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Brazil and the Southern Cone Subsystem

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From Conflict to Cooperation

The 1970s produced a pattern of international politics in South America that was much more conflictual and troublesome than the current essentially cooperative tone.[1] There were intermittent tensions between leftist and rightist regimes, several active border disputes (principally Argentina-Chile, Ecuador-Peru, and Bolivia-Chile), and ongoing rivalries between Argentina and Brazil during the period of nationalistic Peronist governments in Buenos Aires (1972–1976) and beyond. The geopolitical and national security models in vogue in the Southern Cone military establishments tended to describe international politics as a zero-sum game, with emphasis on conflict, competition, expansionism, "flash points," and a balance of power paradigm rather than on cooperation or solidarity. Even Argentine and Chilean interest in Antarctica took on a more contentious and exclusivistic style than that of the non–South American countries present there. Human rights violations under military regimes made several countries targets of general Western censure.

Economic integration efforts through the Latin American Free Trade Association (LAFTA) and the Andean Pact ground to a halt over differences in relative national advantage, especially between larger and smaller members. Chile withdrew from the Andean Pact in 1976 over foreign investment policies and a common external tariff, and pursued a vague "Pacific Basin" strategy. Toward the end of the decade Argentina turned toward the USSR as a major trading partner, and Brazil found interesting markets in Black Africa and the Middle East. In the continent as a whole, the surge of foreign borrowing reinforced a trend toward independent national development strategies.

In the Southern Cone, Argentina posed a factor of instability, with erratic foreign policies varying as a function of personal idiosyncrasies

and the perennial internal power disputes among groups, including the 1976–1983 military governments.[2] Its relationship with the rest of South America was hindered by a revival of its traditional sense of uniqueness and separateness in Latin America, compounded by the resurgence during the 1970s of long rivalries with its two largest neighbors, Chile and Brazil. At the same time, an apparent decline in American influence on the continent during the Carter administration promised to give more play to local actors and possibly to more discordant local tendencies. The 1982 Falklands/Malvinas War, to many observers, just appeared a logical (albeit unexpected) outgrowth of the quarrelsome tendencies of the previous decade, bolstered by a Galtieri government with an overblown sense of Argentina's power and strategic significance, special relationship with the Reagan government, and support within the continent.

The effects of this war, in reality, marked an abatement of the threat of force, because of the embarrassment suffered by the Argentine military, the negative effects of the war losses, and the concomitant replacement in several countries of military regimes by more representative civilian governments with more cooperative agendas in foreign policy and concern about the maintenance of democracy and human rights. (The obdurate exceptions through the 1980s remained Chile and Paraguay.) The Falklands War demonstrated the obvious breakdown of the traditional Inter-American System, just as the issues of politicization of the foreign debt, trade difficulties, Central American conflict, and American attempts under Reagan to reincorporate Latin America as a sphere of influence became more pressing and highlighted mutual Latin American interests.

The 1984 settlement of the Chilean-Argentine border controversy in the Beagle Channel[3] and the slackening (but not cessation) of Bolivia's coastal territory claims against Chile with the passage of the 1979 centennial of the start of the War of the Pacific allowed common developmental concerns to come to the fore rather than the divisive national security matters previously raised. Argentina and Chile followed up on the Beagle Channel settlement with 1984 treaties on physical integration and economic complementarity and a 1985 treaty on cross-border cooperation in the centrally-located Pino Hachado Pass area of the Andean frontier.

A general acceleration of inter-Latin American consultations has facilitated a more cooperative continental subsystem, first with an unusual level of intermittent consultations among presidents and then, in November 1987, with the meeting in Acapulco of eight Latin American presidents, all from South America except Mexico's President de la Madrid. A broader acceptance of the integrationist ideas of the Latin

American Economic System (SELA) policy research group now gives credibility to alternatives to the current system of relationships within Latin America and vis-à-vis the North, without stridency toward the U.S. or Western Europe. At the same time, although precise indicators are lacking, transnational relationships among professional and labor classes and political parties (as well as smugglers) appear to be on a decided increase, a new integrationist phenomenon over the more accustomed forms of state-to-state relations dominating the region.

