embassy, 1975), p. 3.

> *that must be exploited in a pragmatic and responsible manner, within an ecumenical perspective.*[522]

There are four major features of both the rhetoric, and to a certain extent the practice, of the policy of "responsible pragmatism".

In the first place it represents an activist and assertive foreign policy. Although the emphasis on Brazil as a future Great Power was less central than under Médici – and fades towards the end of the Geisel period as the country's economic problems worsen –, the belief that Brazil now had the material basis for a more independent policy remained. As Silveira put it in 1978:

> *Brazil is ever more able to participate in the affairs of the world as a 'power' with its own political weight, thanks to the success of its national development. Today, Brazil is increasingly able to assert its presence in the world and within the West.*[523]

Illustrative of this view was the fact that the first part of the Second National Development Plan for 1975-1979 was entitled "Development and Greatness: Brazil as an Emerging Power".[524]

Secondly, although the stress on foreign policy as being "universal" or "global" had formed a central part of foreign policy under Médici, the determination to push for the maximum possible diversification of Brazil's external ties

522 President Geisel's Message to Congress, 1 March 1975. Reprinted in *Resenha de Política Exterior do Brasil*, (Brasilia: Ministério das Relações Exteriores, II, 4, 1975), p. 7.

523 Antonio Silveira, "As Aberturas para o Exterior", *Veja*, Special suplement on foreign affairs, October 1978, p. 5.

524 See Schneider, *Brazil*, p. 53.

became still more important. "Universal", "ecumenical" or "multidimensional" recur in almost every statement describing Brazil's foreign policy in this period. Rejecting the label "non-aligned", Silveira describes foreign policy thus:

> *Better than this negative concept would be to define Brazilian policy as multidimensional, a concept which expresses the fact that it projects in many different directions and in many different areas, the common denominator being the identification of Brazil's national interest.*[525]

Again, following the pattern of the previous two administrations, economic factors are identified as the central element behind the policy of diversification.

> *Let me just say that the extraordinary growth of the past decades was bound to have a considerable impact on the intensity and on the quality of our presence on the international scene... a pragmatic and ecumenical approach to foreign policy is to a large extent, a direct product of economic developments both within and without our boundaries.*[526]

Where the rhetoric is understandably misleading is in linking the changes in Brazilian foreign policy to the success of its economic development rather than to the increasingly serious economic difficulties and constraints facing the country.

A third central feature is the emphasis on pragmatism. According to official spokesmen, it is to be a policy based on the "realistic verification of facts and a judicious evaluation of

525 Silveira, interview to the press, April 1976. *Resenha*, III, 9 (1976), p. 108.

526 Silveira, "Foreign Policy under Ernesto Geisel", speech at Chatham House, 21 October 1975, (London: Brazilian Embassy, 1975), p. 2.

circumstances".[527] All automatic alliances and general principles are rejected in favour of exploiting situations to gain maximum short-term advantage. As we have seen, this emphasis on direct national interest had been evolving over the previous seven years. Yet the Geisel administration was determined to push it further. One very important sign of this is the near total ending of ideological constraints, with diversification to increasingly include close relations with countries whose internal systems were an anathema to the Brazilian military. Another sign was the willingness to apply the same pragmatic approach to East/West issues:

> *As regards the East/West conflict, we refuse to accept that national interests are necessarily contingent upon those of other nations. That is why we are trying, on the one hand, to demystify the argument that calls for automatic allegiance in the name of the overriding interests of the leading nations, and, on the other, clearly to identify and defend our national interest in each concrete issue that arises.*[528]

The adjective "responsible" appears to have been added because of sensitivity to the charge of opportunism. As Alexandre Barros has pointed out, conservative critics of Geisel's foreign policy were not slow to dub it "the policy of submissive opportunism".[529]

The fourth and most important feature of the new foreign policy was the need for flexibility and for keeping open the

527 Silveira, "Brazil's Foreign Policy", p. 3.

528 Silveira, "Brasil e a Nova Ordem Internacional", speech to the opening session of the Panel on International Affairs, Brazilian Chamber of Deputies. Reprinted in *A Nova Ordem Mundial*, (Brasilia: Centro de Documentação e Informação, 1977), p. 14.

529 Barros, "the Formulation and Conduct of Brazilian Diplomacy", p. 10.

maximum number of options. It is the perceived importance of flexibility that explains, to a great extent, Brazil's moderate, fence-sitting approach to both North/South and East/West issues. Confrontation would lead to rigid polarisation and polarisation would restrict Brazil's freedom by forcing it to choose one side or the other. As Silveira put it:

> *The first great step we must take is to believe in the flexibility of the international order and in the possibility that, as our country develops, we can avoid the crystallisation of that order by diplomatic means.*[530]

Yet within this overall policy of flexibility there is a further and very significant movement away from the idea of a "special relationship" with the United States and towards, first, an increased desire to strengthen relations with Western Europe and Japan and, second, a stronger identification of Brazil with the Third World on both a bilateral and multilateral level. Before looking in detail at these developments, the chapter will first examine the major factors which explain the increased assertiveness and independence of Brazilian foreign policy under the Geisel administration.

6.2. The Reasons for Brazil's Increased Assertiveness

Much of the explanation for the increasingly independent character of Brazilian foreign policy during the Geisel period lies in the further development of trends that had begun in the late 1960s and had been evolving through the Médici period: the reassessment of relations with the United States, the determination to exploit the new opportunities that were appearing in the external environment, and the development

530 Silveira, "As Aberturas para o Exterior", p. 35.

of a more self-confident and sharply focussed nationalism. There are, however, two specific factors which are particularly important in explaining the increased assertiveness of Brazilian diplomacy in the Geisel period: the growing seriousness of the country's economic difficulties and a significant shift in the internal balance of power within the ruling élite.

6.3. Economic constraints

Although economic factors had been important determinants of foreign policy under both the Costa e Silva and Médici governments, the increasing fragility of Brazil's international economic position after 1974 significantly intensified the economic constraints facing the country. The changed circumstances were most immediately visible in terms of energy policy. Although, as the previous chapter showed, the country's energy vulnerability had been increasing steadily since the late 1960s, it was the quadrupling of oil prices in 1973/74 which turned energy into such a central feature of Brazilian foreign policy. By 1973 imports supplied 38.3% of total energy needs; Brazil had to import some 77.4% of its crude oil requirements and depended on the Middle East for 80.08% of its oil imports.[531] The cost of oil imports increased 322% between 1973 and 1974 from US$ 606 million to US$ 2,558 million, with oil's share of Brazil's total import bill rising from 9.8% to 20.2%.[532] This situation continued to worsen through the Geisel period. The cost of oil imports rose from 20.2% of total imports in 1974, to 34.6% in 1979 and Brazil's dependence

531 See Chapter 9, Tables 11 and 12.

532 Ibid.

on imported crude oil increased still further reaching 85.8% in 1979. By 1979 Brazil was importing 15% of all the OPEC oil supplied to developing countries.

By the time the Geisel administration took office in March 1974, energy considerations had been largely responsible for the shift in Brazil's Middle East policy and had contributed to the shift in its African policy. As we shall see in this chapter, the need to diversify and secure energy supplies came to play a prominent role in Brazil's relations with Africa, the Middle East, Latin America, the socialist countries and West Germany.

The oil crisis was, however, only one part of an increasingly serious economic situation. Brazil was undoubtedly very hard hit by the oil price rise. Brazil's imports increased by 102% between 1973 and 1974 from US$ 6.2 billion to US$ 12.6 billion. Brazil's trade deficit totalled US$ 4.79 billion in 1974, US$ 3.5 billion in 1975 and US$ 2.15 billion in 1976. Its current account deficit in 1974 of US$ 7.15 billion (3.6% of GDP) was equivalent to 41% of the total current account deficits of all non-oil producing developing countries.[533] Yet, despite the tendency of Brazil's leaders to blame all Brazil's troubles on the oil price rise, the problems were more deep-rooted. On the external side, it is clear that the doubling of the import bill between 1973 and 1974 could not be explained simply by the rise in oil prices. Other crucial factors included the high demand for imports caused by continued rapid domestic growth and the sharp increase in the prices of imported industrial goods, especially capital goods, chemicals and steel products.[534] On

533 See Malan and Bonelli, "The Brazilian Economy", p. 27.

534 Ibid, pp. 27-28. For a further analysis of the 1973/75 Brazilian economic crisis, see Willian Cline, "Brazil's Aggressive Response to External Shocks", in William R. Cline and Associates, *World Inflation in Developing Countries*, (Washington: Brookings Institution, 1981).

the internal side, there were growing signs that the momentum behind the Brazilian "miracle" was fading and that domestic economic problems were becoming more serious, especially in the industrial sector. As John Wells has noted:

> *By 1972-73, the industrial sector was clearly showing signs of intense overheating, under the pressure of excessive monetary expansion (fuelled by foreign currency inflows), rapidly growing consumption expenditures and buoyant investment expectations.*[535]

Whatever the exact balance between internal and external factors, it was, however, Brazil's response to the 1974 economic crisis that was to have a decisive impact on the country's international behaviour. There are three essential elements of that response. Firstly, Brazil's military government decided that rapid economic growth had to continue. Thus the Second National Development Plan covering the years 1975-1979 forecast an annual growth rate of 10% with extensive infrastructural investment.[536] This policy was based partly on the belief that the country's balance of payments problems were the result of a temporary adverse external situation which would quickly improve. More importantly, it was the result of strong political pressures. The social and demographic constraints facing the country – above all the need to provide 1.5 million new jobs a year to keep unemployment stable – would have predisposed any Brazilian government towards high growth policies. The fact that the legitimacy of the military government

535 John Wells, "Brazil and the Post-1973 Crisis in the Internacional Economy", p. 233.

536 See Baer, *The Brazilian Economy*, pp. 116-119.

depended so heavily on the successful promotion of economic development and that 1974 marked the beginnings of the process of *abertura* (political liberalisation) further pressured the military government to pursue expansionist economic policies.[537]

The second element of the Brazilian government's response to the 1974 economic crisis and a central element in the policy of maintaining rapid economic development was the launching of a new round of import substitution.[538] On the one hand, in December 1975 new import restrictions were imposed on a wider range of goods, requiring a prior deposit of 100% of the FOB value of imports which was held by the Central Bank without interest for 360 days. On the other, the government planned a massive investment programme to produce Brazilian substitutes for many capital goods, industrial inputs and raw materials. Particularly noteworthy was the large investment in the energy sector: in the nuclear programme, in the construction of hydroelectric plants and in the programme to replace oil consumption by alcohol. By 1977 around one hundred large projects were in progress involving a total investment between 1975 and 1980 of approximately US$ 24 billion.[539] Although the logic behind the policy was sound, the difficulty was the cost. The success of earlier import substitution meant that in 1974 consumer durables and non-durables accounted for only 7.2% of imports. Further substitution therefore had to be in sectors

537 Albert Fishlow's comment on Brazilian policy in 1973 aptly characterises the main thrust of policy under the Geisel government: "The priority has become growth for its own sake, growth as a panacea for all ills". Albert Fishlow, "Brazil's Economic Miracle", *The World Today*, 29, 11 (November 1973), p. 476.

538 For a detailed survey of the import substitution policies see Wells, "Brazil and the Post-1973 Crisis", pp. 243-246.

539 Cline, "Brazil's Aggressive Response", p. 126.

such as capital goods which required enormous investment, tended to be import intensive in their early stages and had a very long pay-back period.

This leads to the third feature of Brazilian economic policy in the mid-1970s, namely the dramatic increase in the size of the foreign debt. Brazil's debt rose from US$ 12.5 billion at the end of 1974, to US$ 29 billion in 1976, to US$ 45 billion in 1979. Although the external environment had in general become far less favourable by the mid-1970s, the crucial exception was the very lax credit conditions that prevailed at the time. In a strange reversal of traditional logic, massive external borrowing seemed to offer a means of increasing the country's degree of autonomy by allowing rapid economic growth to continue. Large-scale external financing through the Eurocurrency market was easily available to a country with the potential and resources of Brazil. Dollar inflation led to a situation of negative real interest rates. And borrowing through the Eurocurrency markets was attractive because it involved none of the political difficulties caused by direct foreign investment, none of the conditionality that went with borrowing from official agencies and none of the external dependence that went with foreign aid.[540]

In terms of foreign policy, the result of these developments was to transform what had been an already powerful impetus towards diversification into a frenetic search for new export markets, more secure energy supplies and new sources of foreign loans. Brazil was locked into an increasingly difficult and delicate predicament from which the only escape was to increase export capacity to avoid external imbalance and to service the foreign debt. The burden of debt service (interest

540 Reliance on Eurocurrency borrowing reached the point that by 1981 89.1% of Brazil's foreign debt was owed to private banks. See Baer, *The Brazilian Economy*, p. 165.

and amortization) rose remorselessly from 32.4% of export earnings in 1974, to 43.5% in 1976, to 67% in 1979.[541] Brazil's economic crisis, then, increased the importance of expanding exports, especially in the Third World, raised the political salience of protectionist disputes with the United States and underpinned Brazil's increased support for Third World demands for the reform of the international economic order.[542]

6.4. Internal Political Changes

In addition to these powerful economic pressures, a second important feature of the Geisel period was the emergence of a broad consensus within the country's ruling élite in favour of a more assertive and independent foreign policy. Chapter Four noted the shift of opinion within the military that took place under Costa e Silva towards a generally more nationalist and less consistently pro-American position. Yet under both Costa e Silva and Médici there remained a substantial gap between the more assertive policies advocated by Itamaraty (especially towards the Third World) and the positions of both the military and the economic ministries. Under Geisel, however, there is an important shift in the attitudes of both the military and the economic ministries.[543]

On the one hand, changes in the external environment and in Brazil's economic situation led many within the military to accept that a wider and more flexible approach to foreign policy was unavoidable. The emergence of détente between

541 Banco Central, *Boletim Mensal*, various issues.

542 As part of the export drive a new round of export subsidies for manufactured goods was introduced in 1975, including subsidised credit and tax rebates. See Cline, "Brazil's Aggressive Response", p. 130.

543 Information on internal policymaking is always difficult to obtain. In addition to the accounts by Hugo Abreu and Walder de Góes, this section relies heavily on interviews conducted with senior Brazilian officials in Brasilia in the Spring of 1983.

the superpowers made the reflex anti-communism of the early years of military rule appear both outdated and unrealistic. The oil crisis and the defeat of the Portuguese in Africa validated the foreign ministry's calls for increased involvement in, and support of, the African and Asian countries. The increasing focus of the Third World movement on economic issues rather than on backing radical political change made greater Brazilian support for the Third World more acceptable.[544] Perhaps most importantly, clashes with Washington over human rights and nuclear policy – both issues about which the military were extremely sensitive – carried further the shift in attitudes towards the United States that had been evolving since the late 1960s and added to the perception of the need for greater flexibility.

On the other, the combination of the oil crisis, a worsening balance of payments situation, mounting foreign debt and growing protectionism in the developed countries resulted in an important shift in the attitudes of the economic ministries. The need to diversify sources of foreign investment and foreign loans and to develop new export markets provided a powerful economic rationale for the more broadly based and independent foreign policy that Itamaraty had long-been advocating. Whilst the shift in attitude was important, differences between the two parts of the bureaucracy persisted. Thus it is true, as Alexandre Barros notes, that the economic ministries continued to place greater emphasis on relations with the First World.[545] It is also true that the economic ministries generally adopted a more pragmatic approach than Itamaraty on a number of issues. For

544 On the evolution of the attitudes of Latin American élites to the Third World see Manfred Nitsch, "Latin America and the Third World", *Vierteljahresberichte*, 68 (June 1977): 91-105.

545 Barros, "The Formulation and Conduct of Brazilian Diplomacy", p. 11.

example, in 1974 when the United States imposed countervailing duties on Brazilian shoe exports, the foreign ministry launched a bitter attack on US protectionism policies whilst the finance minister, Mario Henrique Simonsen, who was less concerned with the principle than with its practical impact, personally negotiated a reduction of the surcharge from 24% to 4.8%.[546] Similarly, in 1975 the foreign minister, Antonio Silveira, found himself in lone opposition to the government's decision to end Petrobras' monopoly and to grant risk contracts to foreign oil companies.

There are two other noteworthy aspects of the consolidation of this more nationalist consensus within the civilian and military bureaucracies. Firstly, there was the role played by the personalities of both President Geisel and his foreign minister, Antonio Silveira. Unlike his predecessor, Geisel took a strong personal interest in foreign policy.[547] There was a far higher degree of centralisation than under Médici with a very wide range of decisions being taken within the presidential office.[548] Moreover, Geisel's previous experience as head of Petrobras both made him sensitive to the energy constraints facing Brazil and had led him to advocate increased ties with the Third World before becoming president. Silveira had long been an outspoken advocate of a more independent foreign policy.[549] He had played a prominent role in the organisation of the first

546 See Albert Fishlow, "Flying down to Rio: Perspectives on US-Brazilian Relations", *Foreign Affairs*, 57, 2 (Winter 1978/79), pp. 397-398.

547 The personal role played by Geisel emerges very clearly from the accounts of Hugo Abreu, Head of the Military Household and Secretary General of the *Conselho de Segurança Nacional* and Walder de Góes. See Abreu, *O Outro Lado do Poder*, esp. pp. 35-59; and Walder de Góes, *O Brasil do General Geisel*, (Rio de Janeiro: Nova Fronteira, 1978), esp. pp. 23-51.

548 Góes, *O Brasil do General Geisel*, p. 24.

549 See Peter Flynn, *Brazil. A Political Analysis*, (London: Macmillan, 1978), p. 474.

Unctad conference in 1964 and was known both for his anti-Americanism and his sympathies for the Third World. Although it is always difficult to judge the exact role of personalities, it seems clear that Silveira's somewhat abrasive and forceful personality together with the firm backing of President Geisel played an important role in overcoming the opposition of more conservative sections of Brazil's ruling élite.

This alliance between the president and the foreign ministry was reflected in bureaucratic terms in the close links that existed between Itamaraty and the first sub-secretariat of the *Conselho de Segurança Nacional*. According to Walder de Góes, it was this body which prepared all the reports for the president, on which major foreign policy decisions were based.[550]

> *The participation of Itamaraty in the formulation of foreign policy was based on the direct personal advice given to the president by foreign minister Azeredo da Silveira and on the total integration that existed between the foreign ministry and the* Conselho de Segurança Nacional.*[551]*

A second element of the foreign policy consensus that emerged was that it also included élite opinion outside the civilian and military bureaucracies. A 1975 survey of Congressional attitudes to foreign policy revealed not just that there was firm support for the government's foreign policy within its own ARENA party, but that this support extended to at least parts of the opposition MDB.[552] Although MDB

550 On the crucial role of the CSN see Góes, *O Brasil do General Geisel*, pp. 36-40.

551 Ibid, pp. 37-38.

552 Armando de Oliveira Marinho et. al., "O Congresso Nacional e a Política Externa Brasileira", *Revista de Ciência Política*, 18 (April 1975): 56-78.

members argued for a stronger nationalist line, there was broad support in both parties for increased ties with the Third World, commercial relations with China and more vigorous opposition to protectionism in the developed countries.[553] A further indication of this consensus came in April 1976 when MDB senator Franco Montoro stated that the two parties were united on all major foreign policy issues.[554] Similarly, during the 1977 dispute with the United States over human rights and nuclear proliferation, the Secretary General of the MDB, Thales Ramalho, announced that he would seek an audience with Geisel to offer his party's support "at this moment when the sovereignty of the country is at stake".[555]

It would be wrong to suggest that this consensus was monolithic or that it emerged without opposition. There was very strong conservative opposition to a number of aspects of the policy of "responsible pragmatism". Thus, for example, in August 1974 all seven military members of the CSN initially voted against the proposal to reestablish diplomatic relations with China.[556] Only after personal intervention by Geisel did five of the seven agree to change their vote. One of the two who did not, army minister Sílvio Frota, later cited the vote as part of the reason for his resignation in 1977.[557] A second example was the anger in conservative quarters to the 1975 decision to support a UN resolution that branded Zionism as a

553 Ibid, pp. 73-77.

554 *Jornal do Brasil*, 15 April 1976.

555 *Latin America Political Report*, 11 March 1977.

556 Abreu, *O Outro Lado do Poder*, p. 40.

557 Ibid. For the circumstances of Frota's resignation see Robert Wesson and David Fleischer, *Brazil in Transition*, (New York: Praeger, 1983), p. 131.

form of racism.[558] The third, and best known, example was the extensive conservative opposition, both within the government and outside, to the decision in 1975 to recognise the MPLA government in Angola.[559] Here again there was opposition from within the CSN to what was an unprecedented move in recognising a Marxist government that had come to power by armed struggle in an area long viewed by the Brazilian military as strategically important.[560]

There were also issues on which the weight of conservative opinion blocked Itamaraty's pursuit of a more independent foreign policy. Cuba stands out as the clearest example. According to Abreu's account, Itamaraty argued strongly that Brazil should support the moves in the OAS in 1974 to lift economic sanctions against Cuba but that, given the extent of opposition within the military, Geisel decided that Brazil should abstain.[561] In a report to a Senate Commission in 1979 Silveira stated that he had tried to move towards the establishment of more normal relations with Cuba, building on the unofficial

558 The vote led to protest meetings in Rio and São Paulo by Brazil's Jewish community as well as criticism by senior politicians. See *Latin America Political Report*, 12 December 1975. The *Jornal do Brasil*, in an editorial of 20 October 1975, condemned the vote, describing it as "contrary to the principles and historical traditions of our country".

559 For details of dissension within the CSN see Abreu, *O Outro Lado do Poder*, pp. 52-56. Outside the government both the *Jornal do Brasil* and the *Estado de São Paulo* ran a series of articles and editorials criticising Brazil's Africa policy as a betrayal of Brazil's Western heritage. For a typical example see *Estado de São Paulo*, 24 September 1976.

560 There is an extensive Brazilian literature stressing the strategic importance of West Africa and the South Atlantic. For a typical example see Hilton Berutti Augusto Moreira, "O Brasil e suas Responsabilidades no Atlântico Sul", *Segurança e Desenvolvimento*, 21 (1972): 97-110. This concern was greatly increased by the MPLA victory in Angola. See Roberto Pereira, "Ação do Movimento Comunista Internacional na Africa Austral e Occidental", *A Defesa Nacional*, 65 (July-August 1978): 35-53.

561 Abreu, *O Outro Lado do Poder*, pp. 49-50.

contacts that existed through the Latin America sugar exporters group (GEPLACEA), but that pressures against him from within the military had been too great.[562]

Although these examples of internal opposition need to be noted, the important point is that Geisel and Silveira were generally successful in overcoming the conservative criticism and in pushing through the policy of "responsible pragmatism". Together with the powerful economic pressures described earlier, Geisel's ability to create a broad consensus within the civilian and military élite represents a crucial factor in explaining the increased assertiveness and independence of Brazilian foreign policy in the 1974-1979 period. The remainder of this chapter will now examine the major features of the practice of "responsible pragmatism".

6.5. The United States

Brazil's relations with the United States under Geisel can be divided into two parts: the first period from April 1974 to January 1977 covers the Ford/Kissinger years and has been generally neglected by commentators; the second from January 1977 to March 1979 covers the much discussed controversies of the Carter years.

Kissinger's policy towards Brazil had two elements. On the one hand, there was a continuation, albeit in less strident terms, of the attempt to maintain the special relationship with Brazil and of paying rhetorical deference to Brazil's new role in the world. This is seen in the policy of formalizing bilateral ties between the two countries, firstly through the establishment of the Economic Consultative Group in July 1975 and, secondly,

562 *Jornal do Brasil*, 4 April 1979.

with the signature of the Kissinger-Silveira Memorandum of Understanding in February 1976. The Memorandum called for regular bi-annual consultations at foreign minister level and the creation of joint study groups and working parties to discuss various aspects of the relationship.[563] During his visit to Brazil for the signature of the Memorandum, Kissinger stressed Brazil's role as an emerging world power.

> *... a nation of greatness – a people taking their place in the first rank of nations, a country of continental proportions with a heart as massive as its geography, a nation now playing a role in the world commensurate with its great history and its even greater promise.*[564]

There is obvious continuity between this side of Kissinger's policy and the rhetoric of the Nixon Doctrine.

The second element, however, represented a change in direction and can be seen in Kissinger's attempt to broaden the range of US policy towards Latin America. During the Senate Hearings for his nomination as Secretary of State, Kissinger was criticized for his lack of interest in Latin American affairs. He replied that he intended to make it a high priority and to institute a "new dialogue" between "hemispheric equals".[565] This was to form part of a wider policy of paying greater attention to North/South issues, a change that had been forced on the United States by the OPEC challenge and growing

563 The text of the Memorandum is reprinted in *Department of State Bulletin*, 15 March 1976, pp. 337-338.

564 Speech of 19 February 1976, Ibid, p. 322. For details of the visit see *Jornal do Brasil*, 21 February 1976 and *New York Times*, 20 February 1976. There is no doubt that many Brazilians were flattered by Kissinger's rhetoric. Thus the *Jornal do Brasil* could comment on 5 March 1976 that "Brazil is an emerging world power and the agreement is simply a recognition of this fact".

565 See Frances Kessler, "Kissinger's Legacy: A Latin American Policy", *Current History*, (February 1977), pp. 76-77.

militancy and unity of the Third World movement. At the first of the "new dialogue" conferences of Latin American foreign ministers in Mexico in February 1974, Kissinger promised prior consultation on the forthcoming food, population and law of the sea conferences. He stated that the United States would not "impose our political preferences" on the region but that it would pay greater attention to the problems of economic development. Similar sentiments were uttered at the second "new dialogue" conference in Washington in April 1974 with Kissinger sending the US Special Trade Representative, Willian Eberle, on a tour of Latin America to discuss trade problems.[566] It seemed from the speeches that the United States was at last raising the profile of the crucial economic issues that Brazil felt had been so neglected during the Nixon years.

Yet, in practice, neither element in the Kissinger approach did much to halt the gradual erosion of the "special relationship". In the first place, Brazil was determined not to see the Memorandum of Understanding within the context of a revived special relationship. It had been an American initiative and one of which many within Itamaraty had been suspicious.[567] For Silveira its essential purpose was to provide a "framework for resolving divergences between the two countries so that they should not become causes of antagonism".[568] He specifically put the Memorandum on the same level as the similar agreements that Brazil had reached with France and Britain in 1975 and implied that the US initiative had been a response to the growth of Brazil's relations with Western Europe.

566 Ibid, pp. 86-87.

567 Interviews with Itamaraty officials, Brasilia, March 1983.

568 Silveira, "A Política Externa do Brasil", *Digesto Ecônomico*, 252 (November/December 1976), p. 34.

> *It is nevertheless significant, and this reflects the importance of our initiatives with relation to Europe, that the United States has wanted to reach by means of a formal agreement, a relationship on the political level similar to that which we have inaugurated in the past year with France and the United Kingdom.*[569]

Secondly, the shift in emphasis of the Geisel/Silveira foreign policy meant a reduction in the coincidence of interests on security and political matters that had existed between Brazil and the United States in the Médici period. Although Brazilian spokesmen consistently rejected the term "non-aligned", the country's foreign policy was clearly moving rapidly in that direction.[570] For Silveira it was impossible to continue forever with the idea that the only thing which mattered was the preservation of a strong, united alliance centred on Western Europe and the United States against the Soviet Union. Superpower antagonism came to be viewed as one of the "problems of indirect interest".[571] Security concerns had to be balanced by economic interests and these demanded a greater degree of flexibility and independence.

According to Silveira the bi-polarity of the Cold War years had involved the creation of "systems of preponderance", "political and economic suzerainty" and "fundamental dependence".[572] He was deeply critical of the fact that détente had not been accompanied by a shift of attitude within the western alliance.

569 Ibid.

570 See Silvera's interview with the press, April 1976, *Resenha*, 9 (1976), p. 108.

571 Silveira, "O Brasil e a Nova Ordem", p. 12.

572 Ibid, p. 13.

> *In truth, the contrary has occurred, and the leading nations seem to expect their allies to remain on the ramparts of the Cold War positions… This regimented behavior no longer appears appropriate for the interests of the peripheral nations, especially for those having a greater capacity for international projection. In many cases, it does not even take into account the fundamental interests of their security.*[573]

Although reaffirming that Brazil in some sense formed a part of the "West", Silveira denied that this should act as a constraint on its foreign policy;

> *An emerging power, with a variety of interests in many fileds cannot allow its freedom of action on the world scene to be hampered by rigid aligments rooted in the past… Our deeply rooted values, which are those of the West, cannot be interpreted as a limitation to our international actions.*[574]

Introducing an idea that has remained a consistent part of Brazilian foreign policy, Silveira denied that the West should be equated with the industrialized democracies or with certain military alliances.

> *I must, however, emphasize that the concept of the "West" for us is much more a collection of philosophical and the ethical ideas, which has humanism as its central pillar. Much less should it be confused with military alliances created to deal with specific situations.*[575]

573 Silveira, "Brazil's Foreign Policy", p. 5.

574 Silveira, "The Foreign Policy of Ernesto Geisel", p. 5.

575 Silveira, press interview, April 1976, *Resenha*, 9 (1976), p. 108.

In terms of policy the best example of this divergence was over Angola. For the United States, Soviet/Cuban involvement in the Angola civil war was seen as the most important example of the Soviet Union breaking the ground-rules of détente. Brazil on the other hand refused to see the issue in East/West terms, refused to condemn Cuban involvement, was the first non-communist country to recognize the MPLA government and pursued an active policy of intensifying relations with the Marxist governments of Portuguese-speaking Africa.

Thirdly, there were differences over economic matters, the most visible sign of which was the growing number of trade disputes. In August 1974 there were complaints by US shoe manufacturers over the level of Brazilian imports.[576] This resulted in the imposition of a 4.8% countervailing duty (reduced from 25% in return for a promise to phase out export subsidies). In 1975 countervailing duties were imposed on Brazilian handbags and processed castor oil; a quota was placed on Brazilian exports of special steels; and the United States waived an investigation into soybean oil again in return for Brazilian agreement to phase out export subsidies. In 1976 countervailing duties were imposed on Brazilian exports of cotton yarn and scissors.[577] Although the value of Brazilian exports affected by these measures was low (around US$ 94 million), three factors increased the political salience of the disputes. Firstly, as we shall see, they came at a time when Brazil's economic problems had made the need to expand exports the

576 *New York Times*, 4 August 1974. *Neue Züricher Zeitung*, 17 May 1974.

577 See John Odell, "Latin American Industrial Exports and Trade Negotiations with the United States", in Jorge Dominguez Ed., *Economic Issues and Political Conflict: US-Latin American Relations*, (London: Butter-worth, 1982), pp. 144-145.

top priority of the country's economic strategy. Secondly, the size of Brazil's trade deficit with the United States increased Brazil's sense of injustice at the imposition of protectionist barriers. In 1974 the deficit with the United States constituted 29% of its total trade deficit of US$ 4.69 billion, in 1975 49.4% of a total deficit of US$ 3.45 billion and in 1976, 43.6% of a total deficit of US$ 2.22 billion.[578]

Thirdly, US protectionist policies and, in particular, the 1974 Trade Reform Act were seen by Brazilian spokesmen as symbols of the country's negative attitude to North/South issues and the hollowness of Kissinger's talk of a "new dialogue". In a speech to the Foreign Trade Council in New York in 1975 Silveira said how much Brazil had expected from the "new dialogue" and went on:

> *Unfortunately very little has happened to move things in that direction, and, I must say with total loyalty, this is in great part a consequence of the American incapacity to consistently implement a broad policy of improving ties with Latin America.*[579]

He attacked US protectionist measures as "punitive and unjustified" and as a sign of "negative attitudes".[580] This feeling was echoed by Industry Minister Severo Gomes who accused

578 *Intercâmbio Comercial 1953-1976*, pp. 11 and 15.

579 Reprinted in *Resenha*, 6 (1975), p. 44. See also his comments to the press during his talks with Kissinger in Washinton in October 1976. He accused the United States of "appealing to national law when it is a matter of importing foreign products and invoking the benefits of international agreements when they are interested in exporting their own products". *Jornal do Brasil*, 11 October 1976.

