BRAZIL
UNITED STATES
SOUTH AMERICA

Movements on the international chessboard

Brazil and the World

	Rank	2008 GDP Billions of US dollars	Rank	Population 2008 Millions	Rank	Income per capita 2008 US dollars	Exports 2007 Billions of US dollars	Imports 2007 Billions of US dollars
United States	1	14,204	3	304	11	46,970	1,162	2,020
South America		4,016		385		10,425	440	350
Argentina	22	572	32	40	76	14,020	56	45
Bolivia	88	41	82	10	141	4,140	4	3
Brazil	9	1,976	5	192	95	10,070	161	127
Chile	45	242	57	17	81	13,270	68	47
Colombia	27	396	29	44	103	8,510	30	33
Equador	61	108	65	13	111	7,760	14	14
Guiana	155	2	157	1	161	2,510	1	1
Paraguay	101	29	100	6	133	4,820	3	7
Peru	43	245	39	29	106	7,980	28	20
Suriname	146	4	163	1	115	7,130	1	1
Uruguay	84	42	130	3	84	12,540	4	6
Venezuela	30	358	41	28	83	12,830	69	46
World		69,698		6,692		10,415	13,950	14,244

Sources: World Bank (www.worldbank.org), World Trade Organization (www.wto.org); and IBRE/FGV staff elaboration.

Brazil's relations with and the United States and the countries of South America resemble a cautious and complex political game of chess. Today, thanks to its large and vibrant economy, market-oriented policies, and stable democracy, Brazil is seen as a respected interlocutor, skilled negotiator and independent mediator, able to find shortcuts in search of collaborative solutions among countries of diverse political persuasion and social background. Bulmer-Thomas believes that "Having Brazil as a permanent member of the UN Security Council, with or without a veto, should be very beneficial." In particular, "Brazil could serve as a center of development and political stability in Latin America," as Walter Mead pointed out. But Brazil's new role, according to Cervo, has been nevertheless challenged in South America by other competing political currents such as the more radical Venezuelan-born Bolivarianism. To strengthen its role, Brazil counts on the change of views in Washington, as the Obama Administration is searching for a reliable partner at the negotiating table in a region marked by contrasts and challenges.

Brazil and the World

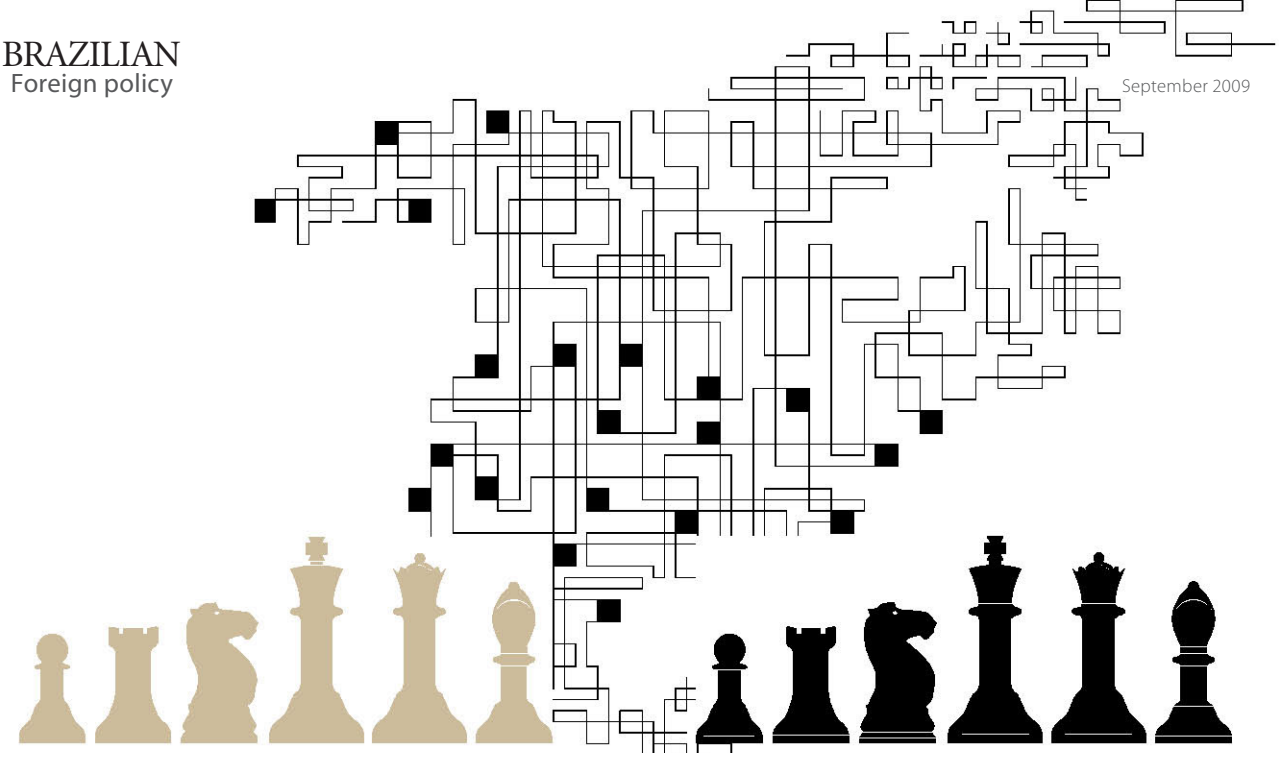
(percent of the total)

