

Varieties of Nationalism: A Half Century of Brazilian-American Relations

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In one form or another, nationalism has been the keynote of Brazilian attitudes toward the United States since the first Vargas presidency, 1930-45. In the Old Republic (1889-1930), the classic policy lines laid down by the Baron of Rio Branco, and warmly supported in Washington, amounted to a brotherly partnership of the Hemisphere's two giants.<sup>1</sup> The United States was progressively displacing Great Britain as the main purchaser of coffee, Brazil's chief export commodity, and the main supplier of manufactured goods. Brazilian and American diplomats shared a somewhat supercilious view of Spanish America, apart from Argentina and Chile, as a melange of unstable ministates subject to frequent coups d'état and rule by pompous caudillos. Both nations were wary of European imperial designs on Latin America.

Brazilians were not dismayed by the expulsion of Spain from Cuba. The Panama Canal was a boon to Brazil, greatly shortening the sea routes to the West Coast of North America. In World War I, Brazil, like the United States, maintained neutrality until 1917 and then declared war against Germany after several merchant ships were sunk by German submarines. In the Paris peace negotiations, the United States supported Brazil's role as spokesman for all of Latin America in the newly launched League of Nations.

The Brazil of the 1920s seemed to show two faces to the world. The domestic face was a society and economy dominated by rural barons (even though no longer with titles of nobility): the coffee planters and cattle raisers of São Paulo and Minas Gerais. The external face was a highly educated diplomatic service, fluent in French and English, knowledgeable in international law and history, and sophisticated in the aristocratic and plutocratic cultures of the Great Powers of that era. This dichotomy was inherently unstable, especially with a rapidly growing population, including many new immigrants to the southern states from Italy, Portugal, Germany, and Japan. Light

industry was growing rapidly, expanding the cities and creating an embryonic industrial proletariat, a base for organizing labor unions and a potential target for the Communist international. The Aliou-tenants= revolt@ of 1922 revealed widespread discontent with political and economic stagnation, not limited to the military officer corps. It opened a decade of sporadic rebellions in various states and regions against the established order. The lasting symbol of discontent was the historic ALong March@ of military rebels, headed by Luis Carlos Prestes, who later became leader of the Brazilian Communist Party. This climate was further destabilized by the collapse of coffee prices in the Great Depression of 1929-33, reducing coffee export revenue from annual averages of over ,68 million in the years 1924-29 to less than ,30 million in 1930-34 and only ,17 million in 1935-38.<sup>2</sup>

In those circumstances, there was little effective resistance in 1930 to the rebellion, led by Governor Getúlio Vargas of Rio Grande do Sul, against the election results secured under the old order. São Paulo tried to resist, but its Aconstitutional revolution@ was overcome by a naval blockade of its ports. As the depression continued, democratic institutions everywhere were under increasing pressure, having given way to fascism in Italy in the early 1920s and national socialism (Naziism) in Germany in 1933. Russia had enjoyed democracy for only a few months in 1917 and was now under the tyrannical rule of Josef Stalin, with ambitions for spreading communism worldwide through infiltration into labor unions. The old empire had fallen in China but the Kuomintang regime was not effective in consolidating democracy or beginning economic modernization and reform. Even in the United States, populist demagogues like Huey Long and Father Coughlin were making impressive inroads until Franklin Roosevelt=s New Deal, which transformed both American capitalism and the domestic political map.

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<sup>1</sup> The main features of Brazilian foreign policy since independence from Portugal are sketched in Chapter 8 of my book, *Brazil's Second Chance: En Route toward the First World* (Washington: Brookings Institution Press, 2001).

<sup>2</sup> Data calculated from IBGE, *Estatísticas Históricas do Brasil* (1987), pp. 312 and 524.

In Brazil, in addition to an indigenous proto-fascist party called the Integralistas, immigrant communities from Italy, Germany, and Japan were being actively cultivated by the fascist regimes in the mother countries while the Communist Party was recruiting trade unionists, unenfranchised peasants, and army non-commissioned officers. In November 1935, communist rebels in Natal, Recife, and the military headquarters near Rio de Janeiro, then the national capital, murdered numbers of army officers as they slept. In this uneasy situation, after several years of halting efforts at democratic constitutional reform, Vargas moved to an outright dictatorship in 1937. He assumed full legislative power, replaced state governors by appointed *interventores*, censored the press, and took prompt measures to get both fascist and communist movements under control.

