Brazil as a Regional Power and Its Relations with the United States

by

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Since the mid-nineteenth century, Brazil's interests have conflicted with those of the great industrial powers. Its alignment with the United States in the first half of the twentieth century reflected its dependence on coffee exports and the North American market, and even then it did not always passively accept U.S. predominance. An inevitable consequence of Brazil's ambition to win its rightfully prominent place in the international structure of power has led to a withering away of that unwritten alliance over the past quarter of a century. Brazil has steadily improved its ties with other South American countries in an effort to expand its room for maneuver and increase its bargaining power. While the current administration has pursued friendly relations with the United States, divergences between the two countries remain. In particular, along with other South American countries, Brazil has serious economic and political concerns that run counter to the proposed Free Trade Area of the Americas.

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To understand Brazil's role as a mid-level or regional power in Latin America, it is important to start by defining "power." Three factors must be considered in assessments of the power hierarchy among states: territorial extent, economic power, and military power. These are the factors that allow states to act independently and influence other states and thus determine the way in which the condition of being an international power is expressed. A state equipped with military force sums up the value of its territorial extent (assuming, of course, that its population corresponds to it) and its economic potential. It becomes hegemonic, the head of a system of alliances and agreements of varying scope. To reckon on all the factors that give the assurance

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of victory, as far as victory is foreseeable, requires the capacity to exercise diplomatic pressure—the capacity to obtain part of what might have been the result of a victorious war without actually fighting (Gramsci, 1976: 191). In addition, internal peace, reflecting the efficient exercise by the ruling social group of its internal hegemonic function, is indispensable if a state is to be an international power. In other words, as Karl W. Deutsch has said, power status potential is a rough estimate of available material and human resources that can be used to predict how successful a country will be in a power contest if it uses its resources to advantage (1967: 52). According to Deutsch, the larger a country is and the more numerous its population, the larger the proportion of its population and resources that can be mobilized for the pursuit of some policy (57). With more than 186 million inhabitants (in 2005) (http://www.odci.gov/cia/publications/factbook/rankorder/2119rank.html), Brazil's territorial extent is only slightly smaller than that of the continental United States, if Alaska is included. It amounts to some 8,514,215 million square kilometers and has a coastline of 7,367 kilometers. It shares 15,735 kilometers (about 8,000 miles) of border with all of the South American countries except Ecuador and Chile. It is a tribute to Brazilian diplomacy that, in contrast to those of many other states, its borders are entirely uncontested. Within this vast territory, natural resources abound-fertile agricultural lands, colossal reserves of iron and metallic minerals, uranium, and petroleum, and enormous hydroelectric resources.

Brazil's economy is, according to the criterion of purchasing power parity used by the World Bank, the ninth largest market-based centre of production with US$1,580 trillion (2005 est.), a gross domestic product (GDP) over three times more than Argentina's US$537 billion (2005 est.), larger than those of Russia at US$1,535 billion, Canada at US$1,077 trillion (2005 est.), Mexico at US$1,066 trillion (2005 est.), and Spain at US$1,014 trillion (2005 est.), and slightly smaller than those of Italy (US$1,645 trillion, 2005 est.), France (US$1,816 trillion, 2005 est.) and the United Kingdom (US$1,867 trillion, 2005 est.) (http://www.odci.gov/cia/publications/factbook/rankorder/2001rank.html).

