

June 26, 1981

A NEW APPROACH TO BRAZIL IN TRANSITION

INTRODUCTION

Brazil, the largest and most populous nation in Latin America, in recent years has widened its influence around the globe. This influence has become significant in areas within Latin America, Sub-Saharan Africa (except South Africa), and the Arab nations in the Middle East. Besides Brazil's expanding sphere of global interests, its location along the South Atlantic passageways places it in a strategic position. In addition, its economy, the tenth largest in the world, makes Brazil a desirable trading partner.

Brazil's historical bonds of friendship with the U.S., which date back to the Brazilian independence, began to deteriorate in 1977. This followed the implementation of the Carter Administration's policies of nuclear nonproliferation and human rights, which Brazilian leaders interpreted "as an infringement of Brazilian sovereignty."¹ Although at the present time relations between the U.S. and Brazil have improved somewhat, efforts on the part of the Reagan Administration might further reduce existing differences between both countries. This study examines Brazil's internal economic and political evolution since the 1964 military takeover, and areas of current strain between the U.S. and Brazil.

THE ECONOMIC MIRACLE

Following the resignation of Brazilian President Janio Quadros in 1961, the "Marxist-bound populist" Vice President,

¹ Report of a Special Study Mission to Venezuela, Barbados, Brazil, and Costa Rica, January 13-20, 1980, "Assessment of Trends and Conditions in the Inter-American Region," to the Committee on Foreign Affairs, U.S. House of Representatives, May 1980.

Note: Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

Joao Goulart, assumed the Presidency. The Goulart Administration led Brazil towards economic stagnation, runaway inflation, and radical political philosophies, until it was overthrown in March 1964 through a military-inspired "revolution." Shortly after deposing the Goulart regime, the newly formed military government began a successful reduction of Brazil's inflation rate from the 150 percent of Goulart's last year in office to 25 percent in 1967. This was accomplished through monetary contraction policies, by reducing government expenditures, and by placing controls on wages and prices.

Once the inflation was brought under control, the military government proceeded to focus its attention on increasing economic growth, primarily within the industrial sector. In order to accomplish this objective, the Brazilian government initiated various programs to expand the required infrastructure for economic growth and adopted policies attracting both local and foreign investments. During this period (1968-1973), Brazil's economic growth rate exceeded 10 percent annually, and the country's inflation rate was further reduced until it reached 15 percent in 1972.

Brazil's private and public industrial sectors expanded rapidly during this period, transforming the country's predominantly agricultural economy into a diversified economy. This industrialization process turned Brazil into a major producer and exporter of motor vehicles, lumber, cement, steel, petrochemicals, chemicals, machinery, and other manufactured products. In addition, Brazil's extensive exploration for mineral resources uncovered large deposits of iron and manganese, as well as other minerals, which have become an important source of export earnings. However, this period of prosperity and economic growth, referred to as the "economic miracle," began to contract following the 1973 Arab oil embargo and the subsequent petroleum price increases.

THE PERIOD OF ECONOMIC DETERIORATION

Due to these petroleum price increases, Brazil began to incur a trade deficit. Its economy depends on imported petroleum for over 80 percent (800,000-900,000 bbls/day) of its total petroleum consumption. In an attempt to reduce this trade deficit and reduce Brazil's internal cost of petroleum and food products, the Brazilian government adopted a policy of assisting various sectors of the economy by providing them with low interest loans. These subsidy programs, devised to increase exports, stimulate agricultural growth, and reduce the internal cost of petroleum and wheat, were financed in part by heavy borrowing and monetary expansion policies. Even though this program successfully increased Brazilian exports, reaching \$20 billion in 1980, Brazil was unable to eliminate its trade deficits, even after adopting restrictive import measures, due to the frequent and steep petroleum price hikes.

These measures, although unsuccessful in improving the balance of payments, nevertheless preserved Brazil's economic growth rate at an annual average exceeding 6 percent from 1974 through 1980, primarily the result of an export-oriented growth within the industrial sector. However, the government's monetary expansion policies began to have an adverse effect on the country's inflation rate, which skyrocketed from the low 1972 rate of 15 percent to 113 percent in 1980. Similarly, the country's trade deficits, propelled by the petroleum import expenditures, which increased from \$1 billion in 1973 to \$10 billion in 1980, exacerbated the nation's debt. This debt rose from \$12.5 billion in 1973 to \$56.5 billion in 1980.