580 For a detailed Brazilian examination of the impact of the 1974 Trade Reform Act, see Dercio Garcia Munhoz, "Lei do Comércio dos Estados Unidos: Expectativas Frustradas", *Conjuntura Econômica*, 29, 3 (March 1975).

the United States in a speech to the ESG of leading a united of industrialized countries against the Third World.[581]

A final area of divergence concerned nuclear policy. Although Brazil's nuclear policy only became a major problem during the Carter years, it was in this period that Brazil took the decision to effectively end cooperation with the United States on nuclear matters. As we saw in earlier chapters, Brazil had maintained cooperation with the United States despite its hostility towards the Non-Proliferation Treaty and the growth of nuclear ties with both France and West Germany. It was an American firm, Westinghouse, that was building the country's first nuclear reactor, Angra I. Yet at the first full meeting of the CSN under Geisel in May 1974 it was decided that Brazil must obtain the technology for a complete fuel cycle and that it must begin negotiations with those countries prepared to supply it with this technology.[582]

The decision to obtain a complete fuel cycle was based on a complex set of factors including the impact of the oil crisis, the extent to which such technology was seen as the Key to future technological independence and the fear of falling too far behind Argentina in the nuclear field. The decision to look to West Germany was the result of the already clearly stated US policy of not supplying sensitive nuclear technology. Hugo Abreu expressed the central objection to US policies when he stated: "The solution adopted in Angra I would leave us entirely

581 *Jornal do Brasil*, 26 July 1975. As Kessler points out, Brazil's frustration at US policy was typical of Latin American reaction. Thus Argentina indefinitely postponed the third "new dialogue" conference, 20 Latin American states condemned the Trade Act in the OAS as "divisive and coercive" and the failure of Kissinger's policy was a major factor behind Mexico and Venezuela's decision to create the Latin American Economic System (SELA). See Kessler, "Kissinger's Legacy", pp. 87-89.

582 See Abreu, *O Outro Lado do Poder*, p. 43.

dependent on the North Americans and we did not want to remain dependent in the energy field".[583]

Accordingly negotiations were begun with West Germany in total secrecy to "avoid the expected pressures, especially from the United States".[584] In July 1974 the US Atomic Energy Council said that it might not be able to supply enriched uranium under existing contracts, including with Brazil.[585] This was seen by Brazil as proof of the absence of a special relationship and further justification for the negotiations with West Germany which reached fruition in June 1975 with the signature of the largest ever nuclear agreement involving a developing country.

It would be wrong to overdramatize the divergences of the 1974-1977 period. Relations were generally low-key and the US administration was determined not to make a problem of such issues as the nuclear agreement with West Germany or Brazil's policy in Angola.[586] Moreover, the stridency of Silveira's attacks went beyond the position of many others within the Brazilian government. On the other side, however, it is important to emphasize, firstly, the extent to which the Memorandum of Understanding was in many ways an empty procedural gesture that failed to address the growing number of substantive differences between the two countries and, secondly, that the controversies of the Carter years did not suddenly arise out of thin air.

583 Ibid.

584 Ibid, p. 44.

585 See Norman Gall, "Atoms for Brazil, Dangers for all", *Foreign Policy*, 23 (Summer 1976), p. 166.

586 Thus Ford did not take up the question during talks with Helmut Schmidt in June 1975 (Wesson, *The United States and Brazil*, p.80). Similarly, during his visit to Brazil Kissinger denied, despite frequent questions, that he had discussed Angola (Press interview, *Department of State Bulletin*, 15 March 1976, pp. 338-340.

Although divergences had been growing during the 1974-1976 period, it is under the Carter administration that the full extent of the shift in Brazilian attitudes to the United States becomes visible. The first year of the Carter presidency saw relations sink to a level unprecedented in the post-1964 period with the controversy focused around two issues – human rights and nuclear proliferation. These disputes have been much discussed and can be briefly summarized.[587]

In his election campaign Carter attacked three specific aspects of US policy towards Brazil: The Memorandum of Understanding which he believed singled out Brazil to the detriment of US relations with the rest of Latin America; the failure of the Nixon/Ford administrations to protest at human rights abuses in Brazil; and complacency towards the dangers of nuclear proliferation and, in particular, the 1975 nuclear agreement between Brazil and West Germany. As soon as he became president, there was a clear change in US policy in all three areas. In January 1977 he sent the vice-president, Walter Mondale, to Bonn to try and persuade West Germany to cancel the 1975 nuclear agreement.[588] This proved unsuccessful as did a further visit by the assistant secretary of state, Warren Christopher, in March. The Brazilian government was angered both by the attempt to force cancellation of the nuclear agreement and by the American policy of ignoring Brazil and talking directly with the West Germany. This was felt in Brasilia

587 For earlier discussions see Fishlow, "Flying down to Rio"; Wesson, *The United States and Brazil*, Chapter 4; Maria Regina Soares de Lima and Gerson Moura, "Brasil-Estados Unidos: Do Entendimento ao Desentendimento", Paper given at a conference on "Brazil and the New International Order", Friburgo, December 1978; Monica Hirst, "As Relações Brasil-Estados Unidos no Contexto da Nova Ordem Internacional", mimeo, 1981.

588 The determination of the administration was made plain by Secretary of State Vance in a press conference in February 1977. The US objective, he declared, "is to obviate the construction of these two plants", *Department of State Bulletin*, 21 February 1977, p. 140.

to be a clear breech of the 1976 Memorandum of Understanding – something of an academic point as on 24 January 1977 Carter had cancelled the clause in the Memorandum which promised prior consultation.[589]

Having failed to move Bonn, the US administration turned to Brazil. In February Vance had fruitless talks with the Brazilian ambassador after Carter had written a personal letter to Geisel. In early March, Warren Christopher went to Brazil to try and persuade the Brazilian government to modify its nuclear programme and to agree to international controls on its planned uranium enrichment plant.[590] Brazil refused to alter its policies and the coolness of the visit was reflected in the terse 25-word communiqué. Two days later, the question of human rights added to Brazilian bitterness and the belief that they were being pressured by the United States. Under the terms of the 1976 International Security Assistance Act the State Department was required to send a report to Congress on the human rights situation in all countries receiving military assistance.[591] On 4 March the US embassy delivered a copy of the report on Brazil to Itamaraty which was due to receive US$ 50 million of security assistance in fiscal year 1977-78.

At a meeting at the presidency that evening, a decision was taken to return the report immediately to the US embassy with a note denouncing American interference in the internal affairs of Brazil that had been drawn up by Silveira.[592] Ten days later, on 10 March Brazil decided to unilaterally renounce the 1952

589 *Jornal do Brasil*, 24 January 1977.

590 For details of the visit see *Jornal do Brasil*, 2 March 1977.

591 The best treatment of the development of Carter's human rights policy is Lars Schoultz, *Human Rights and United States Policy Towards Latin America*, (Princeton, Princeton Univ. Press, 1981).

592 Abreu, *O Outro Lado do Poder*, pp.56-58. The note is reprinted in the *Jornal do Brasil*, 6 March 1977.

Military Assistance Agreement with the United States and to bring back 3000 Brazilians then receiving military training in the United States.[593] This was followed in September by the ending of all other formal bilateral military ties – the US Naval Mission in Rio de Janeiro and the Joint Brazil-US Military Commissions in Rio de Janeiro and Washington.[594]

The first half of 1977 undoubtedly represented the lowest point in US-Brazilian relations in the post-1964 period. From mid-1977 relations improved slightly with the visits of Rosalynn Carter to Brazil in June 1977 and the talks between Vance and Silveira in November.[595] In particular, during Carter's visit to Brazil in March/April 1978 it was clear that both sides were anxious to avoid a further public confrontation.[596] Carter went to great lengths to deny any interference in Brazil's internal affairs and both he and Brezinski praised Brazil's "positive and significant international role" and included Brazil amongst the "new influentials" in world affairs.[597]

Yet despite the improvement in the outward tone of relations from late 1977, serious differences persisted. Neither side was prepared to back down from their positions over human rights and nuclear proliferation, a fact that was reflected in the inability of Silveira and Vance to agree on a joint press release during Carter's visit.[598] In the separate notes that were released,

593 *Jornal do Brasil*, 12 March 1977.

594 Ibid, 20 September 1977.

595 This improvement was also helped by the replacement of US ambassador John Crimmins in February 1978. Crimmins had been a forceful advocate of US human rights policies even before Carter moved into the White House. See *Veja*, 15 February 1978.

596 Thus Carter stated in his press conference that he wanted "to reduce to a minimum the inevitable differences of points of view". Reported in *Veja*, 5 April 1978.

597 See Brezinski's interview in *Veja*, 29 March 1978.

598 *Jornal do Brasil*, 30 and 31 March 1978.

the United States stressed its "fundamental obligation" to the promotion of human rights and democratic institutions and this was underlined by Carter's insistence on meeting Cardinal Arns and the president of the Brazilian lawyers association. Brazilian spokesmen emphasized their commitment to the nuclear programme, rejected outside interference over human rights abuses and argued consistently that the United States should broaden the range of its policies and lay greater weight on social and economic rights.[599] The continued bitterness was underlined by Silveira's comment to the press in March 1978 that Carter had come to Brazil because he wanted to and not because he was invited.[600]

In addition, it should be remembered that nuclear and human rights issues were not the only sources of divergence during the Carter years. Although they did not capture the headlines, trade disputes continued to develop. In November 1977 there was a claim for countervailing duties by US textile manufacturers which led to protracted and difficult negotiations.[601] The United States imposed a 37% countervailing duty which was eventually waived in return for a pledge to phase out all export subsidies and to support a multilateral subsidy code.[602] Indeed a notable feature of the period was the growing strength of US attacks on the level of

599 See for instance Geisel's interview to CBS of 27 March 1978. Reprinted in *Resenha*, 16 (1978), p. 167. For a further forceful attack on US human rights policies see Silveira's speech to the UN General Assembly in September 1978, in which he argued that the "rights to food, education… and a life free from misery" were being frustrated by the policies of the United States and the other developed countries. *Jornal do Brasil*, 27 September 1978.

600 *Veja*, 29 March 1978. That Silveira's position remained unchanged is clear from an interview in December 1978 in which he attacked the US for acting like the "Roman Empire". *Jornal do Brasil*, 24 December 1978.

601 *Veja*, 23 August 1978.

602 Odell, "Latin American Industrial Exports", p. 145.

Brazilian protectionism and its export subsidy programme. There was particularly vehement Brazilian reaction to a speech by the assistant treasury secretary, Fred Bergsten, in which he warned Brazil that if it did not phase out export subsidies it would face a new wave of protectionism in the United States.[603] His argument that Brazil's level of development meant that it should open its markets to the exports of less developed countries was particularly badly received in Brazil.

Such, then, is the main outline of the disputes of the Carter years. Yet, whilst the facts are by now reasonably well-established, their significance remains a matter of controversy. Two points are relevant to the argument of this thesis. In the first place, there can be no doubt that the Carter period does mark a decisive stage in the erosion of the "special relationship" between Brazil and the United States. It is true that the bitterness of early 1977 was atypical of the Carter period as a whole and that it covered over the substantial areas of continued common interest. Yet the seriousness of the disputes was of a higher order when compared with those that had occurred since the late 1960s. Unlike earlier disputes, the controversies of the Carter period were public, very bitter and concerned issues that were of great concern to both sides. Whereas the soluble coffee question or Brazil's unilateral extension of its territorial waters had been sources of annoyance and irritation for the Nixon administration, the disputes over human rights and nuclear proliferation concerned issues which Carter had made central parts of his administration's foreign policy.

For Brazil the clashes were serious because they were based on substantive and not merely rhetorical divergences and

603 *Veja*, 17 May 1978. *New York Times*, 10 May 1978. For a report of a similar earlier speech see *Jornal do Brasil*, 6 December 1978.

because they confirmed the already strong Brazilian perception that Washington was unwilling to come to terms with the country's new international position and to accommodate its changing needs. In the post-1973 world Brazil needed to increase its exports to survive but encountered increasing US protectionism. Similarly, Brazil's leaders believed that nuclear power was an essential part of the country's response to the oil crisis but found the United States blocking its path in a manner which forcefully underlined the absence of any "special relationship".[604] The implications of the disputes were particularly far-reaching because they directly affected that section of the Brazilian élite which had traditionally been the bulwark of US influence – the military. As Góes makes clear, the development of Brazil's nuclear policy was directed by the military-dominated *Conselho de Segurança Nacional* and was considered crucial to the country's national security. Moreover, there was near unanimous agreement within the military over the renunciation of the military assistance agreements.[605]

In the second place, the disputes of the Carter years are significant because they form a part of a wider trend in US-Brazilian relations and were not solely the result of Carter's ill chosen and ineptly implemented policies.[606] It is true that

604 The fact that the disputes had a substantive basis does not mean that they were not also seen as symbols of independence and growing nationalism. This is particularly true of the reaction to the human rights report and the renunciation of the military agreements. In the first place, there is evidence that Silveira seized on the American note because he wanted to make a clear anti-American gesture. (See Oliveiros Ferreira "As Relações Brasil-Estados Unidos", *Digesto Econômico*, 255 (May/June 1977, p. 77). Secondly, the practical utility of the military agreements was low and the level of US military assistance insignificant. (See Abreu, *O Outro Lado do Poder*, p. 57).

605 Góes, *O Brasil do General Geisel*, p. 39.

606 This is the suggestion made by Roger Fontaine. See "The End of a Beautiful Friendship", *Foreign Policy*, 28 (Fall 1977).

both the question of human rights and the problem of nuclear proliferation were given far greater emphasis by Carter than had been the case under Nixon or Ford. It is also true that much of the bitterness in 1977 resulted from the clash of the personalities involved, especially Silveira and Crimmins, and the way in which American policy was implemented.[607] Yet, as this thesis has tried to show, it is misleading to suggest that the US-Brazilian friendship had been "beautiful" up until Jimmy Carter's arrival in the White House. The disputes of the Carter years need to be set within the context of the longer-term move away from the United States that had been apparent since the late 1960s. It was precisely because of this longer-term reassessment of the role of the Unites States that Brazilian policymakers were prepared to go as far they did in opposing Washington in 1977/78.

Indeed what is striking about the evolution of US-Brazilian relations since the late 1960s is the consistent way in which the priorities of the two sides diverged. Thus under Nixon, whilst there was a coincidence of interests in the security field, there was a marked lack of American concern for the economic issues that were of increasing importance to Brazil. In the Nixon/Ford period, the rhetoric of the "new dialogue" did not lead to any significant convergence of priorities. At the beginning of the Carter period, the administration's decision to give lower priority to East/West issues and to pay greater attention to the problems of North/South relations seemed to augur well for Latin America. But, as Abraham Lowenthal has pointed out,

607 The timing of the Congressional human rights report, coming so soon after Christopher's visit, was particularly unfortunate and led to (untrue) Brazilian allegations that Christopher had threatened to use economic sanctions against Brazil if it did not alter its nuclear policies.

the issues which Washington chose to place high on its agenda – nuclear proliferation, oil policy and human rights – were not those of greatest urgency to Latin America. Indeed the issues that mattered most for Latin America – access to markets, technology transfer and commodity price stabilization – were consistently downplayed, or even opposed, by the Carter administration.[608]

6.6. The Increased Pace of Diversification

6.6.1. Western Europe

Previous chapters have noted the steady growth of economic ties between Brazil and Western Europe. The major development of the Geisel period is that these relations assume a much clearer political significance. This is partly the result of the sheer size of the economic relationship, partly of the increased political impetus given by the Brazilian government and partly of the apparent willingness of major European countries, above all West Germany, to respond to Brazilian initiatives and to provide support in such sensitive areas as arms supplies and the transfer of nuclear technology.

The increase in economic ties can be briefly summarized. Brazilian exports to Europe rose from US$ 3,154 million in 1974 to US$ 5,338 million in 1979.[609] European investment in Brazil rose from US$ 1,831 million in 1974 (40% of the total) to US$ 7,875 million in 1979 (49.4% of the total).[610] West Germany

608 See Abraham Lowenthal, "Jimmy Carter and Latin America", in K. Oye et. al., *Eagle Entangled: US Foreign Policy in a Complex World*, (New York: Longman, 1979): 290-303.

609 Banco Central, *Boletim*, various issues.

610 See Chapter 8, Table 9.

remained by far the most important single relationship. It was Brazil's second largest economic partner after the United States. It provided 40% of Brazil's imports from Europe in 1974, took 18% of its exports to Europe and owed 29% of total foreign investment in Brazil. West German investment was particularly important because, as Carlos von Doellinger has pointed out, it was overwhelmingly concentrated in the modern manufacturing sector.[611]

The increased political salience was visible both in the level and intensity of official contacts and in the range of the ties that were developing. In October 1975 a Memorandum of Understanding with Britain was signed covering regular high level consultation. In January 1976 during the visit of the French foreign minister to Brazil a "Grande Commission" consisting of three working groups was created to allow regular high-level consultation.[612] In April 1976 Geisel paid state visits to Britain and France. During his stay in Paris a cooperation agreement was signed that laid particular emphasis on the energy sector (coal production, electrical generation) as well as petrochemicals, transport equipment and telecommunications. In a speech in Paris Geisel stressed the search for greater independence as a common factor in both French and Brazilian foreign policies:

611 In 1970 89.8% of West German investment was in the modern manufacturing sector (metal industries, transport equipment, chemicals, optics, steel etc.), see von Doellinger, "A Study in Internacional Economic Relations", p. 43. Although by the mid-1970s there were some 700 German firms operating in Brazil, investment was heavily concentrated, with Volkswagen accounting for 30% of the total, Daimler Benz 9.4% and Mannesman 6.1%. See *Times*, 7 November 1977.

612 See *Resenha*, 8 (1976), p. 25.

> *And both countries, although they recognize the existence of the superpowers, reserve to themselves, in their legitimate interests, the right to operate within the framework set by the superpowers, with all due flexibility, so as not to align themselves in a systematic manner with an orientation that they do not wish to follow.*[613]

The contrast with Castello Branco's lack of interest in de Gaulle's call for greater independence during his visit in 1964 could not be more striking. In October 1978 Giscard visited Brazil and a letter of intent was signed covering trade worth US$ 267 million.[614] Cooperation in the armaments sector continued with the sale of 80 Roland surface to air missiles and an agreement for Brazil to build 37 Gazelle helicopters.[615] Although overshadowed by the West German agreement, there was also cooperation in the nuclear field with the sale by France of a uranium processing plant in August 1976.[616]

In the political field as well the relationship with Bonn was the most important.[617] There were a number of high level visits. In 1975 Foreign Minister Genscher visited Brazil. In 1978 Geisel paid a state visit to Germany accompanied by six ministers and the following year Schmidt returned the visit, thus becoming the first German chancellor to visit Brazil.[618]

613 *Resenha*, 9 (1976), p. 7.

614 For details of the visit see *Veja*, 4 and 11 October 1978.

615 *Le Monde*, 3 February 1978.

616 *Financial Times*, 17 August 1976.

617 The most thorough survey of German-Brazilian relations in this period is Wolf Grabendorff, "Brazil and West Germany: A Model for First World-Third World Relations?", in Selcher ed., *Brazil in the International System*.

618 For details of the visits see *Frankfurter Allgemeine Zeitung*, 8 March 1978 and *Veja*, 8 and 15 March 1978 and 4 April 1979.

A system for regular consultation was established between the policy planning staffs of the two foreign ministries, something which only existed between West Germany and France, Britain, Japan and the United States.[619]

West German interest in Brazil was both political and economic. Economically, it was by far the country's most important economic partner in Latin America, providing in 1974 28.9% of its imports from the region and taking 37.7% of its exports.[620] It was the largest base for West German investment outside the OECD area and in 1976 represented 9.4% of total West German foreign investment.[621] As Grabendorff has pointed out, Bonn saw the expansion of relations with a country which was making steady progress towards becoming both a major industrial power and a leading regional power as a worthwhile investment in the future.[622] In addition, the emergence of the Third World challenge increased German interest in Brazil's possible role as a moderate ally in North/South negotiations. Thus in March 1978 Scheel declared that "Brazil should serve as a bridge in the creation of a new world order".[623] In 1978 Genscher argued that Brazil's intermediate position should lead Brazil to become the "bridge between North and South".[624] And in 1979 during his visit to Brazil, Schmidt stated that "Brazil must develop its position as leader of the Third World" and

619 See Grabendorff, "Brazil and West Germany", p. 187.

620 *Statistisches Jahrbuch für die Bundesrepublik*, (Wiesbaden, Statistisches Bundesamt, 1977), Table 12.

621 Ibid, Table 24.5.

622 Grabendorff, "Brazil and West Germany", p. 181.

623 *Jornal do Brasil*, 7 March 1978.

624 Reprinted in *Resenha*, 16 (1978), p. 98.

not let radical states like Algeria or Cuba be seen as the sole representatives of Third World opinion.[625]

Yet it was the 1975 nuclear agreement that formed the centerpiece of the relationship between Brazil and West Germany.[626] As we saw earlier, the decision to obtain the necessary technology for a full nuclear cycle and to develop the contacts that already existed with West Germany was taken at the first meeting of the CSN in 1974. The significance of the agreement that was signed on 27 June 1975 was twofold. Firstly, the agreement provided Brazil with a real prospect of becoming technologically self-sufficient in the nuclear field. The US$ 4 billion agreement was the largest peaceful nuclear agreement ever signed with a developing country and covered the construction of reactors, fuel fabrication, reprocessing, uranium enrichment and the exploration and mining of uranium. Inclusion of the key enrichment and reprocessing technologies opened the possibility for Brazil to obtain both nuclear independence and weapons-grade fissionable material.

The second reason for its significance was the refusal of West Germany to bow to United States pressure over the agreement. As we have seen, on assuming office, President Carter embarked on a vigorous public campaign to persuade Bonn to abandon or at least revise the agreement and in January 1977 sent vice-president Mondale to have talks with Schmidt.[627] The determination of the German government to honour the agreement seemed to provide clear evidence of

625 *Jornal do Brasil*, 1 April 1979.

626 For details of the agreement see Gall, "Atoms for Brazil" and Edward Wonder, "Nuclear Commerce and Nuclear Proliferation: Germany and Brazil, 1975", *Orbis*, Summer 1977.

627 For details of the various contacts between the two governments and German refusal to alter the Brazilian agreement see *Internacional Herald Tribune*, 28 January 1977 and 2 February 1977, and *Financial Times*, 2 March 1977.

German willingness to provide exactly the kind of alternative political support that Brazil needed to strengthen its bargaining position vis-à-vis the United States.

Yet, it is important to note that, in addition to Bonn's general interests in expanding ties with Brazil, there were other short-term considerations that lay behind both the 1975 agreement itself and Bonn's determination to honour it. As Edward Wonder has argued, Bonn's determination must be seen against the background of US-German competition in the nuclear field and the serious problems facing the German nuclear industry in the mid-1970s.[628] Kraftwerkunion had suffered heavy losses in 1974 and 1975; domestic orders had fallen off; and it had very largely lost the export battle with Westinghouse and General Eletric. Thus whilst the deal did offer the prospects of expanding economic ties with Brazil and securing privileged access to uranium, it was also the result of powerful short-term domestic pressures that had nothing to do with the overall importance of Brazil in West German foreign policy.

Not surprisingly, Brazilian officials spoke of cooperation with West Germany in glowing terms. In June 1975 Silveira stated that "The Federal Republic occupies for us a privileged position and no other country can offer us this measure of cooperation".[629] Similarly, in his speech at Chatham House in October 1975, Silveira spoke of the 1975 nuclear deal as an example of "authentic cooperation that can lead to horizontal interdependence" which he contrasted with "vertical interdependence" linked to "the pattern of domination that survived the downfall of the colonial empires".[630]

628 See Wonder, "Nuclear Commerce", pp. 291-298.

629 Quoted in Grabendorff, "Brazil and West Germany", p. 184.

630 Silveira, "Foreign Policy under Ernesto Geisel", p. 7.

> *It is this kind of cooperation, which helps to bridge not only the gap in wealth but also the "decision-making gap" I referred to earlier, that we look for in our relations with the developed world, and most especially, with Europe.*[631]

During the Geisel period, then, Brazil looked to Western Europe for increased economic cooperation, access to sensitive technology in the nuclear and arms field and political support for its independent foreign policy. The development of relations in this period seemed to suggest that the "European card" was well worth playing.

6.6.2. Japan

Just as in the case of Western Europe, the Geisel period saw both a further expansion of economic ties and a significant increase in the level of political contacts. The list of important high level contacts included the visits to Brazil of the Japanese prime minister Tanaka in September 1974, the vice prime minister Fukuda in August 1975 and Crown Prince Akihito in May 1978. On the Brazilian side the most important visit was that of President Geisel in September 1976 during which the first Brazil-Japanese Ministerial Consultative Meeting was held.[632] Again as in the case of Western Europe, the increasing importance of North/South issues was reflected in the visit of the Japanese Prime Minister Miki suggesting in a speech that Brazil should expand its moderate position and act as a mediator between North and South.[633]

631 Ibid.

632 For details of the visit see *Japan Times*, 18 September 1976, *Financial Times*, 20 September 1976 and *Resenha*, 10 (1976).

633 Reported in *Jornal do Brasil*, 19 September 1976.

Yet the core of the relationship remained economic. Brazil's exports to Japan rose by 59% between 1974 and 1979 from US$ 557 million to US$ 887 million and 1975 marked the peak of Japan's trade importance for Brazil, with Japan taking 7.8% of Brazilian exports and providing 9.1% of its imports. The expansion of Japanese foreign investment in Brazil was even greater, with total Japanese foreign investment rising 377% between 1973 and 1979 from US$ 318 million to US$ 1,518 million.[634] New Japanese investment was concentrated in a number of very large projects, in particular the Albras-Alunorte integrated aluminum smelting plant and the Tubarão steel complex. The Albras-Alunorte project was a joint between the Brazilian state mining company, CVDR, and a consortium of 32 Japanese banks, industrial firms and trading companies and involved a Japanese investment of US$ 600 million over ten years.[635] The project was first discussed during Fukuda's visit in August 1975, a feasibility study was undertaken in January 1976, formal agreement was reached in January 1978 and the project finally began in June 1979 with the first US$ 37.2 million Japanese loan. The project is significant both because it represented the ending of the previous US-Canadian dominance of Brazil's aluminum industry and because it represents a classic example of diversification giving Brazil the ability to play off one country against another. In 1976 there was some Japanese delay in making a firm commitment to the project. Soon after Brazil had begun negotiations with the French over the financing of a related hydroelectric complex, the Japanese decided to push for a formal agreement.[636]

634 Chapter 8, Table 9.

635 For details of the evolution of the Project see *Japan Times*, 31 January 1976, *Financial Times*, 12 April 1978, *Veja*, 7 June 1978, *Japan Times*, 7 September 1979.

636 Ozawa, *Multinationalism. Japanese Style*, pp. 135-136.

The second "megaproject" of the Geisel years was the US$ 2.7 billion investment in the Tubarão steel plant and a nearby port complex that was to produce 3 million tons of semi-finished steel with a maximum capacity of 12 million tons.[637] This was a three-sided investment between the state steel company, Siderbras, the Kawasaki Steel Corporation and the Italian state steel company, Finsider. The Tubarão project had been included in the Memorandum of Undersranding signed during Geisel's visit to Japan and a formal agreement initiating the project was signed in March 1978. Other significant Japanese investments in the period included: the Capanema iron ore complex which was to provide the raw material for Tubarão;[638] the Cerrado Agricultural Project, a joint venture formed in November 1976 to develop 50.000 hectares of farm land to produce soya, sorghum, coffee and corn;[639] a cellulose fibre plant, Cenibra; a wood chip plant with a capacity to produce 3 million tons of wood chips a year; and a significant Japanese state in the Petroquisa petrochemical project near Bahia.[640]

6.6.3. The Soviet Union and Eastern Europe

During the Geisel years Brazil's increasingly difficult economic problems led policymakers to pay greater attention to the possibilities of expanding economic ties with the Comecon area. On the one hand, the sharp rise in the cost of imported Western capital goods forced Brazil to reassess the value of Soviet imports. On the other, the oil crisis gave added momentum to the cooperation in the energy sector

637 See *Times*, 11 March 1978, *Financial Times*, 20 March and 11 August 1978.

638 *Financial Times*, 6 August 1978.

639 *Japan Times*, 22 February 1978.

640 Ibid, 7 September 1979.

that had been growing since the early 1970s. Early in 1974 it was announced that Brazil had made a large purchase of Soviet diesel oil and that the USSR would supply Brazil with US$ 31.5 million of crude oil in 1974.[641] In February 1974 it was confirmed that Soviet turbines would be used in the country's expanding hydroelectric programme and this was the central feature of the new trade agreement that was signed in March 1975.[642] Under this agreement, Soviet turbines were to be used in the Sobradinho hydroelectric plant, the Banco do Brasil was to open a branch in Moscow and the two sides were to aim at an annual trade level of US$ 500 million in 1975. The combination of oil and turbines seemed to open a way through the import constraint that had dogged Brazilian-Soviet trade and there were great hopes in Brazil for a large increase in the level of Brazilian exports.[643]

Brazil's exports did increase significantly, by 174% between 1974 and 1979 from US$ 395 million to US$ 976 million with an important rise in the quantity of manufactured exports. In 1974 a visit by Braspetro to Moscow resulted in the first scale export of manufactured goods.[644] The share of manufactured and semi-manufactured goods rose from 21% in 1974 to 40% in 1979.[645] Imports, however, continued to lag behind, rising from US$ 157 million in 1974 to US$ 239 million in 1979.

An important development of the period was the diversification of Brazil's economic ties within Comecon and, in

641 *Estado de São Paulo*, 12 May 1974 and *Jornal do Brasil*, 26 July 1974.

642 See *Resenha*, 4 (1975), p. 37 and pp. 66-68.

643 See for instance the comments quoted in "O Grande Salto nas Relações com Leste Europeu", *Movimento*, 72 (November 1976).

644 *Resenha*, 4 (1975), p. 68.

645 *Brasil 1981 Comércio Exterior*, pp. 318-319.

particular, the expansion of trade with Poland. In 1978 Poland was Brazil's largest export market in the region talking 34% of Brazil's exports (as against 25% to the USSR) and the most import source of imports with 47% of the total (followed by the GDR with 17%, Czechoslovakia with 14.7% and the USSR with 8.9%). Much of this increase followed the signing of a series of trade agreements. The first, signed in January 1975, covered the purchase by Brazil of 11.8 million tons of Polish coal over a four-year period in return for Poland's purchase of 11.4 million tons of Brazilian iron ore.[646] The second agreement of February 1976 covered the export of Brazilian soyabeans, maize and soyameal in return for sulphur, fertilizer and pharmaceuticals.[647] A third agreement of July 1978, reportedly worth US$ 2.5 billion, increased the sale of Brazilian iron ore in return for Polish coal and envisaged the export of Brazilian manufactured goods worth US$ 210 million in return for increased Polish exports of chemicals, fertilizers and pharmaceuticals.[648] In 1976 Poland invested US$ 50 million in a joint venture in Brazil to prospect for and process Kaolin and there were discussions over a bi-national meat processing plant in Paraná.[649]

In addition to Poland, in July 1978 a US$ 15 million deal was signed with Bulgaria in which Volkswagen cars were sold in return for steel plate and soda ash.[650] Also in July 1978 a further countertrade deal was arranged between Interbras and East Germany which covered the export of Brazilian agricultural

646 *Resenha*, 4 (1975), pp. 31-32.

647 *Financial Times*, 26 February 1976.

648 *Financial Times*, 4 and 13 July 1978.

649 *Latin America Economic Report*, 3 April 1976.

650 *Financial Times*, 4 and 24 July 1978.

products in return for capital goods.[651] Although economic contacts with Comecon were exclusively economic in nature, Geisel's speech during Ceausescu's visit to Brazil provides an interesting example of the changing emphasis in Brazilian diplomacy. In his speech Geisel spoke of Brazil's "globalist" foreign policy and stressed the need for ideological diversity and understanding.[652]

6.6.4. China

The change in Brazilian attitudes to China represents one of the clearest examples of the increased pace of diversification under the Geisel administration and the growing ideological neutrally of Brazilian diplomacy. According to Abreu, the decision to expand relations was one of the first decisions taken by the new government.[653] In April 1974 a group from the Brazilian exporters association, ABE, visited China.[654] In June the CSN approved the decision to reestablish diplomatic relations (although with the significant dissent from the military noted earlier) and preparations were put in motion. Diplomatic relations were formally reestablished in August 1974 during the visit of a Chinese commercial mission.[655] According to the official Brazilian statement, the move "forms an integral part of the global framework of new Brazilian foreign policy" and for Abreu it was a "demonstration of maturity".[656]

651 Ibid.

652 Reprinted in *Resenha*, 5 (1975), p. 46.

653 Abreu, *O Outro Lado do Poder*, p. 41.

654 *International Herald Tribune*, 8 April 1974.

