

Congress and the Americas
Brazil: Too Important to Ignore

William Perry

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Brazil

Official Name: Federative Republic of Brazil

Government: Federative Republic

Independence: September 7, 1822

Constitution: Promulgated October 5, 1988

Branches: Executive. President (chief of state and head of government) popularly elected to a 4-year term.

Legislative. Senate (81 members popularly elected to 8-year terms), Chamber of Deputies (503 members popularly elected to 4-year term).

Judicial. Supreme Federal Tribunal.

Principal Government Officials

President Fernando Henrique CARDOSO
Finance Minister Pedro MALAN
Foreign Minister Luis Felipe LAMPREIA
Justice Minister Nelson JOBIM
Commerce Minister
Labor Minister Paulo PAIVA
Ambassador to the US Paulo Tarso FLECHA DE LIMA

Dorotl

Subdivisions: 27 states, federal district (Brasilia).

Size: 3,286,470 square miles

Population: 146,825,475 (1991 census); (160,737,489 estimate 1995)

Major

Municipalities: São Paulo (9.9 million); Rio de Janeiro (5.6 million); Salvador (2.2 million); Belo Horizonte (2.1 million); Fortaleza (1.9 million); Brasilia (1.7 million)

Exports: US\$43.6 bn (fob, 1994)

To: EU 27.6%; Latin America 21.8%; U.S. 17.4%; Japan 6.3%

Top Commodities: iron ore, soy meal, coffee beans, footwear and parts, wood pulp.

Imports: US\$33.2 bn (fob, 1994)

From: US (23.3%); EU (22.5%); Middle East (13.0%);
Latin America (11.8%); Japan (6.5%)

Top Commodities: crude oil, capital goods,
chemical products, foodstuffs, coal.

GDP: US\$688 billion (1995)

Foreword

The U.S. Congress has played a significant role in the formation of foreign policy in recent years. The North American Free Trade Agreement (NAFTA), for example, drew particular attention from the legislative branch, which in turn sparked a debate that included unconventional areas such as the environment and labor standards—and has changed the context in which trade agreements are viewed.¹

The Western Hemisphere, in part because of its proximity, is of particular interest to the United States. Its impact on the United States in terms of trade, immigration, and narcotics trafficking is immense. Yet the region is often overlooked by policymakers, including those in the U.S. Congress. A better knowledge and understanding of its neighbors in the hemisphere would foster a more informed policymaking process.

It is for these reasons that CSIS has launched the Congress and the Americas publications series, which examines legislative priorities in the U.S. Congress and how they intersect with bilateral and regional relationships. The first in this series focussed on Canada, and argued that the physical proximity of the people of Canada and the United States and the high degree of interaction between them make Canadian relations a study in “local” foreign policy.²

This report on Brazil examines how such a large and influential country in the hemisphere has escaped a sustained interest from the U.S. legislative branch—in terms of trade, the forging of a hemisphere-wide free trade area (Brazil has embarked on expanding Mercosul while the United States has shown little movement on NAFTA accession), regional security, and other key areas. Future reports will examine the U.S. Congress and its NAFTA partners, the Andean region, the Mercosur countries, the Caribbean, and Central America.

The legislatures of other countries in the hemisphere, particularly Brazil, are also playing a strong role in foreign policy. A parallel initiative, the *Mercosur Legislative Highlights*, will examine the legislative priorities and key bills of Brazil, Argentina, and Chile.

¹ See M. Delal Baer and Sidney Weintraub, eds., *The NAFTA Debate: Grappling with Unconventional Trade Issues* (Boulder, CO: Lynne Reinner Publishers, 1994).

² Christopher Sands, *Canada: A Case in Local Foreign Policy*, CSIS Policy Papers on the Americas (CSIS: 1996).

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Introduction

Brazil has long been—and remains—ignored by other centers of international power to a degree that is quite remarkable, especially given its enormous dimensions and undoubted potential. This observation certainly applies to Washington policymakers, even though the United States shares membership with the South American giant in a Western Hemisphere community of nations that is of escalating importance to U.S. society.

The reasons for this phenomena are manifold. It is true that the American public now appears less interested in foreign affairs and more focused on domestic questions. This, however, should logically enhance the relative attention paid to Latin America and the Caribbean, since developments in this region affect day-to-day life in our country to greater extent than those that take place in any other area of the globe. Yet the eyes of a generation of experts and officials that was formed by the exigencies of the cold war tend to remain fixed on those venues that were familiar to them in that earlier epoch.

A Dormant Relationship

Brazil is geographically, culturally, and conceptually remote from the world in which most U.S. policymakers still live, and few of this nation's leaders have much in the way of experience, knowledge, or interest in South America—or the Western Hemisphere, for that matter. Brasilia's once-special relationship with the United States, in the context of inter-American affairs, has been dormant for 20 years now, and is remembered by only a few aging specialists. Moreover, the fact that bright hopes about Brazil's impending emergence on the international scene have been repeatedly disappointed over the course of the past two decades cannot be ignored. And what news has generally emerged from the country during that period was of a largely negative nature—poverty and social inequalities; street crime and human rights violations; abuse of Indians and the environment; high inflation and the seemingly chronic failures of innumerable economic plans; trade disputes and other disagreements between the two nations; corruption and political paralysis; and silly stories focussed on the frivolous aspects of Brazilian life. This is, of course, only part of Brazil's recent experience—but it has been the part most generally heard by foreigners.