	GDP	Population	Income per capita	Exports	Imports
United States	20.38	4.54	450.99	8.33	14.18
South America	5.76	5.76	100.10	3.15	2.46
Argentina	0.82	0.60	134.61	0.40	0.31
Bolivia	0.06	0.14	39.75	0.03	0.02
Brazil	2.84	2.87	96.69	1.15	0.89
Chile	0.35	0.25	127.41	0.49	0.33
Colombia	0.57	0.67	81.71	0.21	0.23
Equador	0.15	0.20	74.51	0.10	0.10
Guiana	0.003	0.01	24.10	0.005	0.01
Paraguay	0.04	0.09	46.28	0.02	0.05
Peru	0.35	0.43	76.62	0.20	0.14
Suriname	0.01	0.01	68.46	0.01	0.01
Uruguay	0.06	0.05	120.40	0.03	0.04
Venezuela	0.51	0.42	123.19	0.50	0.32
World		100.00	100.00	100.00	100.00

Sources: World Bank (www.worldbank.org). World Trade Organization (www.wto.org); and IBRE/FGV staff elaboration.



[1] Interview, *The Brazilian Economy*, February 2009.

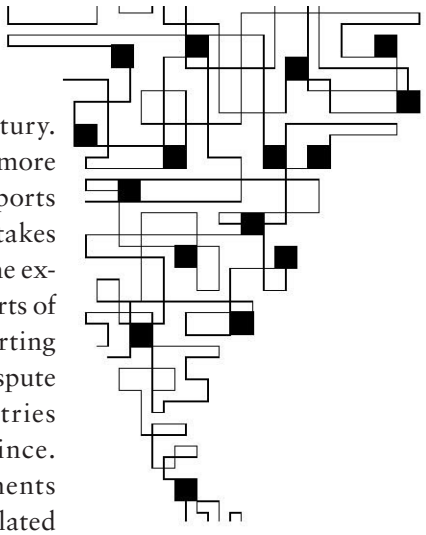


Brazil's relations with Latin America and the United States



Sebastião do Rego Barros

Since the beginning of the republic Brazil has sought to build a special relationship with the United States. In foreign policy matters, it pursued a position of automatic alignment that lasted until the second half of the past century. But the US market took more than half of Brazil's exports up to the 1950s; today, it takes only about 20 percent. The expansion of Brazilian exports of manufactured goods starting in the 1960s began a dispute between the two countries that has only grown since. At first, the disagreements were limited to issues related to trade and development; later, after the 1973 oil crisis, they extended to a broad variety of international issues, among them the Middle East, democracy, human rights, the environment, and nuclear proliferation.