With Brazil's 1980 debt exceeding \$56 billion, several international financial concerns have expressed their uncertainty over the country's ability to repay its debt and, therefore, may hesitate to continue funding it. Brazil may have to turn to the International Monetary Fund (IMF), even though it has refused to do so in the past because of IMF-required monetary controls. Furthermore, approaching the IMF for financial assistance has become a sensitive issue for many Brazilians because of the perception of failure attached to those nations which seek IMF assistance.

Brazil's efforts to balance its trade deficits by containing imports and assisting exports became an area of contention between the U.S. and Brazil. The U.S. became concerned over the impact of the Brazilian import quotas, import restrictions, government export subsidies, and the delays in processing import documents, which remain troublesome to U.S. exports. However, Brazil has also complained over U.S. trade tactics, such as imposing additional import tariffs on ethyl alcohol and imposing quotas on shoe imports. In order to resolve these trading barriers, both governments have set up discussions through the U.S./Brazilian Trade Subgroup. Nevertheless, these discussions have not succeeded in reversing the declining U.S. share of Brazilian trade, which decreased from 26 percent to less than 20 percent during the 1970s, while Brazil's trade with Western Europe and the developing world increased.²

THE SEARCH FOR ALTERNATE ENERGY SOURCES

In order to reduce the country's energy dependence and vulnerability, the Brazilian government initiated a program to gradually develop alternate energy sources to replace the imported petroleum. This program, initiated in the mid-1970s, consisted of several electricity generating projects, including the construction of a giant hydroelectric dam, and the construction of up to eight commercial nuclear reactors. The first such nuclear power facility, Angra I, is projected to begin operating this fall.

² U.S. Department of State, "Brazil Background Notes," March 1981.

A program was also devised to reduce the gasoline consumption of Brazil's approximately seven million vehicles. This program centered on using gasohol, which is gasoline blended with alcohol, and developing pure alcohol fuel derived from sugar cane. Currently, both gasohol and pure alcohol fuel are used as substitutes for gasoline, and the Brazilian government has placed priority on the mass production of 100 percent alcohol-powered vehicles. In 1980, these programs succeeded in reversing the growing petroleum consumption trend, with an overall decline in the use of petroleum products, particularly in the use of gasoline. These energy substitute programs, plus energy conservation measures, could replace up to 500,000 barrels of imported petroleum per day by 1985.

The need for Brazil to develop new sources of energy to replace the present petroleum imports was strengthened in 1980 with the outbreak of the Persian Gulf War. This war resulted in a loss of over 40 percent (400,000 bbls/day) of Brazil's petroleum imports, since its largest supplier, Iraq, discontinued exporting petroleum. Even though the Brazilian government was able to replace a large portion of the lost Iraqi petroleum through other suppliers, it found new petroleum sources costlier.

Besides developing alternate energy sources, the state-owned petroleum company, Petrobras, has been exploring for petroleum within Brazil. So far, these petroleum exploration operations have uncovered only small petroleum deposits, allowing Brazil to maintain a steady production of approximately 200,000 barrels of petroleum per day. However, as these petroleum exploration activities continue, Brazil hopes to uncover larger petroleum deposits and further reduce the country's dependence on expensive imported petroleum. During the 1981-1985 period, Petrobras will spend \$4.5 billion on petroleum exploration activities which the government anticipates will, by 1985, result in a domestic petroleum production of 350,000 to 500,000 barrels per day.³

U.S. NUCLEAR NONPROLIFERATION POLICY

Besides the energy setbacks stemming from the petroleum price increase, one of Brazil's alternate energy programs, nuclear energy, became threatened by the Carter Administration's nuclear nonproliferation policy. This followed an attempt by a Carter Administration delegation, headed by Vice President Mondale, to pressure the West German government to cancel its nuclear technology transfer agreement with Brazil.

³ Foreign Economic Trends and Their Implications for the United States, "Brazil," Prepared by the U.S. Foreign Service, U.S. Department of State, and released by the U.S. Department of Commerce, December 1980.