655 *Le Monde*, 17 August 1974.

656 *Resenha*, 2 (1974), p. 17 and Abreu, *O Outro Lado do Poder*, p. 41.

The reasons for the switch in policy were largely economic and the Geisel period saw a significant expansion of trade, although growth was uneven and the trade balance was heavily in Brazil's favour. Exports rose from US$ 18.9 million in 1974, to US$ 63 million in 1977, to US$ 118 million in 1979. Imports rose from US$ 400,000 in 1974, to US$ 4 million in 1978, to US$ 83.9 million in 1979. There were trade missions to and from China in November and December 1977 and in 1978 two trade agreements were signed that were to lay the foundation for future growth. In January 1978 a preliminary trade agreement was signed in Peking and the first sea transport links were established. In November 1978 a four-year US$ 1 billion trade agreement was signed which involved the sale to China for 2.5 million tons of iron ore in 1979/80 for the Baoshan steel works near Shanghai in return for Chinese agreement to supply 1 million tons of crude oil in 1979 and 1.5 million in 1980.[657]

6.6.5. Relations with the Third World

A further important feature of the diplomacy of "responsible pragmatism" was the greater emphasis that was placed bilateral political and economic ties with other developing countries and Brazil's much stronger support for Third World demands in multilateral forums. Economically, the high priority given to increasing exports and the slowdown of growth in the developed countries pushed Brazil increasingly towards Third World markets. Politically, the success of OPEC appeared to give the Third World a lever with which to force the start of serious global negotiations on the reform of the international economic order. The coming together of the Group of 77 and the Non-Aligned Movement around the demands in 1974 for a New

657 See *Financial Times*, 18 August and 14 November 1978 and *Le Monde*, 12 December 1978.

International Economic Order appeared to offer for the first time both a political framework and a normative environment in which real change might be possible. It was highly unlikely that a country whose foreign policy was centred on the need to promote economic development and which wanted to assert a more independent international role would remain unresponsive to the new opportunities that were appearing in North/South relations.

6.6.6. Multilateral Relations

The most noticeable difference between the Geisel government and its predecessors was a far greater willingness to view the Third World as a bloc capable of effective action in world politics and to identify Brazil as part of that bloc. As President Geisel put it in Tokyo in 1976:

> *Brazil truly belongs to the Group of 77... our per capita income is very low and it is this fact which differentiates us essentially from the highly developed industrialized or developed countries ... in reality, Brazil is in the group of underdeveloped countries.*[658]

Whilst he has in Japan, Geisel firmly rejected the suggestion by the Japanese prime minister that Brazil should act as a mediator between North and South: "I stressed to him that, in reality, Brazil is in the group of underdeveloped countries... it cannot become a mediator simply because it is so much a part of that group".[659]

658 Reprinted in *Jornal do Brasil*, 19 September 1976.

659 Ibid. As we have seen, the suggestion that Brazil should act as a mediator was also made by several West German leaders. The idea of Brazil as a natural mediator, between black and white, between North and South and between Spanish speaking America and the United States, had formed a major part of Quadros's view of Brazil's role in the world in the early 1960s. See Quadros, "Brazil's New Foreign Policy", p. 24.

The theme of Brazil's role as Third World developing country was also developed on a number of occasions by Silveira.

> *The Third World as I view it – and as I believe it is viewed by most Brazilians who follow international affairs – is a large group of states, comprising the vast majority of mankind whose situation for independent action in the international filed is still limited by the present power structure.*
>
> *In this sense of sharing aspirations for a greater say in international decisions and of being opposed to any attempt to freeze the present distribution of power and wealth, Brazil is part of the Third World.*[660]

Similarly, in his speech on the New International Order, Silveira spoke of those who believe Brazil to be "the first country to overcome the insurmountable barrier that separates the two classes of countries" but went on to warn against such a view:

> *In fact, however much we may be flattered by this promotion, the fact is that we have a much larger number of common problems with the developing countries and that there are few, very few, aspects of our economic development that put us on a par with that achieved by the fully developed countries.*[661]

What we see, then, during the Geisel period is Brazil moving closer into line with the Third World consensus. Politically, changes in the country's African and Middle Eastern policies led Brazil to take up such standard Third World causes such as

660 Silveira, "Brazil's Foreign Policy", p. 5.

661 Silveira, "O Brasil e a Nova Ordem", p. 18.

the rights of the PLO and the struggle against South Africa. On economic issues, as the 1970s progressed, there was a clear hardening of Brazilian attitudes and increasingly strident criticism of the developed countries for failing to respond positively to the Third World demands for a NIEO.[662]

Brazil's support for the Third World was far from unqualified. Reflecting its own relative economic success, Brazil's attitude to international economic reforms was far more moderate than many other Third World countries. It was ambivalent on the question of raw material cartels; it opposed proposals for a large-scale reform of the international monetary system; and it stressed the need to create wealth through more equitable trading arrangements and easier access to technology rather than through schemes for the massive redistribution of resources or the tight regulation of market forces.[663] More crucially, the Third World for the Geisel administration was a means of increasing the country's diplomatic flexibility and opening up new options rather than forging a new solid and permanent alliance. There was thus no forthright realignment of policy towards the Third World movement. It was seen as an increasingly important option for Brazilian foreign policy, but remained very much one option amongst many.

662 See for example Silveira's speech to the 33rd UN General Assembly in September 1978, *Resenha*, 18 (1978), pp. 25-28. For a quantitive study of Brazil's changing voting patterns in international bodies, see Wayne Selcher, *Brazil's Multilateral Relations*, (Boulder: Westview, 1978).

663 This comes out very clearly from Silveira's speech on the new international order ("O Brasil e a Nova Ordem", esp. pp. 15-16) and from his interview with the *Jornal do Brasil* 26 April 1976. The best practical example of Brazil's moderate approach was its proposal for a "General Agreement on North/South Trade" presented to the 31st General Assembly in 1976, *Resenha*, 10 (1976), pp. 71-75. However, the fact that it appealed to neither the Group of 77 nor the developed countries underlines the difficulty of trying to hold the middle ground and helps explain why Brazil did not make more forceful attempts to develop a leading role in the Third World movement.

6.7. Bilateral Relations

6.7.1. Middle East

As the previous chapter showed, the Médici period had seen a steady increase in Brazil's economic activity in the Middle East followed in late 1973 by a dramatic shift in Brazil's stance towards the Arab/Israeli question. The impact of the oil price rise, the determination of the Arab states to use oil power to secure support against Israel and OPEC'S growing role in the Third World movement all helped to ensure a continuation and intensification of this shift in Brazilian policy.

On the one hand, Brazil's dependence on imported oil remained high throughout the Geisel period. The percentage of imported oil in total oil consumption rose from 78.4% in 1974 to 85.8% in 1979, whilst the percentage of oil imports in Brazil's total import bill rose from 20.2% in 1974 to 34.6% in 1979.[664] The combination of rising oil prices and heavy dependence on Middle East oil meant that Brazil's imports from the Middle East rose from US$ 2,091 million (17% of total imports) in 1974 to US$ 5,081 million (32% of total imports) in 1979, with Brazil's trade deficit with the region *averaging* US$ 2.9 billion p.a. in the years between 1974 and 1979.[665] It was this stark economic picture which underpinned the two central features of Geisel's Middle East policy: Firstly, the adoption of an increasingly strident pro-Arab political position and, secondly, a massive drive to increase both Brazilian exports to the region and Arab investment in Brazil.

664 See Chapter 9, Table 12.

665 Banco Central, *Boletim Mensal*, various issues.

Increased political support soon became visible. Both in May 1974 during the visit of a Libyan mission and in September 1974 during the visit of the Saudi foreign minister, Brazilian spokesmen reiterated their support for the Palestinian cause. To quote foreign minister Silveira:

> *Within this context, we believe that the complete withdrawal from all the occupied territories taken by force and the recognition of the the rights of the Palestinians are fundamental components of any constructive treatment of the question.*[666]

By 1975 Brazil had shifted still further, supporting PLO observer status at the UN and allowing a semi-official PLO desk in the embassy of the Arab League in Brasilia.[667] In November 1975 the government courted severe criticism both at home and abroad by voting in the UN in support of Resolution 3379 which denounced Zionism as a form of racism.[668] Finally, despite being one of the countries worst affected by the oil price rise, Brazil consistently refused to condemn OPEC.[669]

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666 Speech during visit of Saudi foreign minister, reprinted in *Resenha*, 2 (1974), p. 36.

667 See *Veja*, 23 May 1979.

668 The UN vote is interesting both because it shows the extent to which Itamaraty's *terceiromundismo* differed from the positions of other parts of the government and because of the light it throws on Geisel's own attitudes. Following Silveira's advice, but without consulting the CSN, Geisel agreed that Brazil should vote in favour of the Zionism resolution in the UN's Third Political Commission, which it duly did. The next day he changed his mind in view of domestic opposition and instructed that, when the vote came to the General Assembly five days later, Brazil was to obstain. In the meantine, however, the US State Department had protested against the first Brazilian vote. Geisel's nationalism came to the fore and he decided that Brazil could not be seen to bow to American pressure. Accordingly, Brazil voted in the General Assembly in favour of the Zionism resolution. See Abreu, *O Outro Lado do Poder*, pp. 51-52.

669 Brazil adopted an ambiguous attitude towards OPEC. On the one hand, sposkesmen consistently stressed that Brazil was against the formation of cartels. On the other, Brazil refused to condemn OPEC both because of sensitivity to Arab opinion and because of OPEC's positive role in giving at least the appearance of power to the Third World movement. For a good example of Brazil's attitude see Geisel's speech in Tokyo, reported in *Jornal do Brasil*, 19 September 1976.

The second feature of Geisel's policy was the drive to redress Brazil's massive trade deficits with the region. The relationship on which most hopes were pinned was with Iraq. Although an embassy had only been installed in Baghdad in 1973, ties soon began to intensify and by the end of the Geisel period, Iraq supplied some 42% of Brazil's oil imports and took 46% of Brazil's exports to the Middle East. By the mid-1970s Brazil had become the third largest customer for Iraqi oil. The basis of the relationship had been laid by the 1972 oil exploration agreement signed between Braspetro and the Iraq National Oil Company and had been cemented in 1973 by Brazil's refusal to abide by the boycott of Iraqi oil imposed by the major oil companies. In 1976 this aspect of the relationship bore dramatic fruit with Braspetro's discovery of a 350,000 bpd oil field in the Majnoun area.[670] Apart from oil, the most important economic development was the decision of the Iraqi government in 1978 to award a US$ 1.5 billion contract to a Brazilian company, Construtora Mendes Junior, for the construction of a 550km railay from Bagdad to the Syrian border.[671] This followed two earlier construction contracts and represented Brazil's largest ever export deal. Other significant export deals included the 1976 sale of 7000 Volkswagen Passats and a five-year US$ 150 million contract signed in 1977 to supply 5.3 million tonnes of iron ore.[672]

Ties also expanded with other Middle Eastern countries. There was a series of high level visits from Saudi Arabia, including the foreign minister in September 1974, Prince Abdullah in March 1978 and the finance minister in July

670 *New York Times*, 27 September 1976.

671 *Veja*, 11 October 1978.

672 *Financial Times*, 25 May 1977.

1978.[673] In 1975 an Economic and Technological Agreement was signed with Iran followed in 1977 by a large barter deal under which Iran would supply Brazil with 200,000 bpd of crude oil in return for committing itself to spend 30% of the value of the oil on Brazilian agricultural and manufactured products.[674] In 1974 a large Libyan economic mission visited Brazil followed in 1975 by the visit of the Libyan petroleum minister and the signature of a trade agreement. More significantly, the mid-1970s saw the beginnings of the military relationship between Brazil and Libya. Brazil's first arms sale to the region had been the delivery of 20 Cascavel armoured cars to Qatar in 1974.[675] In 1977 Abu Dhabi purchased 200 Cascavels and in the same year the first arms agreement was signed with Libya, valued at US$ 400 million and involving the delivery of 200 Cascavels in 1977 and, reportedly, 200 Urutu armoured personnel carriers in 1978.

In addition to increasing exports, Brazil was also anxious to attract Arab petrodollars to Brazil and every visit of an Arab delegation raised press speculation on the massive sums that were to be invested.[676] Although falling well short of expectations some progress was made in this direction. In December 1974 the Kuwait Investment Company invested US$ 250 million in a paper mill in Brazil and a US$ 25 million loan to the state of Rio de Janeiro was raised in Kuwait.[677]

673 *Latin America Economic Report*, 18 August 1978. The emphasis of Brazilian policy in this period was however firmly on Iran and Iraq because of Brazil's belief in their greater export potential.

674 *Financial Times*, 27 June 1977 and *Egyptian Gazette*, 5 August 1977.

675 See Appendix, "Major Brazilian Arms Exports", 1974-1985.

676 See for example the press comments during the visit of the 40-man Arab financial mission in August 1974. *Jornal do Brasil*, 12 August 1974 and *Egyptian Gazette*, 15 August 1974.

677 *Egyptian Gazette*, 5 December 1974.

In 1975 the Brazilian-Kuwait Investment Corporation was established.[678] In 1976 Iran purchased an undisclosed stake in Krupp's Brazilian operations.[679] In 1977 Saudi Arabia made a US$ 55 million loan to finance a hydroelectric project on the São Francisco River.[680] And in October 1977 the Arab Latin American Bank (Arlabank) was established in Lima to stimulate Arab investment in the whole of Latin America.[681]

6.7.2. Africa

The expansion of Brazil's political and economic relations with Black Africa formed a central part of the policy of "responsible pragmatism" and provides the clearest example of many of the most important elements of that policy: the determination to increase exports, and especially manufactured exports; the need to secure oil supplies; the desire to open up a wider range of political options; and the increasing ideological neutrally of Brazilian diplomacy. As we saw in the previous chapter, the most important change in the direction of Brazil's Africa policy had occurred in the latter part of the Médici years with the decision to move away from the country's previously firm support for Portuguese policy in Africa. This had been partly the result of economic pressure from the Afro-Arab bloc and partly of the growing awareness that Portugal was losing its struggle to hold onto its African colonies. It became increasingly clear that a shift in policy was unavoidable if Brazil was to have a future role in Africa and, more especially, in the newly-independent Portuguese speaking countries of south

678 *Visão*, 24 November 1975.

679 *Frankfurter Allgemeine Zeitung*, 24 December 1976.

680 *New Yok Times*, 13 December 1977.

681 For details of Arlabank see *Middle East Economic Digest*, Special Report, September 1981, pp. 12-13.

and west Africa. Under Geisel this shift was accelerated with the expansion of relations with Black Africa becoming a major priority for Brazilian foreign policy.

The expansion of Brazil's relations with Africa has received far more attention than any other single aspect of Brazilian foreign policy in the 1970s.[682] There is thus little point in repeating the details of the story. It is, however, however, worth highlighting three central features. In the first place, there was the acceleration in the shift of Brazil's diplomatic stance towards Africa. The Portuguese Revolution of April 1974 and the clash with Portugal over the appointment of its new ambassador, General Fontoura, gave further impetus to the policy of building relations with Portugal's former colonies.[683] After some initial hesitation Brazil recognized the new government in Guinea Bissau in July 1974. Diplomatic relations with Mozambique were established in June 1975 and, on 11 November 1975, Brazil became the first non-communist country to recognize the MPLA government in Angola.[684] The effort to overcome the natural suspicious of many African countries over Brazil's abrupt *volte face* involvement an intensive diplomatic campaign taking Silveira twice to Africa, to Senegal in November 1974

682 Amongst the most important works dealing with this subject are: Guy Martinière, "La Politique Africaine du Brésil, 1970-1976", *Problèmes d'Amérique Latine*, No. 4474 (July 1978); Tom Forrest, "Brazil and Africa: Geopolitics, Trade and Technology in the South Atlantic", *African Affairs*, 81, 82 (January 1982); Jaques d'Adesky, "Intercâmbio Comercial Brasil-Africa (1958-1977): Problemas e Perspectivas", *Estudos Afro-Asiáticos*, 3 (1980); "A America Latina e a África no Quadro das Relações Sul-Sul", special issue of *Estudos Afro-Asiáticos*, 6-7 (1982); Nilde Beatriz Anglarill, " La Política Exterior de Brasil para Africa Negra", *Revista de Estudos Internacionales*, 1, 1 (1980); Jacques d'Adesky, "Brasil-Africa: Convergência para uma Cooperação Privilegiada", *Estudos Afro-Asiáticos*, 4 (1981); Wayne Selcher, "Brazil-Black African Economic Relations in a South-South Context", mimeo, 1983; José Maria Nunes Pereira, "Relaciones Brasil-Africa: Problemas y Perspectivas", *Nueva Sociedad*, May-June 1982.

683 The importance of these events of thinking within the Brazilian military is underlined by Abreu, *O Outro Lado do Poder*, pp. 54-56.

684 The Best account of the diplomatic moves behind the recognization of these countries is given in Martinière, "La Politique Africaine", pp. 36-56.

and to the Ivory Coast in June 1975.[685] The increased pace of the political dialogue between Brazil and Africa was visible in the growing number of African visitors to Brazil. In 1975 there were visits from the foreign ministers of Zambia, Guinea Bissau and Lesotho and from the president of Gabon, and the Geisel period saw three visits to Brazil by Nigerian foreign ministers.

Secondly, there was the expansion of economic ties. It is worth pointing out that the overall growth of economic ties was not as great as the diplomatic rhetoric suggested. Exports to Africa rose from US$ 417 million in 1974 (5.2% of total exports) to US$ 651 million (4.3% of total), with manufacturing exports playing a key role.[686] In 1979 manufactured exports accounted for 79.7% of total Brazilian exports to Africa. On the other hand, imports from Africa fell from US$ 669 million in 1974 (5.2% of total), to US$ 463 million (2.6% of total). Whilst oil was by far Brazil's most important import (accounting for 67% of total imports in 1974 and 70% in 1978), Africa's share of Brazilian oil imports fell from 17.53% in 1974 to 3.53% in 1979.[687] The real significance of the economic drive during the Geisel period lies in the extent to which it laid the basis for the much greater expansion that was to occur after 1979. Angola and Nigeria were the two most important targets of Brazil's export drive but there were also trade missions to Zambia, Lesotho, Kenya, Mauritania, Senegal, Upper Volta and Guinea-Bissau.

Thirdly, there remained a certain ambiguity in Brazil's Africa policy due to its continued important economic ties with South Africa. Although Brazil cut back its political contacts,

685 Ibid, pp. 52-54.

686 *Boletim Mensal*, various issues.

687 See Chapter 9, Table 13.

ended direct flights to South Africa and publicly rejected the idea of any kind of South Atlantic Pact involving South Africa, economic contacts continued and, as late as 1979, the republic was Brazil's largest trading partner in Africa accounting for 17.7% of Brazil's total trade with the continent. In addition South African investments in Brazil continued to develop although the amounts involved remained low in overall terms.[688]

6.7.3. Latin America

During the Geisel period, Latin America represents a partial exception to the expansion of bilateral relations with other developing countries. The pattern of relations established during the Médici period continues: increased penetration of the border states and the expansion of economic contacts throughout the region but combined with a marked political distance and coolness between Brazil and its Spanish-speaking neighbours. Relations with the border states continue to intensify. Brazil's trade with Paraguay expanded nearly 300% between 1974 and 1979, with exports rising from US$ 98 million to US$ 324 million. In May 1974 there was a meeting between Geisel and Stroessner to discuss the implementation of the 1973 Itaipu agreement. In December 1975 Geisel visited Asunsion for the signature of a Treaty of Friendship and Cooperation and there was a further meeting of the two presidents in March 1976.[689] In a similar way, the gradual incorporation of Bolivia into Brazil's economic orbit continued. In May 1974 the Cochabamba Agreement formalized the 1973 agreement for Bolivia to supply Brazil with natural gas in return

688 Ties with South Africa have been examined by David Fig, "The Atlantic Connection: Growing Links Between South Africa and Latin America", in *Britain and Latin America*, (London: Latin American Bureau, 1979).

689 See *Resenha*, 7 (1975), p. 18, and 8 (1976), p. 5.

for Brazilian assistance with the development of the iron ore and manganese deposits at El Mutum.[690] In October 1978 there was a further agreement to increase the supply of natural gas from 240 million cubic feet to 500 million.[691]

Beyond the border states, there was a dramatic expansion of Brazil's regional trade ties. Brazil's exports to the region increased 169% between 1974 and 1979 from US$ 918 million (12.4% of total exports) to US$ 2,475 million (16.6% of total).[692] Imports from the region rose 134% from US$ 944 million to US$ 2,209 million. There were particularly significant increases in trade with Chile (224% increase in overall trade), Colombia (282% increase), Mexico (216% increase) and Uruguay (142% increase). As in the case of Africa, manufactured exports were the key to Brazil's success and by 1979 88% of Brazil's regional exports consisted of manufactured goods. As in the case of the Middle East, Latin America was also a growing market for Brazilian arms exports, with the major customers being Chile, Paraguay and Bolivia.[693]

Yet, despite the increase in economic contacts, the political coolness in Brazil's relations with its major neighbours continued. The dispute with Argentina over Itaipu remained unresolved and there was scarcely concealed rivalry in the nuclear field, especially after the Brazil-West German agreement of 1975. The victory of Carlos Andres Perez in 1976 brought little change in Venezuelan suspicious of Brazilian intentions in the Amazon basin. On a multilateral level, despite

690 See Brummel, *Brasilien*, pp. 234-235.

691 Ibid, pp. 235-236.

692 *Brasil 1981 Comércio Exterior*.

693 See Apendix, "Major Brazilian Arms Exports, 1974-1985".

the protestations of Latin American solidarity, Brazil continued to keep its distance and offered only lukewarm support for the Latin American Economic Association that was created in 1975.

There were, however, some signs of change. The September 1973 coup added Chile to the list of countries with whom Brazil enjoyed close political relations, with Pinochet's visit to Brazil in May 1974, his open desire to follow the Brazilian "model" and several reports of close cooperation between the military and security services of the two countries.[694] More importantly, there was the Brazilian proposal in November 1976 for the creation of an Amazon Pact to assist the joint development of the Amazon Basin.[695] After considerable initial difficulties, Brazil was successful in overcoming the suspicions of the seven countries involved and the treaty was signed in early 1978. Whilst the treaty fitted the traditional Brazilian aim of trying to avoid isolation and allay the fears of its neighbours, it also provides the first sign of a more activist approach to the expansion of political ties within Latin America and thus looks forward to the far more significant changes that were to occur in the period after 1979.

This chapter has shown how the policy of "responsible pragmatism" constituted a further very significant stage in the evolution of Brazilian foreign policy both in terms of the redefinition of relations with the United States and the process of diversification. On the one hand, this represented a continuation of trends that had been developing since the late

694 On the increase in ties with Chile, see Brummel, *Brasilien*, pp. 241-243 and Carlos Moneta and Rolf Wichmann, "Brazil and the Southern Cone", in Selcher ed., *Brazil and the International System*, pp. 164-170.

695 The text of the Amazon Pact is given in *Resenha*, 18 (1978), pp. 13-17. The best analysis are Adherbal Meira Matos, "Pacto Amazônico: Cooperação e Integração", *Revista de Estudos Políticos*, 53 (July 1981) and Rubens Ricupero, "Tratado de Cooperação Amazônica", *Relações Internacionais*, 3, 5 (June 1980).

1960s: a more sharply focused nationalism in relations with the United States; a determination to expand economic relations with Western Europe, Japan and the socialist countries; an increasing focus on the areas of common interest that existed between Brazil and the Third World. On the other hand, the implementation of "responsible pragmatism" introduced a series of new elements: the emergence of a more cohesive nationalist consensus within Brazil's ruling élite;[696] a much greater degree of ideological neutrality; the desire to give a stronger political edge to relations with Western Europe and Japan; a much stronger drive to expand bilateral contacts within the Third World; and a significant, although still qualified, increase in Brazil's identification with the Third World movement and its support for Third World demands in multilateral forums.

Whilst it would be wrong to suggest that Brazil was able to secure all its foreign policy objectives in this period, the achievements were substantial. Brazil had successfully opposed the United States on a matter of importance to both sides and had very extensively expanded the range of its international ties. Yet, as the 1970s progressed, the international environment was growing less favourable. It is to the growing external difficulties facing Brazil and the greater awareness of the limits of independence that we turn in the next chapter.

696 There has been a tendency in some of the recent writing on Brazilien foreign policy to downplay the nationalism of Brazil's military goverment. It is, for instance, hard to accept the distinction drawn by Gerson Moura and Maria Regina Soares de Lima between genuine nationalism in the sense of the "assertion of national interests in opposition to foreign interests" and the nationalism of the military government defined as a "position of asserting and increasing national power". See Gerson Moura and Maria Regina Soares de Lima, "Brasil-Estados Unidos: Do Entendimento as Desentendimento", Paper delivered at a conference on "brazil and the New International Order", Friburgo, 3 December 1978, p.14. See also Peter Evans's discussion of what he calls "planners nationalism", in "Shoes, OPIC, and Unquestioning Persuasion: Multinational Corporations and US-Brazilian Relations", in Richard Fagen ed., *Capitalism and the State in US-Latin American Relations*, (Stanford: Stanford Univ. Press, 1979), p.307.

7. The Limits of Independence: Figueiredo, the Third World and the Debt Crisis

7.1. Introduction

The basic premises of Brazil's foreign policy under the Figueiredo government in the period up to the emergence of the debt crisis in late 1982 closely followed the pattern established during the Geisel years. In place of "responsible pragmatism", the catchphrases of the new administration were "universalism" and "diversity". To quote the new foreign minister, Ramiro Saraiva Guerreiro:

> *One of the fundamental characteristics of Brazilian foreign policy is its universalist vocation. We have today a diplomatic presence in practically every corner of the globe... These two elements – universalism and diversity – makes the task of presenting a synthesis of Brazil's diplomatic action relatively difficult. We do not adopt generalized and ready-made formulas.*[697]

697 Speech by Guerreiro, Chatham House, London, 30 November 1981, *Resenha*, 25 (1981), p. 43.

Or again.

> *The very fluidity of the international context… reinforces the universalist option. The complexity and difficulty of finding obvious solutions are factors which indicate the necessity for finding a global approach to international reality and for finding appropriate paths within this reality. A widespread international presence can only further the identification of the best diplomatic options.*[698]

Despite a slight modification in language, then, there were substantial elements of continuity in the overall approach to foreign policy. There was a similar emphasis on the need to diversify and broaden the range of the country's international ties. There was a similar emphasis on the need to maximize the country's diplomatic flexibility and to avoid all automatic alignments. There was also continuity in terms of the motives underlying the need to diversify, with the late 1970s witnessing a marked intensification of the economic constraints on Brazil's foreign policy. On the one hand, as a result of the second oil shock of 1979, the cost of Brazil's oil imports rose from US$ 4.06 billion in 1978, to US$ 6.26 billion in 1979, to US$ 9.34 billion in 1980 and to US$ 10.60 billion in 1981 – a figure equivalent to 48% of the country's total import bill.[699] On the other, the cost of the country's foreign debt continued to rise, with total debt service costs (interests and amortization) increasing from US$ 10.2 billion in 1979, to US$ 12.0 billion in 1980, to US$ 15.6 billion in 1981.[700]

698 Speech by Guerreiro to *Escola Superior de Guerra*, August 1979, reported in *Latin America Daily Post*, 17 August 1979. See also Figueiredo's Message to Congress, 1 March 1980, *Resenha*, 24 (1980), p. 3-6.

699 See Chapter 9, Tables 12 and 13.

700 *Boletim Mensal*, various issues.

There was also a similar emphasis on the lower overall priority to be given to relations with Washington and on the undesirability of reestablishing any form of "special relationship". Although the new Brazilian government was anxious not to repeat the bitterness of 1977, the character of the relationship between the Figueiredo government and the Carter administration followed that of its predecessor. In particular the increasing trend towards ideological neutrally that had been apparent under Geisel continued under Fegueiredo and led to a number of divergences with the policies of the late Carter period. One example was Brazil's policy towards the fall of Somoza. Despite a strong feeling from within parts of the military that Somoza should be supported, Brazil opposed the American idea of an Inter-American Peace Force and backed the OAS resolution of 23 June 1979 which called for the "immediate and definitive substitution of the Somoza regime".[701] Thereafter, although Brazil maintained a low profile on Central America, Brazilian leaders stressed their opposition to any intervention in Nicaragua and publicly rejected the informal suggestion from General Videla of Argentina for an active joint crusade against communism within Latin, and especially Central, America.[702]

A further example was Brazil's refusal to abide by the US grain embargo which was imposed after the Soviet invasion of Afghanistan.[703] In January 1980 Brazil was invited to discuss a boycott of a range of agricultural products including soya.

701 *Jornal do Brasil*, 2 July 1979. For further reports of dissension within hard-line elements in the military see *Jornal do Brasil*, 5 May 1980 and 1 December 1980.

702 Ibid, 18 August 1980.

703 *Veja* 16 January 1980. Brazil also refused to boycott the Moscow Olympics, see *Latin America Weekly Report*, 28 July 1980.

Alleging a "lack of time", the Brazilian embassy in Washington refused to participate in the meeting.[704] In February 1980 the American envoy, General Andrew Goodpaster, was equally unsuccessful in securing Brazilian support for any action over Afghanistan.[705]

Indeed, far from being prepared to cut back its trade with the Soviet Union, the Figueiredo government was anxious to expand it. In October 1979 a high-level political decision was taken through the Foreign Trade Council (CONCEX) to intensify trade with Comecon and to try and overcome the import constraint that had previously limited trade with the region.[706] Largely as a result of increased Soviet purchases of agricultural products, Brazil's trade with Comecon expanded significantly with exports rising 74% between 1979 and 1981 from US$ 976 to US$ 1,699 million.[707] The disruptin of Brazil's oil supplies that followed the Iran/Iraq war and the impact of the second oil shock also renewed Brazil's interest in Soviet oil supplies. The Soviet Union had supplied around US$ 39.5 million of crude oil between 1974 and 1976 but had then decided to restrict supplies to more favoured countries. However, in October 1980 the USSR offered Brazil 21,000 bpd to help replace supplies lost by the Gulf War.[708]

In early 1980 there were other signs of an appreciable shift in Soviet policy towards Brazil. In a speech of 22 February 1980 Brezhnev had referred to Moscow's special interest in

704 *Veja*, 16 January 1980.

705 Ibid, 6 February 1980.

706 *Financial Times*, 27 October 1979.

707 *Brasil 1981. Comércio Exterior*, pp. 318-319.

708 *New York Times*, 3 October 1980.

developing relations with Brazil and in April 1980 the visit of a Soviet delegation to Brazil was widely reported in the Soviet press and there was much official praise for Brazil's independent foreign policy.[709] There was even an offer to supply Brazil with enriched uranium and to discuss technical cooperation that would link Brazilian titanium with Soviet advanced titanium technology.[710]

It was, however, the character of relations between the Figuereido government and the incoming Reagan administration that was even more indicative of the continuity of Brazilian policy towards the United States. The Reagan administration came to into office in January 1981 determined to reverse what it saw as the drift and vacillation of the Carter years.[711] The main features of that approach are by now well known: a desire to reassert American power and influence within the hemisphere; a desire to focus policy on rebuilding special relationships with the major states of the region, primarily on a bilateral basis; an approach to economic issues that stressed free market solutions; and, above all, a determination to prevent the communist "menace" from making further gains in the hemisphere.

Specific policy towards Brazil followed from this general approach. There was widespread belief in Washington that

709 *Frankfurter Allgemeire Zeitung*, 18 April 1980. For further praise of Brazil's independent foreign policy, see P. Viktorova and N. Yakollev, "Modern Trends in Brazilian Foreign Policy", *International Affairs* (Moscow), 1 (January 1980): 57-64. This marked a striking change from previous harsh criticism of the military government. See, for example, A. Atroshenko, "Brazil: Problems of Development", Ibid, (March 1977).

710 See Robert Leiken, "Eastern Winds in Latin America", *Foreign Policy*, 42 (Spring 1981), p. 96. For an earlier report of Soviet offers of uranium supplies, see *Frankfurther Allgemeine Zeitung*, 16 July 1977.