In 1945, having led the country into active participation in World War II through a Brazilian Expeditionary Force serving in the Italian campaign of 1944-45, he accepted the logic of fighting in a democratic coalition against fascist dictatorships and resigned the presidency. While still in office, he formed two new parties, the Brazilian Labor Party (PTB) and the Social Democratic Party (PSD), looking toward a future comeback. With their support, he readily won the election of 1950 and served as president under the 1946 Constitution, but in 1954, under the shadow of alleged financial misdeeds by his brother Benjamim and an abortive assassination attempt against journalist-politician Carlos Lacerda, which killed Lacerda's military escort, he committed suicide.

The main lines of foreign policy for the rest of the 20th century, and many of the critical issues in Brazilian-American relations, were crystallized during the Vargas era. His dictatorship forbade strikes but compelled the organization of labor unions and employer federations, with disputes to be settled by special labor tribunals. The return to democracy in 1945 renewed the right to strike but left the organizational structure intact, creating a symbiotic relationship between trade unions and government. Although diplomatic relations with the Soviet Union were broken off in 1947 and the Communist Party was nominally outlawed, party members continued to exercise great influence in the unions and the left wing of the Labor Party until the military coup of 1964.

On the eve of World War II, Vargas successfully sought United States assistance in creating Brazil's first steel mill (Volta Redonda), but put it under complete government ownership.. When petroleum deposits were found in Brazil in the early 1950s, he at first wanted to permit some foreign participation in their development, but acceded to pressures for making it a government

monopoly, under the slogan AThe Oil is Ours [O Petróleo é Nosso].@ He also reenforced the national bias against foreign participation in other natural resource development. His suicide letter became a phrase book for Brazil's extreme left, e.g. "decades of domination and plunder on the part of international economic and financial groups," "national freedom in the utilization of our resources," and "birds of prey ..[who].. want to go on draining the Brazilian people."

In sending the expeditionary force to Italy in 1944, Vargas had hoped to lay a basis for a postwar relationship with the U.S. akin to that between America and Britain. That goal was unrealistically ambitious from the start, but even a milder version was frustrated in the late 1940s by U.S. preoccupation with European recovery and growing Soviet rivalry, and then in the 1950s by the war in Korea. The Eisenhower Administration, taking office in 1953, believed that sufficient financing for economic development could be provided by making conditions attractive to private capital, supplemented by the World Bank for any needed public capital.

Counter-factuals can never be proven, but I believe that a modest program of economic assistance to Brazil in the late 1940s and early 1950s would have greatly reduced the anti-American component of Brazilian nationalism in the postwar decades. Truman evidently had that idea in mind when he co-sponsored the Brazil-U.S. Joint Economic Commission, but his term ran out before the report was completed. Eisenhower had little interest in Latin America, but the American business community responded with enthusiasm to Kubitschek's drive for "Fifty Years in Five" and Brazil's inducements to foreign investment in automobiles, steel, shipbuilding, and other basic industries. The U.S. government also joined Brazil in sponsoring an International Coffee Agreement designed to stabilize world prices for Brazil's major export commodity.

Nevertheless, the Eisenhower administration remained cool toward direct governmental assistance for Latin American economic development. It gave no support to Kubitschek's proposal for Operation Pan-American until its complacency was shaken by the near-lynchings of Vice-president Nixon in Lima and Caracas. That led the President to send his brother Milton Eisenhower on a private exploratory tour to evaluate the condition of North-South relations in the hemisphere.<sup>3</sup> Fidel Castro's dramatic overthrow of the Bastista dictatorship in 1959 was at first warmly welcomed in

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<sup>3</sup> Milton Eisenhower's main findings were later published in his book, *The Wine is Bitter: the United States and Latin America* (New York: Doubleday, 1963).

Washington, but relations with Cuba were soured by the expropriation of American-owned businesses and Castro's wholly unexpected declaration that he had been a lifelong Communist Party member. The Milton Eisenhower report led directly to U.S. support for creation of an Inter-American Development Bank, long sought by the Latin countries, and also to the commitment of \$500 million for social development projects at the inter-American meeting in Bogotá in 1960.

With John Kennedy's election as President that November came the proposal for an Alliance for Progress. The Alliance combined two compatible motivations: (1) to accelerate economic development in Latin America under free institutions and (2) to reduce the attractiveness of Soviet-connected communist revolutions. In the former aspect, it was in line with President Truman's "Point Four" initiative of 1948 for aid to developing countries. It also drew in part on Kubitschek's earlier proposal for Operation Pan-American, but came too late for whole-hearted cooperation by Brazil. By then Jânio Quadros, despite his support from the anti-Vargas political forces, had made both negative and positive nationalism major components of his so-called "independent foreign policy."