This effort not only endangered Brazil's attempts to develop an alternate energy source, but also took place without the knowledge of the Brazilian government, clearly violating the 1976 U.S.-Brazilian Memorandum of Understanding which bound both countries' governments to consult with each other on any matter involving the other nation. Even though the West Germans honored their nuclear transfer agreement with Brazil, the Brazilian government did not appreciate the Carter Administration's efforts to stop it from acquiring the needed nuclear technology, particularly after the Carter Administration recommended to assist India's nuclear energy program.⁴

CONTINUED ECONOMIC EXPANSION

In spite of the serious energy-related problems, the Brazilian economy, the tenth largest in the world, underwent an industrial expansion which continued up through 1980. Brazil's industrial sector currently accounts for 40 percent of the country's \$200 billion Gross Domestic Product (GDP), and has become an increasingly important source of jobs, employing 25 percent of the nation's work force.

One of the fastest growing industries in Brazil has been the arms industry, which expanded rapidly following the Carter Administration's policy restraining U.S. arms sales throughout the world. As a result, Brazil's arms industry grew into a \$5 billion per year business during the 1970s, nearly 3 percent of Brazil's GNP, and currently employs 100,000 workers. With export arms sales now approaching \$1 billion per year, Brazil may soon become one of the leading arms exporters in the world.

In spite of the rapid industrial expansion, Brazil's economy still depends heavily on agriculture as a source of export earnings, employment, and food. In 1979, the Brazilian government placed priority on the growth and expansion of the agricultural sector. As the second largest agricultural exporter in the world, Brazil has been a major source of coffee, sugar, rice, cocoa, soybeans, cotton, and beef. In 1980, after suffering a two-year drought, Brazil experienced a bumper harvest and exported large quantities of agricultural products, accounting for 44 percent of the country's exports. In addition, Brazil's agricultural sector meets most of the nation's domestic food needs, with the exception of wheat, and has remained the single largest source of employment, absorbing 35 percent of the country's population. Since 1979, the Brazilian government embarked on a program to expand the country's agricultural output still further by providing this sector with low interest loans. This program was primarily directed toward the expansion of the soybean and

⁴ Council on Inter-American Security, Inc., "A New Inter-American Policy For The Eighties," prepared by The Committee of Santa Fe, May 1980.

sugar cane harvests. The growth within the sugar cane harvests is particularly important, since Brazil is relying on sugar cane as a raw material for the production of alcohol fuel.

WORK FORCE MIGRATION

Within the past decade, Brazil's rapid economic growth evolved primarily in the regions surrounding Sao Paulo, Rio de Janeiro, and Belo Horizonte, transforming these regions into wealthy and prosperous areas. Consequently, a large sector of the work force, particularly within the depressed regions of the Northeast and the Amazon, began migrating to these areas in search of better paying jobs. While many of these workers were able to find such jobs and improve their standards of living, others have remained jobless and have become targets for radical political ideologies or have engaged in criminal activities. To stop this situation from getting worse, the government has initiated programs to develop the depressed regions of the country by providing them with investment incentives, by building roads, and by enacting minimum wage legislation for Brazil's labor force. These measures should alleviate the serious regional income disparities which have brought about the worker migration.

EXPANSION OF THIRD WORLD MARKETS

In the middle to late 1970s, the Brazilian government sought to improve relations with Third World nations in an attempt to expand Brazil's industrial markets abroad and to secure petroleum supplies. Even though this policy succeeded in attaining new markets for Brazilian manufactured products within the developing world and assuring petroleum supplies from Arab countries, Brazil has had to make political concessions. These concessions have included recognizing organizations such as the PLO and denouncing South Africa as a racist country. Furthermore, the Brazilian government has had to abstain from criticizing several Marxist governments in Africa, such as Angola, which they recognized shortly after the Cuban-supported MPLA government came to power.

This Brazilian policy to improve relations with Third World nations has included Latin America as well. Portuguese-speaking Brazil, historically somewhat isolated from predominantly Spanish-speaking Latin America, in recent years has sought to play a more active role in the affairs of the Western Hemisphere. This has brought about a closer relationship between Brazil and its Latin American neighbors, particularly the Andean Pact and Southern Cone nations. This relationship has included cooperative programs in a broad range of economic and strategic matters with several Latin American nations, including Argentina, the only other Latin American country besides Brazil with advanced nuclear technology.