711 For a survey of the Reagan administration's Latin American policy, see Abraham Lowenthal, "Ronald Reagan and Latin America: Coping with Hegemony in Decline", in K. Oye et. Al., *Eagle Defiant: United States Foreign Policy in the 1980s*, (Boston: Little, Brown and Co., 1981).

the problems in US-Brazilian relations had been simply due to Carter's ill-chosen policies and that the prospects of rebuilding a close relationship were good. Accordingly, the outstanding differences of the Carter period were quickly resolved. Human rights were now no longer an issue. In August 1981 the Assistant Secretary of State for Latin America, Thomas Enders, held talks in Brasilia over the possible resumption of nuclear cooperation between the two countries.[712] In October 1981 during a visit to Brazil, Vice President Bush announced the lifting on the ban on US supplies of enriched uranium to the Brazilian reactor, Angra I.[713]

More significantly, in a series of high-level visits in 1981 and 1982, the US administration made serious efforts to revive military cooperation and to elicit Brazilian support for its policy towards the Soviet Union. Already in November 1980 candidate Reagan had sent General Vernon Walters to Brazil to stress his desire to improve relations.[714] In February 1981 Vernon Walters paid an official visit to try and gain greater Brazilian support for Washington's policy towards Central America.[715] In August 1981, during his visit to Brazil, Enders laid heavy stress on the dangers of Soviet expansionism and argued that the need to counter the Soviet/Cuban presence in both the Caribbean and the South Atlantic should draw the two countries together.[716] The same sentiment was expressed during Bush's visit in

712 *Financial Times*, 21 August 1981.

713 *Veja*, 21 October 1981.

714 Ibid, 19 November 1980.

715 Ibid, 4 March 1980.

716 *Le Monde*, 19 August 1981.

October. In late August 1982 Vernon Walters led a high-level US military delegation to celebrate the anniversary of the dispatch of the FEB to Europe in 1944 and to discuss renewed military cooperation between the two countries.[717]

Yet, although the tone of the relationship did undoubtedly improve from early 1981, the Brazilian government's refusal to rebuild the "special relationship" remained firm. The trend towards ideological neutrally was maintained. The various American visitors were told that increased western naval involvement in the South Atlantic was "inopportune, superfluous and dangerous".[718] The Brazilian government did not believe the level of threat warranted the formation of a new defence pact and was afraid that the South Atlantic would become militarized, thus escalating superpower rivalry in the region. More especially, given the widespread rumours that the United States favoured the formation of a South Atlantic Pact including South Africa, Brazil was not going to embark on a policy that would inevitably jeopardize its relations with Black Africa.[719]

There was a similar situation as regards Central America. Whatever the private feelings of the Brazilian military, Brazil was not prepared to risk its policy of intensifying relations with Latin America by being seen to support Washington's actions in El Salvador and Nicaragua. Its response was therefore to maintain its extremely low profile and to continue stressing the principle of non-intervention.[720] There could be no mistaking, however, that

717 *Veja*, 1 September 1982.

718 Official statement as reported in *Le Monde*, 19 August 1981.

719 For details of the rumours over the formation of Sato, see Andrew Hurrell, "The Politics of South Atlantic Security", pp. 190-191.

720 See, for example, Guerreiro's statement in *Jornal do Brasil*, 18 August 1980.

the diagnosis of the conflict by many senior Brazilian officials differed sharply from that of Washington. Brazilian spokesmen laid much greater stress on the social and economic factors that underlay the conflict and blamed both superpowers for the consequences of increased East/West tension. To quote a senior foreign ministry official: "The two superpowers have an important responsibility for the exacerbation of crisis created by local circumstances".[721] Or again: "... the very incapacity of the superpowers to create a stable *modus Vivendi* contributes to the acceleration of regional conflicts".[722]

In terms of renewed military cooperation, there appeared to be little Brazilian interest in reviving the kind of formal bilateral military ties that had existed up to 1977. It was reported in the press that all the military ministers were united in their opposition to such a policy.[723] Similarly, Brazil had no intention of altering its policy on trade with the Soviet Union. Not only was trade already expanding steadily but in July 1981 Delfim Netto went to Moscow to sign a US$ 5 billion trade agreement.[724] Under the agreement the Soviet Union would supply 20% of the equipment for the Ilha Grande hydroelectric plant, guarantee the supply of 20,000 bpd of crude oil and offer technical assistance and credits for coal gasification, extracting ethanol from timber and oil shale development. In addition, long-term contracts were signed for 500,000 tons of soya beans, 400,000 tons of soya meal and 40,000 of soya oil.

721 Ronaldo Mota Sardenberg, "As Relações Leste-Oeste e o Terceiro Mundo", paper given to the Atlantic Conference, St. Croix, 4 November 1982, p. 16.

722 Guerreiro's speech to the ESG, 5 September 1980, *Resenha*, 26 (1980), p. 44.

723 *Veja*, 1 September 1982.

724 For details see *Financial Times*, 16 July 1981 and *Veja*, 22 July 1981.

A further source of continued divergence in the first part of the Figueiredo government was in the economic field. Three issues dominated the discussion. In the first place, there was continued trade fiction, with the imposition of countervailing duties on Brazil's pig iron exports in March 1980, US warnings over the level of steel exports and a long-running negotiation over the complaint by Fairchild against the success in the United States of the Embraer Bandeirante commuter aircraft.[725] The administration was also angered by the imposition in 1981 of a new range of export subsidies in violation of an agreement in 1978 to phase them out. In the end, however, it agreed to accept them and imposed countervailing duties on only five products.[726] Secondly, there was harsh Brazilian reaction to suggestion by the Reagan administration that, as a "newly industrializing country" Brazil should lose its preferential status under the Generalized System of Preferences. In 1981 the US removed the tariff-free status of three Brazilian export categories.[727] The speech of the Secretary-General of Itamaraty, Baena Soares, was typical of Brazil's reaction:

> *It is vital that developing countries are seen as they effectively are. We rejected labels such as "advanced developing country" or "recently industrialized country", which seek to introduce unacceptable differences between countries that face similar problems and have a common position to resolve them.*[728]

725 See *Financial Times*, 10 and 19 March 1980 and *Veja*, 14 April 1982.

726 See Albert Fishlow, "The United States and Brazil: The case of the missing relationship", *Foreign Affairs*, 60, 4 (Spring 1982), p. 919.

727 Ibid, p. 920.

728 Speech to US-Brazilian Bussiness Council, *Resenha*, 29 (1981), p. 107.

Finally, and most crucially, there was Brazilian concern at the disastrous effects that the high level of US interest rates were having on the country's balance of payments. This topic dominated the discussions held by George Bush in Brazil in October 1981 and the visit of Paul Volcker in September 1981.

7.2. Differences between Geisel and Figueiredo

Yet, whilst the overall thrust of Brazilian foreign policy remained broadly similar and whilst there was important continuity in the area of US-Brazilian relations, there are also a number of areas in which the foreign policy of the Figueiredo government differed from that of the Geisel years. In the first place, there was a marked difference in the style and presentation of policy. This was very largely the result of the personality of the new foreign minister who was far less abrasive and forthright than his predecessor.[729] Secondly, and more importantly, there was much greater emphasis on the limits of Brazil's international capabilities and on the problems facing the country. All talk of Brazil as a *Potência em ascensão* disappeared from official statements. In his speeches to the *Escola Superior de Guerra* Guerreiro warned that "A somber realism guides our diplomatic activity" and that "There are no simple paths to overcome the international difficulties that are accumulating".[730]

Guerreiro's list of the difficulties facing Brazil was indeed depressing. On the one hand, the revival of ideological confrontation between the superpowers threatened to limit Brazil's newly-won freedom of manoeuvre by renewing the

729 See *Visão*, 26 May 1980 and *Veja*, 28 October 1981.

730 Speech to ESG, 5 September 1980, p. 41.

constraints of the Cold War years. Speaking of the worsening of superpower relations, Guerreiro commented:

> *The price which such states (small allies) pay is always the intensification of dependency or satellization, a reduction in options and, on occasion, even involvement in greater conflicts.*[731]

On the other hand, North/South economic negotiations had failed to make even minimal progress and the international economic environment was deteriorating in the wake of the second oil shock, the continued high level of international interest rates and the growth of protectionism in the developed world.

The international environment seemed to be developing along the very lines that Brazilian diplomats had most feared, namely that the international power structure would be frozen, frustrating both Brazil's upward progress and its development efforts. As Guerreiro put it: "We are worried because the structure of the international system is crystallizing into undersirable stratifications that are being perpetuated in terms of the distribution of power".[732] His conclusion provides a striking contrast to the optimism that had been such a conspicuous feature of Brazilian foreign policy in the 1970s:

> *As a developing country, Brazil is crucially affected, on various dimensions by the international system, which appears to us very largely as a given. Our means of projection are limited. We do not affect the destiny of the international system in anything like the same way as it enormously determines the daily life of Brazil.*[733]

731 Speech to ESG, 4 September, 1981, *Resenha*, 28 (1981), p. 102.

732 Speech to ESG, 5 September 1980, p. 44.

733 Ibid, p. 46.

The third difference with the Geisel years was the relatively lower priority attached to relations with Western Europe and the growing awareness of the limits of the relationship. On one level, the pattern of relations between Brazil and Western Europe closely followed that set during the Geisel years. Indeed the growing seriousness of Brazil's economic situation in the early 1980s made European economic support more necessary than ever. There were a number of significant developments in relations with France. In March 1980 the French government announced its decision to purchase 35 Xingu trainer aircraft from Brazil.[734] Delfim Netto's visit to Paris in December 1980 produced a credit package totaling US$ 500 million and during Figueiredo's visit to France in 1981 an important cooperation agreement worth some US$ 385 million was signed, covering projects in the energy and transport sectors.[735] Similarly, the visits to Bonn of Guerreiro in May 1980 and Figueiredo in May 1981 seemed to underline the continuing close ties between Brazil and West Germany.

Yet, under the surface, some of the gloss was wearing off the "European connection". A number of problems had developed in relations with West Germany. There was German criticism of the large increase in Brazilian import tariffs that had been imposed in December 1980.[736] More importantly, there were the increasingly serious difficulties facing Brazil's nuclear programme. In 1978 the first delays in the implementation of the 1975 agreement were reported.[737] From 1979 there

734 *Le Monde*, 28 March 1980.

735 *Veja*, 4 February 1980, *Le Monde*, 28 January 1981.

736 See *Financial Times*, 19 May 1981 and *Veja*, 27 May 1981.

737 *International Herald Tribune*, 19 October 1978 and *Latin America Economic Report*, 17 November 1978.

was growing public criticism in Brazil both over the wisdom of spending US$ 10 billion on nuclear power plants given Brazil's ample hydroelectric resources and over the viability of the untested jet-nozzle enrichment technology supplied by West Germany.[738] In May 1981 there was little mention of nuclear cooperation during Figueiredos visit to Bonn although the government stressed that it would fulfil the accord.[739] Yet later that year, Brasilia announced that the cost of the German programme had doubled and that serious geological problems had been encountered on the Angra site.[740] In February 1983 Brasilia announced the "indefinite postponement" of the Iguape reactors that were to follow the construction of the first German reactors on the Angra site.[741] By 1984 it was clear that only one German reactor (Angra II) was still actively under construction with the earliest completion date around 1992. Although the military maintained funding for the enrichment and reprocessing plants, it seems clear that problems also developed in this area with the pilot enrichment plant at Resende not due for live testing until 1987 and the country's first reprocessing plant likely to be even longer delayed.[742]

In addition it was becoming clear that Brazil's hopes of Europe playing a more constructive role in the North/South dialogue had not been fulfilled. During his visit to Paris in 1981, Figueiredo expressed his disappointment with European

738 For examples of this criticism see *Financial Times*, 19 April 1979 and *Veja*, 15 October 1980.

739 *Veja*, 27 May 1981.

740 *Financial Times*, 19 October 1981 and *Veja*, 17 March 1982.

741 *Latin America Regional Reports. Brazil*, 11 February 1983.

742 See *International Herald Tribune*, 8 January 1984 and *Financial Times,* 19 September 1984. The extent of the failure of Brazil's nuclear programme is even greater if one adds the problems of Westinghouse's Angra I. Scheduled for completion in 1973 at a cost of US$ 320 million, it finally began operation in January 1984 at a cost of US$ 1.8 billion and only functions at 30% capacity.

attitudes on international economic reform, stressing the desperate economic position of many Third World countries. He called for a "true disposition to negotiate" and, speaking of future bilateral economic cooperation, stated: "For this, we believe the success of North/South negotiations to be indispensable".[743] The press reports of the visit noted the exclusive focus on economic issues and the absence of any talk of political cooperation – in marked contrast to the language used during Geisel's visit five years earlier.[744]

The final and most important difference between the Geisel and Figueiredo periods was the still greater emphasis that was laid on Brazil's position as a developing country and on the need to expand bilateral ties with other developing countries. It is true that Brazilian spokesmen continued to stress that Brazil operated in the international system at two levels: as a part of both the West and the Third World. As Guerreiro put it in a speech to the ESG in 1979: "Our country is simultaneously a part of the Western world and the Third World and it must know to maintain a dialogue with both these spheres with equal proficiency".[745]

It is also true that Brazilian spokesmen continued to attack the notion that the "West" should be identified with the OECD and NATO. As Ronaldo Sardenberg argued: "One should not forget that Latin America is a part of the West in its own

743 Speech reprinted in *Resenha*, 28 (1981), p. 7.

744 *Le Monde*, 28 March 1981. It is worth pointing out that there was a marked contrast between Europe and Japan in this period. Both Japanese trade and investment grew rapidly between 1979 and 1982 and the early 1980s saw an increase in the pace of Japanese bank lending. This led Delfim Netto to comment during his visit to Tokyo in November 1980: "At least the Japanese have not been contaminated by the cowardliness that has affected the English and North American banks". As reported in *Latin America Weekly Report*, 14 November 1980.

745 Guerreiro's speech to the ESG, August 1979, reported in *Latin America Daily Post*, 17 August 1979.

right".[746] Nevertheless, within this consistent attempt to exploit Brazil's intermediate position between North and South, the early part of the Figueiredo government saw a relatively greater priority being attached to the expansion of the ties with other developing countries.

This shift in priorities emerged in several ways. In the first place, there was a far more unqualified identification of Brazil as a developing country. As Guerreiro told the ESG: "It would be equally ineffective to argue, against the reality, that Brazil has ceased to be a developing country, or is even approaching doing so".[747]

Secondly, there was a consistent rejection of the notion that the Third World should not be seen as a unified bloc.

> *Latin America (and South America) is part of the Third World. If there are striking differences between South America and other areas of the Third World, there are also important affinities – with the West, present economic problems – which unite that vast group of nations. This heterogeneity is moreover a fact, but it does not prevent Latin America, Africa and Asia from being members of the Third World.*[748]

Thirdly, the shift in emphasis could be seen in the far harsher attacks on the developing countries for failing to respond to the North/South dialogue. Thus, for example, the bitterness of the speech by the Brazilian representative in Manila in May 1979 prompted the *Jornal do Brasil* to comment:

746 Sardenberg, "As Relações Leste-Oeste e o Terceiro Mundo", pp. 17-18.

747 Guerreiro, speech to ESG, 5 September 1980, p. 45.

748 Sardenberg, "As Relações Leste-Oeste e o Terceiro Mundo", p. 13.

> *With this position, Brazilian diplomacy has ended the period of flirtation with the rich countries ... at the same time it constitutes a rearguard policy for a possible confrontation with them.*[749]

In his speech to the UN General Assembly in September 1981, Guerreiro attacked the hardening of attitude of the developed world towards the South. Commenting that, even during times of prosperity, the North had not shown any "disposition to redefine obsolete and unjust economic exchange", he went on:

> *Recent developments have revealed that the difficulties in the core economies immediately tend to harden their attitude towards the developing world as well as leading them to attempt to find solutions for their problems which frequently have negative consequences for the developing countries.*[750]

The fourth feature of this shift in emphasis followed on logically from the evident failure of North/South negotiations, from the failure of the relations with Western Europe to live up to expectations and from continued divergences with Washington, namely the heavy emphasis that was placed on South-South ties. According to Guerreiro, South-South relations had two dimensions: a "negative dimension", i.e. to help "reinforce the capacity to force changes in present structures", and a "positive dimension", namely to contribute towards more profitable and equitable economic contacts between developing countries.

749 *Jornal do Brasil*, 9 May 1979. The speech by the Brazilian representative is reprinted in *Resenha*, 21 (1979), pp. 67-70.

750 Guerreiro's speech to the 36th General Assembly, 21 September 1981, reprinted in *Resenha*, 28 (1981), p. 129.

> *Cooperation between developing countries, in so far as it helps to reduce relations of dependence and inequality with the countries of the North and as it generates new balanced and open relations between the countries of the South, contributes towards the creation of a new and more just international order.*[751]

The logic of this thinking could be seen in the further expansion of bilateral relations with both Africa and the Middle East and the significant shift in the direction of Brazil's Latin American policy.

7.3. Middle East

The further emphasis on expanding Brazil's ties with the Middle East could be seen on both the political and economic level. On the political level, the language of Brazil's support for the Arab cause grew still more strident. Thus the Joint Declaration, issued at the end of the visit of the Iraqi vice prime minister in May 1979, contained Brazil's endorsement of the "inalienable rights of the Palestinians" and its most explicit recognition of the PLO as the "only legitimate representative of the Palestinian people".[752] Under what Energy minister Cesar Cals called "terrible pressures", the Brazilian government also apparently agreed to permit the opening of a PLO office in Brasilia.[753] This formal recognition of an organization which many in the Brazilian military held to be a terrorist group represented a further example of the extent of the changes to which Brazil's pragmatic foreign policy had led.

751 Guerreiro, speech to ESG, 4 September 1981, p. 100.

752 See *Resenha*, 21 (1979), p. 43.

753 The Iraqi vice prime minister claimed in a press conference that Brazil had authorised a full PLO Office. The Brazilian government appears to have backed away from any firm commitment, claiming that the proposal was being studied. See *Visão*, 11 June 1979. For details of the furious reaction amonst Brazil's Jewish community and the disquiet in sections of the military, see *Veja*, 23 and 30 May 1979.

On the economic level, ties also continued to expand and, whilst the trade deficit remained wide, Brazil achieved a greater degree of success in expanding its exports to the region. Exports to the Middle East rose from US$ 518 million in 1979 to US$ 1,250 million in 1981, with the largest markets being Iraq (27%), Saudi Arabia (25%) and Iran (22%). Brazil continued to devote a great deal of attention to relations with Iraq. There were visits to Brazil by the Iraqi vice prime minister in May 1979, the oil minister in December 1979 and the minister for scientific research in March 1982. A direct air service was established between Rio de Janeiro and Baghdad in December 1979. In February 1981 Mendes Junior were awarded a further US$ 280 million construction contract, this time to build a 128 km motorway.[754] In February 1983 a US$ 300 million contract was signed under which Volkswagen would supply 50,000 Passats to Iraq. In December 1984 this agreement was expanded to cover up to 100,000 medium sized cars as part of a complex US$ 630 million countertrade agreement.[755]

Ties also increased in more sensitive areas. In 1978 the first agreement covering arms sales to Iraq was signed and from July 1979 Brazil began to supply a large number of armoured vehicles to Iraq – estimates vary between 1050 and 2000 – as well as a wide range of other military hardware.[756] In January 1980 a nuclear cooperation agreement was signed in Brasilia between Nuclebras and the Iraqi Atomic Energy Commission which covered uranium prospecting, rudimentary processing

754 *Financial Times*, 5 February 1981.

755 *Jornal Do Brasil*, 8 February 1983 and *Veja*, 12 December 1984.

756 See Apendix "Major Brazilian Arms Exports, 1974-1985". For press reports describing arms sales to Iraq see *Financial Times*, 30 September, 15 October and 19 November 1980, and *Latin America Weekly Report*, 9 January 1981.

and possible future assistance with the construction of nuclear reactors.[757] Despite vehement official denials, there were persistent press reports that Brazil had made secret deliveries of 20 tonnes of uranium oxide to Iraq in January 1981.[758]

Although exact details are hard to discover, the data in the Apendix shows arms sales have become an increasingly prominent part of Brazilian economic activity in the region. In the early 1980s Brazil's two major customers were Libya and Iraq, whose needs had of course expanded as a result of the Iraq-Iran war. More recently, Saudi Arabia has shown increasing interest in both purchasing arms and financing future Brazilian research. This culminated in the signing in September 1984 of a five year military cooperation agreement including the joint manufacture of the Astros multiple rocket launcher, the new Osorio medium tank and the Tucano training aircraft.[759]

Finally, there were continued efforts to attract Arab investments and loans to Brazil. In June 1980 Kuwiat purchased a 10% stake in Volkswagen do Brasil.[760] In late 1980 Arlabank opened a branch in Rio de Janeiro. In September 1981 a joint Iraq/Brazilian bank was established with an initial capital of US$ 40 million.[761] Moreover, as many western banks reached their exposure limits in Brazil in the late 1970s, there were a

757 For the official press note see *Resenha*, 24 (1980), pp. 85-88. According to some reports participation in Brazil's nuclear programme had been a condition of continued oil supplies. See *Internacional Herald Tribune*, 9 January 1980 and *Visão*, 11 June 1979.

758 See the series of reports in *Veja*, 20 June 1981, 24 June 1981 and 1 July 1981.

759 *International Herald Tribune*, 14 October 1985. With the fall-off in oil supplies from Iraq as a result of the Iran/Iraq war, Brazil has devoted considerably more attention to the Gulf states, especially Saudi Arabia. There have been several high-level visits including the foreign minister, Prince Saud, in August 1981 and the defence minister, Prince Sultan, in October 1984.

760 *Jornal do Brasil*, 25 June 1980.

761 *Financial Times*, 5 September 1981.

number of Arab-led Eurocurrency loans to Brazil. In 1980 a consortium of Arab banks raised a US$ 200 million loan for the Banco Central in 1980; in June 1981 Saudi International Bank led a US$ 60 million loan for Petrobras and a series of project finance loans by the Arab Banking Corporation to BNDE (US$ 260 million), CVRD (US$ 300 million), Electrobras (US$ 300 million) and Petrobras (US$ 100 million).[762]

7.4. Africa

The second area of increased *terceiromundismo* was in relations with Africa. As in the case of the Middle East, there was both a significant expansion of economic ties and an increase in the level of political contacts. The increased range of the political dialogue between Brazil and Africa was visible in the visits to Brazil of such major African leaders as Kenneth Kaunda in 1979, Luis Cabral in 1980 and Sekou Toure in 1980. Perhaps even more important was Guerreiro's tour of the front-line states – Tanzania, Zambia, Mozambique, Zimbabwe and Angola in June 1980.[763] During the tour there was a much more strident support for the "just national liberation struggle of the Namibian people, led by SWAPO".[764] A good indication of the success of this more forthright political approach by Brazil was the improvement of relations with Mozambique following the visit of the Mozambique foreign minister, Joaquim Chissano, to Brazil in September 1981.[765] Unlike Angola, Mozambique had been far less willing to forgive Brazil for its previous support of Portugal. Two further indications of the range of Brazil's

762 See *MEED*, Special Report, September 1981, pp. 13-4.

763 For details of the visists see *Veja*, 11 and 18 June 1980.

764 Joint communiqué issued during Guerreiro's visit to Mozambique, *Resenha*, 25 (1980), p. 111.

765 *Veja*, 23 September 1981.

pragmatism were the Brazilian offer to provide humanitarian aid to the black liberation movements in Africa and the signature in 1980 of a contract with Mozambique to provide technical assistance and equipment to collective farm projects.[766]

On the economic side, Brazil's intensive trade promotion efforts in the period after 1975 began to bear fruit. Exports to Africa rose 192% between 1979 and 1981 from US$ 651 million to US$ 1,705 million, whilst imports increased by 328% from US$ 463 million to US$ 1,982 million. The most dramatic increase was with Nigeria. Exports to Nigeria soared from US$ 138 million to US$ 770 million between 1979 and 1981, accounting for 45% of Brazil's total exports to Africa in 1981. In 1981 Nigeria was Brazil's eighth largest trading partner taking 3.3% of both Brazil's exports and imports.[767] Angola was the other country to which Brazil continued to devote considerable attention. In addition to Guerreiro's 1980 visit, there were visits to Brazil in 1979 by the Angolan ministers of foreign trade and petroleum. There was considerable cooperation in the energy sector. Braspetro had a 17.5% stake in a Cabindan oil concession and in January 1980 became involved in a joint venture to explore offshore.[768] By 1980 Angolan oil exports to Brazil were running at around US$ 85 million p.a. A direct flight was established in March 1981 and, in addition to trade ties, Brazilian firms were involved in a series of hotel construction projects, creating a food distribution service in Luanda and a variety of technical assistance projects.[769]

766 *Latin America Weekly Report*, 30 May and 6 June 1980.

767 *Brazil 1981*, *Comércio Exterior*. For further details of the relationship with Nigeria, see U. Joy Ogwu, "Nigeria and Brazil: A model for the emerging South-South relations", in Jerker Carlsson ed., *South-Relations in a Changing World*, (Uppsala: Scandanavian Institute for African Affairs, 1982).

768 See *Folha de S. Paulo*, 11 March 1979 and *New York Times*, 22 January 1980.

769 See *Veja*, 12 December 1979 and *Financial Times*, 13 August 1979.

7.5. Latin America

The third, and in many respects most significant, aspect of Brazil's increased Third World thrust in the late 1970s was the expansion of relations with Latin America. As in the earlier period, Brazil's economic ties with the region continued to expand. Exports to Latin America rose by 69% between 1979 and 1981, from US$ 2,530 million to US$ 4,264 million. In 1981 Latin America's share of total Brazilian exports (18.4%) surpassed that of the United States for the first time. Imports from the region rose from US$ 2,009 million to US$ 3,126 million in the same period.[770] Far more important, however, was the shift in political attitudes. Building on the improvement of relations with Chile and Peru and the launching of the Amazon Pact, the Figueiredo administration embarked on an intensive campaign to improve relations with the other countries of the region. On one level, the new policy was visible in the language used to describe foreign policy. To quote Guerreiro's speech to the ESG in 1980: "The fundamental given is our identity as a Latin American country ... We are Latin Americans, what has been lacking was to exploit the consequences of our identity".[771]

On a more practical level, clear evidence of the new policy could be seen in the increased range and frequency of political contacts. Between 1979 and 1981 Figueiredo paid official visits to Venezuela, Paraguay, Argentina, Ecuador, Bolivia, Peru, Colombia and Chile. In addition there were visits to Brazil by the presidents of Peru, Argentina, Venezuela and Mexico. Two aspects of this change are particularly noteworthy. Firstly, there was the improvement of relations between Brazil and the

770 *Brasil 1981. Comércio Exterior.*

771 Speech to ESG, 4 September 1980, p. 47.

Andean Pact. In late 1979 the Andean Pact sent representatives to Brazil to discuss increased economic ties and in January 1980 Guerreiro visited Lima for the first political consultation meeting with the five Andean Pact foreign ministers.[772]

Secondly, there was the rapprochement with Argentina. In October 1979, Brazil signed an agreement with Paraguay and Argentina which ended the protracted dispute over Itaipu. This was followed in May 1980 by Figueiredo's visit to Buenos Aires, during which a package of ten agreements was signed, including a ten-year nuclear agreement covering the exchange of information, joint research and uranium prospecting and reciprocal transfers of nuclear materials.[773] The rapprochement with Argentina became in many ways a symbol of the "Latin Americanisation" of Brazilian foreign policy in the early 1980s.

7.6. The Deepening Crisis, 1981-1995

Up to now this chapter has outlined the basic features of Brazil's foreign policy under the Figueiredo government in the period up to 1982 and the way in which policymakers had to adjust to an increasingly difficult international environment. The last three years of military rule saw a dramatic escalation in the problems facing the country. The major problem was of course the debt crisis itself. Although the economy maintained its high growth rate up until 1980 (real GPD rose by 7.9% in 1980), the underlying economic problems were intensifying. Inflation had reached 110% by December 1980 and the rising costs of oil imports and the growing negative service balance were pushing the country towards a severe balance of payments

772 See *Resenha*, 24 (1980), pp. 27-30.

773 For a discussion of the Brazilian-Argentinian rapprochement, see Hilton, "Brazil's Argentine Policy", pp. 48-51.

crisis. That crisis was averted in 1980 and 1981 by a remarkably strong export performance (exports rose from US$ 20.1 to US$ 23.3 billion between 1980 and 1981) and a massive increase in the country's foreign debt. Brazil increased its borrowing by US$ 11 billion in 1980 and by US$ 16 billion in 1981, taking the total foreign debt to around US$ 88 billion by the end of 1982.[774]

By mid-1982, however, it was clear that Brazil had very little room to manoeuvre. The international recession and falling prices for primary products meant that exports were likely to fall to around US$ 20 billion (as against an original projection of US$ 28 billion). High interest rates meant that debt service charges for 1982 would be around US$ 17.5 billion – or 84.5% of exports. The closing of credit markets following the debt crises of Mexico and Argentina meant that there was no possibility of raising the further US$ 17 billion necessary to stave off a payments crisis. By the end of September 1982, then, Brazil had no alternative but to seek assistance from the IMF.

Yet the problems facing Brazil were still more serious because of the way in which the debt crisis coincided with a period of political turmoil and uncertainty. Beginning in 1974 the military government had embarked on a policy of a gradual political liberalization (*abertura*), the aim of which had been to devolve some power to "responsible" social groups whilst retaining ultimate control in military hands. Yet, by the late 1970s, as the pressure for political change mounted, the military became increasingly unable to dictate the pace and limits of change. The economic crisis had eroded the myth that efficient technocratic management could indefinitely produce high rates of growth. The original consensus that had backed the coup in 1964 had long since broken up and rapid industrialization and

774 See Baer, *The Brazilian Economy*, pp. 130-141.

urbanization had thrown up powerful new opposition forces in the union movement, the radical wing of the Catholic Church, the student movement and the rural labour movement. By early 1983 political debate in Brazil was dominated by two issues: the debt crisis and the choice of the successor to President Figueiredo.

The gravity of the political and economic crisis was bound to have repercussions for the country's foreign policy. The impact of the crisis had three essential elements. In the first place, the constraints of the debt crisis, coupled with the erosion of President Figueiredo's authority, introduced an element of indecisiveness into Brazilian foreign policy and focused attention entirely on short-term interests and issues. The activism that had been such a conspicuous feature of Brazilian foreign policy in the 1970s was curtailed as the economic crisis and domestic political problems dominated the president's agenda. Figueiredo's ill-health, which required heart surgery in the United States, reduced still further the attention given to foreign policy.[775]

The debt crisis also led to an erosion of the consensus on foreign policy that had been established under Geisel. In particular, differences intensified between Itamaraty, which continued to favour a more independent, "Third Worldist" policy and a more overtly political attitude to the debt, and the economic ministries, which stressed the centrality of maintaining good relations with the United States. The post-1982 fall-off in trade with many Third World markets and the palpable failure of North/South negotiations appeared to remove the rationale for the *terceiromundismo* favoured by Itamaraty and led to a protracted campaign in the conservative press against the foreign

775 *Latin American Weekly Report*, 9 September 1983.

ministry.[776] Itamaraty's position was weakened, firstly by the fact that Guerreiro had never enjoyed the same close relationship with the president that had existed between Geisel and Silveira and, secondly, because of the marginal role it played in the negotiations on Brazil's foreign debt.[777]

The second result of the debt crisis was a substantial reorientation of Brazilian foreign policy towards Washington. The debt crisis led to a significant increase in Brazil's trade dependence on the United States and the reversal of the historic decline in the relative importance of the United States market for Brazil. The share of exports going to the US rose from 17.6% in 1981 to 26.5% in the first half of 1985, whilst the US share of Brazilian imports increased from 15.9% in 1981 to 21.0%. Given the constraints of the debt crisis and given the extent of the economic recession elsewhere in the world, the expansion of exports to the United States was of enormous importance to Brazil. Thus between 1981 and 1984 the increase in exports to the United States represented 53.8% of the overall increase in Brazil's exports and in 1984 Brazil's trade surplus of US$ 13.09 billion.

Even more critically, Brasilia was forced to look to the United States for assistance with the management of the debt crisis itself. The necessity of looking to Washington was graphically illustrated by the events of late 1982. Brazil's liquidity crisis in late 1982 was so serious that emergency

776 For typical examples see *Jornal do Brasil*, 30 November 1982, *Estado de São Paulo*, 3 December 1982 and 6 March 1983.