### Nationalism, Positive and Negative

These terms were coined by San Tiago Dantas to differentiate (a) a patriotic concern for improving one's country's economic and social conditions and its constructive role in world affairs from (b) unreasoned and often counter-productive hostility to all things foreign, in American slang known as "jingoism". Brazil is amply endowed with positive nationalism; every schoolchild sings "Your future spells out this greatness" in the national anthem. And *grandeza* means grandeur as well as vastness. The negative version of nationalism first appeared in its modern form during the Vargas era, especially his postwar term as elected president. In practice, Vargas continued to maneuver between extremes and to offset concessions to the left by gestures toward the right. In proposing the creation of Petrobrás, he made a great showing of the slogan "The oil is ours," but his initial plan would have permitted private participation in exploration and drilling. In that respect he was overridden by negative nationalists who insisted on a government monopoly, although not nationalizing the existing private refineries handling imported crude. Brazil thereby missed, at great

cost, the opportunity to copy the arrangements being introduced in that era in the Middle East, whereby western companies would drill at their own expense and then share in the output from drilling successes. The cost of dry holes fell entirely on the foreigners. Since most of Petrobrás drilling in the early decades found no oil, that pattern would have saved huge sums for the Brazilian taxpayer.

The special bias against foreign investment in natural resource industries has been very strong in Brazil, although it appears to have diminished since the early 1990s. It is totally irrational in any country where the quantities of the resource in question greatly exceed the present or prospective domestic needs. Over the decades, higher-grade ore deposits of widely used metals are used up, but technology progressively reduces the cost of exploiting lower-grade deposits and science may find lower-cost substitutes, such as plastics for containers or fiber-optic glass instead of copper wire for communications. Saving the resource in expectation of continuous long run price increases is likely to be a losing game. In the 1960s, the Brazilian left was very reluctant to recognize that natural resource exports from countries like Canada and Australia, largely financed by foreign capital, had been major factors in those countries' achievement of first world living standards.

The rhetoric about excessive profit remittances by foreign investors first appeared during Vargas's pre-war dictatorship but he made it a central political issue in the 1950s and it was then carried on for decades after his death. It appeals to the primitive instinct to be fearful of strangers, especially if they look different and speak in strange tongues. It has played an important part in North America as well as South and has been evident in recent European politics in spite of the progress toward a political and economic union. Yet for developing countries with limited capacity for technological innovation, foreign direct investment is often the most rapid route to implantation of new industries, training of specialized work forces, and access to foreign markets. The most successful forms are often joint ventures, in which the local partners provide understanding of the domestic market and the sources of qualified labor, as well as dealing with governmental regulators.

Without the prospect of earning profits and ultimately bringing them back to the investor's base, foreign direct investments will not take place. Such investments do create new channels for evading exchange controls by over- or under-invoicing intra-company transactions, but that kind of manipulation can be kept within limits by a sophisticated government. It is widely believed that

in periods of currency instability, Brazilian-owned companies and wealthy individuals have accounted for much more evasion of foreign exchange controls than foreign companies or joint ventures, which are sensitive to public criticism.

Foreign direct investment is not the only way of acquiring foreign technology or breaking into foreign markets. In the boom decades of 1950-90, South Korean industry moved with great success into the electronic age by purchasing patents and sending thousands of well educated young men abroad for technical upgrading.<sup>4</sup> Educational deficiencies ruled out that choice for Brazil.

### Boom, Instability, Coup d'Etat, and Superboom

After the Vargas suicide, the brief interregnum of President Café Filho (1954-55) marked a halt in irrational nationalism and laid the base for the Kubitschek boom, in which American, European, and Japanese investments played a major role.<sup>5</sup> Foreign borrowing and inflationary domestic financing, however, played unsustainably large parts in that boom and Kubitschek was unwilling to accept IMF conditions for large-scale financial support, which might have prevented the surge in price levels.