THE 1981 ECONOMIC STRATEGY

For 1981, the Brazilian government has initiated a program to reduce the country's 113 percent inflation rate to 70 percent, turn the country's 1980 \$3 billion trade deficit into a \$1 billion trade surplus, reduce Brazil's petroleum imports to 750,000 barrels per day, and reduce the country's economic growth to 5 percent. To reduce the inflation rate, the government has implemented a program to limit monetary growth, reduce government expenditures, continue to phase out many of the government subsidies, and increase interest rates. These measures to reduce the inflation will slow down economic growth. Several financial observers have cautioned that Brazil's economic growth rate might fall short of four percent, the "rate thought to be the minimum needed to prevent a noticeable increase in unemployment."⁵ Nevertheless, the Brazilian government believes these measures will not have an adverse impact on the unemployment level of the country.

To improve the balance of payments for 1981, the Brazilian government has adopted several policies to contain import growth. These policies include a rise in the tax on all foreign exchange transactions from 15 to 25 percent, a monetary import limit for trading companies not to exceed the 1980 dollar value of imports, and the imposition of import quotas for all state agencies. These measures to contain import growth have already succeeded in reducing Brazil's trade deficit from \$1.83 billion during the first quarter of 1980 to \$462 million for the same period in 1981.⁶ In addition, further large devaluations of the cruzeiro, such as the 30 percent devaluation in December of 1979, cannot be ruled out. (The cruzeiro experienced many small devaluations throughout 1980.)

Several of these policies to balance the trade deficit and lower the inflation rate are similar to the measures required by the IMF to qualify for financial support. However, the Brazilian government spokesmen have issued conflicting reports as to whether Brazil will be seeking IMF assistance in 1981. In an interview last year, Brazil's Finance Minister, Ernane Galveas, said that his government will attempt to raise \$12 billion in 1981 from the international financial markets. Furthermore, Mr. Galveas indicated that his government was looking at the IMF as a possible source of funds because of "encouraging signs" by the IMF in softening its lending requirements and increasing its resources.⁷ Shortly thereafter, the President of the Brazilian Central Bank,

⁵ The Economics Group of the Chase Manhattan Bank, "International Finance," Vol. XV, No. 21, October 27, 1980.

⁶ "Brazilian Trade Deficit Narrowed Last Month," The Wall Street Journal, May 20, 1981, p. 31.

⁷ Juan de Onis, "Debt-Ridden Brazil Will Seek \$12 Billion in New Loans in 1981," The New York Times, October 3, 1980, p. D-3.

Mr. Langoni was quoted as saying, "I can tell you that it [approaching the IMF] is not under consideration."⁸ These conflicting statements by Brazilian officials are not helpful to Brazil's cause in the international financial community.

PATH TOWARDS DEMOCRACY

Breaking with his three military predecessors, Brazilian President Ernesto Geisel began a process of "abertura" (an opening toward democracy) during his term in office (1974-1979). During this period, press censorship was ended, some elections for local and congressional offices were expanded, the treatment of political prisoners was improved, and the president's authority to suspend political rights and deny habeas corpus in political crimes was revoked. This trend toward democracy came about after the leftist terrorist threat was brought under control in the early 1970s.

This process of "abertura" continued following the inauguration of President Joao Figueiredo, President Geisel's successor, who vowed to expand democracy in Brazil. Since assuming office in 1979, President Figueiredo declared a political amnesty and allowed political exiles to re-enter Brazil safely and resume political activities. Furthermore, in preparation to restore more open elections, those political parties with popular support have been allowed to register to participate in the 1982 elections. These elections will include all offices other than the presidency, and Figueiredo recently promised that the 1984 presidential elections will proceed freely under the constitutional regulations of the electoral commission. In an effort to consolidate this path towards democracy the government has initiated a "direct dialogue" with the opposition parties.