Ignoring or deprecating Brazil does not provide an adequate basis for viewing or dealing with the second-leading power in Latin America—especially over time—and events are now in train that will make this increasingly clear. Domestically, Brazil may be showing signs of breaking out of the cycle of political gridlock and economic stagnation in which it has been mired for most of the past two decades. If it succeeds in reestablishing its remarkable previous trajectory of development, much more will be heard about, and from, a country that comprises fully one-half of the South

American continent and one-third of Latin America as a whole. Failure would also have very profound consequences for the hemisphere, including the United States.

New Initiatives

Brazil's struggle to regain momentum comes at a critical time in the history of the Americas, particularly from the standpoint of Washington. In 1990, taking advantage of powerful regional trends toward democracy and free-market economic policy, the United States embarked upon a bold initiative aimed at nothing less than the forging of a comprehensive free trade area embracing the entire Western Hemisphere. This endeavor was not an altruistic or superficial gesture, but was intended to lock democracy and liberal economic practices into the Americas as a whole—considerably enhancing the U.S. trade position and heading off political, security, and social problems that might arise to bedevil U.S. society in the future. The fundamental purpose was to turn Latin America from a potential liability to a decided asset in the competitive new world of the post-cold war era.

Despite being embraced by two successive administrations representing both American political parties, this vision is now in deep trouble. This situation is due in part to the stresses and strains being experienced by regional countries in their efforts to cope with the dual challenges of democracy and more open economic models in societies where these innovations often encounter resistance and provoke hardship for large elements of the population. But, more operationally, the principal obstacles to furthering an all-encompassing hemispheric free trade regime have emerged from the political situation in the United States. To make a long story short, an apparently growing body of opinion has evolved in this country—now occupying significant positions with both political parties—that is skeptical of, and even hostile to, what has already been achieved with Mexico and Canada in the framework of North American Free Trade Agreement (NAFTA). Particularly in the context of the 1996 election year, it has blocked extension of NAFTA even to so logical and inoffensive a candidate as Chile. And, since the political environment after the November balloting is unknown, the outlook for an eventually complete hemispheric free trade zone—at least with the United States occupying the key leadership role within it—remains guarded, at best.

Mercosul and NAFTA

Meanwhile, the integrative spirit in the hemisphere has revived or created a host of subregional trade ties and groups. The most consequential is the Common Market of the South³ (Mercosul or

³The Common Market of the South is known as Mercosul in Portuguese and Mercosur in Spanish.

Mercosur) that in 1991 brought together the first- and third-ranking economies of Latin America—Brazil and Argentina—along with Paraguay and Uruguay. This group, under Brazilian leadership, appears intent on expanding its scope. Chile will assume associate membership effective October 1996, and negotiations for Bolivia's associate membership is under way. Brazil also has made overtures to a number of other countries in South America—while Washington continues to hesitate.

Theoretically, the progress made by subregional groups presents no necessary threat to the eventual consummation of a comprehensive hemispheric trade arrangement involving the United States. And Brazil's official position remains that it would consider an eventual negotiation with the NAFTA countries from the better bargaining position that a more mature Mercosul—or some form of expanded South American combine—would provide. There is increasing doubt, however, about Brasilia's real intentions in this regard. In any event, a macro-negotiation of this kind and scope might prove too difficult to consummate. The United States might some day find itself faced with a Latin American bloc from which it was excluded, so that U.S. companies and trade would forego any particular advantage in the region as compared to European and Asian rivals.

U.S.-Brazil relations are, of course, a key variable in this equation, and they have not been particularly close during recent decades. At present, however, the administrations of Bill Clinton and Fernando Henrique Cardoso profess to see eye to eye on most bilateral questions and enjoy a reasonably high degree of intimacy. Among the greatest challenges that these two governments face in terms of promoting progressively greater U.S.-Brazilian entente is the attitudes to be found within their respective legislatures.

Congressional Notes

National legislatures, by their very nature, are not likely to be great repositories of strategic thinking. Those of continent-sized countries, like Brazil and the United States, are apt to be particularly provincial and susceptible to immediate pressures by regional, sectoral, and ideological interests. In the United States, for example, the greatest obstacle to expanding NAFTA is to be found within the U.S. Congress. And Brazil's newly empowered national legislative bodies are now the bastions of resistance to Cardoso's liberalization initiatives—and would likely play a similar role should closer relations with Washington be in the president's plans, much less a macro-negotiation aimed at joining the NAFTA countries to Mercosul.

One reason for this potentially difficult situation is that the Congresses of Brazil and the United States hardly know or understand one another. It is for this reason that CSIS has chosen to focus its attention on expanding and bettering the relationship between the two legislatures. Among the first steps in this regard has been to survey opinion in the U.S. Senate and House of Representatives on attitudes toward Brazil and issues that affect U.S.-Brazilian

relations. This publication summarizes the results of that inquiry. Subsequently, an analogous effort will be made within the halls of Brazil's legislative bodies. It is expected that the conclusions from this research can then be regularly and productively discussed during a series of encounters between serving members of both Congresses. Hopefully, this enhanced interchange will contribute to positive, long-term thinking and action on the crucial question of the kind of relationship that the two most significant powers in the Western Hemisphere will ultimately come to enjoy.