By then it was 1959, with all eyes fixed on the expectation of a Jânio Quadros presidency, supported by the anti-Vargas União Democrática Nacional (the UDN). To the surprise of Washington, however, Quadros engineered an electoral coalition with Vargas's disciple, João Goulart (who was separately and by a much smaller margin elected Vice-President). After a few months, Quadros announced a new and "independent" foreign policy with strong anti-U.S. overtones. Words apart, the dramatic substantive innovation in that policy was withdrawal of support for Portuguese colonialism in Africa. It did not interfere with constructive negotiations with the U.S. and the IMF on debt rescheduling and financial assistance. Quadros appeared to welcome Kennedy's proposal for an Alliance for Progress and sent to its negotiating conference in Uruguay a strong delegation, headed by Finance Minister Clemente Mariani and Roberto Campos.

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<sup>4</sup> See Alice H. Amsden, *Asia's Next Giant: South Korea and Late Industrialization* (New York: Oxford University Press, 1989).

On August 25, 1961, Quadros surprised Brazil and the world by resigning the presidency. The U.S. had no part in or foreknowledge of that action and it is now beyond doubt that he intended it to be rejected or soon reversed by popular clamor. Instead, its acceptance precipitated a politico-military crisis, with genuine dangers of internecine combat within the armed forces. The Congress converted the constitution into a parliamentary system for the remainder of that presidential term (1961-66), permitting Vice-President João Goulart to assume the presidency and nominate a Prime Minister, who would then have to be confirmed by the Congress.

In 2002, I wrote a long supplementary chapter for the Portuguese translation of my book on *Brazil's Second Chance*, dealing with U.S.-Brazilian relations during Goulart's thirty months in office, which ended with the military coup of March 31-April 1, 1964.<sup>6</sup> Based on declassified telegrams of that era, together with vivid personal recollections, it traces four phases in a mainly downward trajectory, with hopes for the Alliance for Progress in Brazil becoming constantly more evanescent. Contrary to a substantial literature, in both English and Portuguese, alleging U.S. participation in the coup, it makes clear that there was no such participation, either in planning or in execution. Our objective was to maintain the 1946 constitutional structure intact for the rest of the original Quadros term, permitting presidential elections to take place in October 1965. Our expectation was a second electoral victory by Juscelino Kubitschek.

Brazilian-American relations in late 1961 traversed a bright early phase, under the prime ministership of Tancredo Neves. It included a Goulart official visit to Washington, New York, Chicago, and Omaha (Strategic Air Command) and the initiation of a variety of Alliance for Progress projects. Goulart and Kennedy appeared to develop a good personal rapport. On the advice of Brazilian Ambassador Roberto Campos, Goulart's address to the U.S. Congress focussed on the political difficulties of keeping prices in line with inflation for foreign-owned public utility services, such as electricity and telephone. To avoid conflict with the governments of the investing companies, mainly American and Canadian at that time, he proposed a policy of negotiated buy-outs by the

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<sup>5</sup> For a study of government and business policies and attitudes in this connection, see Lincoln Gordon and Engelbert L. Grommers, *United States Manufacturing Investment in Brazil: The Impact of Brazilian Government Policies, 1946-1960* (Boston: Harvard Business School, 1962).



Brazilian government. He also reiterated his promise to settle Governor Leonel Brizola's telephone company expropriation in Rio Grande do Sul. The differences in policy toward Cuba (whether it should be excluded or merely "suspended" from attending meetings at the Organization of American States) were scarcely mentioned.

The second phase, under Prime Ministers Brochado da Rocha and Hermes Lima, was a period of unfulfilled promises and waning hopes for constructive cooperation. The shining exception was Brazil's support for the quarantine against shipment of Soviet nuclear missiles to Cuba. Negotiations on public utilities were put off indefinitely.<sup>7</sup> With Goulart clearly on the road back to full presidential powers, we arranged a visit of Bobby Kennedy for a first-hand conversation with Goulart, in the hope of tilting the relationship back toward positive cooperation through the Alliance for Progress. That was also our objective in the 1963 negotiations between San Tiago Dantas, then Finance Minister, and AID Administrator David Bell, leading to commitments of aid in quarterly installments contingent on anti-inflationary macroeconomic policies in Brazil. Those policies had been clearly outlined in Celso Furtado's three-year plan.

In July 1963, however, Dantas and Furtado were dismissed from the Goulart cabinet and cooperation in macroeconomic stabilization was not forthcoming. From August on, our central objective was to hold the constitutional structure intact until the election of a new president. If that failed, we foresaw a genuine danger of civil war and developed a contingency plan to provide

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<sup>6</sup> The English original text of that chapter was published by the Brookings Institution Press in 2003 as a Supplement to the book under the title: *Brazil, 1961-64: The United States and the Goulart Regime*.