However, this process leading toward democracy has encountered dissent and opposition. This opposition has come from various sectors who perceive "abertura" as progressing either too quickly or too slowly, or from groups who believe the government should concentrate its efforts on solving Brazil's serious economic problems first. "Abertura" has also brought forth terrorism from the extreme right directed against newsstands selling Marxist literature. Although not yet seriously threatened from within his own government, Figueiredo is finding opposition as he leads his nation toward democracy.

REORGANIZATION OF POLITICAL PARTIES

Prior to 1979, only two political organizations were allowed to exist in Brazil, the pro-government National Renewal Alliance

⁸ Warren Hoge, "Brazil Riding a Treadmill," The New York Times, February 8, 1981 p. 52, Section 12, International Economic Survey.

(ARENA), and the opposition Brazilian Democratic Movement (MDB). In 1979, the Figueiredo Administration sponsored a bill, subsequently approved by the Congress, which substituted a multi-party system for the previous two-party system. Since then, six political parties have come into existence, all of which have sought to adopt a liberal or leftist image.

These new political parties include the replacements for the pro-government (ARENA) party and for the opposition (MDB) party. In ARENA's place, the Social Democratic Party (PDS) has been formed. Most of the support for the PDS comes from the rural areas. Nevertheless, the PDS is liberalizing its party platform to gain support among the influential urban population. To replace the present government's opposition MDB party, the Brazilian Democratic Movement Party (PMDB) has been established. The PMDB platform advocates income redistribution, advancement of economically disadvantaged groups, and complete restoration of political democracy. Its strength comes from the urban middle class intellectuals and workers.

The remaining four political parties are the Popular Party (PP), which has a similar platform to that of the PDS. The PP has most of its support base in the state of Minas Gerais and Rio de Janeiro. A second political party, the Brazilian Labor Party (PTB), which was in existence prior to 1964, has been reorganized. However, the PTB has experienced an internal power struggle which resulted in the formation of yet another party, the Democratic Labor Party (PDT). Both the PTB and the PDT are patterned after the European Social Democratic parties, with a strong socialistic and nationalistic orientation. Finally, the last political party which has qualified to register is the Workers Party (PT), which has tried to attract a broad spectrum of leftist and labor leaders. However this party has developed serious internal organizational conflicts, which have kept it from agreeing on a platform other than one in general opposition to the government's current policies. The PT appeals to the "victims of capitalism" and proposes a militant trade unionist line. It has wide support among the many activist lay groups within the Brazilian Catholic Church.⁹

The "orthodox pro-Soviet" Brazilian Communist Party (PCB) remained fairly inactive following the 1964 military coup, even though in 1979 the Figueiredo government permitted the PCB to operate in somewhat more open circumstances.¹⁰ However, since the PCB has not been authorized to register for the 1982 elections, many of its members have joined other political parties. The PCB and other smaller Brazilian Marxist-Leninist groups, numbering a few thousand members, have taken on the task of influencing those

⁹ Jim Brooke, "Union Leader Vexes Brazil's Military Rulers," Washington Post, March 4, 1981.

¹⁰ Richard Staar (ed.), 1980 Yearbook on International Communist Affairs, p. 325.

political parties in opposition to the current ARENA-dominated government in an attempt to establish a free environment "to organize political parties of all shades."

THE LABOR MOVEMENT

Eight national labor confederations have been established by law in Brazil. The largest is the National Confederation of Agricultural Workers (CONTAG), claiming a membership of four million, out of an agricultural work force of 16.4 million. However, the Latin American arm of the AFL-CIO, the American Institute of Free Labor Development (AIFLD), estimates CONTAG's membership at 2.6 million. The second largest confederation, the National Confederation of Industrial Workers (CNTI), claims five million workers, while AIFLD estimates the CNTI membership at two million. The remaining six confederations cover workers in the fields of land transportation, banking and insurance, communications and publicity, maritime-river-air transportation, commerce, and education and culture. AIFLD estimates the total number of non-agricultural union members at 5.8 million, out of a non-agricultural labor force of 22.8 million. There is no provision in Brazil's labor laws to establish a single nationwide labor confederation. Nevertheless, labor leaders have indicated a desire for more united action.