Country Profiles

Argentina

The foreign policy results of the Falklands War for Argentina were definitely not, as some had initially feared, of a sort to cause brash vengefulness or a choice for the nuclear option to try once again to prove superior status, prestige, and regional leadership. Under the civilian government of Raúl Alfonsín, inaugurated in December 1983, Argentina began to address more objectively and constructively, and in a conciliatory and coherent way, its Latin American (rather than its would-be European) identity, its disadvantageous influence position in South America, and its failures in erratic power-oriented policies and nationalistic rhetoric during the military regime.

The common theme of Alfonsín's moderate continental policies and activist initiatives has been to "normalize" the situation and to bring Argentina to the position of a reliable, reasonable, and trustworthy partner, most notably with establishment of a South American subgroup (the Lima Group) to support the Contadora negotiating forum, settlement of the Beagle Channel controversy, and continuation of economic integration with Brazil.[4] The national preoccupation with gaining sovereignty over the Falklands through negotiations continues as a chief priority, but with reduced vehemence and general Latin American support that is only verbal. Buenos Aires has developed no concrete political alliances or strategies to counter the British insistence on maintaining control and a military presence, the 1986 British declaration of a 150-mile exclusionary fishing zone there, or Margaret Thatcher's unprecedented 1987 electoral victory for a third term as prime minister.

Reintegration with Latin America received high priority, with a strategy to promote economic integration and political coordination, support democratic government, revive regional multilateral institutions, discourage arms races and regional disputes, and keep the region clear of the East-West conflict.[5] The theme has been reconciliation and

cooperation rather than continental leadership. Alfonsín has frequently used democratic justifications for his activist multilateral foreign policy stances, in issues such as the foreign debt and Central America, as well as an external expression of internal policy.

The military governments were characterized by the presence of combative and authoritarian nationalists with a narrow, parochial, and heavily anti-Communist view of foreign affairs oriented to the Cold War. The government of the Radical Civic Union (UCR), in contrast, has many classic liberal members with cosmopolitan and integrationist leanings conducive to cooperative solutions at the continental level, although less helpful in North-South issues such as the restrictive foreign debt, sovereignty over the Falkland Islands, and agricultural disputes with the European Common Market.[6] The continental popularity of the figure of President Alfonsín himself, the chief architect of national foreign policy, has improved the country's image among its regional partners.

As always, it is difficult to postulate the current directions as a longer-term trend in the country's continental relations. Should the UCR's present classic liberal style of governance be replaced by a statist-nationalist group, either the Peronists or the military, Argentine foreign policy could take more conflictful or disruptive courses.

Chile

The second major Southern Cone actor and the most introverted, Chile continues to suffer a decided disadvantage in its continental position because of the negative human rights reputation of the Pinochet dictatorship among the civilian-ruled South American countries and foreign approval of the democratization movement against Pinochet. Regime differences have, for example, impeded the progress of cooperation with Argentina under the 1984 treaties because the Alfonsín government does not want to cooperate closely with a dictatorship.

Unlike its neighbors, Chile practices a diplomatic style characterized by Muñoz as "praetorian-ideological"—dogmatic, confrontational, anti-Communist, and dominated by military officers instead of diplomats.[7] General Pinochet, a geopolitical theorist, places his imprint clearly on the country's foreign policy. Chile's foreign policy efforts aim to assure continuing power for the military government and to overcome the effects of political isolation. So while Chile is not a disruptive force on the continent, neither is it an active participant or initiator in South American international trends. Its political future represents one of the major question marks in Southern Cone international politics.

The Three Buffers

As a group, Bolivia, Paraguay, and Uruguay have traditionally been regarded either as buffer states or as zones of competition between Argentina and Brazil. Recent trends, and the rise of Argentine-Brazilian cooperation in the 1980s, have affected each one's international position differently. All three, however, suffer size disadvantages relative to their larger neighbors, and all three will be pulled into the ongoing process of transnational economic integration in the Rio de la Plata Basin, South America's largest international population cluster.