Since the mid-nineteenth century, Brazil’s interests have always conflicted with those of the great industrial powers, especially the United Kingdom and the United States. In 1850 Brazil faced and resisted pressure from the United States to open the Amazon River. In 1863, after two decades of friction, it severed diplomatic relations with Britain, withstanding intense pressure to renew a trade agreement abandoned in 1842. Relations between the two countries were reestablished only in 1865, during the Triple Alliance war against Paraguay (1864–1870), when Brazil needed loans to purchase military supplies. This war, waged together with Argentina and Uruguay, had dire consequences for Brazil's economic and political situation even though the alliance emerged victorious. Brazil gained only foreign debts and was exhausted and economically weakened, while Buenos Aires, on which Brazil had wasted so much money supplying the troops, became richer and was finally able to unify, organize, and centralize the Argentine state. Thus, during the two last decades of the nineteenth century, Argentina was for the first time able to match Brazil. Both countries remained predominantly rural until the early decades of the twentieth century, participating in the world economy as exporters of commodities and importers of manufactured goods. Historically and geographically linked by common frontiers, Brazil and Argentina, whose economies were to a large extent complementary because of differences in soil and climatic conditions, maintained close bilateral trade relations from the colonial era on. However, the different nature of their main exports determined links of dependence on the markets of different and rival industrial powers whose competing interests placed further stress on the ambivalent relations between them, both producing tendencies toward conflict and cooperation and neutralizing those tendencies. In the second half of the nineteenth century Argentina became a kind of informal colony of Britain, the so-called Fifth Dominion, occupying a dependent position to which no exact parallel exists. Britain was its main partner, purchasing 76 percent of its meat exports in the 1920s and 34 percent of its wheat. At the same time, Brazil became strongly dependent on the North American market for a large proportion of its exports, which increased from 32.2 percent in 1913 to 47.1 percent in 1927 (Bandeira, 1973: 191).

Yet Brazil's traditional friendship with the United States and its secular rivalry with Argentina constituted, to a great extent, an ideological stereotype intended mainly to influence their foreign policies and the hemisphere's system of international relations in favor of certain interests. In fact, the alignment with the United States in the first half of the twentieth century reflected a situation of economic symbiosis in which Brazil was 60–70 percent dependent on coffee exports and on the North American market. But the relationship between the two nations went through several phases from very close cooperation during World War II to the mid-1970s, when it was under substantial stress. Strategically as well as politically, Brazil's importance to the United States was enormous during the war because of its geographical position immediately south of the Equator and the mouth of the Amazon, stretching far into South America and with easterly extensions—Natal and Recife—close to Africa. This does not mean that a strong understanding prevailed or that the relations between the two countries ran smoothly at the time. In fact, even during that period Brazil did not always passively accept U.S. predominance. The requirement of a certain reciprocity underlay this economic and political relationship, and divergences between the two countries are traceable from the early days of Vargas's first administration, after the 1930 Revolution. Vargas maintained links with Germany in the 1930s and explored international contradictions by adopting a neutral position in the war until 1942. He hoped during World War II to achieve broader autonomy for Brazil in the international arena and through this to create better conditions for its development as a regional power. He declared that a permanent place should be assigned to a South American country—doubtless Brazil—in any world security council, but although Roosevelt favored it the United States did not support the idea at the Dumbarton Oaks or at the San Francisco Conference.

While President Eurico Dutra, Vargas's successor, adhered to a strictly pro-U.S. foreign policy, Brazil resented this snub and the fact that the United States gave economic aid through the Marshall Plan to Germany and Italy, defeated enemies, but no further assistance for its ongoing industrialization to Brazil, an allied country that had cooperated more fully than any other South American nation with the war effort. Therefore the difficulties in U.S.-Brazilian relations became more acute and worsened during the late 1950s. The main bone of contention was the nationalist policy adopted by Vargas, who had been elected to a second term (1951–1954) and gave priority to Brazil's economic development rather than to the political and military issues considered fundamental by the United States. Rapid industrial growth led Brazil to seek a modification of the relations between the United States and the Latin American countries as part of its emerging identity as a capitalist power that aspired to enhanced status in the Americas and the world. Vargas, in the midst of a political crisis, committed suicide in 1954, but Juscelino Kubitschek, supported by the same political forces—the Partido Social-Democrático and the Partido Trabalhista Brasileiro—won the election and, on taking office (1956–1961), resisted all pressures and pushed forward the industrialization process. His proposal of a Pan-American operation in 1958, withdrawal from the International Monetary Fund in 1959, and reestablishment of trade with the Soviet Union were demonstrations that Brazil was a mature country that deserved to be taken seriously by the great powers. This tendency became stronger during the brief administration of President Jânio Quadros (January–August 1961), whose independent foreign policy sought to achieve domestic support for his government and improved bargaining power vis-à-vis the United States. He increased the closeness of Brasília–Buenos Aires relations, which President Kubitschek had improved by continuous consultation with the Argentine government, and formalized this agreement with the Argentine president, Arturo