Some labor leaders, supported by the Church, have pushed for higher wages and social reforms. Most of this agitation has not come from the national labor confederations, but from smaller, local labor unions which feel somewhat apart from the labor establishment. Among these smaller union leaders, the most active is Luis Ignacio da Silva, a metal workers' union leader in the Sao Paulo area and also the national president of the Workers Party (PT). Da Silva recently led the longest major strike in Brazil since 1964, which resulted in a six-week shutdown of the nation's auto industry. This strike infuriated military leaders, who initiated a judicial process against da Silva which led to a three-year sentence in prison. Nevertheless, two hours after da Silva's arrest, the government released him pending appeal. His conviction and sentencing in February 1981 prompted a one-day strike by 1,200 Ford employees.¹¹

In 1980, there were a total of 25 strikes in Brazil, compared to 300 strikes in 1979. This decline in the number of strikes is due to improved labor relations with employers and because of recent large salary increases. While temporarily reducing labor disputes, these salary increases have also contributed to the nation's inflationary spiral.

¹¹ "Labor Leader Charged With Subversive Propaganda," FBIS, Latin America, Vol. VI, No. 020, January 30, 1981 (Brazil Herald).

BRAZIL'S CATHOLIC CHURCH

Brazil's progressive Catholic Church, the most liberal in all of Latin America, has taken a prominent role in the struggle against the government and in support of labor movements. Of the nation's bishops, approximately 30 are considered conservative, while, out of the remaining 270 bishops, 200 are considered moderately progressive, and 70 as leftist. This distribution is similar among the Church's five highest ranking members. Cardinal Scherer, Archbishop of Porto Alegre, is the only conservative, while Cardinal Brandao, Archbishop of Bahia, and Cardinal Sales, Archbishop of Rio de Janeiro, are moderately progressive. The remaining two Cardinals are radical progressives and have been actively involved in opposing the government; they are Cardinal Lorscheider, Archbishop of Fortaleza, and Cardinal Arns, Archbishop of Sao Paulo.

The Church is the single most influential element in Brazil pushing for an expanded and accelerated process of "abertura." Some of the more radical labor movements and political parties have been strengthened by their close association with the Church. This holds true particularly with the leader of the Workers Party, Mr. da Silva, who has been offered the use of Churches by Cardinal Arns to hold labor meetings. Da Silva recently stated that "the role of the progressive Church" consisted of "defending the oppressed and organizing real resistance movements against the injustices committed against the poor people."¹² In fulfilling this role, unions and the Church have joined together to campaign for agrarian reforms and other social reforms.

THE MILITARY AND ABERTURA

The Brazilian armed forces are divided into several factions over the democratization process. The largest faction, in a commanding position, supports President Figueiredo in his current "gradual and safe" approach toward democracy. A much smaller faction within the military, supported by the Church, seeks an acceleration of this process. Still another faction is opposed to "abertura," not necessarily because of its liberal social and economic tendencies but because it threatens the concept of a strong, military-controlled central government. Despite the differences, all factions have sufficient loyalty to the armed forces as an institution to make unlikely any serious challenge to the President's authority.

¹² "Lula Scores Government," FBIS, Latin America, Vol. VI, No. 020, January 30, 1981 (Paris AFP).

HUMAN RIGHTS STRAIN U.S.-BRAZILIAN MILITARY RELATIONS

Although the U.S. and Brazilian armed forces maintained close relations prior to World War II, it was Brazil's role in the war which brought about a special military alignment between both countries. This was a result of Brazil's "substantial contribution," the largest by a Latin American nation, "toward the Allied victory in World War II." This close U.S.-Brazilian military alliance persisted until the Carter Administration, shortly after its inauguration, began to publicly criticize the Brazilian government for its human rights record. These U.S. human rights investigations were perceived by the Brazilian government as an "unwarranted interference in Brazil's internal affairs."