<sup>7</sup> A curious episode from this period illustrates "negative nationalism" at work. In August 1962, frustrated by the total absence of progress on the buy-out of public utilities, I inquired who was charged with that matter and was given the name of a high level civil servant whom I had met in 1960 when doing research on my Harvard Brazil project. He said, in substance: "Of course we haven't pursued that project because we saw you in that picture in *Fortune* magazine." The embassy library fortunately had a back file of *Fortune*. Research turned up a picture of me in the New York office of the President of AMFORP (the American and Foreign Power Company), talking with company officials about their problems in Brazil. The implication was that I had been "supping with the devil" and could no longer negotiate with Brazil to follow up their own president's promise to our president and Congress.

<sup>8</sup> A cardinal example is in Moniz Bandeira, *Relações Brasil-EUA no Contexto da Globalização: Rivalidade Emergente* (São Paulo: Senac, 1997), Chapter V, pp. 87-96.

logistical and moral support, but not troops, to the anti-communist and pro-American side. The almost bloodless coup d'état of March 31/April 1, 1964, removed any impulse for U.S. intervention.

The presidency of Humberto Castello Branco marked a radical improvement in Brazilian-American relations, including substantial U.S. "program lending" to assist in combatting inflation, Brazilian tempering of the profit remittance legislation to attract foreign private capital, negotiated rescheduling of external debt, and fulfillment of Goulart's promises for buy-out of foreign-owned public utility companies. Brazil also agreed to a U.S. request in 1965 for participation in the military occupation of the Dominican Republic after the U.S. intervention there in 1965.

Some historians have described the relationship in those years as outright subordination of Brazilian interests and policies to the United States, with my own role approximating a de facto presidency.<sup>8</sup> That picture is a wholly mistaken caricature and a gross underestimation of the capacities and performance of President Castello Branco, Finance Minister Octavio Bulhões, Planning Minister Roberto Campos, and Foreign Minister Vasco Leitão da Cunha. It oddly suggests that the resumption of U.S. and World Bank economic assistance was harmful to the Brazilian economy, disregarding the foundation laid in those years for the sustained boom of the "economic miracle" years (1968-1976).

Three points are often made to sustain the thesis that the Castello Branco government was subservient to U.S. interests in disregard of Brazilian interests: the Dominican intervention; the suspension of Cuba's membership in the OAS; and the proposal for an "Inter-American Peace Force." The first was indeed a positive response to a U.S. request, but it was conditioned on a two-thirds vote in the OAS. In the following year, I was instructed by Washington (contrary to my advice) to request Castello Branco to provide some form of support, although not necessarily troops, to the U.S. struggle in Vietnam. Pointing to the Dominican precedent, he replied that Brazil could do so only pursuant to a vote in the United Nations, either by the Security Council or the General Assembly. Both alternatives were then obviously out of the question.

On Cuba, Foreign Minister Vasco Leitão da Cunha presided over the OAS meeting which voted to shift the action from suspension to exclusion. But that was not merely responding to U.S. desires. Vasco had been Brazil's ambassador in Havana in the early years of the revolution

there. He had welcomed the ouster of dictator Batista and the prospect of a liberalized democratic regime respectful of human rights. As his embassy's garden became crowded with fearful Cuban dissidents, including a sister of Fidel Castro, asking for asylum and help in leaving Cuba, he had become progressively disillusioned. By 1965, the Brazilian government needed no prodding from the United States to join in the exclusion vote.

After Brazil's decision to join in the military occupation of the Dominican Republic, the idea of a permanent "Inter-American Defense Force" was discussed at some length in OAS circles in Washington. I do not know whether it originated in the Pentagon or in the Brazilian Army, but I believe that it generated more enthusiasm in Rio than in Washington. I recall a puzzled message from Edwin Martin, then Assistant Secretary of State for Latin America, asking why the Brazilian military were so enthusiastic about the IADF, on what basis the force would be activated, and whether it would not generate more tension than peace. It was certainly not pressed on Brazil by the U.S. and it soon died a natural death.