Frondizi (1958–1962), at the frontier town of Uruguaiana in April 1961. The independent character of Brazilian foreign policy was emphasized by the defense of the sovereignty and self-determination of Cuba, where Fidel Castro had led a revolution toward socialism. Although U.S. authorities knew that Quadros was using foreign policy with a view to strengthening his position vis-à-vis the Brazilian left while trying to impose the economic and financial program required by the International Monetary Fund and the U.S. financial institutions, they worried that this use of foreign policy to solve domestic problems could have unexpected and undesirable results. Hoping to force Congress to give him extraconstitutional powers, Quadros resigned, but even after his resignation Brazil's independent foreign policy remained intact. The military chiefs tried unsuccessfully to keep Vice President João Goulart (leader of the Brazilian Labor party) from taking office, and once in power Goulart stressed that Brazilian foreign policy required that exclusive consideration be given to the interests of Brazil, which aspired to development, economic emancipation, and historical reconciliation between representative government and social reform to end the oppression of the working classes. He restored diplomatic relations with the Soviet Union, began commercial exchanges with the People's Republic of China, and continued to resist U.S. pressure for sanctions against Cuba.

Brazilian opposition to the policy of crushing Fidel Castro's regime and the nationalist measures enacted by Goulart's government frightened the United States. Relations between Brazil, where the North American business community participated in internal social struggles, and the United States could only deteriorate. Indeed, they became increasingly tense, and the CIA, by undertaking various kinds of covert spoiling operations, artificially aggravated the internal crisis and thus contributed to the coup d'état of 1964.

The fall of Goulart and the ascension to the presidency of General Humberto Castelo Branco (1964–1967) thus signified a great victory for the United States rather than a defeat for the communists, who, as the U.S. Department of State well knew, had never possessed the means to take power. It was, however, a great defeat for the nationalist tendencies that had been encouraged by the industrialization process and by the social struggles unfolding at a moment when the nation was suffering from a shortage of resources and experiencing the impact of the Cuban Revolution. Dominated by a cold-war mentality and fearing the spread of revolutionary trends across South America, the United States, whose policy makers often confused communism with nationalism, increasingly endeavored to transform Brazil into a bulwark against Cuban influence rather than a functioning democracy. U.S. military programs had the fundamental objective of encouraging Latin American forces to dedicate themselves to the task of maintaining security against communist, Castro-inspired subversion, contributing to collective defense, and promoting economic and social development. Consequently, U.S. technology, training, and support could not but encourage the Brazilian military to take power and seize control over internal affairs. Castelo Branco's foreign policy was a so-called diplomacy of geopolitical inspiration based on the theory of ideological borders and the elimination of areas of conflict with the United States. It was justified by the doctrine that "in the present context of bipolarized confrontation, with a radical political-ideological gap between the respective positions, the preservation of independence requires accepting a certain degree of interdependence in the military, economic, and political fields" (Castelo Branco, 1964: 9). Castelo Branco believed that Goulart's embrace of statism and nationalization, both of which discouraged foreign investment, had caused misunderstandings with the United States and what was needed was a "rapid and sometimes difficult transformation in our foreign policy" (11). Besides liberalizing the Brazilian economy, he severed relations with Cuba, sent troops to support the U.S. intervention in Santo Domingo, and advocated the creation of an inter-American "peace force." The principle "What is good for the United States is good for Brazil" was enunciated by Juracy Magalhães, the Brazilian ambassador in Washington and later foreign relations minister (1971: 275), and it became the overarching principle of Brazilian diplomacy.