Economic and Commercial Relations

The principal focus of interaction between Brazil and the United States is obviously in the economic/commercial sphere, and this will remain the case during the foreseeable future. Brazil's economy is by far the largest in Latin America, and ranks ninth on a worldwide basis. It is also a quite significant trading nation—the value of its imports and exports, at \$79.5 billion in 1995, make the country the 23rd most important global trader. Moreover, Brazil's abundant natural and human resources endow it with an enormous future potential which could be realized if the problems evident during the past two decades can be promptly, effectively, and definitively remedied. The fact that it is the second largest economic actor in the Western Hemisphere provides the country with special importance from the standpoint of the United States.

U.S. economic and commercial concerns with Brazil are comprised essentially of three distinct, but interrelated, facets:

(1) The thrust of Brazil's strategic approach toward the international commercial regime—particularly as it may affect prospects for, and the nature of, eventual free trade in the Western Hemisphere;

(2) The success of efforts currently under way to liberalize Brazil's still rather statist economic model, both in terms of their eventual impact on the health and competitiveness of the country's economy and the treatment that new arrangements may accord U.S. traders and investors; and

(3) Fair and effective regulation and resolution of such bilateral trade disputes as Brazil and the United States are involved in—as well as, to a lesser extent, any disagreements that may arise between them at international institutions concerned with commerce and finance.

Trade Policy

The possibility that there might be a significant conflict between the strategic approaches of Washington and Brasilia—especially over the future trade regime of the Western Hemisphere—has not, as yet, really arrested the attention of high-level U.S. policymakers. This is particularly true in the U.S. Congress, where immediate-term problems (now of an overwhelmingly domestic nature) normally hold sway. But it is a matter that should, and eventually will, attract

greater concern.

The formal position of Brazil is reasonable enough from the U.S. standpoint. Nominally, it accepts the concept—originally proposed in 1990 by President George Bush in the Enterprise for the Americas Initiative and embraced by the Clinton administration under the name of the Western Hemisphere Free Trade Area (WHFTA)—that North and South America should eventually be united in a single free trade zone. Ostensibly, Brasilia merely prefers to concentrate, for the time being (especially in view of U.S. reluctance to proceed further after the bruising battle over Mexico's adhesion to NAFTA) on strengthening subregional integration efforts, especially the consolidation and expansion of Mercosul—Chile, most likely soon to be followed by Bolivia, has successfully negotiated associate membership with Mercosul. Eventually, by this means, the countries of Latin America will be able to negotiate with the NAFTA bloc from a position of greater equality and strength, so that NAFTA may some day come to be united with what amounts to a "SAFTA" or "LAFTA" through some general macro-negotiation process that will produce the hemisphere-wide trading area both Brasilia and Washington profess to desire.

This formulation has generally been accepted as nothing worse than a good-faith alternative to Washington's historical preference for case-by-case adhesion to NAFTA—by the U.S. Congress through general inattention, and by a Clinton administration that is on very good terms with the incumbent Cardoso government. But doubts are now possible, especially in view of the attitude assumed by Brazilian diplomats at recent summits of hemispheric commerce ministers, most recently in Cartagena, Colombia in March, 1996. Washington's position at this gathering was severely weakened by the domestic controversy that attends any discussion of expanding NAFTA in this election year, as well as its failure to produce fast-track authority for Chile and, thus, to begin serious negotiations with that obviously well-qualified candidate—despite repeated commitments by both the Bush and Clinton administrations to do so.

In Cartagena, Brazilian diplomacy came out even more stridently in favor of concentrating on subregional accords and compliance with requirements set by the World Trade Organization (WTO)—more as a ceiling than a floor for future progress on many issues. Moreover, there was an obvious reluctance to set a concrete date for global negotiations. Representatives of Brazil's foreign ministry, Itamaraty, unlike those of other foreign ministries, were actively present at the side-bar conclave of the private sector in what many viewed as an obvious attempt to keep the country's business community in line with government policy. The effect of all this was to make the goal of a comprehensive accord by 2005 (which was set at the Miami presidential summit in December, 1994) appear even more unrealistic. Moreover, the next meeting of hemispheric commerce ministers, to be held in 1997, was set for Belo Horizonte, putting the Brazilians in the driver's seat for the next year.

This has given rise to increasing concern about the compatibility of Brazil's game plan with that of the United States—

and even the good faith of Brasilia's intentions toward genuine and comprehensive hemispheric free trade. Skeptics now openly assert that Itamaraty, at least, remains dominated by a still statist and nationalistic perspective that never really embraced economic liberalization or a truly hemispheric approach, particularly to the extent that it involved the United States and Washington's leadership of the process.

Rather, it is alleged that the Brazilian approach was devised to take advantage of current U.S. paralysis and expand the scope of Mercosul—as far and as fast as possible—under the dominant influence of Brasilia. The ultimate purpose of this effort would not be to fuse with NAFTA on any reasonable free trade basis. Rather, it would be to create a SAFTA or a LAFTA that would be indigestible to the North American accord. This could allow Brazil to retain its more protectionist approach, assume a real leadership position in the region (as well as on the wider international stage), and, thereby, maintain its currently preferred position as an independent global trader at the head of its own emerging group—equidistant from the North American, European, and Asian blocs.