By late 1965, it seemed quite possible that democratic institutions might be fully restored in Brazil in early 1967, with only a one-year delay in the timetable provided by the 1946 Constitution. The Inter-American Foreign Ministers meeting in Rio extended the nominal duration of the Alliance for Progress and laid a basis for the meeting of Western Hemisphere presidents in Uruguay in early 1966. The highlight of that meeting was a resolution endorsed by all the Latin foreign ministers to create by the mid-1980s a free trade area comprising all of Latin America. (In those days, no one would have dreamed of advocating inclusion of the United States or Canada.) By then, Marshal Costa e Silva was President of Brazil, signalling a rightward shift but not yet the sharp right turn of Institutional Act No. 5 (I-A 5), decreed in December 1968. At an informal farewell luncheon of the U.S. delegation in Punta del Este, awaiting the departure of the presidential plane for Washington, President Johnson posed the rhetorical question: "If you were on a battlefield facing enemy fire and you had to choose one of these presidents as your partner in combat, which would you choose?" His own answer was "Costa e Silva."

If Vietnam had not precluded Johnson's re-election, the free trade proposal might have prospered, but the Nixon Administration showed no interest in it and, indeed, little interest in Latin American relations more broadly. That was when the Alliance for Progress truly came to an end.

Kennedy loyalists are unfair to Johnson in failing to recognize his effort at reinvigorating the program.

Nixon's ascent to the presidency coincided with I-A 5 in Brazil. Resistance to the regime from students, trade unionists, and others was growing, with sporadic incursions of rural and urban guerilla groups, generating increasingly severe repression. American public attention was abruptly drawn to these developments by the kidnapping of Ambassador Burke Elbrick in September 1969. He was released, after several agitated days, in exchange for the freeing to Cuba of fifteen named political prisoners, mostly students. This technique was not directed exclusively to the United States; in 1970 the Japanese Consul General and the German Ambassador were similarly kidnapped and ransomed. For the next six years, until the accession of President Ernesto Geisel and the initiation of *distensão* and *abertura* ("relaxation" and "opening"), American public opinion viewed Brazil with a mixture of dismay about authoritarian repression and admiration for the economic "miracle." Governmental economic assistance was no longer of crucial importance and the American private sector participated actively in the "miracle."

### Romantic Nationalism

Brazil's economic miracle ended with the oil price shocks of 1974 and 1979, the interest rate shocks of the 1980s, and the inflation policy shocks of 1986-91. The "miracle" era, however, had made sweeping changes in industrial structure and therefore in the composition and directions of trade. A salient feature of the late 1970s, coinciding with President Geisel's cautious steps toward political liberalization, was a phase of economic romanticism, or romantic nationalism, which generated substantial tensions with the U.S. and other industrial exporting countries. In informatics, it tried to promote domestic capacity by prohibiting imports of selected items, raising objections from would-be users at home as well as potential sources abroad. Given Brazil's limited numbers of high technology scientists and engineers, it was unrealistic to focus on the industry with the shortest turn-around time -- six months or less -- in applying new technology.

Atomic energy technology was moving more slowly, but the industrial world was coming to realize that "power too cheap to charge for" had been a romantic dream of the 1940s. It was also increasingly clear that it was not easy to promote atomic electricity without risking the proliferation

of atomic weaponry. The U.S. government endorsed the building of Brazil's first nuclear power plant by the Westinghouse Company, but on condition that fuel would be provided by the U.S. government's atomic energy agency. Then in 1974, that agency warned Brazil, wrongly as events later proved, that it might not be able to fulfill its fuel supply commitment. Brazil then turned to West Germany, not only for fuel supply but also for a new centrifuge technology for separating uranium isotopes. That could have made Brazil not only self-sufficient in power plant fuel but also capable of producing atomic weapons. Behind the scenes, the Brazilian Army and Navy were both working clandestinely on the development of nuclear weapons, as were their counterparts in Argentina. Brazil had also refused on principle to accept the Nuclear Non-Proliferation Treaty, on the ground that it was bad international law to perpetuate two categories of nations, nuclear and non-nuclear. (The treaty envisages the ultimate complete nuclear disarmament of the initial nuclear nations, but no-one expects compliance on that point.) Then on President Carter's inauguration day in 1977, and without giving any advance notice to Brasília, Washington announced that Vice-President Mondale would be travelling to Europe, in part to persuade the German government to alter its agreement with Brazil. That was a rude shock to Brazilians concerned with foreign affairs, both military and non-military. It was soon followed by an annual State Department report on human rights abuses in Brazil, a routine document whose commentary was less severe than in previous years. Nevertheless, President Geisel's Foreign Minister, Azeredo da Silveira, convened the press, not only to state that Brazil had "rejected the report and returned it to the Embassy" – a meaningless gesture – but also to announce Brazil's denunciation of the bilateral military assistance treaty of 1952.