Castelo Branco tried to bring back the old policy of marching to Washington's tune that had been proclaimed as early as 1914–1915 as a reflex of a situation of economic complementarity: Brazil was sending 60–70 percent of its coffee exports to the United States and in turn depended to a similar degree on the U.S. market. However, after the industrialization boom of the 1950s, fueled principally by the steel sector, the old foreign policy was obsolete. The economic complementarity waned, and automatic alignment with the United States was no longer in the national interest of a developing country like Brazil that entertained aspirations to becoming a world power. Therefore the Castelo Branco government could only be a "brief and aberrant interlude," as the U.S. ambassador John Crimmins (1982: 50) once acknowledged, and the reversal of the policy of close identification with the United States became inevitable.

In 1967, General Artur da Costa e Silva (1967–1969) succeeded Castelo Branco in office, a revival of nationalism manifested itself through a radical right-wing military faction, and Brazil once again assumed a competitive stance toward the industrialized powers by expressing solidarity with Third World aspirations and considering global power the best way to ensure rapid economic growth. By contrast, Argentina, where the military had held power since Frondizi's fall in 1962, remained economically stagnant and deeply divided politically. In fact, the inauguration of the Costa e Silva government represented a victory for the hard-line military, who from then on, in one way or another, determined the direction of the authoritarian regime. The guidelines of Castelo Branco's foreign policy were replaced by concepts very similar to those of the Quadros and Goulart period and to some extent to the principles that had oriented Brazilian–United States relations in the Vargas and Kubitschek eras. Costa e Silva stressed that "development and security are closely linked concepts, the latter being dependent on the former" (1968: 131–132). Brazilian foreign policy, under a minimum of political and ideological constraints, forged economic links with Africa and the Middle East and sought to enlarge exports markets as an instrument of economic growth. Instead of confining himself to the cold-war international scenario as the Castelo Branco government had done, Costa e Silva grounded his foreign policy in the national interest as perceived by the nationalist right-wing faction of the army. Conflict with the United States arose when under the pressure of lobbies the administration in Washington attempted to limit imports of Brazilian instant coffee, and it eventually spread beyond the commercial area. At the Geneva Conference, Brazil sided with neutral countries such as India and the United Arab Republic against joint proposals by the United States and the Soviet Union to limit nuclear testing. Later Brazil refused to support the Nuclear Non-Proliferation Treaty, despite heavy pressure from the U.S. Department of State. Costa e Silva stated that atomic energy was "the most powerful resource to be placed within the reach of developing countries for reducing the distance between themselves and the industrialized ones" (1967: 11–12). Brazil's economic growth and its determination to achieve world-power status led to its rejection of the policy of nonproliferation of nuclear technology because any commitment in that direction would have implied a new form of dependence. These Brazilian policies did not change substantially during the administration of General Emílio Garrastazu Medici (1969–1973). Despite reinforced economic ties with Western industrial countries and with international financial capital, Brazil maintained its opposition to the crystallization of power positions in the international system, arguing that true peace could not be defined as the mere maintenance of the status quo, in which the United States and the Soviet Union could predominate by means of their nuclear monopoly (Araujo Castro, 1982). Brazilian aspirations required not the overthrow of the international order but merely the improvement of Brazil's position in the hierarchy of power. Rates of economic growth of 9, 10, and 11 percent per annum between 1968 and 1973 reinforced Brazilian aspirations toward becoming a world power, deepening the tensions with the United States, and the alternatives for economic development and alternative markets for exports of manufactured goods had to be found mainly in Africa and Latin America. Besides exporting commodities such as coffee, soybeans, citrus, poultry, and even high-technology weapons, Brazil began to compete strongly in the world market in the sale of manufactures such as shoes, textiles, and steel and therefore had to confront protectionism in the United States and in the European Economic Community. Thus it was compelled to develop its own pragmatic and ecumenical diplomacy, from which, as President Ernesto Geisel (1973–1979) stressed (1975: 145), "the fatalism of automatic, a priori, positions" was excluded. During his administration, relations between Brazil and the United States confronted increasing difficulties. Without any attempt to assuage Washington, Brazil recognized the revolutionary governments of Angola, Mozambique, and Guinea-Bissau, signed a nuclear agreement with the Federal Republic of Germany, and abrogated its military agreement with the United States amidst controversy over the U.S. approach to human rights and nuclear issues. Such issues, together with the development of war matériel, the reservation of the data-processing market, and other commercial disputes, continued to create and deepen divergences between the two countries. Several factors enhanced Brazil's autonomy. The absorption of Brazilian exports by the U.S. market diminished, partly because of the decline in coffee imports. The proportion of Brazilian exports going to the United States, which had reached a peak of 53 percent in 1944, had decreased to 23 percent by 1972 and less than 20 percent in the following years (Bandeira, 1986). Western and Eastern Europe were taking over 50 percent of Brazilian exports by 1971 and 1972. Between 1974 and 1980 Brazil's exports to Western and Eastern Europe amounted to more than double its exports to the U.S. market. U.S. supplying of Brazilian imports also stayed between 15 and 21 percent (Bandeira, 1986: 95). Since the 1970s Brazil had become a global trader, and industrialized products made up more than half of its exports, apart from its being one of the largest agricultural exporters in the world.