777 On the relations between Gurerreiro and Figueiredo see *Veja*, 24 October 1981. On the reports of clashes between Itamaraty and the economic ministries see *Jornal do Brasil*, 24 March 1983 and *Latin America Weekly Report*, 10 August 1984. The best examples of the lack of coordination of foreign policy and the conflicting policies of the various ministries were, firstly, the handling of the Libyan aircraft incident in April 1983, when four Lybian aircraft in Brazil bound for Nicaragua were found to be carrying arms, and, secondly, Brazil's reaction to the US invasion of Grenada. See *Latin America Weekly Regional Report, Brazil, 29 April 1983 and 25 November 1983.*

short-term financing was vital to replace the loans that were no longer available from the commercial banks. The most important source of that emergency finance was Washington. During his visit to Brazil in November 1982 President Reagan announced a US$ 1.2 billion emergency loan to Brazil from the US Treasury, six private American banks provided a short-term US$ 600 million loan and Washington was instrumental in helping to organize the US$ 1.2 billion loan from the Bank for International Settlements that was agreed in mid-December.[778]

From the time that Brazil began negotiations in early 1983 with both the IMF and its private creditors, it was clear that the future management of the debt crisis and the possible provision of future credit depended very heavily on the decisions of American banks and on the polities of US-based international financial institutions. As a result, the last two years of military rule saw an intensification of relations between Brasilia and Washington. There was an almost constant dialogue between Brazilian and US officials, politicians and bankers concerned with both the direct and indirect management of the debt. Increased cooperation was also visible in other areas. Thus Brazil accepted the US proposal, made during President Reagan's visit, to established five joint working groups to discuss future cooperation between the two countries – despite the reported opposition from within Itamaraty.[779] In February 1984, during the visit of George Schultz, a Memorandum of Understanding on renewed military cooperation was signed.[780]

778 See *Financial Times*, 25 November and 3 December 1982.

779 See *Veja*, 8 December 1982 and *Estado de S. Paulo*, 6 March 1983.

780 For details of the Memorandum, see *Le Monde*, 9 February 1984.

Two final points need to be made about the change in US-Brazilian relations after 1982. In the first place, despite the central role played by the United States in the first phase of the debt crisis and despite the rhetoric of US "reassertionism", Brazil remained in its customary low position on the list of American foreign policy priorities. Whilst there was continual press speculation about the political price that would be demanded for American assistance over the debt, Washington did not appear to press Brazil too hard on the issues over which the two countries disagreed: Brazil's lukewarm attitude to US policy in Central America, Brazil's arms sales to Libya, different views over the role of Cuban troops in Angola, the October 1984 law which closed the Brazilian micro-computer market to foreign firms and the level of Brazilian export subsidies.[781]

In the second place, whilst relations with Washington intensified, the extent of increased cooperation was limited. On the one hand, differences of perspective continued on the issues outlined above and Brazil remained unwilling to alter the basic direction of its foreign policy. Although there was a certain moderation of Brazil's pro-Third World rhetoric, opposition to US policies on other issues increased.[782] There was also growing Brazilian concern over the level of protectionism in the United States and Washington's refusal to consider any more fundamental restructuring of the debt.[783] On the other hand,

781 See, for example, "O Preço do Socorro", *Veja*, 8 December 1982 and *Latin America Regional Report, Brazil*, 29 April 1983. On US oppossition to the computer Law, see *Jornal do Brasil*, 6 March 1983 and *Veja*, 10 October 1984.

782 Central America provides a good example of increased – although still moderate – Brazilian criticism of the United States. See especially Figueiredo's speech during his visit to Mexico in April 1983. *Latin America Weekly Report*, 6 May 1983.

783 See for example Brazil's reaction to Schultz's hard-line speech on the debt at the OAS in November 1984. *Veja*, 21 November 1984.

the results of the five joint working parties were not particularly encouraging. The groups dealing with science and technology, space cooperation and economic collaboration produced little more than general declarations.[784] Differences continued over nuclear energy because of the constraints imposed by American legislation. Even the group dealing with military industrial cooperation, which led to the 1984 Memorandum of Understanding, failed to resolve all outstanding problems and there was significant resistance within the military to the revival of close formal military ties.[785]

The third result of the debt crisis was a partial reversal in the trend of diversification and a weakening of many of the new relationships which had developed in the 1970s. As regards Western Europe, the period between 1980 and 1984 saw a significant decline in the level of trade between Brazil and the region. Imports from Western Europe fell by 60% between 1980 and 1984, from US$ 4,332 million to US$ 1,726 million, after growing at an average of 14.9% p.a. between 1981 and 1982. After 1982 the slow growth of exports contrasted sharply with the dramatic increase in the level of Brazilian exports to the United States. Similarly, the share of European investment in Brazil feel from 49.3% in 1979 to 44.4% in 1981 and after the debt crisis there were a number of reports of European investors adopting a cautions "wait and see" approach to the situation in Brazil.[786] More seriously, Europe's willingness to follow Washington's lead on the management of the Latin American debt crisis proved a severe blow to Brazilian hopes

784 On the results of the working groups see Sonia de Camargo and Gerson Moura, "Uma visita pouco frutuosa", *Brazil – Relações Internacionais*, (June/July 1984).

785 *Financial Times*, 21 February 1984 and *Le Monde*, 14 February 1985.

786 See Chapter 8, Table 9. *Latin America Regional Report. Brazil,* 16 September 1982.

both that Europe might adopt a more flexible approach to North/South economic issues or that the "European option" would strengthen its bargaining power vis-à-vis the United States.[787] Indeed, Brazil's most important European partner, West Germany, was amongst the firmest supporters of the orthodox IMP approach to debt management.

A similar picture is evident in relations with Japan. Firstly, as the Brazilian economy became more troubled, the willingness of Japanese firms to invest in Brazil declined and the enthusiasm of the Japanese government to finance grandiose development projects in Brazil waned. Thus, for example, in November 1982 Japan threatened to pull out of the Alunorte project because of uncertainty over future markets and delays in the completion of the Tucuruí hydroelectric project.[788] In October 1984 it successfully pressed for the completion of the Alunorte project to be pushed back until 1988. Secondly, as the recession deepened in Brazil, Brazilian exports from Japan declined dramatically, falling by half between 1981 and 1985 from US$ 1.2 billion to US$ 553 million. Thirdly, the slowdown in Japanese economic growth in the early 1980s meant a decline in the demand for Brazilian products in general and raw materials in particular. Brazilian exports continued to grow, from US$ 1,220 million in 1981 to US$ 1,515 million in 1984, but at a much slower rate (4.1% p.a. between 1980 and 1984 compared to 18.9% p.a. between 1975 and 1980).

Most importantly, when the debt crisis broke, it quickly became clear that Brazil could expect no favours from its

787 One of the most interesting features of the debt crisis was the emergence of *de facto* spheres of financial influence, with the US assuming prime responsibility for Latin America, Japan in Asia and West Germany in parts of Western Europe.

788 *Estado de São Paulo*, 7 April 1983 and *Financial Times*, 9 November 1982.

Japanese creditors. The Japanese banks and the Japanese government adopted a very cautious approach to the question of debt management, content to follow the broad direction of US policies and preferences. It is true that, in early 1983, Japanese exposure to Brazil increased by US$ 900 million as part of a refinancing package. Yet this is no more than following the pattern set by other western countries.[789]

The growing problems facing Brazil's economic ties with Comecon, Africa and Latin America were even greater. Brazil's exports to Comecon fell from US$ 1,699 in 1981 to US$ 1,359 in 1984 as it became clear that many of the projects envisaged in the 1981 trade agreement would not materialize.[790] The postponement of the Ilha Grande hydroelectric project reduced the planned Brazilian demand for Soviet capital goods. There was disagreement over the share of manufactured products in Brazil's exports and over the rate of interest on Soviet loans for the financing of turbine equipment. The projected joint construction projects in third countries had come to nothing. Most importantly, Brazil's imports from the Soviet Union had only increased slightly (US$ 241 million in 1981 to US$ 433 million in 1985). The imbalance in trade persisted with Soviet oil supplies remaining at very low levels.

In addition to trade, there was the serious problem of Poland's outstanding debt to Brazil. As we have seen, Brazil's trade with Poland had expanded rapidly in the late 1970s. Between 1977 and 1980 it was Brazil's most important trading partner in Comecon and in 1980 it was Brazil's eleventh largest export market. The relationship began to sour, however, in late 1980 when Poland ceased clearing its trade balance in

789 See David Bruce, "Brazil's plays the Japan card", *Third World Quartely*, 5, 4 (October 1983), p. 853.

790 *Latin America Weekly Report*, 23 July 1983.

hard currency. At the end of 1980 Poland's outstanding debt to Brazil stood at US$ 1 billion. Yet, in its desperation to increase exports, Brazil continued trading with Poland and only stopped offering subsidized export credits in January 1982, by which time the debt had reached US$ 1.8 billion.[791] An initial rescheduling agreement had been negotiated in November 1981 but Poland's situation continued to worsen and by February 1983 negotiations had broken down.[792] Brazilian exports of coal had declined because of failing reduction in the Polish steel industry and Brazil turned down a Polish offer of supplying new ships in lieu of repayment because of the overcapacity of its own shipbuilding industry.

The severity of the economic crisis in Africa led to a striking decline in the level of Brazil's trade. Exports to Africa fell from US$ 1,705 million in 1981 to US$ 1,080 million in 1983, with imports falling from US$ 1,982 million to US$ 938 million. Nigeria, which had been Brazil's most dynamic economic partner in Africa, was the worst hit. Between 1981 and 1983 Brazil's exports fell from US$ 770 million to US$ 196 million, with imports dropping from US$ 729 million in 1981 to just US$ 83 million in 1983. Itamaraty's conservative critics repeatedly cited the Nigerian example as the clearest evidence of the futility of *terceiromundismo*.

Finally, the uniformity with Latin America was affected by the debt crisis, which had a very severe impact on Brazil's regional trade. Brazil's exports to the region fell from US$ 4,274 million in 1981 in US$ 2,829 million in 1984, with imports dropping in the same period from US$ 3,166 million to US$ 2,140 million. Amongst the most seriously affected relationships were Chile

791 *Veja*, 24 August 1983.

792 *Veja*, 11 November 1981 and *Jornal do Brasil*, 24 February 1983.

(exports falling from US$ 641 million in 1981 to US$ 192 million in 1983), Mexico (US$ 644 million to US$ 173 million), Bolivia (US$ 255 million to US$ 108 million) and Peru (US$ 222 million to US$ 75 million).

Brazilian foreign policy under the Figueiredo government presents two sharply contrasting images. On the one hand, in the first three years of the administration the trends of the 1970s continued to develop. Brasilia remained generally resistant to American attempts to revive the "special relationship". The process of diversification was carried still further and, in economic terms, reached its peak in 1981. Most importantly, there was a further move towards the identification of Brazil as a Third World country and an even greater emphasis on the expansion of bilateral ties with other developing countries. On the other hand, by the end of the military republic in March 1985 the margin of autonomy that Brazil had attained in the 1970s as a result of the diversification of its international ties and the broadening and deepening of its position in the international economy appeared both narrower and more precariously based. The debt crisis, coupled with the political problems of the succession, had underlined the country's continued high level of vulnerability and exposed the hollowness of many of the more grandiose visions of a wider international role for Brazil that had flourished in more prosperous times. How far the undoubted difficulties and problems of the 1980s negate the gains and achievements of the period from 1964 to 1981 will be the subject of the final part of the thesis.

PART III

Evaluating Brazil's International Role

8. The Changing Character of US-Brazilian Relations

This work has argued that in the early post-war period Brazil's international freedom of manoeuvre was limited by two principal factors: the consolidation of United States hegemony over Latin America and the absence of alternative relationships. The preceding chapters have traced the evolution of Brazilian foreign policy in terms of these two themes. This section of the thesis will draw together the strands of the argument and will evaluate the overall success of Brazil's quest for a more autonomous and influential role in world affairs. This chapter will examine the degree to which the hegemonic position of the United States has been eroded during the period of military rule in Brazil. The following chapter will consider the successes and limitations of the process of diversification.

I argued in the Introduction that the position of the United States vis-à-vis Brazil in the early post-war period was hegemonic in character, not because Washington was ever able to completely dominate or control Brazil, but rather because of

the massive asymmetry of power between the two countries and because of Washington's ability to significantly influence Brazilian foreign policy and to limit the country's degree of international autonomy. For the purposes of analysis and comparison the question of United States hegemony and the changes that have taken place in the relationship needs to be examined at three levels: Firstly, one must consider the broad structural constraints that set the limits to Brazil's foreign policy options and which provide the United States with potential influence over Brazil. Secondly, one must assess Brazil's ability to bargain effectively within those structural constraints. And thirdly, one must relate both these two factors to the changing political context and to the way in which Brazilian attitudes and policies towards the United States have changed in the period since 1964.

8.1. Structural Factors

The first and most obvious structural factor concerns the overall disparity of power between the two countries. It is true that, according to some indices, the gap between Brazil and the United States has narrowed in the post-war period.[793] Thus, for example, in 1960 US GNP was 11.4 times that of Brazil. In 1980 this multiple had fallen to 8.4.[794] Yet, whatever measures of raw power potential one takes, the gap between the two countries remains immense and it is hard to see changes at this level as having had any direct political significance.

793 For two general pre-debt crisis surveys of aggregate shifts in Power between Latin America and the United States see Sergio Bitar, "United States-Latin American Relations: Shifts in Economic Power and Implications for the Future", *Journal of Inter-American Studies and World Affairs*, 26, 1 (February 1984): and Margaret Daly Hayes, *Latin America and the U.S. National Interest* (Boulder: Westview, 1984), Chapter 2.

794 Hayes, *Latin America and the U.S. National Interest*, pp. 22-23.

A second important structural constraint concerns Washington's ability to intervene coercively in Brazilian affairs, either directly or indirectly. It is as well to remember that it is only 22 years since the United States last considered indirect coercive intervention in Brazil. As Chapter Two recalled, in the lead-up to the 1964 coup preparations to implement such a policy were taken, although the success of the military conspirators meant that they were not needed and were quickly abandoned. Moreover, the experience of the past six years has forced us to reassess the measuring arguments of the 1970s that the utility of force in world politics had declined and that, in a post-Vietnam world, the interventionist option would no longer be available to American policymakers or acceptable to American public opinion. Nevertheless, if one cannot completely rule it out, one can safely conclude that the costs, both direct and indirect, of any attempt by the United States to intervene coercively in Brazil have risen enormously. Except in the most extreme circumstances the massive imbalance in military power has become, and seems likely to remain, a marginal element in the relationship between the two countries.

The third structural element is the most important and concerns Washington's potential ability to exploit Brazil's dependence on the United States as its major trade partner, as a provider of foreign aid, arms supplies, foreign investment and private credits. As we saw in earlier chapters, Washington's ability to provide both positive and negative sanctions in these areas has formed an integral part of the pattern of US-Brazilian relations in the post-war period. It is also clear that significant changes have occurred in each of these areas.

8.1.1. Trade

Tables 5 and 6 summarize the changing salience of the United States as a trade partner and show that the overall importance of the United States to Brazil has indeed declined through the post-war period. The share of Brazil's exports going to the United States has fallen from 43.3% in 1948, to 33.1% in 1964 to 26.5% in the first half of 1985. On the import side the United States supplied 51.9% of Brazil's imports in 1948, 34.5% in 1964 and only 21.0% in the first half of 1985.

Against this, three important factors need to be noted. Firstly, as we saw in the previous chapter, one of the most important consequences of the debt crisis has been to increase Brazil's trade dependence on the United States. Secondly, the United States remains by far Brazil's most important single trading partner. Brazil's 1984 exports to the US were five times those to Japan and six times those to West Germany and four times those from Japan. Thirdly, there is low reciprocity in the trade relationship. Although a crucial trading partner for Brazil, in 1979 Brazil provided only 1.55% of US imports and purchased only 1.89% of US exports.

Table 5: Geographical Distribution of Brazilian Imports, 1948-1985

	1948	1960	1964	1967	1969	1974	1975	1980	1981	1982	1983	1984	1985*
Industrialised Countries	79.1	71.1	67.5	73.4	75.8	67.2	67.9	45.0	40.6	37.3	37.8	38.8	43.6
US	51.9	31.0	34.5	35.4	31.0	24.4	25.3	17.9	15.9	14.7	15.6	16.5	21.0
Canada	1.6	1.1	1.1	1.1	1.7	3.2	1.7	3.5	2.4	2.3	3.2	3.7	2.5
Western Europe	25.6	36.3	29.1	33.8	38.4	30.9	31.8	18.9	16.7	15.8	15.4	14.6	16.3
Japan	-	2.7	2.8	3.1	4.7	8.7	9.1	4.7	5.6	4.5	3.6	4.0	3.8
Non-Traditional Markets	20.9	28.7	32.5	25.6	24.2	32.8	31.8	53.8	58.6	62.7	62.2	61.2	56.2
Latin America	18.0	18.7	21.8	14.3	12.7	8.0	6.5	11.7	14.2	16.9	14.3	15.4	13.5
Africa	0.4	0.5	0.4	1.3	2.8	5.2	4.1	4.8	9.0	6.0	4.1	9.7	14.3
Asia**	1.3	1.4	0.6	0.3	0.5	1.8	0.6	1.2	2.1	2.1	2.2	1.4	1.7
Middle East	0.1	2.6	4.5	4.9	4.6	16.6	19.0	33.9	30.6	33.7	35.0	28.3	21.5
Socialist Countries+	1.1	5.5	5.2	4.8	3.2	1.2	1.6	2.2	2.7	4.0	6.6	5.6	5.2
Other	-	0.2	-	1.0	0.4	-	0.3	1.2	0.8	-	-	0.8	0.2
Total Value (US$mill FoB)	-	1293	1086	1442	1993	12.641	12.210	22.955	22.090	19.395	15.429	13.916	6.111

** January-June.* *** Excludes Japan and P.R.C.* *+ Includes P.R.C.*

Source: ***Intercâmbio Comercial; 1953-1976*** *and* ***Boletim Mensal****, Brazilian Central Bank [Various Issues].*

Table 6: Geographical Distribution of Brazilian Exports, 1948-1985

	1948	1960	1964	1967	1969	1974	1975	1980	1981	1982	1983	1984	1985*
Industrialised Countries	77.3	85.0	79.7	80.1	78.5	69.7	62.2	57.1	53.4	58.8	62.1	61.8	62.4
US	43.3	44.5	33.1	32.9	26.4	21.9	15.4	17.4	17.6	20.0	23.1	28.6	26.5
Canada	1.5	1.3	1.5	0.9	1.3	1.2	1.6	1.2	1.2	1.2	1.4	1.5	1.7
Western Europe	32.5	36.7	43.1	42.9	46.2	39.6	37.4	32.4	29.4	31.2	31.0	26.1	28.6
Japan	-	2.5	2.0	3.4	4.6	7.0	7.8	6.1	5.2	6.4	6.6	5.6	5.6
Non-Traditional Markets	22.3	15.0	20.3	19.1	21.5	30.3	37.8	39.3	43.6	41.2	37.9	35.3	37.6
Latin America	13.8	7.8	9.7	9.9	11.1	12.4	15.2	17.5	18.4	14.4	9.6	10.5	8.4
Africa	1.7	1.0	1.7	1.7	1.1	5.2	4.6	5.7	7.3	6.1	4.9	7.3	8.9
Asia**	3.3	0.1	1.8	0.7	1.9	3.3	1.0	4.0	5.4	5.0	6.2	5.6	4.6
Middle East	1.7	0.4	0.9	0.9	1.0	4.2	5.1	5.2	4.8	6.0	7.1	5.2	5.1
Socialist Countries+	1.8	5.7	6.2	5.9	5.6	5.2	11.9	6.9	7.7	6.4	7.2	6.7	6.8
Other	0.4	-	-	-	-	-	-	3.6	3.0	3.3	2.9	2.9	3.8
Total Value (US$xnide FoB)	1,172	1,268	1,429	1,654	2,311	6,199	8,669	20,132	23,293	20,175	21,899	27,005	11,618

** January-June.* *** Excludes Japan and P.R.C.* *+ Includes P.R.C.*

Source: ***Intercâmbio Comercial; 1953-1976*** *and* ***Boletim Mensal****, Brazilian Central Bank [Various Issues].*

8.1.2. Aid

As was noted in Chapters Two and Three, the ability of the United States to provide and withhold substantial amounts of foreign aid was an important part of the US-Brazilian relationship in the 1960s both before and after the coup. It was significant above all because of its size: in 1961 total US bilateral aid (including Eximbank loans) was the equivalent of 20% of Brazil's export earnings and in 1968 18.5%. By 1973 this had fallen to 3.5% and by 1976 to 1.5%. As Table 7 shows, US foreign aid has become a marginal factor in US-Brazilian relations.[795]

795 The exception is the provision of emergency short-term credit related to the debt crisis. See section on Brazil's foreign debt.

Table 7: US Loans and Grants to Brazil, 1946-1982 (US$ million by US fiscal years)

	Post War Relief 1946-1948	Marshall Plan Period 1949-1952	Mutual Security Act Period 1953-1961	1959	1960	1961	1962	1963	1964	1965	1966	1967
Total Economic Assistance	19.9	5.4	314.2	11.9	13.4	92.2	205.5	141.3	336.9	270.6	329.0	240.0
AID[a]	-	2.6	50.3	8.9	11.6	7.5	85.1	86.5	179.5	234.7	243.7	214.9
Food for Peace[b]	-	-	241.4	3.0	1.8	84.7	72.5	47.9	150.9	24.6	79.1	21.6
Other[c]	19.9	2.8	22.5	-	-	-	47.9	6.9	6.5	11.3	6.2	3.5
Other US Govt. Loans and Grants	54.0	104.5	996.8	122.2	6.8	188.3	-	-	-	6.0	16.9	30.0
Exim Bank	54.0	104.5	996.8	122.2	6.8	188.3	-	-	-	6.0	16.9	30.0
Other[d]	-	-	-	-	-	-	-	-	-	-	-	-
Total Military Assistance	-	-	170.6	20.4	27.1	24.3	44.4	17.9	34.1	14.3	34.0	33.6
MAP[e]	-	-	121.2	11.7	18.1	23.9	26.8	16.7	10.3	11.4	17.3	12.2
FMS[f]	-	-	-	-	-	-	-	-	23.4	2.9	11.6	18.4
MASF/IMET[g]	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from excess stock	-	-	22.6	0.2	0.8	0.4	0.5	1.2	0.4	-	5.1	0.5
Other	-	-	26.8	8.5	8.2	-	17.1	-	-	-	-	1.5

Source: US Agency for International Development. Office of Financial Management. Statistics and Reports Decision. **US Overseas Loans and Grants** *(Washington D.C.) various years.*

Notes:
a Includes predecessor agencies.
b Includes Title 1 (sales agreements) and Title II (donations) under P.L. 480.
c Includes peace corps, narcotics assistance and other loans.
d Includes short-term credits under Commodity Credit Corporation Charter Act, Overseas Private Investment Corporation direct loans and Private Trade Agreements under PL480 Title I.
e Primarily grants for military equipment, supplies and services.
f Pre-1968: Credit financing of military supplies. Post 1969: Credits sales under Arms Export Control Act.
g Grant aid training of military personnel.

8.1.3. Arms Supplies

As in the case of foreign aid, Washington's near monopoly over Brazilian arms imports represented an important feature of the post-war relationship. In this case the significance came not so much from the overall size of the transactions but from the extent to which arms supplies also involve the provision of training and the long-term supply of spare parts. They thereby formed a central part of the close ties between the United States and the Brazilian military. Again, the picture here is one of a steady decline in the relative importance of the United States. This decline is the result of two factors. Firstly, the diversification of Brazilian arms imports. As Table 8 shows, the US share of Brazilian arms imports fell from 46% in the period 1965-1974 to 16.3% in the period 1976-1980. Secondly, it is a result of the success of the domestic Brazilian arms industry which, as we saw in Chapter Four, was created partly in response to the perceived unreliability of US arms supplies. At present Brazil is able to supply around 80% of its arms requirements as well as being the fifth largest exporter in the world.[796]

Table 8: Diversification of Brazilian Arms Imports, 1965-1980

	Total	US	France	Germany	UK	Italy	Canada	Other
1965-1974	531[100]	243[40]	145[27]	-	47[8.9]	-	49[9.2]	47[8.91]
1967-1977	572[100]	172[30]	130[22.7]	30[5.2]	180[31.5]	60[10.6]	-	-
1976-1980	800[100]	130[16.3]	30[3.8]	20[2.5]	460[57.5]	120[15]	-	30[3.8]

Sources: US Arms Control & Disarmament Agency, ***World Military Expenditure and Arms Transfers, 1966-1975*** *[Washington D.C., 1976, p.8],* ***1967-1977*** *[Washington D.C., 1979, p. 158],* ***1976-1980*** *[Washington D.C., 1982, p. 119].*

796 For works dealing with the arms industry see Chapter Four, fn 45. For an up-to-date survey see Carol Evans, "Reassessing third-world arms production", *Survival,* XVIII, 2 (March/April 1986).

8.1.4. Private foreign investment

The question of United States private investment in Brazil is a contentious one that has provoked a massive literature.[797] It is impossible to deny the overall importance of foreign investment in the Brazilian economy. According to one estimate Brazil is the largest LDC recipient of direct overseas private investment, taking around 12% of the total.[798] Net foreign investment increased from a yearly average of US$ 70 million in the early 1960s to an average of US$ 770 million by the mid-1970s, with the increase of foreign penetration of Brazil's economy being significantly greater than the growth of the economy as a whole.[799] Moreover, as many critics have pointed out, foreign investment is dominant in many of the most important sectors of the economy. According to a 1981 survey, the share of foreign firms in the total sales of the twenty largest firms in each sector revealed that foreign firms were dominant in 12 sectors. These included automobile assembly (98%), pharmaceuticals (81%), communication and office products (76%), plastics and rubber products (72%), electrical machinery and goods (56%) and wholesale commerce (45%).[800]

797 Amongst the most important sources are the works by Peter Evans cited in Introduction fn 16; Carlos Von Doellinger and Leonardo Cavalcanti, *Empresas Multinacionais na indústria Brasileira*, (Rio de Janeiro: IPEA, 1975); and Maria da Conceição Tavares and Alionisio Teixeira, "A Internacionalização do Capital e as Multinacionais na Indústria Brasileira", Discussion Paper, Faculty of Economics, Federal University of Rio de Janeiro, 1981.

798 Riordan Roett, "Brazilian Foreign Policy: Options for the 1980s", in Bruneau and Faucher Eds, *Authoritarian Capitalism*, p. 189.

799 Pachenham, "Trends in Brazilian Dependency", p. 95.

800 Baer, *The Brazilian Economy*, p. 179. For details of an earlier survey by Newfarmer and Mueller, see Evans, *Dependent Development*, p. 114.

Within this overall picture it is also evident that United States private investment occupies an important position, having risen from US$ 64.4 million in 1951, to US$ 674.4 million in 1971, to US$ 5,771 million in 1981, and one would expect this to provide Washington with an important potential source of leverage over Brazil's international behavior. Brazil has after all become locked into a situation where any radical shift in foreign policy that resulted in a loss of business confidence might cause severe dislocation of its domestic economy.

Yet other factors that make the issue less clear-cut need to be taken into account. In the first place, following the discussion of dependency theory in the Introduction, it is important to distinguish between the overall impact of foreign investment on the pattern of Brazil's economic development on the one hand and the extent to which foreign investment acts as a constraint on Brazil's international freedom of manoeuvre on the other. The great bulk of the literature on the role of transnational companies falls into the first category, discussing such subjects as the extent to which transnational firms suppress national industry, bring with them unsuitable and over-expensive technology, create artificial demand for inappropriate products and create and feed on skewed income distribution. Although important, none of these factors directly affect Brazil's degree of international autonomy.[801]

801 It is, however, worth recording Peter Evans's conclusion that the ability of the Brazilian government to influence TNC behaviour in some of these areas has increased: "Either by bargaining over conditions of initial entry or by a 'carrot and stick' combination of incentives and threats of incentives to its competitors, the state apparatus has been able to affect the strategies of TNCs". *Dependent Development*, p. 113.

This is not to argue that the degree of foreign penetration has no impact on international behavior. As we have seen in this study, Brazilian policy towards foreign investment has been and remains an important issue in US-Brazilian relations. There is also much force, for example, to Peter Evans's argument that the pattern of industrialization favoured by TNEs has increased Brazil's demands for externally produced capital goods and this has in turn helped to maintain Brazil's economic dependence on the industrialized countries.[802] Similarly, it is certainly true that through the sheer size and importance of foreign investment Brazil has become tied into a series of external relationships that would be very costly to break. Finally, it may well be true that the values sustained by the pattern of Brazilian industrialization help reduce the changes of a Brazilian government adopting a radically anti-western or anti-American foreign policy.

Nevertheless, the impact of US foreign investment on Brazilian foreign policy is less than is often supposed and certainly less than those who see it as the major instrument of US imperialism. On the one hand, this thesis has documented the simple fact that adopting an industrial policy which gives a central role to foreign investment does not preclude an increasingly assertive foreign policy or an increased willingness to challenge United States interests and preferences.[803] It will certainly set limits to such a policy and raise the costs of radical

802 Evans and Gefferi, "Foreign Investment and Dependent Development", p. 156.

803 As Stephen Krasner has pointed out, dependency theory provides no basis for understanding why Brazil should want to adopt an increasingly assertive foreign policy. Why should the state attack at the international level the same forces with which it is allied at the domestic level? Krasner, *Structural Conflict*, p. 43.

challenges. But is does not make it possible. On the other hand, whilst foreign investment might well provide Washington with a real, if rather diffuse, source of influence, it is hardly an easily used or cost-free instrument of diplomatic leverage. The sheer size of US investment in Brazil provides Washington with an important incentive to maintain good relations with Brazil and to avoid adopting policies that might threaten the security or future prosperity of that investment. Brazil's share of total US overseas investment rose from 1.7% in 1966 to 4.0% in 1977, its share of US investment in Latin America rose from 9.0% in 1966 to 21.5% in 1977 and its share of US investment in developing countries rose from 6.4% in 1966 to 17.7% in 1977.[804] Whilst it would be overstating the case to imply a high degree of genuine interdependence in the area of foreign investment, damage to the US-Brazilian relationship would impose costs on the United States as a whole and very serious costs on a number of important American firms.

Two further factors need to be taken into account when assessing the role of private investment in Brazilian foreign policy. Firstly, there is the diversification of sources of foreign investment. As we have seen, the rise of both European and Japanese investments in Brazil represented one of the most significant features of Brazil's foreign relations in the 1970s. As Table 9 shows, the US share of total foreign investment in Brazil fell from 48% in 1969, to 31% in 1975 and to 30% in 1981.

804 Hayes, *Latin American and the U.S. National Interest*, p. 69. For a more detailed discussion of US dependence on Latin America in the investment field, covering such issues as access to low cost labour, acess to raw materials and the need for overseas production platforms, see Heraldo Munoz, "The Strategic Dependency of the Centres and the Economic Importance of the Latin American Periphery", in Munoz, ed., *From Dependency to Development*, pp. 59-92.

Table 9: Foreign Direct Investments and Reinvestments Registered in Brazil, 1969-81 (US$ million)

	1969	1971	1973	1975	1977	1979	1981
United States	816 (48%)	1,096 (38%)	1,717 (37%)	2,295 (31%)	3,418 (30%)	4,375 (27%)	5,771 (30%)
Canada	168	294	360	411	520	625	899
Germany	177	331	521	871	1,534	2,463	2,628
France	35	130	206	300	430	676	683
Britain	109*	273*	324	430	547	936	1,018
Rest of EEC	79	158	307	507	921	1,207	2,676
Total of EEC	400 (23%)	892 (31%)	1,358 (30%)	2,108 (29%)	3,432 (31%)	5,282 (33%)	5,871 (31%)
Rest of Europe	130	280	473	957	1,637	2,593	2,676
Total Europe	530 (31%)	1,172 (40.2%)	1,831 (40%)	3,065 (42%)	5,069 (45.1%)	7,875 (49.7%)	8,547 (44.4%)
Japan	55 (3.2%)	125 (4.3%)	318 (7%)	841 (12%)	1,203 (10.7%)	1,518 (9.5%)	1,810 (9.4%)
Rest of World	141	225	353	692	1,018	1,570	2,220**
Total	1,710	2,912	4,579	7,304	11,228	15,963	19,247

Source: Banco Central do Brasil, ***Boletim Mensal*** *(Various issues).*
**Britain included with EEC.*
***Kuwait – 122, Saudi Arabia – 23, Panama – 645, Liberia – 426.*

Secondly, whilst Peter Evans and others are right to argue that foreign investment has had some adverse effects on the country's level of autonomy (for instance the impact on the balance of payments of the rise in demand for externally produced capital goods), it has also provided substantial benefits. Foreign investment has contributed towards the creation of a broader internal division of labour and to narrowing the range of imports. Most importantly, it has played a key role in the success of Brazil's expansion of manufactured exports. According to one survey, the percentage of Brazil's manufactured exports produced by TNEs was 47% in 1971, 51% in 1975 and 49% in

1978.[805] According to another survey, the figures for 1980 and 1981 were 38.2% and 37.2%.[806] Given the critical importance of these exports in providing a relatively solid basis for growth of Brazil's relations with other developing countries, this has been by no means an insignificant gain.