Relations between Brazil and Latin America for most of the past century were proper but reserved, except

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In dealing with Latin American problems, the United States and Brazil have, perhaps for the first time, positions that if not completely identical are at least converging.

for the River Plate Basin countries — Argentina, Uruguay, Paraguay, Bolivia — and to a certain extent Chile. Until the 1970s Brazil's trade with the region was rather modest. The scenario changed significantly with the rapprochement between Brazil and Argentina in the 1980s. With the defeat of Argentina in the Falklands War, the decline of military interventions into civil affairs in the Southern Cone countries, the debt crisis, and the accelerated expansion of international trade, the conditions were in place to advance regional cooperation. The 1988 Treaty for Integration, Cooperation, and Development between Brazil and Argentina and the understanding between the two countries in the nuclear field opened the way for the creation of Mercosur in 1991. The consolidation of the country's geographical identity was even captured in the Brazilian 1988 Constitution: "Brazil shall seek economic, political, social, and cultural integration of the Latin American peoples with a view to creating a Latin American community of nations."

To better grasp the impact of the rapprochement of Brazil with Argentina, Paraguay, and Uruguay, note that Brazilian trade with those three countries increased from $2.8 billion in 1988 to $18.3 billion in 1998 and to $36.7 billion in 2008. Brazilian trade in Latin America as a whole, including Mercosur, accounted for little more than 10% of all Brazilian exports in 1988 but reached almost 20% in 2008. Trade with the United States, our almost exclusive market in the past, went in the opposite direction: It dropped from 20% in 1988 to 14% in 2008. Moreover, Brazilian exports to Latin America, particularly to Mercosur, have higher added value than its exports to the rest of the world.

When Fernando Henrique Cardoso took charge as Minister of Finance in 1993 before later becoming president, Brazil had just come out of years of chaotic economic management, and Latin America suffered constant pressure from its large foreign debt and the recommendations of the Washington Consensus — a set of neoliberal measures directed to fiscal discipline, opening of trade, abolition of barriers to direct foreign investment, privatization, economic deregulation, and protection of intellectual property rights.

During the Cardoso administration, if relations with the US were not perfect — issues like access to the American agriculture market and a lack of enthusiasm on the part of Brazil for the Free Trade Area of the Americas (FTAA) still divided the two countries, as had happened before as well as today — at least the negative and most politically loaded issues, such as democracy, human rights, the environment, and nuclear proliferation, had disappeared from the agenda.

The internationalization of Brazilian interests has caused Brazil to become concerned about stability and order in the Latin America region; in the past these were exclusive concerns of the US.

On Brazil's part, elimination of foreign debt as a political problem, economic stability, and a firm and constructive role on the international scene all helped lend more respect and maturity to relations between Brazil and the US.

On the Latin American front there has been progress, such as the expansion of Mercosur, good relations with Argentina, the efforts of the Brazilian foreign office to bring about a lasting peace between Peru and Ecuador, and the first summit of the South American presidents. Nonetheless, internal problems, the lack of concrete results from the neoliberal recommendations, and the financial crises that erupted between 1994 and 2003 in different parts of the emerging world — in Mexico, Asia, Russia, Brazil, and Argentina — led to the rise of several leaders, led by Hugo Chávez, who were willing to run against the prevailing political and economic ideas. In 2004, as an alternative to FTAA and under the Venezuelan initiative, the Bolivarian Alternative for the Americas (ALBA) was created. Today it comprises nine countries: Antigua and Barbuda, Bolivia, Cuba, Dominica, Ecuador, Honduras, Nicaragua, Saint Vincent and the Grenadines, and Venezuela. Bolivarianism is a movement whose purpose is to recreate Latin America, where supposedly independence movements have failed in their objectives because the ruling classes remained in power. Among the many and ambitious objectives of Bolivarianism are the expropriation and nationalization of a significant part of the economy; redistribution of property and revenues; control of the press; cessation of the privileges of the bourgeoisie; and re-establishment of the Great Colombia as idealized by Simon Bolivar.