Such an approach by Brazil would be highly distasteful to any U.S. government truly committed to forging a WHFTA in order to assert Washington's continuing leadership in the Americas and improve the competitive position of the United States vis-à-vis the countries of Europe and East Asia. And considerable accommodation by both parties would be required to avert serious problems in the future of the U.S.-Brazilian relationship.

Economic Liberalization

The second area of U.S. interest in Brazil's economic and commercial affairs relates to the effort now being made by the Cardoso government to fundamentally liberalize the policies and structures of Brazil's still quite-statist developmental model. In part, this comes from the sincere conviction that Brazil, its citizens, and our economic partners throughout the hemisphere would be better off if the Brazilian economy were invigorated and made more compatible with the market-oriented patterns now prevalent virtually throughout its confines. Also, it is frankly hoped that a more dynamic, open Brazil would provide greater opportunities for U.S. firms and investors.

The fact is that Brazil has fallen behind new regional standards for governmental austerity and economic liberalization—a fact not unrelated to its woes of recent years. And the quest to catch up will not be an easy one. Brazil is a uniquely large, self-sufficient, insular, and ambitious nation compared to the other countries of the region. And it is especially enured to a long tradition of bureaucratic, state-centered political and economic practices. Moreover, its political system is quite singular, giving strong representation to regional, sectoral, and institutional interests (especially through the congress), many of which are very resistant to the imperatives for change. This places rather severe limits on the chief executive's apparently broad powers, especially

to achieve the kind of changes now being attempted. These realities present a genuine challenge to Cardoso and the country's future developmental prospects. The contest is already under way, although its ultimate outcome is still difficult to precisely foresee.

The incumbent chief executive began his efforts with many considerable advantages. Brazilian society had, by 1994, become very frustrated with the disappointing record of high inflation, sputtering economic performance, and governmental failings compiled during previous years. Essentially, it appeared willing to try almost anything to escape this cycle—and, as that presidential election year dawned, Luiz Inacio “Lula” da Silva and the largely unreconstructed Marxists of his Labor Party (PT) were riding high in the polls. When Cardoso took office as finance minister late in the expiring government of Itamar Franco, however, he infused it with a sense of purposeful striving toward finding tangible remedies to Brazil's then-worsening economic predicament. In particular, he designed and implemented the *real plan*—a currency stabilization program intended to rein in the country's runaway inflation, which went into full effect on June 1, 1994. By then, Cardoso had already stepped down from his ministerial post and was running full tilt for the nation's presidency, with the message that the *real plan* should, and must, be followed up by a broader program of profound, liberalizing reform.

The *real plan* produced dramatic inflation control results during the 1994 election campaign—and, indeed, continues to function. This allowed the electorate to turn away from the potentially dangerous alternative of Lula, effecting an equally spectacular reversal of fortune in the presidential contest.⁴ In the end, Cardoso won by a convincing margin. And when the new chief executive took office on January 1, 1995, he was supported by broad political coalition and enjoyed great personal popularity with the general public.

Because of the nature of the Brazilian political system, Cardoso has since proceeded with a slow but steady approach toward achieving his principal goals—governmental streamlining, liberalizing reform, and substantial privatization of Brazil's enormous public sector—while simultaneously continuing to control inflation, promote growth, and alleviate the lot of the country's long-suffering, disadvantaged majority. Some considerable progress has been made on a deliberate step-by-step basis. During his first year in office, his administration concentrated on removing constitutional obstacles to austerity and reform. In particular, the constitution had mandated overly large pass-through payments to state and local entities (without any corresponding transfer of responsibilities), leaving the federal government in permanently straitened circumstances, and precluded private (and, thus, foreign)

⁴The 1994 elections are discussed in four reports by William Perry under the CSIS Western Hemisphere Election Study Series, Volume XII, Studies 8, 11, and 14, and Volume XIII, Study 2 (Washington, DC: CSIS, 1994 and 1995).

participation in a number of strategic sectors of the economy, especially petroleum and other mining activities, electric power generation, and many telecommunications areas.

This effort was eventually successful, by in large, although considerable bargaining and horse-trading was required to deal with the complicated situation and procedures within the congress. Since that time, emphasis has been shifted to passing implementing legislation in such critical spheres as tax, welfare, and social security reform; getting an accelerated program of privatization into motion; downsizing the government; and endeavoring to exercise better budget control. All this has to be done while managing a delicate economic situation through a system in which the federal authorities still exercise predominant influence. In addition, Brazil's economy is subject to foreign developments, and the domestic reform process inevitably produces international consequences. For example, the response to Mexico's peso crisis in early 1995 drained a considerable amount of capital from Brazil's economy—making it difficult, for a time, to maintain the value of the *real*. At the same time, the new importance of trade relations with Argentina under Mercosul makes Brazil vulnerable to that country's economic performance and exchange rate policies. And the *real*'s strength, while helping to control inflation, has made the cost of living higher in Brazil and produced a trade deficit for the first time in decades—which, in turn, has been corrected by the imposition of higher tariff and nontariff barriers (that now must be negotiated with Argentina).