Bolivia's weaknesses of high foreign dependency, chronic instability, and the cocaine trade hinder its ability to exercise an effective and coherent foreign policy and also make it an object of concern for its neighbors. The main objective of its foreign policy has been to recover a way to the sea, lost to Chile in the War of the Pacific. This has occasioned a long-running dispute with Santiago, subject to periods of greater or lesser fervor on Bolivia's part. Bolivia regularly takes the issue to regional organizations. Regime compatibility or incompatibility with neighboring states has had a major impact on the tone of the relations with local states. Because of its continentally-centered position, Bolivia's foreign policy options have taken several courses over recent time: Tilting toward either Argentina or Brazil, maintaining an equilibrium between those two influences, or following a proclivity toward any of three regional groupings to which Bolivia belongs—the Andean Pact, Cuenca del Plata Accord, and Amazon Pact.[8]

Paraguay, under the Alfredo Stroessner dictatorship from 1954 to 1989, was the most stable of the three buffers. When Stroessner came to power, his country was heavily dependent on Argentina. The growth of Brazilian influence there in the 1970s gave rise to a "pendular policy" between Argentina and Brazil, Paraguay's chief continental partners. By the late 1980s, Paraguay had developed such close transnational economic relationships with Brazil that a future Paraguayan government would probably be unlikely to repudiate them. Argentina, with many Paraguayan exiles, was critical of the Stroessner dictatorship after Alfonsín came to power, but maintained several important projects of binational cooperation. Brazil has sufficient presence in the country (particularly in the Itaipú hydroelectric complex) that there is concern in Brasília about the nature of Stroessner's successor. Yet, in consonance with its general policies, Brazil considers Paraguayan politics an internal matter. Toward the rest of the continent, Stroessner followed a low-profile policy in order to minimize overt criticism of his dictatorship and of its role in contraband and drug smuggling.[9]

Uruguay, "the quintessential buffer state," in the phrase of Tulchin,[10] has lately become more of a bridge than a fence in light of its bilateral

TABLE 4.1
Brazil's Growing Predominance on the South American Continent, 1960–1986

		Population (millions)			
		1960	1970	1980	1986
A.	Brazil	72.6	95.8	121.3	138.5
B.	Rest of South America	74.2	94.7	118.5	134.8
	RATIO of A:B	0.98	1.01	1.02	1.03
		Gross Domestic Product (billions of 1986 dollars)			
		1960	1970	1980	1986
A.	Brazil	68.3	123.8	284.8	333.8
B.	Rest of South America	124.1	197.9	286.0	292.0
	RATIO of A:B	0.55	0.63	0.99	1.14
		Value Added to Economy by Mfg. (billions of 1986 dollars)			
		1960	1970	1980	1986
A.	Brazil	17.7	34.4	81.1	86.9
B.	Rest of South America	24.1	41.4	58.4	60.1
	RATIO of A:B	0.73	0.83	1.39	1.45

Source: Inter-American Development Bank, *Economic and Social Progress in Latin America, 1988 Report* (Washington, DC: IADB, 1988), Statistical Appendix.

participation as third party in Argentine-Brazilian economic integration. With few resources other than agricultural, and a chronically stagnated economy, a framework of economic complementarity worked out with its two principal foreign partners is welcome. President Julio Sanguinetti's government has been enthusiastic in its support for Argentine-Brazilian cooperation, and the immediate prospect is for greater Uruguayan reliance on both nations. Cultural factors and the proximity of Montevideo to Buenos Aires favor Argentine influence, while economic factors tend to favor that of Brazil. Uruguay has been affected by trends toward democracy or dictatorship in its larger neighbors, yet has not seen it necessary to perform a conscious balancing act. The Sanguinetti government characteristically assumes a conciliatory position on regional political issues and emphasizes economic concerns and regional cooperation.

Brazil

Of the three major Southern Cone actors, the largest single national factor in the future of South American international relations is the role of Brazil on the continent.[11] One of the major determinants of Brazil's relationship to South America has been its growing economic primacy on the continent, particularly in industry, in which it is a Third World leader. (See Table 4.1.) Southern Cone economies over the longer haul have been weaker and more sluggish than Brazil's, even though the area is the most developed region of Latin America. The most probable outcome is a continued widening of this gap, although the speed of change may vary over time. Such superiority will provide Brazil with both greater relative capabilities and potential problems arising from intended or unintended political influence effects, economic penetration, and other entanglements.