Meanwhile, President Lula has been able to preserve and even improve the level of understanding between Brazil and the United States. His good personal relations with President George Bush; American concern about the radicalism of Hugo Chávez, Evo Morales, and Rafael Correa; and Argentina's instability compared with Brazilian stability have turned Brazil into a privileged interlocutor of the US in Latin America. The Fourth Summit of the Americas, which took place in Argentina in 2005, was a moment of great tension in the hemisphere, and countries were divided into two camps: for and against the FTAA. Immediately after that meeting in Mar del Plata, President Bush met with Lula in Brasilia. During that encounter the two leaders agreed on a series of priorities, including biofuels, cooperation in Africa, the peace mission in Haiti, and ways to deal with the radical leaderships in South America. Thus a strategic dialog was established between Brasilia and Washington.

Brazil has insisted on South American integration and intends to use Unasul (the Union of South American Nations) and the South American Defense Council as a sort of decompression chamber, or as a bulkhead against Bolivarianism. Admittedly, no progress has been made in recent years in economic integration forums such as Mercosur or Aladi, but in times of radical political change in parts of the region mere preservation of the status quo is a gain in itself, particularly when the most important economic partners of Brazil in the region, Argentina and Mexico, are going through a critical period of political and economic instability. Dealing with the aggressiveness and demands of Hugo Chávez, Evo Morales, Rafael Correa, and Fernando Lugo; acceding to some claims while dismissing others; and preserving a good relationship with those difficult interlocutors is a feat that must be acknowledged and credited to President Lula's political talent.

In early 2009 Barack Obama took office with an intent to improve relations with the Latin American region. The atmosphere of the Fifth Summit of the Americas last April, attended by Obama, was completely different from that of the previous meeting. Although no concrete decisions were announced, the first meeting between the new American president and his counterparts proved that there is a general willingness to try to develop a more constructive agenda for the Americas than that of the Bush administration. Furthermore, in the Organization of American States the United States has shown a disposition to change by accepting the reintegration of Cuba.

Brazil plays a crucial role in this effort because of its size, democratic conditions, political stability, and prospects of economic growth and social achievement. Whether at the bilateral, regional, or international level, there is room for good relations between Brazil and the United States. The environment and renewable sources of energy, financial reconstruction, defense, oil and gas, and the fight against drug trafficking are all issues on which the two countries could find ways to work together constructively.

There is no indication, however, that the American protectionism that particularly affects Brazil is to be reduced. Brazilian exports of ethanol, sugar, orange juice, tobacco, chicken and beef, steel products, and other goods will continue to encounter a wall of protectionism. At the World Trade Organization Brazil and the US will continue to defend different positions on the issues that have prevented the Doha Round from advancing.

The reconstruction of a new world financial order is a vital issue where Brazil could play a useful role; on this there should not necessarily be a conflict between the developed and the emerging world. Perhaps it is here that the United States and Brazil will find room for significant cooperation, postponing the debate on issues related to market access and the Doha Round to a more opportune date.

In dealing with Latin American problems the United States and Brazil have, perhaps for the first time, positions that if not completely identical are at least converging. The internationalization of Brazilian interests — owing to significant investments and credit abroad, the presence of Brazilian peace forces abroad, and the future exposure of Brazil's large offshore "pre-salt" oil reserves to international insecurity — has caused Brazil to become concerned about stability and order in Latin America; in the past these were exclusive concerns of the US. President Obama will need to work hard to avoid the errors of his predecessors, who treated Latin America as a homogeneous entity as seen from north of the Rio Grande. Brazil's dimension and importance on the one hand, and the birth of Bolivarianism on the other, will no longer allow for simplistic views from the past.