In retaliation, the Brazilian government cancelled its 1948 mutual assistance agreement with the U.S., dismantled the joint U.S.-Brazilian Military Commission, and pulled all of its students out of the U.S.-Latin American military training program at Fort Leavenworth, Kansas. According to Lt. Gen. Gordon Sumner, former Chairman of the Inter-American Defense Board, the Carter policies toward Brazil not only weakened the United States' influence in the strategic South Atlantic passageways, but also resulted in lost business opportunities for the U.S. private sector. These lost opportunities went instead to Western Europe and Japan.¹³

In spite of a favorable 1980 U.S. (Carter Administration) human rights report on Brazil, the Brazilian government continued to express its disapproval over U.S. human rights investigations. Although this friction over the U.S. legitimacy in pursuing human rights violations in Brazil remains, the Reagan Administration has initiated an effort to increase military cooperation programs with Brazil. Various sources within the Brazilian armed forces have indicated that even though military relations between both countries are improving, there are no "new formal military accords" in the making.¹⁴

U.S. POLICY INITIATIVES

Friction between the United States and Brazil over such issues as nuclear non-proliferation and human rights have been reduced, and the Reagan Administration now has an excellent opportunity to begin a new era of mutually beneficial relations between the two countries. Central to any such beginning is a realization by the U.S. that "abertura" is vital to the development of Brazil and must progress according to Brazil's own pace. Along with this maturing will come a sense by Brazilians of their own importance in the Hemispheric affairs.

¹³ "Our Relations With Brazil," America's Future, June 27, 1980, p. 4.

¹⁴ "Brazil: Increasing U.S. Cooperation," Defense & Foreign Affairs Daily, April 27, 1981, p. 2.

For the U.S., it would be an error to cast Brazil in the shadow of Mexico, a nation whose attitude towards the U.S. has, at best, been ambivalent. High level gestures of friendship toward Mexico require similar gestures towards other important Latin American countries, such as Brazil, if these other nations are not to be offended. The Reagan Administration should schedule, without further delay, high level exchanges and visits with Brazilian officials.

The greatest threat to stability in Brazil comes from the continuing deterioration of its economy. It is in the regional security interests of the U.S., therefore, to help to stop this deterioration. Because energy has been Brazil's largest expense, the U.S. should be prepared to review the Nuclear Nonproliferation Act and possibly open up its supplies of nuclear fuels (uranium) to Brazil for use in its nuclear reactors, particularly so if alternate European sources are not readily and economically available. In addition, mutually beneficial energy technology cooperation programs should be continued and expanded in such areas as coal and solar workshops through the Department of Energy and AID's Trade and Development Program.

The Reagan Administration should pursue human rights improvements in every country of the world. However, this effort should be approached through quiet diplomacy instead of the Carter Administration's counter-productive public criticism, which antagonized many U.S. allies.

Previously good relations between the U.S. and Brazilian military forces should be re-established. Annual joint naval exercises and port calls in each country should be continued, and joint naval maneuvers might be increased in frequency. Consultations between senior officers should be scheduled with regularity, and military training opportunities in the U.S. and the U.S. Army's School of the Americas in Panama should be made available to junior and middle-grade Brazilian officers.

The United States should also continue discussions through consultative mechanisms, such as the U.S./Brazilian Trade Subgroup, to resolve trade policy differences. These discussions should pursue an open free trade policy between both countries in order to restore the U.S. share of Brazilian trade. However, the U.S. should not expect Brazil to eliminate its trade barriers unless similar measures are taken by the U.S., particularly in opening the shoe and alcohol markets without quotas and additional tariffs.

CONCLUSION

The policies pursued by the Carter Administration towards Brazil had an adverse impact on U.S.-Brazilian commercial and military relations. Instead of controlling Brazil's nuclear energy growth, the Carter policies resulted in the exclusion of U.S. firms from competing for these billion dollar projects.

Instead of reducing the flow of arms to the Third World, the Carter policy restricting U.S. arms sales simply prompted the Brazilians to expand their production and export of arms. Instead of encouraging the Brazilian military government to address certain human rights concerns, the Carter policies resulted in the Brazilian withdrawal from bilateral military cooperation agreements, and with this withdrawal the United States' influence in South America and in the South Atlantic passageways suffered.

Clearly, new policies toward Brazil are needed by the Reagan Administration in an effort to resolve past differences. These new policies should support Brazil's current progress towards democracy, assist Brazil in its efforts to gain energy self-sufficiency, resolve trade policy differences, and restore a military alliance between both countries.

Alexander Kruger
Policy Analyst