The interests of the state enterprises, particularly those producing war matériel, flourished under the military regime, and, being responsible for petroleum supplies and for increasing exports of manufactured goods, these enterprises shaped Brazilian foreign policy toward Africa, the Middle East, and Latin America. Friction with the United States continued during the period of General João Batista Figueiredo (1979–1985). Though under a right-wing military government, Brazil opposed U.S. policy vis-à-vis Nicaragua and El Salvador, continued supporting leftist regimes in Angola and Mozambique, and assumed positions concerning the Middle East that diverged from North American ones. Brazil also took the initiative to overcome and definitively bury the tensions over the Itaipu hydroelectric dam by entering into a tripartite treaty with Argentina and Paraguay. President Figueiredo's state visit to Buenos Aires in 1979 paved the way for close agreement between Brazil and Argentina. During the South Atlantic war over the Falklands/Malvinas Islands, Brazil was nominally neutral but tilted quite sharply toward Argentina and, albeit secretively, lent it support, including military aid. In contrast to the United States, which refrained from taking a position on the question of sovereignty, Brazil recognized Argentina's sovereignty over the disputed islands, although it did not support the use of force to validate that sovereignty. After the war, authoritarian military governments continued to exist in Argentina and Brazil, as well as in Uruguay, and their relations continued to improve. José Sarney, the first civilian to become president of Brazil since Goulart's overthrow in 1964, and Raúl Alfonsín, Argentina's president, signed a series of economic and trade agreements in 1986 that launched a process aimed at the economic integration of the two nations into a customs union and, later, a common market. The Rio de la Plata Basin growth pole, running from São Paulo to Buenos Aires, was the richest region in South America, more developed and industrialized than any other, in addition to being integrated by better transportation systems and having abundant energy and consumer markets with the strongest purchasing power on the continent.

Since the 1970s apogee of Brazilian economic growth, the military governments that have ruled Brazil have developed the concept of greatness as a definition of the national purpose, but really the idea of Brazil's eventual emergence as a great power was embedded in the psyche of the Brazilian elite long before the coup d'état and is destined to persist. Inevitably, Brazil's ambition to play an increasingly autonomous role in the world and, in time, to win its rightfully prominent place in the international structure of power has strongly shaped its relationship with the United States for most of the past quarter of a century. This ambition still persists in the new millennium as the underlying determinant of Brazil's foreign policy. From the 1930s on there was a growing conviction that if the country was to realize its aspirations—to fulfill its manifest destiny—it would have to relax and ultimately break the ties of economic dependence that were perceived as impeding its progress. An inevitable consequence of this conviction has been the gradual withering away of the so-called unwritten alliance with the United States that had guided Brazil's foreign policy from the early twentieth century till the 1950s. Since then Brazil, given its outstanding economic development after World War II, has largely overtaken Argentina as a new industrializing country and recovered its preeminence in South America. Even so, although understanding and acknowledging its great weight on the continent, Brazil has always refrained from displaying high-profile attitudes of leadership and tried to preserve a clear identification with the Latin American nations, principally with those situated in Rio de la Plata Basin. This has been done by building up Mercosul, whose establishment, after the European Union, is the second attempt to unite nations in a single economic block and has assumed special importance in Brazil's global foreign economic policy.