In any event, the Cardoso administration has made considerable progress, particularly when the degree of difficulty is considered and in comparison to the largely futile efforts of previous governments. The problem is that the exigencies of economics make no allowances for such factors. The *real* plan is essentially only a currency stabilization program, and it must be reinforced by significant policy and structural reforms within a reasonable amount of time if its benefits are to endure. For example, removing constitutional strictures prohibiting private ownership in certain sectors is necessary in order to privatize. But rules must be rewritten, companies sold, and monies received before there is any real impact conducive to budgetary balance and inflation control.

Thus, time is a critical variable and 1996 will be a crucial year. President Cardoso is aware of this and convened a special session of congress between Christmas and Carnival to step up the pace. But progress is slow and obstacles continually arise that must be overcome—often through prolonged negotiation and by only partially satisfactory compromise. An impasse over welfare and social security reform during March 1996 was resolved only after weeks of negotiation and at the cost of a great deal of potentially budget-busting horse-trading.

Should the *real* plan not be adequately reinforced in good time, the results could be catastrophic. Cardoso's popularity and influence with the congress is largely based upon his record of success in controlling inflation. And, if the *real* plan were to falter, his ability to bring the reform process anywhere near

satisfactory completion would be severely, perhaps definitively, compromised. This could make him a lame duck very early in his five-year term and leave Brazil's economy still largely mired in its miseries of recent years—with unforeseeable political and socioeconomic consequences.

The success of Brazil's economic reforms is important to the U.S. government, as a matter of policy and because of the close ties that exist between the Clinton and Cardoso administrations. Moreover, the reforms will have effects on American businesses, both generally and in more specific terms.

Residual Bilateral Issues

Generally speaking, there are fewer bilateral trade disputes with Brazil now than there have been during past years, and significant progress seems to have been made on the long-vexing issue of intellectual property. The reasons for this are complex and the result may not necessarily be enduring. In the first place, resolution of previous disagreements and a general liberalization of Brazil's trade regime (although not to the extent of most of its regional neighbors) have had the effect of removing many practices to which the United States historically objected (such as direct export subsidies), while at the same time gratifying U.S. firms that sell into the Brazilian market. Another significant—although perhaps only circumstantial—factor is a high and overvalued Brazilian currency since the *real* plan went into effect in 1994. This helped to create Brazil's first trade deficit for many years during 1995, and it is rather difficult for domestic U.S. producers to contend unfair Brazilian competition under these circumstances.

There are, however, a few pending matters that warrant a certain amount of attention. Brazil supported Venezuela in its claims against U.S. imposition of unilateral environmental standards on gasoline imports. This case seems to have been won by the plaintiffs in the WTO's first significant decision, although the matter has stirred up a bit of a tempest in some quarters over the question of U.S. membership in that organization. And Brazil, among many other countries, has complained that the budget stalemate in Washington had the effect of delaying reauthorization of GSP, to the immediate financial disadvantage of many of Brazil's exporters.

But perhaps of greater future seriousness are questions in the automobile sector. In an effort to reduce its trade deficit and protect domestic industry Brazil implemented a new and less open regime during 1995, characterized by formerly normal recourse to quotas, export and local content requirements, etc. (This situation is complicated by the fact that Argentina, to which Brazil is now linked in Mercosul, continues to enjoy the benefits of such a practice for a defined period of time—an arrangement that was grandfathered during the process of the WTO negotiations.) The United States naturally complained about this retrograde step and found considerable support for its position within the councils of the WTO. Thus, the Brazilian government is now seeking a waiver, and

it seems that Brasilia remains intent on finding a protectionist vehicle of one kind or another, while Washington is determined to frustrate this effort.

In most other areas, however, prospects for future development of the economic relationship are more hopeful. As mentioned, recent passage of generally acceptable intellectual property legislation in the Brazilian congress appears to have removed a long-contentious issue—particularly in terms of the pharmaceutical industry. This stands in stark contrast to Argentina's disappointing performance in this sphere. But there are still potentially troubling details to be worked out, and some other U.S. sectors (such as software and video companies) are still not as pleased as the drug manufacturers. Overall, however, the U.S. government and private sector seem encouraged by the progress made in Brazil. And they look forward to a continuation of already greatly increased sales into that large market—while at the same time hoping fervently that Cardoso's efforts produce the results expected on an enduring basis. This confidence is reflected in relatively high levels of investment and reinvestment in Brazil, despite the temporary flight of portfolio capital in the wake of the Mexican peso crisis.

Defense Issues and the Drug Trade

At one time, the United States enjoyed a uniquely intimate defense and foreign policy relationship with Brazil—over and above regular patterns of inter-American cooperation—that was generally known as the "Unwritten Alliance." This arrangement sprang from the natural self-interest of both parties and an absence of any real conflict between them, at least from the late 19th century until the 1970s. Essentially, it involved marked U.S. favoritism to Brazil in exchange for largely unvarying Brazilian adhesion to the regional and wider policy precepts of Washington.

This made sense because the United States was faced with an inter-American system composed of a large number of Spanish-speaking states—some with real grievances against Washington's expanding power. Furthermore, its two leaders, Mexico and Argentina, were not disposed to be especially cooperative with the United States. Brazil, on the other hand, was still a gangling, isolated Lusophone giant, which had uncertain relations with its regional neighbors and no particular areas of conflict with the United States. This was a marriage made in heaven and Washington, after the turn of the century, progressively adopted Brazil as its preferred junior partner in hemispheric affairs (indeed, to a certain extent, on the wider global stage).