That treaty originated in the Vargas years and was no threat to Brazilian sovereignty. As Brazil's defense industries had diversified and taken over the supply of many types of weapons, they were deleted from the U.S. supply list as a matter of routine. But Silveira's mode of announcement implied that the action was a major step in freeing Brazil from dependency on the U.S. It was enthusiastically received by the public, even in circles generally friendly to the U.S. Thus 1977 was a low point in bilateral relations. Silveira christened his foreign policy "responsible pragmatism," a term which provided little guidance as to its practical significance. A few years later, he conspicuously cultivated a "special relationship" with Henry Kissinger and the Reagan Administration, including periodic bilateral meetings of the foreign office planning staffs. By then, however, the

cardinal bilateral issues had become debt rescheduling and interest rates, more pertinent to national treasuries and central banks than to diplomats.

Another example of technological hubris, in this case not directly involving the U.S., was the military's approach to developing Amazônia. Highways were constructed and town sites planned as if this unique wetland, with its immense diversity of flora and fauna and ecological unsuitability for agricultural monoculture, were like the American prairies. Protests arose the world over and within Brazil itself. The program soon exhausted its natural course, but unfortunately gave ammunition to well-meaning non-governmental organizations in North America and Europe, who began to call for Amazonian "internationalization." Nothing could have been better calculated to discourage Brazilian cooperation in international conservation efforts than this outright challenge to territorial sovereignty.

This era also witnessed a period of intensive Brazilian activity in United Nations circles directed toward organizing the Third World to "extract concessions" from the advanced countries. It was on display in UNCTAD (the United Nations Conference on Trade and Development) and a series of specialized conferences on such matters as world population, environment, and ocean resources. In each case, Brazilian delegates made a point of "tweaking Uncle Sam's beard" in ways not apt to encourage positive responses from Washington. That posture had been inspired by the example of OPEC's oil price shocks, whose possible analogies might supposedly be found in many raw material markets dominated by Third World countries. Even as hard-headed an international economist as Fred Bergsten, now president of the Institute for International Economics, was briefly struck by these possibilities.<sup>9</sup> And there were occasional declarations by prominent Brazilians that they would prefer that Brazil be "first in the Third World" rather than "last in the First World." More sober reflection after bitter experiences, especially in Africa, suggests that prosperity in the Third World would also be of benefit to the First, that their inherent relationship is not a zero- or negative-sum game.

Military romanticism came to an end with the economic crises of the '80s and early '90s and the termination of the military regime in 1985. The return to civilian government was welcomed

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<sup>9</sup> See C. Fred Bergsten, "The Threat from the Third World," 11 *Foreign Policy* 102-124 (Summer 1973).

in the U.S., but the relationship was clouded by the seemingly endless debt crisis of almost all Latin America. The 1988 constitution also raised concerns in both governmental and business circles in the U.S. because of its discrimination against majority foreign-owned businesses in general, even if incorporated in Brazil, and its special protections for a multitude of interest groups.

### Toward a More Stable and Durable Relationship – Partnership without Hegemony

The victory of Fernando Collor in 1989 in the first Brazilian popular presidential election since 1961 was due more to his being “not Lula” than to foreseeable policies of his own. Lula in that era was considered a grave threat to Brazilian conservatives and capitalist institutions. It turned out that Collor’s brief tenure, before being impeached for corruption, opened a new era in relations with the U.S., which I call “partnership without hegemony.” It is of course an unequal partnership, especially in macroeconomic or military aspects, but not one of master and servant.

Collor took three major initiatives in 1990 soon after inauguration. The most dramatic was another heterodox plan against inflation, this time combining price controls with freezing of assets; it failed within a few months. The more durable changes were large-scale privatization of government-owned communications, electric utility, and manufacturing plants and an “opening” of the economy to foreign trade and investment. In the same year, President Bush (senior) proposed a Free Trade Area of the Americas, reaching from Alaska to Tierra del Fuego, a kind of shock treatment whose initial reception in Brazil seemed very favorable. Then in 1993, faced by total inflationary destruction of the currency, Collor’s successor, Itamar Franco, was persuaded to appoint Foreign Minister Fernando Henrique Cardoso as his fourth Finance Minister. Cardoso’s friends and fellow-leaders in the Social Democratic Party (PSDB) included sophisticated economists from the University of São Paulo and the Catholic University of Rio de Janeiro, who had been working on a reform to overcome inflation without destroying all monetary assets, as in Weimar Germany in 1923, and without unsustainable “shock treatment.” The Real Plan was their creation. Its success took Cardoso into the presidency for two full terms. It also permitted a surprisingly smooth transition in late 2002 to the presidency of Luiz Inácio Lula da Silva (“Lula”).