Over the past 20 years, Brazil has steadily improved its ties with other South American countries beyond the Plata Basin and continued to place a high priority on the development of intracontinental relations. All its efforts have been aimed at the greatest possible diversification of economic and political ties as a means of expanding its room for maneuver and increasing its bargaining power. The goal of its foreign policy is to ensure the international conditions for economic growth and the recognition of its current status as a mid-level power and the legitimacy of its ambition to consolidate Mercosul and obtain a permanent seat on the UN Security Council. This goal is accompanied by the perception that the United States can be either a prime support or a prime obstacle to its pursuit and the suspicion that it is not really prepared to accept a truly independent and strong Brazil as a new member of the world's powerful and influential states and will do anything to prevent the consolidation of Mercosul.

Brazil reserves completely to itself the identification of its national interests in terms of its own perception of the world and is convinced that the rigid structure of the power and wealth in the world must be changed. At present U.S.-Brazilian ties are sound and characterized by basic shared values, mutual respect, and increasing political and economic interaction. Brazil has the technology for nuclear weapons but has no interest in producing them. President Fernando Henrique Cardoso, whose foreign policy involved global themes such as democracy and human rights, free trade, protection of the environment, and the peaceful resolution of disputes, signed the Nuclear Non-Proliferation Treaty, but trade disputes and rivalry persist and are increasing. Brazil has differences with the United States not only on account of the protectionist measures adopted against Brazilian industrial exports to the North American market and effective competition in third-country markets but also with regard to the Free Trade Area of Americas (FTAA). Because intra-Mercosul trade has increased many times more than trade with third parties, some U.S. policy makers have perceived the Brazilian-Argentine initiative as a blow to global free trade. However, the United States has had steady influence on the continent since the first Summit of the Americas in Miami in 1994, when U.S. President George H. W. Bush (1989–1993) encouraged the Latin American heads of state to create, by the year 2005, the world's largest free-trade zone, extending from Alaska to Patagonia.

The U.S. government knows that the ability to create jobs and sustain the living standard of its people will depend on how successful it is in capturing the trade opportunities offered by emerging markets such as those in Latin America. As the former U.S. trade representative Charlene Barshefsky stated, the principle underlying Clinton's trade policy had to be "to support U.S. prosperity, U.S. jobs, and the health of U.S. companies" (1997: 42). Therefore, some people in the United States perceived Mercosul as a threat to U.S. interests. Barshefsky, while describing Mercosul as a "developing customs union with ambitions to expand its association agreements to all of South America," pointed out that it had "a clear strategic objective regarding commercial expansion and a stronger position in the world affairs" (1997: 42). "Mercosul" meant "Brazil" in her mind. In fact, Brazil resisted all pressures to accept the timing that President Bill Clinton wanted, and in the end he was unable to launch the process he had intended, partly because of internal difficulties. In November 1997, when it became clear that he would lose the vote in Congress, he had to withdraw the bill requesting the so-called fast-track authority he needed to negotiate with the Latin American countries. Thus the balance of power has subtly shifted toward Latin America, which, led by Brazil, is striving to consolidate Mercosul not only as a free-trade area but as a common market like the European Union. Clinton found that he had no possibility of imposing the agenda he wanted at the Santiago Summit in April 1998—allowing Chile to join the North American Free Trade Agreement. This summit, unlike its Miami predecessor, was not shaped by the United States, and although the 34 presidents launched negotiations for creating the FTAA they did not anticipate establishing it, as Clinton had proposed, before 2005.