Brazilians, of course, always entertained greater long-term aspirations for their enormous country and saw this relationship only as a temporary "apprenticeship" during the period it would take to realize its real potential. Thus, as Brazil's development began an apparently near-vertical takeoff in the 1960s and early 1970s (spawning predictions of "great power status" by the magical year 2000), the old alliance rapidly unraveled. And, by 1976, a series of

conflicts over trade, human rights, and Brazil's nuclear program caused Brasilia to repudiate its military cooperation agreement with the United States—and both countries essentially went their own independent ways.

Since that time, security relations between them have been relatively distant, but not hostile, and few Washington policymakers (except in the Latin America division of the Defense Department) have given this matter a second thought. Certainly, this has been the case in the U.S. Congress, where it largely remains true to the present day. More recently, however, trends have emerged that may require renewed attention to the U.S.-Brazil security relationship.

In the first place, many of the conflicts that strained relations appear to be in abeyance. Brazil is now a democracy, and the Clinton administration has taken a special interest in the Cardoso government. Moreover, the civilian governments in power since 1985, pure economic exigencies, and the quite good relations recently evident among the countries of South America (especially between Brazil and Argentina) have combined to scale back many elements of Brazil's military ambitions.

Its defense industries, which cut a certain figure during the 1970s and 1980s (and caused problems with Washington over sales to countries like Iraq and Libya), are largely bankrupt. The country's nuclear program, even for energy purposes, is now in official disfavor—and its military dimension seems to have been eliminated altogether. (Thus, Brazil was finally able to sign the long-pending Tlatelolco Treaty, prohibiting nuclear weapons in Latin America.) Defense spending has been severely curtailed across the board, while the armed forces have apparently acquiesced with equanimity to taking a back seat to their new civilian leadership.

Nevertheless, some problem areas remain—while other challenges have emerged in the context of the new situation that faces both Brazil and the United States within the hemisphere and further afield. And neither Washington nor Brasilia have developed a clear, straight-forward approach toward the other, generally or in specific security terms.

Among the few remaining areas of potential discord is the Brazilian missile program. There is little doubt that the fundamental purpose of this effort is to develop an independent satellite-launching capability—especially for use at the Alcantra facility in Maranhão. But a capacity of this nature would also have military applications, and such efforts have been discouraged in other countries. Indeed, the Missile Technology Control Regime (MTCR) was established in 1987—with the support of the United States and other developed nations—for the purpose of limiting the spread of ballistic missile capabilities around the globe. Brazilian initiatives in this area have come into conflict with MTCR restrictions.

The Cardoso government has attempted to accommodate itself to this regime—proposing legislation (that did pass in congress) to restrict the transfer of sensitive technologies—and, after a period of hesitation, joined the MTCR countries in 1995. But Brazil

unquestionably sees itself as the kind of exceptional country that should be allowed to develop an independent missile-launching capability. And it is now counting on the United States to supply the required technology—in the context of ongoing cooperation between the satellite-launching and space programs of the two countries. But there is, in the U.S. Congress, some skepticism of any policy that accepts Brazilian exception to the rigid rules applied by MTCR elsewhere around the globe.

At a more general level, there is the question of the future of the inter-American security system—in which both Brazil and the United States must, perforce, play significant roles. For the present, this area represents a curious lacuna in the development of hemispheric relations during the post-cold war era. Overall, relations have greatly improved among the American nations, including the United States—and there is, at least for the time being, relatively little prospect for conflict among them. Subregional schemes for cooperation have experienced an astonishing revival, and, in the economic realm, all the countries of the hemisphere (with the exception of Cuba) nominally even subscribe to the ideal of a comprehensive free trade area eventually embracing them all.

The security area, however, has been substantially neglected, and little attempt at correspondingly bold and imaginative reform has been attempted within such venerable, but now disused, institutions as the security apparatus of the OAS, the Inter-American Reciprocal Defense (Rio) Treaty, or the Inter-American Defense Board. This is presumably because many of the civilian elites who now dominate the hemisphere's political panorama still harbor an aversion to security issues, seeing them as the traditional Trojan Horse for military rule and U.S. domination. Also, action on this front may be perceived as unnecessary because of the generally improved climate of relations among the countries of the region. And neither the Bush nor, so far, the Clinton administrations have seen fit to insist on attention being paid to the forging of a new and updated security regime for the hemisphere.

This could change, however, and it is by no means certain that Brazil, without any changes in existing institutional arrangements, would be terribly cooperative—either in accepting the necessity for the kind of new system Washington might want or even U.S. priorities for action on the fresh agenda of security issues currently facing the hemisphere.

Control of international drug trafficking is a case in point. Brazil is not generally viewed as a top-tier country in terms of drug production or transshipment, but increasing activity in both areas is becoming apparent. The Brazilian military has proved reluctant to involve itself in counter-narcotics operations, although it is being forced to become more active by domestic political pressure. Installation of the SILVAM radar network to better monitor remote areas of the Amazon Basin—a key element in Cardoso's efforts to accommodate U.S. regional drug policy—has proved very controversial within the Brazilian congress and it is still not clear that it will pass this hurdle. In part, this is due

to questions raised about the conduct of the principal contractor (Raytheon) in winning the bidding process. But there is also a strong sensitivity about involving foreign countries in Brazil's largely uninhabited Amazon region—especially when it might be perceived that Brasilia is doing Washington's bidding in an area as sensitive as narcotics control.