Brazil's Lusophone culture, the immensity of the country, the geographical distance of much of its population from Spanish South American population centers, and middle and upper class fascination for things American or European led historically to a sense of separateness and distinctness that hindered serious Brazilian self-identification, beyond rhetoric, as a South American nation. In this decade, however, the question of how Brazil should relate to the rest of South America has been a subject of domestic and continental debate, with increasingly practical consequences and an expanding range of possibilities.

Brazil's Political Relations in South America

Current Political Characteristics

From 1970 through 1987 the political bases of Brazil's relationship with the rest of South America experienced major changes that made Brazil more predominant in South America, but also facilitated the emergence of the present pattern of expanding bilateral cooperative ties. Brazil has adroitly managed contradictions of disparity in any size and interests that in other regions of the world could well have occasioned major disagreements and long-term animosities.

Brazilian relations with the rest of South America during most of the 1970s were troubled by ideological differences, Brazil's unusually rapid economic growth, and neighbors' concerns that it was an American surrogate or an expansionist power. Brazil under the military regime in the early and mid-1970s was optimistic about years of strong economic growth, and in its "emerging world power" orientation turned away from hemispheric affairs and toward a global view of its economic interests. Signs of accommodation were visible in the latter years of the Ernesto Geisel government (1974–1979), however, including the 1976 proposal to create an Amazon Pact (formalized in 1978) for coordinated development in the river basin. The 1977 breaking of the military assistance agreement with the United States, over the Carter administration's human rights linkages, made Brazil seem less a U.S. proxy to its neighbors.

The clearest change in the nature of the relationship came during the government of President Joao Figueiredo (1979–1985), with his emphasis on improving relations and avoiding frictions in South America. The economic boom had passed, and thoroughly faded dreams of imminent major power status belied the earlier hope that Brazil's interests would soon be similar to those of the developed states. The consensus grew in Brazil, in and out of government, that its national development could not be planned or achieved separately from that of the rest of Latin America.[12] The government began several years of emphasizing South-South economic and political relationships, a position that logically required a credible improvement in relations with neighboring states and acceptance of many types of political regimes. A now more economically vulnerable and less euphoric Brazil also seemed less threatening to its neighbors.

The Figueiredo government designed an expansion of treaty ties with most South American nations and carried out an unusual pace of exchanges of official visits at the presidential and ministerial levels. (President Figueiredo was the first Brazilian president to visit Bogota, Lima, and Caracas, and the first to visit Buenos Aires in forty-five years.) The Itaipú-Corpus hydroelectric power controversy with Argentina over joint waterways rights, of several years' duration, was settled to mutual satisfaction (and to that of Paraguay) in a matter of months. Above all, the evolution of Brazilian-Argentine relations away from the rivalry of the 1970s to their present state of cooperation, through changes of government from military to civilian rule in both countries, has been one of the most positive features of recent South American international relations.[13]

The relaxation of many Argentine-Brazilian tensions was, of itself, a major aid to Brazil's unprecedented overall rapprochement with Spanish South America. So was Brazil's cautious tendency to continue to tilt away from the United States with a mild Third World position sufficient to establish a claim to independence, but not enough to alienate Washington. Undergoing political liberalization itself, Brazil was able to take advantage of what became a continental shift toward democratic rule by frequently injecting principles of freedom and democratic rhetoric into diplomatic speeches and joint declarations with neighboring governments.[14] The March 1985 inauguration of an indirectly elected civilian government, under President José Sarney, made that parallelism much easier, above all with the government of Raúl Alfonsín in Buenos Aires.

Determinants of the Current Situation

Brazil's political relations with all South American governments are now good to excellent, and commercial negotiation problems are treated as technical matters rather than as causes for political recrimination. Although Brazil customarily prefers bilateral relations to multilateral, it has been active in the Cartagena group on Latin debt and the Lima subgroup to the Contadora process on Central American tensions. Brazil's role in both of these has been one of information and dialogue rather than one of promotion and innovation, but these groups are useful to Brazil in that they set out moderate guidelines to resolve the issues at hand. Brazil has also encouraged the cooperative tone and functional usefulness of the Amazon Pact, the River Plate Basin group, and the Latin American Association for Integration (ALADI). Activity in multilateral groups puts Brazil more in line with Spanish American interest in such forums, but Brazil still pursues a notably less prominent role than its size might suggest.