In the late 1990s, however, severe economic crisis and political instability again endangered the South American countries that had instituted economic policy reforms such as privatization and the liberalization of trade, finance, capital market liberalization, foreign direct investment, deregulation, and fiscal discipline. These reforms had failed to solve existing problems and contributed to a widening of the social gap. After a decade of free-trade liberalization encouraged by Washington there had been no substantial reduction in South America's extreme inequality and poverty. Almost every country was plagued by foreign debt and scandalous privatization. General Charles E. Wilhelm, former commander in chief of U.S. Southern Command, speaking before the U.S. Senate (2000), conceded that in Ecuador as in other nations in his area of responsibility, "democracy and free market reforms are not delivering tangible results to the people" and many countries "are worse off economically than they were before the restoration of democracy." As Henry Kissinger has pointed out, "neither globalization nor democracy has brought stability to the Andes" (2001: 136). In fact, not only the Andes but almost all of the South American countries were burning, from the war in Colombia to the riots in Buenos Aires, and there was popular rejection of free-market reforms seen as leading to increasing poverty and social and political unrest.

On August 31 Clinton visited Colombia and put forward a program (Plan Colombia) that projected an investment of US$1.3 billion in military aid to the counternarcotics program and campaign against the leftist guerrillas. In the following days President Fernando Henrique Cardoso gathered 12 South American presidents in Brasília to launch their most ambitious bid for economic unity. This was the first presidential meeting in South American history, and its Brasília Communiqué contained a pledge to create free trade as soon as possible, economically uniting 340 million people in an area with a combined economic output of US$1.3 trillion. There was no mention of Plan Colombia, and Colombia's President Andrés Pastrana quickly reassured the other leaders that his antidrug campaign would not lead to U.S. military intervention. Clinton's visit to Colombia and the two-day summit in Brasília reflected the contradiction of economic, political, and geopolitical interests crippling U.S.-Brazilian relations. Cardoso wrote on the eve of the summit that it would be "a moment for the reaffirmation of South America's identity as a region where democracy and peace advance the prospects for an increasingly energetic process of integration among countries that live together in the same neighborhood" (2000). The United States did not welcome this reaffirmation. Kissinger, although recognizing that Brazil saw itself as organizing South America while the United States performed the same task in North America, frankly expressed his concern that if Mercosul were turned into an effort to exclude the United States from bilateral dealings with other traditional partners in the region or pursued internal arrangements similar to those developing in the European Community in the economic and political fields, it could confront the United States with a series of faits accomplis (Kissinger, 2001: 159–163).

Notwithstanding some criticism expressed by Cardoso regarding certain aspects of U.S. policy (unilateralism, protectionism, etc.), many Brazilians perceived his foreign policy, as well as his economic policy, as a mere accessory of U.S. hegemony. But in Washington it was clear that Brazil was increasingly moving away from the United States—a process "discreet in its appearance, dangerous in its tendency" (Ferreira, 2001: 123). Cardoso's government tried to maintain friendly relations with the United States by making some concessions (such as signing the Nuclear Non-Proliferation Treaty) that were severely criticized in Brazil, but it could not avoid the crucial divergence over the FTAA, whose establishment would profoundly affect Brazil's economic and political interests. This was the hard core of the rivalry, and Cardoso demonstrated it during his first meeting with President George W. Bush in Washington on March 30, 2001. "The President [Cardoso] and I have made a decision that we'll work closely to iron out any differences that may exist," said Bush, and Cardoso said, "That's true. I do agree with the President. I believe that—we have, of course, from time to time some difference. That's normal between nations. Yesterday the President said, American—to be American first. Well, I would say the same, to be Brazil first. That's normal. But then let's see how to cooperate."[1]

Under any administration, Brazil should cooperate with the United States, but it has not accepted and will not accept the FTAA such as proposed by Washington. And without Brazil, South America's largest economy and political key player, the FTAA would become irrelevant from the point of view of the United States. Brazil has the most diversified economic structure of all the South American countries: its industrial structure is more integrated and competitive, as is reflected in the proportion of the GDP represented by manufacturing and in its exports of manufactures (more than 50 percent). The establishment of the FTAA, if Brazil were to participate in it, would affect Brazilian exporting of manufactures to other South American countries (Pinheiro Guimarães, 1992). Not without reason, in 2002 Luiz Inácio Lula da Silva, head of the left-of-center Workers' party and presidential candidate, leading in the opinion polls before the October election, said that the FTAA "isn't really a free-trade pact. Rather, it's a policy of annexation of Latin America by the United States." His view reflected the mainstream opinion in Brazil.