The resolution of questions like these will ultimately have a great deal to do with the future general lines of Brazilian foreign policy and the evolution of the overall relationship between Brazil and the United States. It is clear, however, that a certain amount of divergence and suspicion—especially in the Brazilian congress and armed forces—separate that country's perspectives from those of Washington. This lack of harmony could result in concrete divergences in policy that might be badly interpreted within the U.S. Congress—and perhaps within the executive branch, as well—at some point in time.

Social Issues

Brazil is a country with serious social problems, some of which have impinged on its relationship with the United States during recent decades. Despite its vast natural resources and an impressive overall pace of development during this century, the country is characterized by one of the highest rates of social inequality in the world. Income is highly concentrated in the upper reaches of the population—and wealth even more so—leaving the majority of Brazilians in chronic poverty or working at wages that are very low even by regional standards. Moreover, social services have long been poor for the disadvantaged—creating health, living, and educational conditions that are often distressing and clearly not conducive to opportunity for upward mobility. And these traditional circumstances have been aggravated by the economic stagnation of recent years—as well as austerity measures designed to reform the country's economic policy and structure.

As both a cause and a consequence of this situation, Brazil is a profoundly class-conscious society, creating conditions in which abuses of authority by government officials—as well as powerful groups and individuals—have been common. There is political and directly pecuniary corruption, and distinct elements of a culture of impunity from the law on the part of the rich and powerful—as well as government itself. These factors, combined with a frontier mentality and a “development” attitude toward apparently abundant natural resources, have led to practices that today are considered, at least by developed countries, environmentally unsound.

These discrepancies in circumstances and standards have led Brazil and the United States into a number of disagreements, especially since U.S. policy began to become more intrusive toward the affairs of “friendly” countries during the 1970s. As a consequence, Brazil has become the object of occasionally intense scrutiny in such areas as human rights and the environment.

Originally, this attention was focused on abuses practiced against opposition elements by the military-backed governments that ruled the country between 1964 and 1985. It has continued thereafter, however, broadening in scope to embrace the activities of police officials, vigilante groups, powerful land holders in remote areas, and individuals or firms seen to be abusing the environment. In view of Brazil's large open spaces, especially the enormous Amazon rain forest, environmental questions have loomed large and often have been fused with human rights concerns—as in the case of the murder of Chico Mendes and various instances of abuses aimed at Indians and/or the rural poor.

Despite Brazil's obvious political, economic, and security importance to the United States, adverse social conditions have received the bulk of U.S. attention during recent years. From press coverage alone, it might seem that the only things that happen in Brazil are political corruption, natural disasters, environmental destruction, abuse of poor people by local magnates, and the killings of street children, Indians, and prisoners. In practice, however, actual disputes between the two governments over these matters tend to wax and wane, depending upon the conjunction of political circumstances. The Carter administration, for example, came into open diplomatic conflict with Brazil's Geisel government for a variety of reasons, in which social issues only played a part. Relations became less contentious under Presidents Reagan and Bush, although they did not return to their former harmony. When the Democrats regained control of both houses of the U.S. Congress after 1986, and with Brazil ruled by the rather ineffective Sarney, Collor, and Franco administrations, considerable human rights and environmental activism was once more targeted at the South American giant.

The situation is currently rather positive from a diplomatic standpoint. The Clinton administration is quite favorable to President Cardoso, who has promised action on many social issues of concern. And even most activist groups seem prone to give him the benefit of the doubt—at least for now. Besides, their militance is not likely to generate much resonance within a U.S. legislative branch dominated by the Republicans since 1994. Indeed, it would appear that congressional Republicans possess relatively little interest with regard to social conditions in Brazil—and are not prone to develop any unless commercial, drug enforcement, and/or free trade strategy issues emerge to separate the two countries.

One final social issue has emerged that is so far little-recognized in U.S. policy circles. This is the question of immigration. Historically, the vast bulk of the U.S. problem with illegal immigrants had its origins in Mexico, Central America, and the Caribbean. But there has been a notable increase in the dimensions of South American immigration during recent years. And, since the late 1980s—and for probably the first time in Brazil's history—more people have been leaving the country than entering it from abroad, creating considerable Brazilian communities in the United States, especially in the New York and Miami areas (with subgroups evident in Los Angeles and New England). Although there is

no definitive count, these groups could amount to more than half a million individuals at present. This is modest enough in comparison to the overall immigration problem, but the entry of Brazil and other large South American countries into the picture could come to comprise a significant problem in the future (as well as create a new domestic interest group of influence in U.S.-Brazil relations).

The immigration issue is related to consular and visa questions, which have also become something of an irritant in the bilateral relationship. The United States requires visas for visitors from all Latin American countries (requirements on Argentina, however, may soon be relaxed), and the process of obtaining them has become increasingly onerous and time consuming. At the same time, almost every country in the hemisphere has essentially abolished visa requirements for U.S. citizens, in the interest of stimulating tourism and business and because they know there is little likelihood (or practical possibility) that Americans will elect to stay and work illegally. Brazil is the only major exception (in addition to Cuba), and—on the principle of strict reciprocity—Itamaraty has intransigently stood its ground in this area. The result of the overall situation has been irritation for many Brazilians and frustration for many Americans, to the detriment of a broadening of travel and business relationships between the two countries. The recent passage of the Cuban Liberty and Democratic Solidarity Act of 1996 (better known as the Helms-Burton Act), which among other things would allow Americans to sue foreigners who traffick in property expropriated by Cuba, is likely to cause additional friction, both because Brazil has developed an increasing economic relationship with Cuba and because its diplomacy is historically resistant to these types of pressures.