## A Mature Partnership

Brazilian-American relations in the largely overlapping terms of Presidents Clinton and Cardoso were the most positive in both countries since the start of the 20<sup>th</sup> century. They were helped by the personal rapport between the presidents, both intellectuals who loved to talk at length about ideas, both slightly left-of-center in their philosophical and political leanings, and both skeptical of Utopian transformations. They were also both frustrated in international initiatives which absorbed much of their time, Cardoso by the crisis in Argentina which undermined Mercosur and Clinton by the failure of peacemaking in Palestine.

During the Workers Party's election campaign and other pronouncements of recent years, there had been occasional overtones reminiscent of the 1970s and 80s suspicion of American policies and practices. None of that has surfaced since the October 2002 election. There has also been no sign of U.S. administration resentment against Brazil's low-key but clear-cut disapproval of the unilateral (or bilateral) conquest of Iraq. Perhaps Brazil should be happy at not being either a permanent or a temporary member of the U.N. Security Council in 2003. Presidents Bush and Lula appear to have gone out of their way to minimize issues of disagreement. And despite the sharp contrast in family backgrounds and political philosophies, they both prefer practical action to theoretical debate and are likely to cooperate.

On the Brazilian side, the keynote of foreign policy since 1990 has been positive nationalism, free of the negative and romantic elements of earlier decades. With democratic institutions and basic civil liberties consolidated, Brazil's sheer size in area, population, and economic output give it a natural leadership role in Latin America and a natural co-leadership role with the U.S. in the Western Hemisphere. That implies neither automatic acceptance of U.S. policies nor visceral negativism toward any initiative coming from Washington. In economic weight, the U.S. greatly outranks Brazil, although by smaller margins in real terms than in nominal dollars.<sup>10</sup> But Brazil may carry equal or greater weight in South America, as demonstrated in its actions to ward off a coup

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<sup>10</sup> In population, the U.S.-Brazil ratio in the year 2000 was 1.7. The ratio for National Incomes measured at the official exchange rate was 15.0, but in Purchasing Power Parity (PPP) terms it was only 7.7. The ratio of Per Capita Income in PPP terms was 4.7. Calculated from data in World Bank, *World Development Indicators, 2002*, Table 1.1, pp. 18-20.



d'etat in Paraguay and its mediation efforts in Venezuela.

The big bilateral issue in the visible future is also multilateral, since it concerns the future of inter-American trade relations within both the global trade framework and a possible Free Trade Area of the Americas (FTAA). It will be discussed in other sessions of this conference by trade experts much better qualified than I. I do note, however, that only last week some kind of division of labor between negotiations in the WTO (the Doha Round) and in the FTAA appears to have been reached between U.S. Trade Representative Robert Zoellick and Foreign Minister Celso Amorim. I believe that successful conclusion of an FTAA agreement would be beneficial to all its member countries, but see obstacles to a completed negotiation by 2005. The date could be changed by mutual consent among presidents. Are others also moving toward that conclusion?

Finally, let me take this opportunity to clarify a passage in my recent book concerning Brazil's position in the United Nations. In the introductory pages, as part of a broad summary introducing American readers to Brazil's place in the world, I wrote:

Brazil took the lead in 1998 in resolving a long-standing border conflict between Peru and Ecuador and has been an active and constructive participant in United Nations activities in peace-keeping, arms control (including non-proliferation of weapons of mass destruction), and environmental and human rights protection. It is unlikely, however, that Brazil will fulfill its ambition for a permanent place on the UN Security Council

Some readers have misconstrued that last sentence as based on opposition to Brazil's bid. That is not the case. If the UN Charter were being negotiated from the start today, there would be a different pattern of specially recognized member nations. The Security Council would surely include Japan as a permanent member. The European Union might have a single permanent member representing that community as a whole. Brazil would be there, but not necessarily with the power of veto. The veto might be restricted for all permanent members, although that idea would not be readily accepted by the United States and might also be resisted by France. I do not know whether Russia would still qualify as a permanent member.

But the Charter is not being drafted today. I do not see a French or British willingness to give up permanent seats to make room for Brazil and an African member (Union of South Africa?)

Congo?). In short, my conclusion was based simply on a skeptical evaluation of international political readiness to face the array of issues involved in Security Council transformation. It was in no sense a negative judgment on the merits of Brazil's quest.

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