At that time, in Washington, Luiz Inácio Lula da Silva was being described as a radical who would revolutionize Brazil and form another axis of evil along with the communist leaders of Cuba and, supposedly, Venezuela. Such a new dominant regional power bloc, it was suggested, would threaten to radicalize much of the rest of Latin America as well. Paul O' Neill, then secretary of the Treasury, expressed concern over this potential development, and key Republicans in Congress, along with conservatives identified with the Ronald Reagan administration's bellicose policies in Central America, were calling for Bush to take a tough stand against Lula da Silva. Congressman Henry J. Hyde told Bush that many of his colleagues in Congress had signed a "letter in which they expressed their concerns about the ten-year long association of Mr. Lula da Silva with Latin American, European, and Middle Eastern terrorist organizations in a forum which he convened and organized in silent partnership with Castro." According to Hyde, there was "a real prospect that Castro, Chavez, and Lula da Silva could constitute an axis of evil in the Americas which might soon have nuclear weapons and ballistic missiles" (2002). Constantine C. Menges (2002), a senior fellow with the Hudson Institute, suggested that if the United States should lose Brazil to a "Marxist like da Silva," one of the issues of the 2004 presidential election might well be "Who lost South America?" In his view the "new axis of evil" was "still preventable," but if the pro-Castro candidate were elected president of Brazil the results could include a radical regime in Brazil reestablishing its nuclear weapons and ballistic-missile programs, developing close links to state sponsors of terrorism such as Cuba, Iraq, and Iran, and participating in the destabilization of fragile neighboring democracies. "This could lead to 300 million people in six countries coming under the control of radical anti-U.S. regimes and the possibility that thousands of newly indoctrinated terrorists might try to attack the United States from Latin America. Yet, the administration in Washington seems to be paying little attention." David T. Pyne, who worked as an international programs manager responsible for cooperation with Latin America in the Department of the Army, wrote: "President Bush should act immediately to shore up the forces of freedom in Brazil" (2002).

The U.S.-Brazilian relationship remained chilly as Lula da Silva set about his first task of implementing a nationwide hunger-eradication program and played a role in mediating and negotiating the end of a general strike against President Hugo Chávez in Venezuela. But George W. Bush's advisers soon realized that he was not nearly as terrifying a leftist as Hyde and the *Washington Times* had painted him. He did not default on Brazil's foreign debt, gained economic credibility by maintaining sustainable macroeconomic policies, and maintained the existing pattern and guidelines of Brazilian foreign policy. While he emphasized support for Mercosul—for the concept of strengthening South America's bargaining power with regard to the United States by seeking to tighten the links with Brazil's neighbors in the Andean Community—he sought a positive bilateral relationship with Bush, whom he visited on June 20, 2003, and joined him in saying that "the United States and Brazil resolve to create a closer and qualitatively stronger relationship" by having regular high-level consultations on issues from counterterrorism to aid for Africa. "Without any question," Lula da Silva said, "I believe that we can surprise the world in terms of the relationship." In reality, however, national interests are stronger than desire and words. Deep divergences between the two countries remain. The statement issued by Bush and Lula da Silva made no mention of the U.S.-led war on Iraq, which Brazil adamantly denounced, and the FTAA is dead. Washington's intention to establish it virtually failed. Brazil, along with Argentina and other South American countries, has serious economic and political concerns that run counter to the free-trade scheme. It is quite possible that there never will be a FTAA, as Washington dreams of, which simply perpetuates an unequal relationship.

NOTE

1. Transcript of the conversation released by the White House.

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