8.1.5. Foreign Debt

If direct foreign investment was seen in the 1970s as both a constraint on Brazil's degree of international autonomy and as an important potential source of leverage for the United States, its role in the 1980s has been completely overshadowed by the question of Brazil's massive foreign debt. As we saw in earlier chapters, the ability of Brazil to borrow extensively and cheaply on international capital markets was a central feature of the country's economic development in the 1970s. On the one hand, this enabled Brazil to continue financing rapid economic development. On the other, it appeared to lead to a reduction of external dependence to the extent that such borrowing involved none of the domestic political complications that accompanied direct foreign investment. It also avoided both the economic conditionality that went with borrowing from official multilateral agencies and the political obligation that was involved with bilateral aid.

Yet the early 1980s saw a sharp and dramatic reversal of the favourable international economic conditions that had prevailed in the 1970s. As we saw in Chapter Seven, the most important foreign policy consequence of the debt crisis was to

805 Neves, "The Expansion of Manufactured Exports", pp. 73-74.

806 Reinaldo Gonçalves, "Características e Evolução do Comércio Exterior de Empresas Transnacionais no Brasil", Discussion Paper No. 9, Industrial Economics Institute, Federal University of Rio de Janeiro, 1982, p. 7.

revive Brazil's economic dependence on Washington in a new and acute form. The constraints of the debt crisis have forced Brazil to look to the United States both as a key export market in which to earn foreign exchange and because the future commercial banks and the policies of US-based international financial institutions. The debt crisis, then, has provided Washington with new potential leverage over Brazil through its ability to implement both positive and negative sanctions. Positive sanctions have taken the form of the emergency short-term provision of credit in late 1982 and could in the future take the form of an agreement over long-term debt rescheduling arrangements, the provision of increased official or multilateral credit facilities and even debt relief. Potential negative sanctions derive from Washington's capacity to deny or restrict access to a key export market, to influence Brazil's future access to credit markets and, in the event of non-compliance with Brazil's debt obligations, to have recourse to a range of formal legal pressures.

As in the case of foreign investment and trade, the 1970s had seen the growing diversification of sources of private lending. Thus the share of Brazil's debt owed to European banks increased from 27% in 1971 to 44% in 1981 and Japan's outstanding medium and long-term debt to Brazil at the end of 1982 totalled US$ 17.4 billion.[807] However, diversification in this area provided Brazil with very little room for manoeuvre as both European and Japanese governments followed the main lines of US policy on the management of the debt and as European and Japanese banks agreed to American chairmanship of the crucial steering commitments entrusted with rescheduling negotiations.

807 See Walder de Góes, "Brazil Turns to Western Europe: Changing Perspectives", mimeo 1981, p. 9 and Akio Hosono, "Economic Relationship between Japan and Latin America", *Latin American Studies* (University of Tsukuba), 6 (1983), p. 84.

Yet, on closer analysis, although Washington's position vis-à-vis Brazil has to some extent been strengthened by the onset of the debt crisis, it would be misleading to conclude that this automatically widens the range of American options or increase the opportunities for successfully applying low-cost, low-risk pressure on Brazil. The basic reason for this is that the sheer size of Brazil's foreign debt places the country in a special position and gives Brazil the potential ability to impose significant costs on the United States. These costs result from the fact that the amount owed by Brazil is very large relative to the bank capital of a number of private banks in the United States and that the continued viability of Brazil's external debt is crucial to the stability of the international financial system.[808] At the end of 1982 exposure in Brazil was equivalent to 45.8% of the capital of the nine largest American banks and around one third of the capital of all US bank with loans to Brazil. For both Citicorp and Manufacturers Hanover their exposure in Brazil in 1982 was the equivalent of 75% of their paid-up capital.[809]

Of course "debt power" is a very blunt instrument and one whose use would entail grave risks and high costs for Brazil. Even if there is, as Kaletsky has argued, real doubt as to whether Brazil's creditors could in fact effectively implement their potential legal remedies, the costs of testing this proposition are likely to remain prohibitive. It is thus not a particularly useful weapon for Brazil. It cannot, for instance, credibly be used to

808 There has been a greater deal of discussion of the potential disruption that might be caused by the default of a major debtor. Yet even if the more extreme scenarious are discounted, all writers agree that the potential damage could be considerable. On this subject see William Cline, *International Debt and the Stability of the World Economy*, Policy Analysis in International Economics No. 4, (Washington: Institute for International Economics, 1983); Anatole Kaletsky, *The Costs of Default*, Mattione, *Latin America: The Crisis of Debt and Growth* (Washington: The Brookings Institution, 1984).

809 Cline, *International Debt*, p. 33.

try and force the United States to adopt a more conciliatory attitude to the longer-term management of the debt. Nor does it in any way make the relationship one of equality. In particular, Washington's ability to "buy" influence by making concessions on the management of the debt remains a major potential source of influence.[810]

Nevertheless, the most important point is that *both* Brazil's "debt power" *and* the ability of the United States to exploit its creditor status are very blunt and very dangerous weapons whose use would involve high and potentially disastrous consequences for all concerned. Brazil's potential ability to inflict serious costs on its creditors remains a real, if only partial, counterweight to the increase in US influence that has resulted from the debt crisis. William Cline's argument of 1982 remains valid: "Moreover, considering the high degree of bank vulnerability to developing country debt, the debtor countries would appear to have substantial unexploited bargaining potential".[811]

The size of Brazil's debt, then, means that the impact of the debt crisis on Brazil's relationship with the United States has been far less negative than is often supposed. If one adds to Brazil's intrinsic "debt power" the number of American jobs

810 Interestingly, Benjamin Cohen attributes the fact that the debt crisis has not led to an increase in US influence to the absence of further positive sanctions after the emergency assistance in late 1982. "Even in Latin America, however, the initial foreign policy gains proved essentially transient. As the region's debt crisis wore on, Washington's ability to determine the course of events there declined. Additional concessions, it appeared, would be needed, if the US wished to retain its newly won leverage. Power in such situations seems to be a wasting asset. Repeated investment is needed to avoid the depletion of goodwill and influence". Benjamin Cohen, "International debt and linkage strategies: some foreign policy implications for the United States", *International Organisation*, 39, 4 (Autumn 1985), p. 725.

811 Cline, *International Debt*, p. 93.

that are dependent on the trade with Brazil, the size of US investment in Brazil, the political importance of maintaining good relations with Brazil and the short-term importance of keeping Brazil as a leading moderate player in the complex negotiations on debt management, then it is clear that, despite the debt, Brazil still has substantial bargaining assets at its disposal.

8.2. Ability to act independently within the structural constraints

To leave the analysis at this structural level is clearly insufficient. Indeed it is interesting to note that both capability theorists and many dependency writers fall prey to the illusion that disparities in power resources or the mere existence of a dependent relationship leads to inequitable bargaining outcomes. Structural factors will certainly limit options and increase the likelihood of certain outcomes. But they provide only a partial basis for understanding the dynamics of US-Brazilian relations, not just in relation to individual bargains but also over an extended period of time.[812] Even within a clearly dependent relationship, there will be frequent opportunities for the weaker state to bargain effectively with the stronger. Dependence is after all two-sided. A dependent country, particularly one as large as Brazil, has the ability to impose costs. If its determination and its willingness to risk reprisals is greater, then it may well be able to manipulate the relationship to its advantage.

812 The fact that what Caporaso has called "structural Power" provides such an imprecise guide to understanding the long-term evolution of a dependent relationship such as that between Brazil and the United States suggests the need to question his assumption that such Power is necessarily "of a higher order". Caporaso, "Introduction", p. 4.

The range of factors that might influence the outcome of a particular bargain or conflict is of course enormous. Yet, in the course of recent US-Brazilian relations, four have been consistently important. Firstly, there is the frequent discrepancy in the relative importance attached to a specific issue by Brazil had the United States. As this study has shown, there have been many issues which for Brazil have been very significant but which for the United States have been marginal to its core foreign policy concerns. Obvious examples have included Brazil's refusal to sign the NPT, its unilateral extension of its territorial waters, its recognition of the MPLA government in Angola and the soluble coffee dispute. In all these cases Brazil has been able successfully to oppose the United States because it calculated that Washington would be unwilling to risk the overall relationship for the sake of such an issue and because the costs of opposing Brazil would have been disproportionate to any likely benefits.

Secondly, there is the closely related question of timing. Washington's response will depend not just on the nature of the Brazilian challenge but also very heavily on the timing of that challenge. Thus in the early 1960s, the overall evolution of the Cold War in general and the fear of Brazil becoming a "second China" in particular helped to ensure a firm and concerted response to what was viewed as the anti-American policies of the Goulart government. By the mid 1970s the changing foreign policy environment meant that, whilst an independent-minded government in Brasilia might cause some irritation, it was unlikely to be seen as a serious challenge.

Thirdly, Brazil's ability to bargain effectively with the United States is enhanced by the difficulties faced by all recent US administrations in devising and implementing a consistent

and concerned response to Brazilian demands.[813] This is the result partly of the number of bureaucratic actors involved in US-Brazilian relations, partly of the number of US domestic groups with interests in Brazil and partly of the low overall priority attached to the Brazilian relations. On the one hand, this further deters Washington from opposing Brazil on issues that are of only minor importance. On the other, it provides Brazil with opportunities to exploit the pluralist nature of US foreign policymaking. The best example concerns trade negotiations. Thus in 1978 when faced with a countervailing duty demand from Fairchild, the Brazilian small aircraft producer Embraer was able to seek the assistance of Boeing, who at that time supplied 87% of the Brazilian large jet aircraft market and who were anxious to prevent Brazil from turning to Airbus Industries.[814]

Finally, in contrast to the United States, Brazil has developed a strong centralized state apparatus and has in general proved itself to be an effective negotiator in international forums. Amongst the factors that have contributed to this have been: the authoritarian character of the military republic and the high degree of centralization of political power; and the size of state sector companies in both Brazil's domestic economy and, to a lesser but still important extent, its foreign economic relations, and the technical competence of its officials. In the case of US-Brazilian relations, trade negotiations again provide the best example.[815] More generally, what Kenneth Erickson

813 On this point see Helio Jaguaribe, *Political Development: A General Theory and a Latin American Case Study*, (New York: Harper & Row, 1973), pp. 378-379.

814 *Veja*, 28 September 1978.

815 See the discussion of what Odell calls the "technocratic strategy", "Latin American Industrial Exports", pp. 156-159.

has called "state entrepreneurship", has become an important characteristic of Brazil's international economic activity.[816] Indeed, Tom Forrest's conclusion about the nature of Brazil's economic ties with Africa is relevant to the overall pattern of Brazil's foreign economic relations.

> *In various ways, state power and state monopoly capital have been used to extend and direct Brazil's external economic interests in conjunction with foreign policy. These measures include export links, the growth of concessionary credit through the Banco do Brasil, the coordinating and negotiating role of the state trading company, Interbras, and the overseas operations of the state petroleum company, Petrobras. In addition, the pursuit of the political relations by the Brazilian state secures privileged access to African markets for Brazilian goods and services through bilateral trade agreements and sate contracts.*[817]

The expansion of countertrade deals since 1982 provides a further important example of this capacity.[818]

8.3. Changing Political Context

Both the structural constraints that underpin US-Brazilian relations and the factors which influence Brazil's ability to bargain within those constraints form important parts of any

816 Kenneth Erickson, "State Entrepreneurship, Energy Policy and the Political Order in Brazil", in Bruneau and Faucher Eds, *Authoritarian Capitalism*, pp. 143-149.

817 Tom Forrest, "Brazil and Africa: Geopolitics, Trade and Technology in the South Atlantic", *African Affairs* (January 1982), p. 18.

818 The growth of Brazilian countertrade deals is examined in Isidoro Hodara, "Countertrade – Experiences of Some Latin American Countries", UNCTAD document ST/ECDC/27, 11 September 1985.

evaluation of the degree of autonomy that Brazil has been able to attain. Yet their use is limited unless they are related to the changing political context and to the way in which Brazilian attitudes and policies towards the United States have envolved in the period since 1964. It is at this level that the most significant and substantial changes have taken place as Brazil has moved from a policy of near automatic alignment to a relationship characterized by both divergent perceptions on many international issues and by increasingly serious conflicts. In the process Brazilian governments have become far more prepared to challenge United States policies and to use whatever bargaining assets they may have at their disposal.

As we saw in Chapter Three the period of military rule began with a remarkable reassertion of the "special relationship" and the intensification of a wide range of political, military and economic ties. The policy of near automatic alignment that lay behind the rhetoric of "interdependence" was based partly on a genuine coincidence of ideological perspectives and security interests and partly on the idea that close relations with Washington would bring substantial benefits. These would take the form of, firstly, the recognition of Brazil's specific status within Latin America and, secondly, significant economic gains – easier access to the American market and to US technology, increased aid, and expanded foreign investment and private credit.

However, this very close relationship did not outlast the decade. As Chapters Four and Five described, by the late 1960s there was growing dissatisfaction with the results of Castello Branco's policy of "interdependency". Once the immediate crisis in Brazil was over and fears of the country becoming a "second China" had receded, Washington drew back from the excessively close ties of the Castello Branco years. Unwillingness

to risk damaging relations with the rest of Latin America and the increasingly low priority that was attached to the region as a whole meant that the United States was not prepared to provide the special benefits that Brazil had hoped for. The pattern of the 1940s was thus repeating itself. For the Costa e Silva government, the actual gains appeared too small to warrant such rigid self-imposed limits on the country's foreign policy and there were growing doubts in influential government and military circles about the wisdom of a foreign policy that was focused so exclusively on one country.

Other changes, both inside and outside Brazil, reinforced the reassessment that was taking place. Internally, the dynamic expansion of the Brazilian economy both increased the confidence of Brazilian leaders to challenge US policies and made it ever more necessary to look beyond Washington for alternative sources of foreign investment, new export markets and more secure sources of energy. Externally, détente reduced the centrality of security issues whilst the economic emergence of Western Europe and Japan and the increasingly unified and cohesive Third World movement appeared to offer Brazil a wider range of alternative relationships. As a result, well before the disputes of the Carter period, perceptions of the role that the United States should occupy in Brazil's foreign policy had evolved significantly and were increasingly visible in the country's more nationalist and assertive foreign policy.

Whilst the seriousness of individual problems and indeed the temperature of the overall relationship have varied since the late 1960s, certain consistent themes have emerged. In the first place, the rejection of the idea of a "special relationship" or of any kind of automatic alignment with Washington has become a firmly established feature of the country's foreign policy that even the most pro-American sectors of the Brazilian

élite would be unwilling to reserve. The desire to maximize diplomatic flexibility and to adopt a pragmatic approach to both political and economic issues has become, and is likely to remain, a fundamental feature of Brazilian foreign policy. Moreover, as part of this policy, Brazilian leaders have become increasingly prepared both to ignore US preferences and to challenge US policies. The emphasis has certainly changed during the period. In the early 1970s, as we saw in Chapter Five, Brazilian spokesmen attacked the United States for allegedly blocking Brazil's upward progress towards Great Power status over such questions as détente, nuclear proliferation, environmental controls, the Law of the Sea and reform of the international economic system. By the late 1970s the stress was on Washington's alleged unwillingness to help Brazil find a solution to its increasingly serious economic difficulties. Yet the underlying trend and continuity of intention is clear.

The second consistent theme has been the growth of bilateral economic friction between the two countries. Preceding chapters have traced the evolution of these disputes starting with the clash over soluble coffee exports in the late 1960s: on the one hand the increasingly vehement Brazilian protests at both US protectionism and the damage that US interest rate policy was causing to the Brazilian economy in the late 1970s and early 1980s; American counter-protests at Brazilian export subsidies, at the high level of protection of Brazil's domestic market and at the exclusion of foreign firms from the computer, informatics and small aircraft sectors. Since 1982 these growing economic frictions have come to a head over the issue of Brazil's massive foreign debt. Although there was no direct clash between Brazil and the United States up to the end of military rule in March 1985, the deep-rooted divergence of perspective was clearly visible over such questions as the distribution of

the short-term burden of adjustment, increased protectionist pressures against Brazilian products in the North American market and, above all, ways in which the foreign debt should be restructured or managed in the longer-term.

Although individual disputes have often been limited, they form part of a general trend which, considered as a whole, has become a central feature of the relationship and which contrasts sharply with the high degree of economic cooperation in the 1964-1967 period. Moreover, as John Odell has argued, the value of goods involved in protectionism disputes does not indicate that the issues are trivial.

> *Manufactured exports are central to many countries' long-term plans for development. Therefore trade actions against those exports, if they diminish hoped-for future trade flows, strike at the foundation of national economic plans, not to mention efforts to escape immediate balance of payments and debt crises.*[819]

Thus, taken within the context both of Brazil's increasingly serious short-term economic difficulties and its longer-term development plans, the political salience of trade disputes has increased steadily since the early 1970s and, in the wake of the debt crisis, remains a critical aspect of the overall relationship. More importantly, economic clashes are politically significant to the extent to which they have been seen by Brazilian policymakers as firm evidence of Washington's unwillingness or inability to come to terms with Brazil's new international position or to accommodate its changing needs.

The third consistent theme has been the unraveling of the military relationship. Indeed it is both significant and

819 Odell, "Latin American Industrial Exports", p. 147.

ironic that it should have been a generally western-oriented military government that was responsible for the erosion of the "special relationship" in favour of the emergence of a more assertive and independent foreign policy. All the various elements of the military relationship have been weakened in recent years. As we saw in the previous section both arms sales and bilateral military assistance have ceased to be significant factors in the relationship. Chapter Six examined the circumstances surrounding Brazil's unilateral renunciation of the 1952 Military Assistance Agreement, the US Naval Mission Agreement and the US-Brazil Joint Military Commission. This was so important because it marked the culmination of Brazil's reassessment of the military relationship that had begun in the late 1960s and because, as John Child has noted, the bilateral security assistance programmes had previously formed the "strongest element" of the Inter-American Military System.[820]

It is true that some progress was made in the period since 1977 towards improving military contracts. A limited agreement covering the exchange of personnel was signed between the US and Brazilian navies in March 1978 and in February 1984 a Memorandum of Understanding on renewed military cooperation was signed in Brasilia. In December 1984 a further agreement was signed on the exchange of airforce scientists.[821] In addition, the annual UNITAS joint naval exercises have in recent years evolved away from a formal political exercise into a more demanding and serious training programme.[822] It is also the case that the framework of multilateral security relations

820 Child, *Unequal Alliance*, p. 236.

821 *Jane's Defence Weekly*, 8 December 1984.

822 Robert Branco, "The United States and Brazil", National Security Affairs Monograph Series 84-1, (Washington: National Defense University, 1984), p. 79.

in the form of the Rio Treaty remains in place. Finally, there can be no doubt about the continued willingness of substantial sections of the Brazilian military to cooperate both formally and informally with the United States. The shared values, attitudes and world views that emerged during the close post-war military relationship are likely to persist for some time.

Against this, however, various factors can be noted. Firstly, the improvements in the military relationship since 1977 have been limited. Indeed, what is most significant about the post-1977 period is not that a degree of rapprochement should have taken place but that the Brazilian military should have remained so reluctant to revive the kind of close ties that had existed in the earlier period despite the strenuous efforts made by the Reagan administration to strengthen the relationship. Secondly, the status of the Rio Treaty must be considered uncertain and the Falklands/Malvinas has prompted many in Brazil to question its continued relevance.[823] Thirdly, more important than formal structures is the shift in Brazilian attitudes towards security questions and the growing divergence of threat perceptions. On a very general level, it may well be true that, as Robert Wesson argues, "The fundamental security aspects of the two powers coincide".[824] Yet at the level of day-to-day politics, the evidence presented in this thesis points in the other direction, namely to the erosion of the close coincidence of security interests that existed from 1964 to the early 1970s.

These divergences are of two kinds. Firstly, there are differences over the relative weight attached to security issues. Since the mid-1970s Brazil has provided a clear example of the

823 See Heraldo Munoz, "Beyond the Malvinas Crisis", *Latin American Research Review*, XIX, 1 (1984): 158-172.

824 Wesson, *The United States and Brazil*, p. 169.

fact that, although important, security concerns cannot always dominate the foreign policy agenda even in the most virulently anti-communist regime. For the Brazilian military, problems of economic development have remained paramount and these have pushed Brazil towards a more assertive and independent foreign policy that has involved both increasing tensions with Brazil's erstwhile Cold War ally and the expansion of relations with the Soviet Union and several Marxist regimes in the Third World. Secondly, there are divergences over the nature of potential threats. Again since the mid-1970s Brazilian spokesmen have laid heavy stress on the social and economic causes of conflicts in the Third World and have sought to downplay the role of outside powers. It is true that hard-line elements within the military have adopted a position far close to that of the United States but they have been unable to alter the overall direction of foreign policy.

If one compares the coincidence of security interests between Brazil and the United States up to the early 1970s with the situation today, the extent of the change is immediately apparent. In the earlier period Brazil followed US policy towards Cuba, China, Vietnam, the Dominican Republic, South Africa, the Middle East and Allende's Chile. Since the mid-1970s, Brazil and the United States have diverged over policy towards Libya, Iraq, Central America, the question of Cuban troops in Africa and trade with the Soviet Union. The trend of Brazilian foreign policy suggests that security cooperation will become increasingly unlikely over the coming years and that the country will continue its increasingly distant and uncommitted attitude towards East/West issues.

It would be wrong to exaggerate the extent of the differences and divergences that have occurred. The pattern is not so much one of natural antagonism but rather of growing

divergence and increased nationalism. There remain important areas of common interest and the relatively high levels of economic interdependence mean that there is much to be gained from future cooperation. Moreover, it is certainly true that the attitudes and policies of Brazilian policymakers towards the United States have varied both within each administration and from one administration to the next, with the bitterness of the Geisel/Carter period remaining untypical of the overall trend in relations. Nevertheless, the erosion of the "special relationship" in the post-1964 period remains one of the most significant developments in recent US-Latin American relations. Looking to the future, it is hard to accept Robert Wesson's conclusion that "through minor differences, however, it seems likely that relations between the United States and Brazil will continue to be basically cooperative".[825] Although the level of conflict is certainly low, compared to the previous pattern of US-Brazilian relations, the relationship has become increasingly conflictual and seems likely to remain so.

825 Ibid.

9. The Successes and Limitations of the Policy of Diversification

In the preceding chapters this thesis has traced the stages by which diversification became a central feature of Brazilian foreign policy. It is a process which has now proceeded to the point where the rhetoric of "globalism" and "universalism" to a great extent reflects the reality of Brazil's foreign political and economic relations. Yet how successful has the policy of diversification been? In what ways can it be said to have assisted Brazil's search for a more autonomous position in world politics? This chapter will examine the successes and limitations of the policy of diversification. The first part will summarise the aggregate data, the second will look at the strength and weaknesses of the major new relationships that have developed since 1964.

9.1. The Overall Pattern of Diversification

In aggregate terms the extent of diversification is impressive. As the tables presented in the previous chapter

showed, the share of United States investment fell from 48% in 1969 to 27% in 1979, whilst total Western European investment rose from 3.2% to 9.5% (Table 9). Between 1976-1980 Europe supplied 78.8% of Brazil's arms imports compared to 35.9% in the period between 1956-1974 (Table 8). Similarly, Europe's share of Brazil's foreign debt rose from 27% in 1971 to 44% in 1981.

If we look at foreign trade, the most striking feature on the export side (Table 6) is the rise of non-traditional export markets in the Third World and the socialist countries. These rose from 20.3% in 1964 to a peak of 43.6% in 1981, before falling back to 37.6% in the first half of 1985. In the 1964-1981 period the share of exports to Latin America rose from 9.7% to 18.4%; to Africa from 1.7% to 7.3%; to Asia from 1.8% to 5.4%; and to the Middle East from 0.9% to 4.8%. An important aspect of Brazil's export performance has been the dramatic rise of manufactured exports. In 1964 manufactured exports made up only 5% of total exports. As Table 10 shows, by 1973 the share of manufactured goods had risen to 24.3% and by 1981 to 52%. In 1984 manufactured goods accounted for 54.2% of total exports.[826]

As we have seen in earlier chapters, the increase in manufactured goods has played a particularly important part in the expansion of relations with other developing countries. Again as Table 10 shows, in 1973 the value of manufactured goods sold to the Third World amounted to US$ 435 million (29.7% of total manufactured exports). By 1981 this had risen to US$ 6,150 million (52% of total). In some sectors the

826 Banco Central, *Boletim Mensal*, December 1985.

importance of Third World markets has been even greater. Thus in 1981 74.8% of exported transport equipment was sold to other developing countries, 58.2% of electrical equipment, 44.3% of chemical products and 43.7% of metal products.[827] In 1973 3.2% of Brazilian car production (not exports) was exported to the Third World. By 1981 this had risen to 22.7%. In 1981 manufactured exports made up 74% of Brazil's exports to the Third World. In the case of Latin America the figure was 86.5% and Africa 89.3%.[828]

On the import side, the picture at first appears similar. Thus, as Table 5 in Chapter 8 showed, the share of imports coming from non-traditional sources rose from 32.5% in 1964 to 56.2% in the first half of 1985. Yet it is very important to distinguish between oil and non-oil imports.

827 Unpublished data supplied by Ministério das Relações Exteriores, Divisão de Estudos.

828 Ibid.

Table 10: Composition and Geographical Distribution of Brazilian Exports, 1973 and 1981

	1973				1981			
	Primary Products	Semi-Manufactured	Manufactured	Total*	Primary Products	Semi-Manufactured	Manufactured	Total*
Developed	3173	369	1007	4549	6293	1118	5510	12867
EEC	1648	199	397	2244	3335	485	2112	5932
US	575	94	432	1101	1296	338	2475	4109
Comecon	295	20	23	338	1256	219	223	1698
Third World	629	87	435	1151	1370	778	6150	8298
L. America	159	77	382	618	436	168	3877	4481
Africa	120	1	17	138	141	76	1394	1561
Asia and Middle East	286	7	35	328	769	572	810	2151
Total	4097	476	1465	6038	8865	2115	11883	22863

**Excludes "special transactions".*

Source: Compiled from unpublished data supplied by Ministério de Relações Exteriores, Divisão de Estudos.

9.1.1. Non-oil imports

If crude oil imports are discounted, Brazil's import profile is dominated by manufactured products and, particularly, capital goods. In 1976 manufactured imports accounted for 85.9% of Brazil's non-oil imports, 1979 77% and in 1981 79.74%.[829] Of these manufactured goods, capital goods accounted for 47.45% in 1976, 42.72% in 1979 and 45.2% in 1981.[830] This is important for the present study because, as Table 11 shows, there has been very little change in the geographical distribution of the sources of these crucial imports since the early 1970s.

9.1.2. Energy imports

As we have seen, Brazil's energy vulnerability has been a major factor in the country's foreign policy since the early 1970s. The attempt to diversify and secure oil supplies has been a central feature of relations with the Middle East, Africa, the socialist countries and, to a lesser extent, Latin America. Hydroelectric power, Bolivian gas and Colombian coal have been important elements of Brazil's relations with Latin America. And the development of nuclear power has played a major role in the relationship with West Germany and, indirectly, with the United States. Table 12 summarises the basic dilemma that has faced Brazilian policymakers. Firstly, it shows how Brazil's total energy consumption rose by 168% between 1967 and 1981; secondly, how the dependence on imported energy sources rose steadily from 23.7% in 1967 to a peak of 39.1% in 1975 but remaining at over 30% for the rest of the decade; thirdly, how

829 *Brasil 1981 Comércio Exterior*, Section V.

830 Ibid.

Brazil'ls oil import requirement fluctuated between 77% and 86% of total oil consumption; and fourthly how oil's share of Brazil's total import bill rose from 9.8% in 1973 to 48% in 1981.

Table 11: Geographical Distribution of Brazil's Non-oil Imports 1971 & 1981 (%)

	1971	1981
Industrialised Countries	87.36	89.44
US	30.5	30.5
Canada	4.0	4.6
W. Europe	41.96	43.54
Japan	10.9	10.8
Non-Traditional Areas	12.64	10.56
L. America	6.9	7.5
Africa	1.7	0.75
Middle East	1.1	0.3
Asia	1.8	0.85
Socialist	1.14	1.16

Source: Compiled from ***Brasil Comércio Exterior 1981****, Séries Estatíticas, Section V; and* ***Intercâmbio Comercial – 1953-1976****, Vol. IV.*

Yet, as in the case of non-oil import, the success of diversification has been limited. As Table 13 shows, although there has been considerable variation within regions – particularly the rise and fall if Iraq as Brazil's major supplier –, dependence on the Middle East as a whole actually increased from 58.62% in 1971 to 63.04% in 1981. In the same period Africa's share fell from 28.44% to 17.18%, whilst Latin America's share remained roughly constant (12.94%94% to 13.96%).