Conclusion

The future of Brazil's domestic development, U.S. relationships with the remainder of the hemisphere and, hence, relations between Washington and Brasilia, is difficult to foresee, as policymakers in both capitals face the challenge of forging fresh approaches to international affairs appropriate to the demands of the 21st century. These matters are likely to be much more clearly defined over the course of the next couple of years.

- The success of the Cardoso government is a critical variable. Should it prove able to master Brazil's difficult political system and implement a far-reaching program of modernization and market-oriented reform, the country's prospects would be very good, indeed. And one would expect to see Brazil well on its way toward realizing its enormous, long-latent potential as one of the more significant economic and political actors on the face of the globe (albeit, with social problems that will require decades of stable growth to remedy). On the other hand, notable failure of the Cardoso experiment could—especially in

light of a long series of past frustrations—have very serious negative consequences, both for Brazil and its neighbors. In any event, it is likely that a definitive answer to this puzzle will become apparent during the course of 1996 and 1997.

- The approach of the United States toward Latin America and the nature of its relationship with its hemispheric neighbors for many decades to come are also likely to be determined during this same period. Until the November 1996 presidential elections, U.S. policy toward the Americas is stalled and in danger of losing the positive momentum built up during the early 1990s. But, after January 1997, a re-elected Clinton administration or a new Republican team will have to decide promptly whether to seriously attempt revival of a Washington-led drive toward hemispheric economic integration. At that juncture, there may still be an opportunity to substantially realize the great potential advantages of an eventual inter-American free trade zone—to the long-term benefit of both the United States and its hemispheric neighbors. Alternatively, Washington might continue to be constrained by domestic political considerations—or become distracted by fresh challenges in other areas of the world—and therefore let this significant opportunity to enhance its security and global competitiveness definitively slip away.
- The future development of U.S.-Brazilian relations will, of course, depend greatly on the ultimate outcome in both above-mentioned areas. But one thing is quite clear. If, by choice or force of circumstances, the whole of Latin America comes to play a significant role in the foreign affairs of the United States during the next stage of its history (a development that the author considers inevitable), American policymakers will finally have to face up to the reality of Brazil.
- In the most positive scenario, a United States constructively engaged in a quest to forge a genuine inter-American community would have to accommodate the position of an economically dynamic and politically self-assertive power in South America. Under these circumstances, Brazil would have choices to make. And the attitudes of Brazilian policymakers—presently and in the process of formation—would be extremely important. A truly hemispheric economic zone without Brazil's active participation is unimaginable. And, thus, whether policy elites in Brasilia were cooperative or obstructionist would considerably determine prospects for the success of any such endeavor.
- Alternatively, a situation in which some significant part of Latin America were regressing from the promising prospects of democracy and growth that have characterized the past decade—aggravated perhaps by inattention from Washington—would present other, and even more difficult, policy choices. But,

here, too, the Brazilian factor in the equation would loom equally large. A stable, developing Brazil would tend to pull at least its South American neighbors along with it—limiting cases of serious dysfunction with adverse implications for the United States to a smaller number of lesser countries. On the other hand, if Brazilian society were to be enveloped in trends toward regression, the situation on the southern continent would become quite hopeless—totally frustrating any positive American designs and producing negative consequences for U.S. society.

- At least for the present, the executive branches of the Brazilian and U.S. governments are playing relatively constructive (if not especially dynamic) parts in efforts to forge a closer and more constructive accommodation between the two great powers of the hemisphere. And it is principally in their respective congresses where inattention and negativism threaten sound policymaking and clear recognition of strategic imperatives for the future. Given the domestic political situations in both countries and the crucial role of their respective legislatures, this is a very grave matter, indeed—which already hampers the better intentions of the two governments. And some significant effort is warranted to address the historic isolation and incomprehension within and between these two bodies. Brazilian legislators should be encouraged to take greater cognizance of developments elsewhere in the world and of the role that the United States must *per force* play in the efforts of Brazil to realize its long-frustrated domestic and international aspirations. At the same time, members of the U.S. Congress would be well advised to think more strategically about the role that Latin America is inevitably coming to assume in the internal and foreign affairs of their society and the position that Brazil occupies in that ever more relevant region. Encouragement of these necessarily simultaneous processes is the purpose for which this paper was written and to which a significant component of CSIS's expanding program of Brazil-related activities is dedicated.

About the Author

William Perry is a senior associate of the CSIS Americas Program and president of the Institute for the Study of the Americas. Mr. Perry has an extensive track record of involvement in Brazilian affairs and the analysis of elections there and in other Latin American countries. He has also served as a senior Latin American specialist for the Senate Foreign Relations Committee, director of Latin American affairs at the National Security Council, and chairman of the Latin America Policy Working Groups for the Bush-Quayle Campaigns of 1988 and 1992.