Table 12: Brazil's Commercial Energy Balance, 1967-1981 [1000 tons of petroleum equivalent]

	1967	1970	1973	1974	1975	1976	1977	1978	1979	1980	1981
Consumption	51,475	61,170	78,011	84,364	90,324	109,491	116,501	125,469	133,666	139,111	138,098
Domestic Production											
Oil	7,152	8,101	8,304	8,650	8,382	8,344	8,025	8,002	8,262	9,083	10,675
Hydro	8,465	11,560	17,055	19,011	21,412	24,045	27,109	29,796	33,382	36,983	37,361
Coal	908	1,053	1,106	1,246	1,120	1,551	1,827	2,069	2,302	2,475	2,607
Other*	22,771	22,744	21,706	22,933	24,054	35,227	37,386	38,287	36,554	43,811	42,808
Net Imports											
Crude Oil	11,039	16,465	28,453	31,301	33,626	38,151	39,351	44,715	50,049	43,425	41,522
Coal	1,140	1,338	1,387	1,223	1,790	2,173	2,803	2,600	3,117	3,334	3,125
Imports as % of Total Oil Consumption	23.7	29.1	38.3	38.6	39.1	36.8	36.2	37.7	39.8	33.6	32.3
Oil Imports as % of Total Oil Consumption	60.7	67.3	77.4	78.4	80.0	82.1	83.1	84.8	85.8	82.7	79.5
Oil Imports as % of Total Import Bill	-	-	9.8	20.2	22.2	27.2	30.0	29.7	34.6	40.8	48.0

Source: Compiled from Ministério das Minas e Energia, ***Balanço Energético Nacional*** *(Brasilia, annual 1976-1981).*
**Incl. Alcohol, natural gas, firewood, charcoal, bagasse.*

Table 13: Brazilian Crude Oil Imports [USx1000 FOB]

(Continues)

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
A. MIDDLE EAST											
Saudi Arabia	73,920	136,622	247,239	1,150,752	921,997	1,000,274	1,229,010	1,336,860	1,803,811	2,072,410	3,771,070
Iraq	36,868	63,161	143,370	596,701	780,803	1,050,026	1,045,749	1,209,237	2,632,409	3,779,575	1,896,091
Iran	3,332	1,989	35,546	43,206	144,699	376,091	377,547	518,785	829,760	695,237	-
Kwait	16,827	23,639	54,565	81,977	288,778	413,381	431,351	469,249	274,024	728,748	537,003
UAE	-	-	-	20,746	33,955	88,858	84,891	82,328	140,470	203,207	262,251
Qatar	5,824	3,125	-	-	-	-	-	-	112,692	193,257	218,308
Egypt	6,346	-	2,295	14,684	11,399	9,532	-	-	-	-	-
Oman	3,812	4,290	2,093	53,148	32,277	-	-	-	-	-	-
Total	146,929 [58.62]	232,746 [67.68]	485,108 [80.08]	1,961,214 [76.67]	2,213,908 [81.87]	2,888,162 [86.11]	3,168,548 [87.96]	3,616,459 [89]	5,793,166 [92.49]	7,672,434 [81.86]	6,694,723 [63.04]
B. SOCIALIST											
USSR	-	-	-	14,769	14,991	11,596	-	-	-	-	-
China	-	-	-	-	-	-	-	3,751	80,125	237,876	341,075
Total	-	-	-	14,709 [.58]	14,991 [.55]	11,596 [.35]	-	3,751 [.09]	80,125 [1.28]	237,876 [2.54]	341,075 [3.22]
C. AFRICA											
Angola	-	-	519	-	-	-	-	-	-	110,355	155,875
Congo	-	-	-	-	9,038	-	-	48,628	40,999	83,020	111,248
Gabon	-	3,624	-	-	96,957	95,069	136,388	85,689	105,207	243,008	205,579
Nigeria	25,816	20,824	5,854	-	-	77,796	90,397	67,217	28,487	83,173	712,524
Sub Total	75,816 [10.23]	24,548 [7.14]	6,373 [1.05]	-	105,695 [3.91]	172,865 [5.15]	226,785 [6.3]	201,534 [4.6]	174,753 [2.64]	519,556 [5.54]	1,185,226 [11.18]

Table 13: Brazilian Crude Oil Imports [USx1000 FOB]

(Ends)

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Algeria	32,639	37,704	-	97,409	72,736	58,986	-	52,872	21,308	81,244	287,203
Libya	12,827	16,257	52,263	317,337	199,477	141,106	146,593	82,639	25,265	135,245	349,669
Tunisia	-	-	-	33,658	4,768	-	-	-	-	-	-
Sub Total	45,466 [18,14]	53,961 [15.69]	52,263 [8.63]	448,404 [17.53]	276,981 [10.24]	200,092 [5.97]	146,593 [4.07]	135,511 [3.33]	46,573 [0,74]	216,489 [2.31]	636,872 [6.0]
Total	71,282 [78.44]	78,509 [22.83]	58,636 [9.68]	448,404 [17.53]	382,676 [14.15]	372,957 [11.12]	373,378 [10.26]	337,045 [8.29]	221,326 [3.53]	736,045 [7.85]	1,822,098 [17.18]
D. LATIN AMERICA											
Ecuador	-	1,431	1,292	-	-	-	-	9,238	-	29,237	21,164
Mexico	-	-	-	5,148	-	-	-	-	-	143,862	536,267
Venezuela	32,425	27,170	49,785	124,651	76,552	52,540	73,0620	97,213	176,911	469,862	922,744
Peru	-	-	-	-	-	28,652	4,842	-	-	13,415	-
Bolivia	-	4,004	10,970	3,828	-	-	-	-	-	-	-
Trinidad	12.	-	-	-	-	-	-	-	-	-	-
Total	32,437 [17.94]	32,671 [9.5]	62,047 [10.24]	133,627 [5.22]	76,552 [2.83]	81,192 [2.42]	78,462 [2.18]	106,451 [2.62]	179,911 [2.82]	656,139 [7.00]	1,480,175 [13.96]
E. INDONESIA	-	-	-	-	-	-	-	-	-	69,924 [.75]	275,923 [2.60]
Total	250,648	343,918	605,790	2,558,065	2,704,072	3,353,908	3,602,385	4,063,702	6,262,525	9,372,420	10,603,996
% of total imports	7.7	8.1	9.8	20.2	22.2	27.2	30.0	29.7	34.6	40.8	48.0

Source: ***Comércio Exterior do Brasil*** *(Various Issues).*

However, unlike the case of manufactured imports, the failure of diversification in this areas has been offset firstly by the fall in oil consumption since 1979 and, secondly, by the dramatic increase in Brazil's domestic oil production. As Table 14 shows, oil consumption has fallen by 18% from the 1979 peak of 1,165,000 bpd to a current level of around 950,000 bpd. This has been due to three factors: the coming on stream of several large hydroelectric plants which has increased electricity's share of total energy consumption; the increase in alcohol production which in 1985 was around 140,000 bpd crude oil equivalent; and the fall-off in demand due to the economic recession that has affected Brazil since 1981.[831] Against this, domestic oil production has risen from 177,000 bpd in 1975 to around 595,000 bpd in 1985, fuelling hopes that the country may become self-sufficient in oil by 1990. In addition, the recent steady fall in oil prices has further helped reduce Brazil's oil import bill.

Table 14: Consumption and Output of Crude Oil, 1975-1985 [000bpd]

Year	Total Consumption	Increase %	Domestic Production	Increase %
1975	904	-	177	-
1976	985	9.0	172	-2.8
1977	1,003	1.8	166	-4.5
1978	1,095	9.2	166	-
1979	1,165	6.4	171	3.0
1980	1,222	-3.7	188	9.9
1981	1,062	-5.3	220	17.0
1982	1,056	-0.6	268	21.8
1983	954	-9.1	340	26.9
1984	960	-	460	35.3
1985	950	-	595	29.3

Source: Data from Petrobras reproduced in ***Financial Times****, 5 November 1984.*

831 On Brazil's changing energy situation see *Estado de São Paulo*, 15 December 1983, *International Herald Tribune*, 20 April 1984 and *Financial Times*, 5 November 1984.

Given the recent discoveries of two new fields in the Campos basin, it is quite possible that Brazil will be able to attain self-sufficiency by 1990 – something that would place Brazil's oil production on level with that of Kuwait. Moreover, the existence of substantial natural gas reserves in the Upper Amazon provides a further encouraging factor as regards the energy situation. Serious problems undoubtedly remain in this area, especially the effects of the oil price fall on the viability of the alcohol programme and the massive future investment needed to develop the deep-water fields of the Campos basin. Yet the energy factor in Brazilian foreign policy is unlikely to have the same urgency that was so conspicuous a feature of the 1970s and early 1980s.

9.2. The Individual Aspects of Diversification

9.2.1. Western Europe

As Western Europe recovered after the war and gradually emerged as a major economic power, it was always the area most likely to become a serious alternative to Brazil's post-war political and economic dependence on the United States. Apart from Japan, it was the only viable alternative source for the capital, technology and export markets on which Brazil's economic development so crucially depended. Unlike Japan, Europe also had close historical and cultural ties with Latin America. It is therefore not surprising to see a partial revival of the pattern of economic contacts that had been so severely damaged by the Second World War and its aftermath. Thus the share of Brazil's exports going to Europe rose from 32.5% in 1948 to 42.9% in 1967 whilst Europe's share in Brazilian

imports rose from 25.6% in 1948 to 33.8% in 1967.[832] Similarly, Europe's share of foreign investment recovered some of the ground lost during the war, rising from 25% in 1950 to 31% in 1969.[833]

Previous chapters have traced the evolution of relations under the military republic. Chapters 4 and 5 showed how, as the economic pressures behind the process of diversification intensified from the late 1960s, both the Costa e Silva and Médici governments placed heavy emphasis on the expansion of economic ties and cooperation with Western Europe. Chapter 6 examined the way in which the Geisel administration sought to give the relationship a sharper political focus in order to strengthen more directly Brazil's bargaining position vis-à-vis the United States. As we saw, increased cooperation in such areas as nuclear technology and armaments and the refusal of the German government to give in to US pressure over the 1975 nuclear agreement seemed to prove the viability and success of this approach. Yet how successful has this aspect of diversification been?

On a general level, the expansion of Brazil's economic relations can be seen as a success. Despite Brazilian complaints over Europeans protectionism, Europe has indeed proved to be an expanding market for Brazilian exports: Brazil's exports to Western Europe increased from US$ 617 million in 1964 to US$ 7,041 million in 1984.[834] Similarly, the value of imports supplied by Western Europe also rose, from US$ 315 million

832 See Chapter 8, Tables 5 and 6.

833 See Chapter 2, Table 3 and Chapter 8, Table 9.

834 It should be noted, however, that Europe's relative importance to Brazil has declined steadily since its 1969 peak. Europe's share of Brazilian imports fell from 38.6% in 1979 to 14.6% in 1984, whilst the share of Brazilian exports going to Europe fell from 46.2% to 26.1% in the same period.

in 1964 to US$ 1,726 million in 1984. Even more significant has been the expansion of European investment in Brazil which rose from US$ 530 million in 1969 (31% of the total) to US$ 8,547 in 1981 (44.4% of the total).[835]

And yet, whilst the economic gains have been substantial, it is also clear that the relationship has not developed either as far or as fast as many Brazilian officials expected in the mid-70s and that there have been a number of serious setbacks and disappointments. Firstly, as we saw in Chapter 7, the combination of the debt crisis in Brazil and economic recession in Western Europe has had a severe effect on Brazilian-European trade relations. More importantly, Europe's willingness to follow Washington's preferences on the question of debt management have shattered the always rather more conciliatory approach to North/South economic questions.[836]

Secondly, it is clear that Brazilian hopes of constructing a more firmly based political relationship, particularly with West Germany and France, have not borne fruit. The fundamental reason for this is that the political salience of Brazil for Western Europe has been and remains low. It is true that there has been far greater willingness than in the past to criticize United States actions in Latin America, whether over Chile in the 1970s or Central America today. It is true that many European attitudes to Third World conflicts have far more in common with those held in Brazil than with those propounded by policymakers in

835 Chapter 8, Table 9.

836 At various times the French government has indicated a greater degree of sympathy for Brazil's position, for example during the visit of Mitterand's special envoy in March 1983 and during Mitterand's own official visit to Brazil in October 1985. On that occasion Mitterand stressed his support for Brazil's position over the debt and the need for the debt burden to be shared more equitably. However, such sentiments remain to be translated into effective policy. See *Jornal do Brasil*, 13 March 1983 and *Le Monde*, 16 October 1985.

Washington.[837] It is true that there has been an increase in both the level and intensity of political relations between Brazil and the major European states, particularly West Germany. Finally, it is true that there have been other examples of Europe seeking to develop a more active political presence in Brazil. One thinks of the growth of Church and trade union ties or the work of the West German party foundations.[838]

Yet, despite this, there remains a substantial gap between the rhetoric of Brazilian-European cooperation and the reality. European countries have shown little determination to develop a more prominent political role in Latin America or preparedness to actively challenge United States policies and interests in the region. Despite the occasional flurry of interest created by an official visit, France's extra-European interests are concentrated overwhelmingly on Africa and the Middle East. Moreover the Mitterand government's initial emphasis on the Third World and its policy towards Central America soon became submerged beneath other more important questions.[839]

837 On these divergences between Europe and the United States, see Andrew Hurrell, "NATO, South Africa and the South Atlantic", in Christopher Coker Ed., *NATO Out of Area Operations*, (Forthcoming Macmillan 1986).

838 For the growth of European political interests in Latin America, see Wolf Grabendorff, "The United States and Western Europe: Conflict and Cooperation in Latin America", *International Affairs*, (Autumn 1982), pp. 631-633.

839 The relatively low importance of the region also applies to the EEC as a whole. Although there is not the space to provide a detailed examination, the EEC's relationship with Latin America has not been particularly close. In response to Latin American criticisms of EEC trade policy – in the form of the 1970 Declaration of Buenos Aires – the EEC created the Latin America/EEC Joint Committee as a permanent consultative mechanism. In addition Brazil has signed non-preferential trade agreements with the EEC in 1974 and 1980. Yet the focus of the EEC's relations with the Third World remains firmly on the ACP bloc. The CAP has created serious difficulties for some of Brazil's agricultural exports, notably sugar. And there have been a number of protectionist disputes over Brazilian manufactured exports. For a general survey of relations see Miguel Wionzek, "The Relations between the European Community and Latin America in the context of the international economic crisis", *Journal of Common Market Studies*, XIX, 2 (December 1980) and Blanca Muniz, "EEX-Latin America: A relationship to be defined", ibid. XIX, 1 (September 1980).

Even if one takes the case of West Germany, it is evident that many of the expectations of the 1970s have not been fulfilled. Nuclear cooperation has proved to be extremely problematic and the "special relationship" with Bonn proved of little worth in terms of assistance with solving the problems of the Brazilian debt. Politically, domestic economic problems, the centrally of East/West issues and the country's stark security dependence on the United States both dominate Bonn's foreign policy agenda and complicate the prospect of a German challenge to US interests in Latin America. Economically, even for West Germany, Brazil remains of limited importance. As regards trade, Brazil's share of German imports was 1.1% in 1974 and 0.5% in 1984.[840] Brazil's importance as a base for German investments has declined from 16.64% in 1961 to 9.4% in 1976, to 6.0% in 1983.[841] This is not to say that the relationship is economically unimportant. Rather, economic factors alone have not been significant enough for Bonn to be prepared to invest substantial political capital in the relationship.

In retrospect, the 1975 nuclear deal has proved to be a misleading example. As we saw in Chapter 6, German determination to press ahead with the agreement had as much to do with the temporary political and economic problems facing the Schmidt government and with the Carter administration's clumsy public attempt to apply pressure as it did with a long-term aim of building up a political relationship with Brazil. It was an even less accurate guide to Bonn's overall willingness to challenge United States policies and interests in Latin America.

840 *Statistisches Jahrbuch fur die Bundesrepublik*, (Wiesbaden, Statistisches Bundesamt, various years), Table 12. Brazil's trade salience for other European countries is even lower: Britain 1980: exports: 0.51%, imports: 0.4%. France 1980: exports: 0.69%, imports: 0.57%.

841 Von Doellinger, "The Brazilian German Case", p. 36 and *Statistisches Jahrbuch* 1984 edition, Table 12.14.

The following comments by a senior foreign ministry official in 1982 provide an apt summary of both Brazilian perceptions of the European relationship and the reality of the situation.

> *If we again discount the rhetoric, the sensitivity of the 'core' countries of Europe in relation to the 'periphery' of the Third World has not proved itself to be as pure as might have been expected if the European countries had really been interested in developing a differentiated role within the West. The European perspective is still excessively restricted to its immediate economic interest… The European countries are still reluctant to establish a broad political dialogue with the countries of the South… And… the European contribution to the transformation of the world power structure will, unfortunately, tend to be much less than its political experience and economic power might lead one to expect.*[842]

9.2.2. Japan

Chapter 7 examined the adverse impact of the debt crisis on Brazilian-Japanese relations. Japan's cautions bahaviour reflected both its position as a creditor nation and the fact that, despite the expansion of economic ties in the 1970s, Brazil's salience for Japanese policymakers remains low. On the one hand, Japan sees its relations with Latin America as essentially non-political and is certainly not prepared to challenge US foreign policy interests in the region.[843] On the other hand, Brazil's trade salience for Japan is low and has not increased

842 Ronaldo Sardenberg, "Brasil-Europa e a Reestruturação do Poder Internacional", paper presented at the seminar "Brasil-Europa", Teresopolis, 17-19 June 1982, p. 8.

843 See Marlis Steinert, *Le Japon em Quête d'une Politique Etrangère*, (Geneva: Centre Asiatique. Institut Universitaire de Hautes Etudes Internacionales, 1981), pp. 139 and 163.

significantly since the early 1970s. Thus in 1970 1.15% of Japanese imports came from Brazil, in 1983 the figure was 1.32%. Similarly, whilst in 1970 0.86% of Japanese exports went to Brazil, by 1983 the figure had shrunk to 0.5%.[844]

Yet, whilst the debt crisis underlined the limits to the relationship and showed how the euphoria and rhetoric of the 1970s had led to exaggerated expectations that could not be fulfilled, it should not hide the overall success of this aspect of Brazilian diversification nor the solid prospects for future growth. In the first place, the impact of the debt crisis has been less damaging than on other relationships. Thus Japan's share of Brazil's trade has remained roughly constant between 1981 and 1984 and exports have continued to rise, albeit at a slower rate. Secondly, even allowing for the recent slow-down, the overall expansion of Brazil-Japanese economic ties in the period since 1964 remains impressive. Brazil's exports to Japan have increased from US$ 28 million (2.0% of the total) in 1964 to US$ 1.5 billion in 1984 (5.6% of total). Imports from Japan have risen from US$ 29.5 million (2.7 of total) to US$ 553 million (4.0% of total) in the same period. Even in the difficult Japanese market Brazil has managed to diversify the range of products exported with the share of raw materials falling from 84% in 1971 to 65% in 1981. In 1981 23% of Brazil's exports to Japan consisted of manufactured goods.[845]

On the investment side the growth is equally striking, with total Japanese investment rising from US$ 55 million in 1969 (3.2% of total) to US$ 1.8 billion in 1981 (9.4%). Moreover, even if Brazil's trade salience for Japan in low, its

844 *Japanese Statistical Yearbook*, (Tokyo: Statistical Bureau, Management and Coordination Agency, 1984), pp. 333-336.

845 *Brasil. 1981 Comércio Exterior*, pp. 302-303.

importance as an area of foreign investment is much greater. In 1981 Latin America was the third most important area Japanese investment (16.2%) after North America (27.1%) and Asia (27.1%). Brazil represented 32% of Japan's Latin American investments and 5.6% of total overseas foreign investment (down from 8.7% in 1978).[846]

Thirdly, and most importantly, the underlying economic rationale for expanded ties remains valid. Brazil will continue to need industrial technology and capital and will continue to seek to diversify economic relations in order to reduce dependence. Without denying that there have been difficulties, Japan has proved to be a good partner. Japanese firms have in general shown greater flexibility than their North American rivals and a greater willingness to participate in minority ventures.[847]

Moreover, as we have seen, the character of Japanese foreign economic activity has facilitated the negotiation of complex long-term economic packages through the extent of official backing via the Export-Import bank and the Overseas Economic Cooperation Fund and the very close links which exist between the Japanese government and industry. Finally, Japan has proved willing to invest heavily in resource processing in return for long-term raw material supply contracts.

Japan will remain attracted by the size of the Brazilian market, by its role as an export platform for manufactured goods and, above all, by its ability to supply many of the essential raw materials on which Japan remains so dependent. Its resource dependency has meant that both securing access

846 See Tim Beal, "The statistics of Japan's economic relations with the developing countries: Patterns and trends", *Proceedings of the British Association for Japanese Studies*, Vol. IV, part 1 (1981), pp. 214-217 and A. Hosono, "Economic Relationship between Japan and Latin America", p. 81.

847 See Ozawa, *Multinationalism, Japanese Style*, pp. 137-140.

to, and diversifying the sources of, raw material supplies has been a fundamental part of Japan's quest for "comprehensive security".[848] Thus Brazil has become the second largest supplier of iron ore (import dependence 70%) with its share of imports rising from 13.8% in 1976 to 23.6% in 1983.[849] Other examples include Brazil's exports of food and a number of rare minerals.[850]

Brazilian-Japanese relations have therefore expanded significantly and are underpinned by a strong economic logic that shows few signs of weakening. The relationship has remained basically economic and has thus provided Brazil with little additional political leverage. Similarly, as the debt crisis demonstrated, the relationship is not special enough for Brazil to be able to count on preferential treatment. Yet the gains have been substantial and in a number of important economic areas have afforded Brazil added flexibility and a wider number of options.

9.2.3. Middle East

Unlike other areas of the Third World, Brazil's interests in the Middle East have been, and remain, exclusively economic. It is true that Brazil has adopted a more visible and controversial stance on various Middle East political issues. As we have seen, Brazilian support for the Arab and Palestinian struggle against Israel increased continually through the 1970s and early 1980s. Yet this was largely the result of the severe economic and energy constraints facing Brazil and, on occasions, of direct Arab pressure. It also formed a natural part of the more general

848 See J.W.M. Chapman et.al., *Japan's Quest for Comprehensive Security*, (London: Frances Pinter, 1983), chapters 8 and 9.

849 *Japan Times*, 5 February 1976. *Latin American Regional Reports. Brazil*, 15 March 1985.

850 Thus Brazil supplies 29% of Japan's beryllium, columbium, niobium, 11% of its ferro-chromme and 10% of its monazite sands and for all of which Japan's dependence is 100%, See Chapman et.al. *Japan's Quest*, chapter 8.

Third World approach to foreign policy that developed in this period. There can be, however, little doubt that it went far beyond the natural inclinations of Brazil's military rulers.

Although Brazil's interests in the region grew up through necessity rather than choice, the economic prospects in the late 1970s for expanding ties appeared good. The Middle East had both large amounts of capital to invest abroad and the money to implement massive development plans at a time when economic growth in many other areas had fallen off. It was also a large importer of food and raw materials. Brazil was the largest oil importer in the Third World, was a large exporter of agricultural produce, had far greater industrial power than any Middle Eastern country and, in several sectors – construction, vehicles, arms – had developed technology that was especially suited to Third World conditions.

Looking at the period as a whole, Brazil's record has been mixed. There have certainly been some successes. After only a moderate increase during the Geisel years, Brazil's exports to the region have expanded significantly, from US$ 518 million in 1979 to US$ 1.5 billion in 1984. During the period as a whole, the region's share in Brazil's total exports has increased from 0.9% in 1964 to 5.6% in 1984. As we have seen, the arms trade has been a particularly successful aspect of the relationship and seems likely to remain so. The 1984 military cooperation agreement with Saudi Arabia provides for long term Saudi investment in the Brazilian arms industry and has been followed in December 1985 by a further agreement reported to cover sales of US$ 1 billion.[851] There have also been recent reports of revived sales to both Libya and Iraq.[852]

851 See *Jornal do Brasil*, 2 December 1985.

852 See *Latin American Weekly Report*, 18 January 1985.

Yet, many of the hopes of the 1970s have not been realized. Ties with Iraq did not develop into the kind of close relationship which the Geisel administration has hoped would emerge. The volatility of the region has proved as much a problem for Brazil as for all other outside powers. The Iranian Revolution, the Iraq-Iran war and the controversy surrounding Gaddafi's Libya all caused serious problems for Brazil's relations with the region. There have been several cases of large scale trade agreements and countertrade deals being signed and then failing to be fully implemented. The 1977 trade deal with Iran, reported at the time to be worth US$ 6.5 billion, provides a good example. Most importantly, the expected flow of Arab investment to Brazil failed to materialize. Even before the debt crisis, the amount of both direct Arab lending and of direct investment proved marginal. Delfim Netto's heralded visits to Iraq and Saudi Arabia in December 1979 produced little in the way of direct help for Brazil's growing financial difficulties.[853] Foreign minister Guerreiro's emphasis on the importance of South-South financial ties during his speech to the visiting Kuwaiti finance minister on October 1980 produced a similar lack of response.[854] The plan to create a Brazilian-Kuwaiti investment bank remained dormant and the visiting Kuwaiti minister made a number of specific criticisms of the restrictions on financial operations in Brazil.[855] A year later a 16 man Saudi economic mission arrived to explore investment possibilities but left stressing the existence of serious obstacles to future progress.[856] In 1981 Arab investment in Brazil totaled only

853 *Financial Times*, 3 December 1979.

854 See *Resenha*, 27, 1980, pp. 41-43.

855 *Veja*, 15 October 1980 and 10 December 1980.

856 *Veja*, 27 May 1981 and *International Herald Tribune*, 28 May 1981.

US$ 145 million.[857] After the debt crisis broke, Arab financial institutions have not unnaturally maintained an extremely low profile.

As regards the future, the fall in the oil price and Brazil's rising domestic production will make the economic constraints less pressing. Brazil's imports from the Middle East already fell by 57% between 1980 and 1984 from US$ 7.79 billion to US$ 3.34 billion. Nevertheless, the need to expand exports as part of its overall economic policy will continue to make the Middle East an important target of Brazil's aggressive economic diplomacy.

9.2.4. Africa

As we have seen, the expansion of Brazil's relations with Africa formed a prominent and much discussed part of the diversification of the country's external relations in the 1970s. Brazil's Africa policy was significant for a number of reasons. Firstly, because the shift in Brazil's Africa policy between 1973 and 1974 – especially the ending of close ties with Portugal and the expansion of relations with Marxist regimes in Portuguese-speaking Africa – marked a decisive stage in the emergence of a more independent and assertive and foreign policy. The recognition of the MPLA in Angola, in particular, both signaled the extent to which Brazil was prepared to follow a non-ideological policy abroad and provided a clear sign that Geisel and Silveira had successfully overcome conservative opposition from within the Brazilian military. Secondly, the link with Africa was important because it came to be seen as the symbol of the *terceiromundismo* which increasingly characterized Brazilian foreign policy in the late 1970s. Under Geisel this had

857 See Chapter 8, Table 9.

been one element within the overall pattern of diversification. Under Figueiredo the stress on South/South relations became the central feature of foreign policy.

Lastly, the relationship was significant because of its economic success. Although never large in overall terms, the growth of trade relations between 1969 and 1981 was dramatic. Exports increased from US$ 24 million (1.1% of total exports) in 1969, to US$ 416 million (5.2%) in 1974, to US$ 1,705 million (7.3%) in 1981. Imports rose from US$ 55 million in 1969 (2.8%), to US$ 665 million (5.2%) in 1974, to US$ 1,982 million (9.0%) in 1981. In 1981 89.6% of Brazil's exports to Africa consisted of manufactured goods. More remarkable still was the range of Brazil's economic activities in Africa. By the early 1980s, it was selling arms to seven African countries; it was constructing dams and houses in Algeria, roads in Mauritania, a telecommunications network in Nigeria and a supermarket chain Angola; it was involved in large scale agricultural projects in Nigeria, soya cultivation in the Ivory Coast and the organization of rural cooperatives in Mozambique. The relationship was being seen as a classic example of the potential for South/South economic relations.

The emergence of serious economic difficulties in both Brazil and Africa after 1981 served to deflate much of the exaggerated optimism of the late 1970s. As we saw in Chapter 7, trade with Africa fell dramatically between 1981 and 1983 and Brazil's relations with Africa became the focus of the conservative criticism of Itamaraty's *terceiromundismo*. Yet, as Figueiredo's visit to Africa in late 1983 showed, Brazil was not going to lightly give up the gains made in the 1970s. More importantly, since 1983, Brazil's trade with Africa has revived, with exports rising from US$ 1,080 million in 1983 to US$ 1,959 million in 1984 – 15% above the 1981 level –, and imports from

US$ 638 million to US$ 1,346 million.[858] In addition, early 1985 saw the signature of a series of large-scale countertrade deals with Nigeria, Angola and Algeria.[859]

What conclusions can be draw from Brazil's experience with Africa? On the positive side the post-1983 resurgence of trade ties suggests that the underlying economic strength of Brazil's links with Africa is greater than many predicted and that Brazil continues to represent a worthwhile economic partner for a number of African countries. On the negative side, it is clear that many of the hopes of the 1970s will remain unrealized. The deep economic crisis in Africa and the falling oil price will severely limit the market for Brazil's manufactured exports. There remains a significant import constraint owing to the lack of goods for Brazil to import from Africa. There are few African raw materials which Brazil does not itself produce and, as elsewhere in the Third World, much depends on Brazil's future oil needs. The share of oil in Brazil's imports from Africa rose from 35% in 1973, to 72% in 1980, to 92% in 1981. Finally, despite the rhetoric of Brazil's African heritage and Third World solidarity, Brazil remains a marginal partner for African countries. Even in 1981 Brazil took only 0.33% of Nigeria's exports and supplied only 1.72% of its imports. The one exception is Angola for which Brazil is now its third most important trading partner and in which Brazil's intensive political investment may well bear more substantial fruit in the coming years.[860]

858 Banco Central, *Boletim Mensal*, December 1985.

859 See *Financial Times*, 1 November 1984, 20 March 1985 and 18 May 1985.

860 See *Latin American Weekly Report*, 18 January 1985.

9.2.5. Latin America

Brazil's relations with Latin America have always been more intense and complex than with any other part of the Third World. Nevertheless, it is clear that the period since the late 1960s has seen a marked intensification of relations which has formed part of the more general policy of diversification that this thesis has been examining. Unlike other areas of the Third World, there was a noticeable disjuncture between the expansion of economic and political ties. Economic relations grew steadily from the early 1970s, beginning first with the border states but then including the whole region. In overall terms, Brazil's exports to the region rose from US$ 140 million (9.7% of total exports) in 1964 to US$ 4,274 million in 1981 (18.4%), with imports growing from US$ 218 million in 1964 to US$ 3,166 million in 1981. As in the case of Africa, the range of economic activities was wide: manufactured exports played a dominant role in the expansion of exports, accounting for 86.5% of total regional exports in 1981. Cooperation in the energy sector formed an important part of relations with Paraguay, Bolivia and Colombia. By the early 1980s Brazil was exporting arms to 13 countries in the region, the most important markets being Chile, Bolivia and Paraguay.[861] And service exports and construction projects were underway or had been completed in Venezuela, Paraguay, Uruguay, Ecuador and Costa Rica.

Politically, the intensification of relations developed more slowly. Although political ties with the border states expanded very significantly from the late 1960s, Brazil's relations with many of the other major regional powers remained either distant or hostile for much of the 1970s. As we saw in

861 See Appendix, "Major Brazilian Arms Exports 1974-1985".

Chapter 7, it was only during the Figueiredo period that the intensification of relations with Latin America became a central feature of Brazilian foreign policy. The 1980 rapprochement with Argentina formed the most important symbol of this changed approach.

Although it has only been possible in this thesis to present the main outline of Brazil's regional policy, two questions need to be addressed. Firstly, how secure are Brazil's new ties in Latin America and what have they contributed to the overall process of diversification? Politically, there can be little doubt than the "Latin Americanisation" of Brazil's policy formed a genuinely important part of the foreign policy of the Figueiredo government. Moreover, Brazil's new civilian government has, if anything intensified the priority given to Latin America. Economically, however, the picture is less certain. As we saw in chapter 7, the debt crisis has had a very severe impact on Brazil's regional trade. Brazil's exports fell from US$ 4,274 million in 1981 to US$ 2,829 million in 1984 with imports dropping from US$ 3,166 million to US$ 2,140 million in the same period. In the first half of 1985 the share of Brazilian exports to Africa was higher than for those going to Latin America. This aspect of diversification, then, has quite clearly suffered a serious reversal and the depth of recession in Latin America makes it hard to see the prospects of any short-term improvement.

The second question concerns the extent to which Brazil has achieved regional autonomy, that is, the ability to exert its influence on a localized, regional level. Brazil's rapid development in the 1970s prompted many people to predict such a role. Writing in 1974, Norman Bailey and Ronald Schneider argued that "Supremacy, dominance or even paramountcy may

well be within Brazil's reach by the 1980s".[862] More recently Wayne Selcher has claimed that "Brazil's continental role has grown to clear primacy".[863] On one level, the evidence for such claims seems clear. In 1980 Brazil's GNP accounted for 38.5% of the total regional product of Latin America and was larger than that of Argentina, Chile and Mexico combined.[864] In 1983 Brazil produced 39% of the region's manufactured goods, well above Mexico (27%) and Argentina (9%).[865] Militarily, Brazil has the largest armed forces in Latin America (around 276,000) or about twice the size of the Argentinian military establishment as well as having a rapidly developing arms industry.

Yet, on closer analysis, it is doubtful whether one can really speak in terms of regional autonomy, let alone primacy. In the first place, Brazil's military capabilities remain extremely limited. In 1976, despite being the world's 10th largest economy, Brazil ranked 100th in the world in terms of military spending as a percentage of GNP. In recent years the annual military expenditures of both Chile and Argentina have both been consistently higher than Brazil.[866] Moreover, the vast size of Brazil's territory and the fact that much of the army has been trained for internal security duties further limits the country's military capabilities. In the aftermath of the South Atlantic war in 1982 there were frequent statements by military spokesmen expressing concern at the country's military weakness and

862 Bailey and Schneider, "Brazilian Foreign Policy", p. 22.

863 Wayne Selcher, "Strategic Developments in South America's Southern Cone", in Heraldo Munoz and Joseph Tulchin, *Latin American Nations in World Politics*, (Boulder: Westview, 1984), p. 101.

864 Hayes, *Latin America and the US National Interest*, p. 23.

865 Riordan Roett and Scott Tollefson, "Brazil's status as an intermediate power", in *Third World Affairs 1986*, (London: Third World Foundation, 1986), p. 104.

866 Ibid, p. 106.

a series of modernization programmes was drawn up.[867] Yet budget constraints have meant that little progress has been made. Given Brazil's arms technology, its nuclear programme and its considerable resources, the potential for a more powerful military capability is clearly there. Equally clear, however, is the fact that successive Brazilian governments have consciously chosen not to develop such a capability.

Secondly, even on an economic level, Brazil's regional influence is limited primarily to the border states and for most countries in the region Brazil is of only minor, although growing, economic importance. Table 15 shows the importance of Brazil in the exports and imports of 10 Latin American countries. Whilst the increasing weight of Brazil in regional trade is clearly visible, Brazil only plays a really significant role in the foreign trade of Bolivia, Paraguay and Uruguay. In addition, Brazil exerts very significant influence in Paraguay as a result of the Itaipu dam and the extensive agricultural colonization that has taken place.

Latin America is the area in which the gap between Brazil's potential power and its actual influence is most striking. The major reason for deliberately maintaining a very low political profile has been a consistently powerful one for Brazilian governments since the early 1970s and seems likely to remain so. Any direct attempt to exert its potential regional influence would only serve to rekindle the anti-Brazilian suspicious that have been so conspicuous a feature of 20th century Latin American international relations. With the exception of the Border States, then, even within Latin America Brazil's ability to influence events beyond its border remains very limited.

867 See for example *Veja*, 30 June 1982 and *Estado de São Paulo*, 7 August 1983.

Table 15: Brazil's trade salience for selected Latin American countries [% of total exports and imports going to/coming from Brazil]

	1970		1975		1980	
	Exports	Imports	Exports	Imports	Exports	Imports
Argentina	7.8	10.9	7.2	9.0	9.3	9.6
Bolivia	0.4	1.9	3.5	14.3	6.0	21.7
Chile	1.9	2.7	5.9	5.4	9.1	7.8
Uruguay	5.3	15.0	17.1	12.84	21.2	20.2
Paraguay	1.7	3.2	3.2	20.8	29.7	24.8
Colombia	0.2	0.5	0.6	1.5	1.9	2.8
Ecuador	0.6	0.3	0.6	2.8	1.5	2.1
Mexico	1.1	0.7	3.2	1.5	2.8	2.4
Peru	0.8	0.8	2.9	3.2	3.4	3.0
Venezuela	1.8	0.5	1.0	2.1	3.4	2.3

Source: Banco Central, ***Boletim*** *and* ***Statistical Abstract of Latin America****, Vol. 21, pp. 451-471.*

9.2.6. The Third World Movement

Previous chapters have traced the growing emphasis on Brazil's role as a developing country and a number of the Third World. The Médici period saw the beginnings of a more active multilateral diplomacy. Yet, at the same time, Brazil remained anxious to distance itself from radical Third World demands and was clearly using the Third World as a useful means of combating the "freezing of world power" and assisting its presumed progress towards Great Power status. Under Geisel, although official spokesmen stressed that Brazil belonged to both the West and the Third World, there was a significant hardening of Brazil's attitude towards North/South issues which reflected both the apparent strength of the Third World movement and Brazil's growing economic difficulties. Most interesting of all, the Figueiredo period saw the continuation of

Brazil's identification with the Third World despite the evident failure of global North/South negotiations. The focus shifted towards Latin American cooperation and the debt crisis but the emphasis on South/South ties and Brazil's position as a developing country intensified.

In the 1970s it was common that Brazil's adherence to the Third World was merely "national" and to stress the divergences that existed between Brazil and more radical Third World states.[868] It is certainly true that differences do exist, that Brazil has not sought a particularly prominent role within the Third World either as a leader or a mediator between North and South and that its policy of "no automatic alliances" applies to solidarity with the Third World as much as to other aspects of the countries foreign policy. Yet Brazil's Third World diplomacy has acquired a degree of permanence in the countries foreign policy that shows no signs of weakening.

How can this aspect of Brazil's policy of diversification be said to have enhanced the country's degree of autonomy and independence? If one takes broad view of the Third World movement then there have clearly been a number of success of decolonization and the modification of international norms governing intervention or the right to nationalize foreign property. From a narrower perspective Brazil's multilateral diplomacy during the 1970s was a profitable adjunct to the expansion of bilateral relations with other developing countries. More recently, regular meetings of the Cartagena groups have provided a useful way of seeking to politicize the debt issue and thereby to maintain the pressure on the creditor countries. Yet, in overall terms, it is hard to see Brazil's use of "group

868 See for example Fishlow, "Flying Down to Rio", p. 398 and the conclusion of Selcher's *Brazil's Multilateral Relations*.

power" either within Latin America or within the Third World movement as a whole as having had more than a marginal effect on the country's level of independence and autonomy.

9.2.7. The Soviet Union and Eastern Europe

From the perspective of a weak state the diversification of ties towards the Soviet Union has two potential aspects. In the first place, a small state might seek to exploit the rivalry which exists between the superpowers in order to maximize its freedom of manoeuvre. This kind of power – what David Vital calls "contingent power" or Michael Handel "derivative power" has traditionally been one of the most potent forms of influence available to weak states.[869] Indeed President Vargas' policy of manoeuvring between the United States against Nazi Germany in the late 1930s and early 1940s provides an excellent example of its application. Yet, in the post-war period no Brazilian government has made a serious attempt to pursue such a policy: the potential risks have been too great, the probable benefits too small and there has never been any significant level of domestic support inside Brazil for such a policy. Certainly such a policy was well outside the bounds of even the most pragmatically minded Brazilian policymaker during the military republic. Even after the return to civilian rule it remains very hard to envisage a situation in which Brazil would seek to cultivate close political ties with the Soviet Union.

On a lower, non-political level, however, Brazil since 1964 has certainly sought to expand economic ties with the Comecon countries. As we have seen, the period since 1964 witnessed a steady increase in economic interaction. Trade

869 David Vital, *The Survival of Small States*, (Oxford: OUP, 1971) and Michael Handel, *Weak States in the International System*, (London: Frank Cass, 1981).

visits proliferated, numerous trade, financial and transport agreements were signed, and trade itself expanded significantly. Exports rose from US$ 88.3 million in 1964 to US$ 1,359 million in 1984, while imports rose from US$ 55 million to US$ 503 million in the same period. Any lingering resistance within the military to the expansion of such contacts had disappeared by the early 1970s.

Yet success in this area has been limited and serious obstacles to further expansion remain. As a percentage of total Brazilian exports, exports to Comecon have fallen from 6.2% in 1964, to 5.03% in 1984 and to 3.8% in the first half of 1985. The share of imports coming from the region fell from 5.2% in 1964, to 3.02% in 1984 and to 2.27% in the first half of 1985. For the Soviet Union the relative importance of trade was even more limited. Between 1975 and 1978 all Latin America (except Cuba) supplied barely 1% of Soviet imports and accounted for less than 0.25% of Soviet exports.[870] The exaggerated expectations embodied in successive trade agreements and public statements have remained unfulfilled.

The fundamental reason for this is the lack of economic complementarity of the two economies that is visible in the serious and persistent trade imbalance. Between 1975 and 1983 the imbalance in Brazil's favour totaled US$ 7.8 billion; on the one hand, the Soviet Union is willing to buy raw materials from Brazil, especially soya, vegetable oils, feedstuffs, coffee and cocoa. On the other, Brazil has been unable to increase its demand for Soviet products, which are resisted because of a reputation for poor quality and because the use of Soviet capital goods would entail large and costly changes in Brazil's

870 Nikki Miller and Laurence Whitehead, "The Soviet Interest in Latin America: An Economic Perspective", in Robert Cassen ed., *Soviet Interests in the Third World*, (London: Sage, 1985), p. 114.

western-oriented industrial plant together with new training programmes, spare part services etc... In the 1970s, as we saw in Chapters 5 and 6, the main hope of breaking this import constraint lay in the energy sector: the supply of both Soviet hydroelectric equipment and crude oil sales. The supply of turbines has ceased to be feasible as Brazil now has surplus electrical capacity and new hydroelectric plants have been postponed. This leaves oil. Yet the constraint here is the Soviet Union's lack of export availability. On the one hand, Soviet oil output in 1985 fell for the first time since the war. On the other the USSR has many demands on its oil: Eastern Europe, Cuba and the need to maximize its own hard currency earnings.

There are two additional problems. Firstly, whilst the Soviet Union is willing to buy Brazilian raw materials, it has much less interest in the manufactured goods that Brazil is so anxious to diversify into. Secondly, as we saw in Chapter 7, Brazil's sorry experience with Poland graphically illustrated the fragility of many of its new ties and the dangers of expanding relations with countries which were themselves in severe economic difficulties.

Within these constraints economic ties will continue to develop. In March 1985, for example, Brazil concluded a US$ 750 million countertrade deal which involved the export of a wide range of Brazilian food-stuffs and manufactured goods in return for increased Soviet crude oil deliveries.[871] Yet the problems outlined above will limit future growth unless there is a strong political decision by both sides to impose a greater degree of economic convergence. One can conclude, then, that

871 *Financial Times*, 6 March 1985. The continued problem of the import constraint was underlined by a visiting Soviet commercial representative in October 1985 who described Brazil's reduction of machinery imports as "unpleasant" and said that Soviet willingness to increase trade would depend on Brazil's willingness to import Soviet goods. See *Folha de S. Paulo*, 23 October 1985.

although a significant aspect of the process of diversification, ties with Comecon have not lived up to expectations, have in several cases proved fragile and have done little in themselves to increase Brazil's degree of autonomy.

9.2.8. China

Brazil's relations with China have grown steadily since 1974 and both sides have invested considerable political effort in expanding ties. Although economic relations lie at the heart of expanded ties, there is a higher degree of political common interest than is the case with the Soviet Union. Both states are large developing countries facing many similar problems. Both states see themselves as adversely affected by superpower rivalry. Both have a long-term interest in economic development. For most of the period of military rule, relations with China were of interest as an indication of the extent to which Brazil's rulers were prepared to follow their pragmatic, non-ideological foreign policy. In recent years, however, there have been signs that the expansion of ties is speeding up. Brazil's exports to China increased from US$ 137 million in 1983, to US$ 453 million in 1984, to US$ 348 million in the first half of 1985. Brazil is already China's largest Third World trading partner and Brazil's biggest purchaser of steel. Figueiredo's state visit to China in May 1984 and the signature of a nuclear cooperation agreement gave further indication of the level of political interests in the relationship.

Since the end of military rule, cooperation has increased. In June 1985 there was a joint bid between Mendes Junior and the China Civil Construction Company to build a hydroelectric plant in Iraq and in November 1985 a package of agreements was signed in Brazil, covering economic cooperation, scientific cooperation, the exchange of military attachés and increased

political consultation.[872] Under the economic agreement, Brazil will impart 60,000 bpd of petroleum and China will increase its purchases of steel products and iron ore which are currently running at 1.7 and 2.5 million tonnes p.a. There have also been discussions on the export of Brazilian aircraft, weapons, vehicles and electrical products.[873] As in the case of the Soviet Union, the major constraint remains the lack of Chinese products – apart from oil – for Brazil to import. Yet, looking to the future, the relationship represents one of the most interesting aspects of the process of diversification.

872 See *Financial Times*, 7 June and *Estado de S. Paulo*, 1 November 1985.

873 *Folha de S. Paulo*, 24 October 1985.

Conclusion

This work has had two principal objectives: firstly, to provide a systematic account of the evolution of Brazil's international role during the twenty-one years of military rule from 1964 to 1985; and foreign relations during this period have enabled the country to attain a more autonomous and independent role in world affairs. The thesis has argued that two sets of changes are fundamental to understanding Brazilian foreign policy in this period: on the one hand the changing character of Brazil's relations with the United States; on the other Brazilian attempts to broaden the range of its international ties and develop alternatives to the previously central "special relationship" with Washington.

The extent of the changes that have taken place is remarkable. Following the coup of 1964, the first military government of Castello Branco followed a policy of near automatic alignment with the United States. The country's military leaders continually stressed their adherence to the

values of "Western Christian civilization" and anti-communism was a central determinant of foreign policy. The nascent Third World policies of the *política externa independente* had been firmly renounced and the level of Brazil's bilateral contacts with other developing countries was very low. By the end of the Figueiredo period, the situation had changed dramatically. The policy of near automatic alignment with the United States had been replaced by a relationship characterized by divergent perceptions on many international issues and increasingly frequent disputes. The priority accorded to ties with Washington had been reduced and the idea of a "special relationship" had been firmly rejected. Anti-communism had been replaced by *de facto* non-alignment and the country's leaders had shown themselves far more willing to challenge United States policies and preferences.

Moreover, the process of diversification had been extensive. It had been geographically extensive. Economic relations with Western Europe and Japan had expanded. There had been substantial development of trade ties with the socialist countries. The range of Brazil's relations with other developing countries had broadened. Political contacts with Africa and Latin America had become an established part of Brazilian foreign policy. Bilateral economic ties had expanded and Brazil had moved towards a much more demonstrative, if still qualified, advocacy of Third World world aspirations on a multilateral level. Indeed, it is the increased identification of Brazil as a Third World country that represents the most significant change to have occurred during the period. The process of diversification was also functionally extensive. It involved the creation of new political alignments and often dramatic shifts in Brazilian policy on a number of international issues. It reflected the broadening and deepening of Brazil's position in the international economy and,

especially, the country's emergence as an important exporter of manufactured goods. It even involved increased activity in the cultural and educational fields. Thus, for example, between 1970 and 1979 over 7000 Latin American students had been trained in Brazil and in 1981 Brazil was training diplomats from six African countries and exporting television programmes to 23 countries.[874]

These changes in Brazilian foreign policy emerged gradually and the thesis has sought to correct the common over-emphasis on the period after 1974. It is certainly the case that the increased assertiveness and independence of Brazilian foreign policy became most obvious during the Geisel government. Yet the origins of both the redefinition of relations with the United States and the search for a broader international role need to be sought in the Costa e Silva period: in the shift of opinion within the military that took place under Costa e Silva and in the changed direction of Brazil's economic policy. In addition, as Chapter Five demonstrated, the development of foreign policy during the Médici administration was considerably more significant and substantial than most accounts suggest.

From a broader perspective, the origins of the changes of the 1970s can be traced back before 1964 and related to the developments that were outlined in the first part of this book: to the disappointment with the extent of United States economic assistance after the Second World War; to the steady increase in nationalist sentiment in the 1950s; to the developmentalism of the Kubitschek period; and, above all, to the emergent *terceiromundismo* of the Quadros and Goulart years. In retrospect it is clear that 1964 did not mark a significant turning point

874 See Maria Regina Soares de Lima, "A Ofensiva Cultural Brasileira no Plano Internacional", mimeo, IUPERJ, 1981.

in post-war Brazilian foreign policy. Within three years the search for a broader based policy had reemerged, albeit in a far more cautious and qualified form. From this view, then, it is Castello Branco's policy of "interdependence" that stands out as atypical of the general thrust of post-war Brazilian foreign policy.

Although the emphasis of Brazilian foreign policy has varied from one administration to another, the motives that have pushed Brazilian governments to seek a wider international role have remained remarkably constant. As we have seen, the evolution of Brazilian foreign policy has been strongly influenced by domestic economic pressures. The social and demographic constraints facing Brazil would have forced any government to place a high priority on promoting rapid economic development. In the case of a military government, the pressure was even greater given that its legitimacy depended so heavily on economic success.

Previous chapters have demonstrated the extent to which the need to obtain ever-increasing amounts of foreign investment and loans to fuel continued economic development, the need to secure energy supplies and counter the country's energy vulnerability and, above all, the need to develop new exports and export markets to avoid chronic balance of payments crises all forced Brazilian policymakers to extend the range of the country's international interests. Indeed, by the late 1970s, the frenetic efforts to diversify into new markets could be seen as much as a desperate attempt to escape the constraints of an inherently problematic development model as a rational and calculated policy designed to lay the basis for a broader and more independent position in world affairs. As to the future, the continued constraints of the debt crisis

will mean that economic pressures will remain fundamental determinants of Brazilian foreign policy under Brazil's civilian government.

Yet it would be wrong to view the changes that have taken place in Brazil's international role solely in economic terms. In the first place, many of the developments represented a natural reaction to a changing external environment. The growth of détente made the previous security dependence of Japan and Western Europe offered new export markets as well as new sources of foreign investment, loans and technology. The consolidation of the Third World challenge, particularly in the wake of OPEC's initial success, seemed to open the prospect of radical reform in the international economic system from which Brazil would undoubtedly stand to benefit.

In the second place, the changes in Brazil's international position reflected the determination of Brazil's military leaders to develop a broader and more independent international role. Whilst it is certainly true that economic development has consistently been a higher priority than the quest for a greater autonomy, it is wrong to suggest that Brazil's military leaders were uninterested in the latter goal. However much one may disapprove of the politics and policies of the military period, it is hard not to see the 1970s as a time of increased national self-assertion. As we have seen, a central feature of Brazilian foreign policy since the early 1970s has been the aim of maximizing the country's freedom of manoeuvre and the range of available foreign policy options. Diversification provided an obvious means of achieving this. It offered both the prospect of providing a counter-weight – or series of counterweights – to the power and influence of the United States and the means of laying the basis for a broader and more influential international role in the future.

It is very important to emphasize that neither the redefinition of relations with Washington nor the diversification of relations has involved a wholehearted rejection of previous patterns of behavior. Thus, on the one hand, although the priority accorded to ties with Washington has been strikingly reduced, Brazil does not see its relations with the United States as naturally antagonistic. Similarly, although the shift towards the Third World has become a firmly established part of Brazilian foreign policy, it does not imply that a new "automatic alliance" has emerged. As we have seen, since the mid-1970s Brazil has sought to maximize its flexibility by stressing its role *both* as a Latin American and Third World nation *and* as a Western nation. It is this quest for maximum diplomatic flexibility that also explains Brazil's moderate and pragmatic approach to so many international issues. Confrontation or rigid polarization, whether between North and South or between East and West, would almost certainly limit the country's freedom of manoeuvre by forcing it to opt for one side or the other.

How have these developments affected the country's overall level of autonomy and independence? In the Introduction, it was argued that autonomy implied an ability to independently determine national policies, to resist attempts at outside control, to adapt flexibly and exploit favourable trends in the international environment and to limit and control the impact of unfavourable ones. Taken in this sense, the thesis has argued that Brazil's level of autonomy has increased significantly during the twenty-one years of military rule. In doing so, it has also implicitly rejected the argument of many dependency writers that the increasing "internationalization" of the Brazilian economy, which was such a conspicuous feature of the military period, has had a uniformly negative impact on the country's level of autonomy and independence. It is true that

the pattern of economic development favoured by the military government brought with it new problems – above all in the form of Brazil's massive foreign debt – and magnified many old ones. It is also true that the Brazilian economy remains very vulnerable to external events and disturbances. Yet the economic development of the past twenty-one years, whatever its limitations and injustices domestically, has also opened up new possibilities for independent action and in many areas strengthened Brazil's capacity to bargain effectively in the international arena.

It should be clear that Brazil is not an emerging Great Power and that even the characterization of the country as "an upwardly mobile middle power" substantially overstates both the country's level of autonomy and its ability to influence events beyond its borders. There remains an obvious discrepancy between Brazil's tremendous power potential on the one hand and its still relatively constrained international role on the other. In part this is due to the continued limits on Brazil's international autonomy outlined in the course of the thesis. In part it is the result of a conscious government decision to place economic development ahead of maximizing short-term international influence. Nevertheless, the increase in the level of Brazil's autonomy during the period since 1964 remains significant.

United States hegemony has been eroded and Brazil's freedom of manoeuvre vis-à-vis the United States has increased. On a structural level, while the relationship remains one of clear inequality, Washington's ability to exploit the various aspects of Brazil's external dependence has diminished. Intervention has become more costly; Brazil's overall trade dependence on the United States has declined; arms supplies and foreign aid have faded from the scene. It is true that in terms of foreign

investment, potential influence remains great. Yet even here, the sheer size of the United States economic stake in Brazil makes it an unwieldy and potentially costly source of influence. Within these structural constraints, this thesis has highlighted numerous occasions on which Brazil has been able to bargain effectively, exploiting the disparity of relative salience, favourable timing, the decentralized character of the American political system and its own negotiating skills. Finally, as Brazil's foreign policy perceptions have changed and the relationship with the United States has grown more conflictual, Brazilian governments have become more willing to use their power to challenge US interests or to oppose US policies.

Two factors in the early 1980s potentially challenged the notion that US hegemony had declined. Firstly, the ascension to power in 1981 of an American administration determined to forcefully reassert US influence in Latin America. And secondly, the debt crisis which, as we have seen, significantly increased Brazil's trade dependence on the United States and forced Brazilian policymakers to look to Washington and Washington-based financial institutions for assistance with the problem of both short and long-term debt management. Against this, one must note that, unlike the case of Central America, the rhetoric of "reassertionism" has not been accompanied by any concerted effort to influence Brazilian policies. Moreover, although the debt crisis undoubtedly does represent a setback for Brazil's freedom of manoeuvre, Brazil remains far better placed than most of its Latin American neighbours. The sheer size of its foreign debt and the potential ability of the Brazilian government to impose significant costs on the United States provides a real, if far from complete or fully effective, counterweight. The debt crisis has meant that Brazilian policymakers have encountered

a far more unfavourable international environment than they experienced in the 1970s. Yet, whilst it forces us to qualify the notion of declining hegemony, it does not refute it.

This is not to argue that Brazil's position vis-à-vis the United States has been totally transformed. The power that Brazil has acquired is largely of a negative kind. It can now more effectively resist US pressures and ignore US preferences. But it is still very vulnerable to decisions taken in Washington and has no leverage over many aspects of US policy that are critical to its political and economic development. Moreover, it remains true that should they be prepared to invest enough effort or to run the risks of a direct confrontation, American policymakers still have the potential power to coerce Brazil. Although the limits of US "tolerance" are always hard to predict, one can envisage certain challenges by a Brazilian government that would provoke a concerted and powerful US response. Radical political change inside Brazil might still be one, perhaps the threat of a fully-fledged debt default another.

In addition to Brazil's improved position vis-à-vis the United States, there can be little doubt that, taken as a whole, the diversification of Brazil's foreign relations has also contributed to an increase in the level of autonomy and independence. Although Brazilian foreign policy, like that of most relatively weak states, is to a great extent reactive, the success of diversification illustrates Brazil's ability to respond to international developments in an activist and forceful manner.[875] It has provided Brazil with far greater diplomatic flexibility, new political options and a wider range of potential

875 The distinction between the initiating and reactive elements in the foreign policies of small states has been developed by Michael Brecher, *The Foreign Policy System of Israel*, (New Haven, Yale Univ. Press, 1972), pp. 15-16.

allies. In economic terms, diversification makes it far harder for any outside power to use Brazil's external dependence as a lever to obtain influence. Brazil now has a wider range of economic options as regards markets and sources of technology and new investment. The existence of these options means that it is less affected by a disturbance within a single area and opens up the possibility of playing off one economic partner against another. Above all, given the constraints of Brazil's current economic situation, the ability to consistently expand its exports to a wide variety of markets and to generate large trade surpluses is of immense value and sets Brazil apart from the other major Latin American debtors. In all these areas, then, diversification has undoubtedly enhanced Brazil's level of autonomy.

As in the case of relations with the United States, various factors in the early 1980s appeared to call into question the extent to which diversification had in fact improved Brazil's international position. The failure of the North/South dialogue seemed to undermine the utility of Brazil's increased *terceiromundismo*. The constraints on trade expansion with the socialist countries were becoming increasingly apparent. The development of relations with the Middle East had had not developed either as far or as fast as many Brazilian policymakers had hoped in the 1970s. The debt crisis and world economic recession led to a decline in Brazil's economic ties with a number of regions, most notably with Africa and Latin America. Moreover, the more testing circumstances of the 1980s revealed that many of the relationships which had blossomed in the 1970s lacked a solid political dimension. Whilst Western Europe and Japan remained happy to enter into mutually beneficial economic relations, neither Japan nor any European country has been willing to develop a close

political relationship, to accord Brazil special treatment over the management of the debt or to actively challenge United States policies within Latin America.

The difficulties of the 1980s, then, forcefully underlined the limits to the process of diversification that had taken place. It became clear that, although the range of Brazilian relations had increased, its influence was diffuse and in many cases very limited. Brazil was simply not important enough for many of its new partners, neither politically nor economically, either to expect special favours or to demand concessions. These qualifications are important. The setbacks of the 1980s make it clear that, whilst the diversification of Brazil's foreign relations has very significantly improved Brazil's international position, it has not radically transformed it. Moreover, from the present perspective, it is apparent that much of the literature on Latin America's "new internationalism", which appeared in the 1970s, overstated the extent and significance of the changes that were taking place.

And yet, again as in the case of the United States, whilst recent events have forced us to qualify the gains of diversification and to discount much of the exaggerated optimism of the 1970s, the achievements remain substantial. Even allowing for recent setbacks, the breadth of Brazilian foreign relations and the range of options open to the country are far greater than in 1964.

More importantly, although the combination of the debt crisis and world economic recession has affected many of Brazil's new relationships, the overall impact has not been as great as some predicted. As far as Brazil's trade is concerned, Latin America is the only area that has yet shown few signs of recovery. The post-1983 resurgence of economic ties with Africa

and the continued export success in Asia and the Middle East strongly suggest that the diversification of Brazilian relations is more deep-rooted than is the case in the rest of Latin America, above all because it is underpinned by a powerful economic rationale. Brazil, then, appears to be an important exception to Laurence Whitehead's argument that, as a result of the debt crisis, "most of their (Latin America's) alternatives to political dependence on the United States have withered on the vine".[876]

The quest for greater autonomy and the need to find expression for growing nationalist sentiment have been recurrent themes of Latin America's international relations. Certainly the desire to achieve a wider margin of autonomy has been a major objective of all recent Brazilian governments, as policymakers have sought to steer a delicate course between the political constraints imposed by the historical dominance of the United States on the one hand and the economic constraints imposed by the country's vulnerable stage of economic development on the other. In the end, how one judges the level of Brazil's independence and autonomy depends on one's perspective. Looking forward, there is clearly a very long way to go before the country's international capabilities match its aspirations. Yet looking back and comparing the position today with the situation in 1945 or in 1964, the progress has been substantial and should not be discounted.

876 See Laurence Whithehead, "Debt, diversification and dependency: Latin America's international political relations", mimeo, 1985, p. 8.

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Appendix

Major Brazilian Arms Exports, 1974-1985

MIDDLE EAST

Algeria

1985 – Unknown number EE-9 Cascavel armoured cars [AC] (Agreement worth US$ 400 mill).

Abu Dhabi

1977 – 200 EE-9 Cascavel AC.

Egypt

1983 – EE Cascavel AC and EE-11 Urutu armoured personel carriers (APC) for evaluation.

1985 – 10 EMB 312 Tucano trainer aircraft. To be followed by 110 to be assembled locally (80 for Iraq).

Iraq

1979 – EE-9 Cascavel, EE-11 Urutu and EE-17 Sucuri – 10 units per month delivered from July 1979. Total number delivered unknown. Estimates vary between 1050 and 2000.

1981 – Unknown number X-40 Surface/surface missiles.

1982 – Unknown number MPS air/surface missiles.

1983 – 80 EMB 312 Tucano trainer aircraft.

1983 – 6 Astros II multiple rocket launchers (MRL).

1983 – 180 EE-11 Urutu APC and 50 EE-3 Jararaca SC (US$ 250 mill).

Libya

1977 – 200 EE-9 Cascavel AC (US$ 400 mill).

1978 – 200 EE-11 Urutu APC (unconfirmed).

1981 – 700 EE-11 Urutu APC (unconfirmed).

1983 – Astros II SS40 MRL (US$ 1 mill).

1983 – Unknown quantity EE-9 Cascavel AC (US$ 280 mill).

1983 – 25 EMB 121 Xingu transport aircraft (US$ 105 mill).

1985 – 8 EMB 111 Maritime patrol aircraft.

1985 – Negotiations for 150 EMB 312 Tucano trainer aircraft and unknown number of EE-9, EE-11 and ET1 Osorio MBT.

Qatar

1974 – 20 EE-9 Cascavel AC fitted with French 90mm canon.

Saudi Arabia

1985 – EE-9 Cascavel AC. As part of US$ 1 billion arms agreement.

Tunisia

1982 – 42 EE-9 Cascavel AC and EE-11 Urutu APC (unconfirmed).

United Arab Emirates

1980 – 66 EE-11 Urutu APC (33 for Dubai).

LATIN AMERICA

Argentina

1982 – 10 (unconfirmed) EE-9 Cascavel Ac.

1982 – 3 BEM 111N Maritime patrol aircraft.

1983 – 11 IA58 Pucara aircraft.

1983 – 12 BEM 326 Xavante trainer/coin.

Bolivia

1972 – 18 Aerotec T-23 Uirapuru trainer aircraft.

1973 – 18 EMB AT-26 Xavante.

1975 – Unknown number EMB 110 Bandeirante transport aircraft.

1976 – 12 Neiva T-25 Universal trainer aircraft.

1982 – 6 Gaviao helicopters (US$ 6.5 mill).

Chile

1974 – 10 Neiva N 621 Universal trainer aircraft.

1976 – 3 EMB 110 Bandeirante transport aircraft.

1977 – 6 EMB 11N Maritime patrol aircraft.

1977 – 10 Anchova class fast patrol boats.

1978 – 30 EE-9 Cascavel AC.

1978 – 6 EMB 326 Xavante trainer/coin (unconfirmed).

1979 – 20 TO25 Universal trainer aircraft.

1981 – 40 (unconfirmed_ EE-11 Urutu APC and EE-17 Sucuri.

1982 – 2 EMB 126 trainer aircraft.

Colombia

1981 – 35 EE-9 Cascavel AC and EE-11 Urutu APC. Some reports suggest total of up to 200.

1983 – 14 EMB 326 Xavante trainer/coin aircraft.

Ecuador

1982 – 14 EMB 326 Xavante trainer/coin aircraft.

El Salvador

1977 – 12 EMB 111 Maritime patrol aircraft.

Guyana

1982 – 2 EMB 111 Maritime patrol aircraft.

1982 – Undisclosed number of EE-11 Urutu APC.

Honduras

1983 – 2 EMB 111 maritime patrol aircraft.

1984 – 8 EMB 312 Tucano trainer/coin (US$ 10 mill).

Panama

1977 – Unknown number EMB 110 Bandeirante (unconfirmed).

Paraguay

1972 – 20 Aerotec T-23 Uirapuru trainer aircraft.

1975 – 5 Douglas AC 6B transport, 8 Fokker S-11 and NA-T6 Texan trainer: all surplus.

1977 – 10 EMB 110 Bandeirante transport aircraft.

1977 – 9 EMB 326 Xavante trainer/coin.

1977 – 12 Uirapuru 122A trainer/coin.

1979 – 12 EMB 326 Xavante trainer/coin (US$ 412 mill).

1983 – 1 Roraima Class patrol boat.

1984 – Unspecified number EE-11 Urutu APC.

1985 – Negotiating sale of 10 EMB 110 trainer aircraft.

Surinam

1983 – 10 EE-11 Urutu APC (Part of US$10 mill aid programme).

Uruguay

1975 – 5 EMB 110 Bandeirante transport aircraft.

1976 – 20 Lockheed At33A trainers (surplus).

1978 – 1 EMB 110 Bandeirante.

1984 – Unspecified number of EE-11 Urutu APC.

Venezuela

1981 – 4 AS-350M Esquito helicopters.

1983 – 30 EE-11 Urutu APC.

AFRICA

Gabon

1980 – 3 BEM 110 Bandeirante transport aircraft.

1980 – 1 BEM 111 Maritime Patrol aircraft.

1983 – 16 EE-11 Urutu APC (US$ 2.5 mill).

Madagascar

1981 – Negotiating sale of EMB 11N.

Morocco

1981 – Negotiating sale of EE-9 Cascavel AC and EE-11 Urutu APC.

Nigeria

1981 – 100 (unconfirmed) EE-9 Cascavel AC (US$ 90 mill).

Sudan

1976 – 6 EMB 110 Bandeirante transport aircraft.

Togo

1976 – 3 EMB 326 Xavante, including pilot and ground crew training.

Upper Volta

1980 – 1 EMB 110 Bandeirante transport aircraft.

1981 – 10 (unconfirmed) EE-9 Cascavel Ac.

Zimbabwe

1983 – 10 EE-9 Cascavel AC (Option for 60 more).

OTHER AREAS

Belgium

1982 – 5 EMB 121 Xingu transport aircraft (US$ 7.5 mill).

Canada

1985 – Unspecified number of EMB 312 Tucano trainer aircraft.

Cyprus

1982 – 20 EE-9 Cascavel AC.

France

1981 – 41 EMB 121 Xingu trainer aircraft (US$ 50 mill).

Portugal

1983 – Negotiating sale of 5 EMB 111 Maritime patrol aircraft.

1983 – Negotiating sale of EE-11 and EE-9 APC/AC.

South Korea

1983 – 25 EMB 312 Tucano trainer aircraft.

Sources

Compiled from:
IISS, *The Military Balance* (London: IISS, annual).

SIPRI, *Yearbook of World Armaments and Disarmament* (London: Gerald Duckworth, annual).

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