Brazil has not taken on a hegemonic "responsibility" for South American events, nor has it carried out covert interventions or stated preferences about the internal affairs of neighboring states. South America continues to receive consistent high-level attention and summit diplomacy appropriate to a gradualist policy of long-term cooperation without domination.

Brazil's role as a regional actor has been shaped by its cautious diplomatic style resulting from a decision not to exercise fully its capabilities for influence in order to protect its positive image in the region. It has been very selective as well about the type and quantity of its military equipment sales in South America, and maintains locally significant but small military supply and training programs only in Paraguay and Suriname, the former as a gradual process of evolution and the latter begun in 1983 as a counterweight to Cuban influence. These are the only South American states in which Brazil could be considered to have a sizable foreign aid program. Brazil has shown neither embarrassment with such ties to military regimes nor has it shown any interest in urging domestic political reforms. The Foreign Ministry maintains only "proper" relations with Chile's Pinochet regime, and its pronouncements in favor of strengthening democracy on the continent have been couched in very general terms. Any degree of specificity would be a major departure from long-standing non-interventionist practice.

Brazil has clearly rejected the roles of (1) continental hegemon ("Colossus of the South"), (2) assertive Third World champion, and (3) American regional surrogate or ally. Brazil is an essentially moderate and nonthreatened status-quo power on political issues, so it tends to emphasize economic payoffs, avoid entanglements, stay out of others' conflicts, encourage peaceful settlement of disputes, keep diplomatic dialogue open, and cultivate the reputation of a trustworthy partner. Brazilian diplomats and military officers are much more likely to

TABLE 4.2
South American Public Opinion on Brazil Regarding International Cooperation and Conflict, March 1981

The following questions were included in the survey:

1. "Our country as a nation has certain interests. With which countries of the world should we work most closely to advance and improve ourselves?"
2. "Which are the South American countries which work the most for peace?" (First choice only.)[a]
3. "Which, in your judgment, are the most conflictive countries of South America?" (First choice only.)

	Chile	Uruguay	Ecuador	Argentina	Venezuela	Colombia	Peru
Question 1:	64%	51%	36%	27%	19%	15%	5%
Question 2:	35	37	13	1	4	15	14
Question 3:	2	5	3	6	2	2	1

[a]Brazil was the second most cited country in five cases, after only the country of the respondent. Brazil was the most cited country in Uruguay; in Argentina 65 percent of the respondents cited their own country, and no other country received over 1 percent mention.

Source: Gallup Sud (Montevideo) Survey #5 (March 1981) done for the United States Information Agency and partially reported in USIA's *Foreign Opinion Note* of June 26, 1981.

express concern, usually in a carefully worded way, than to contemplate action to handle a political problem in South America. The usual explanation given by officials is that, learning from frustrations experienced by major powers, Brazil finds interventionist efforts counterproductive and unlikely to yield lasting positive results for the intervening power. Further, Brazilian diplomacy has a tendency to avoid taking an unambiguous stand and to postpone acting on a problem that might disappear of its own accord.[15]

The extent to which this strategy has been successful in a public relations sense is demonstrated, among other ways, by the favorable image Brazil now has in the public opinion of neighboring countries. Based on a March 1981 poll done by Gallup Sud for the United States Information Agency, Table 4.2 shows a willingness in most neighboring states polled to consider Brazil a valuable partner in development and a force for peace on the continent. Table 4.3, with data on perceptions of Brazil's territorial status and ambitions, shows that only Argentines and Peruvians among five countries polled had significant suspicions about Brazil's expansive designs, yet even they discounted the likelihood of imminent border conflicts. The uniqueness of this survey does not allow any trend analysis, but Brazil's later moderate conduct during the 1982 Falklands War (while supporting Argentine sovereignty over the islands), the continued cooperative nature of relations with its neighbors, and inauguration of a civilian government in March 1985 could only have served to lessen somewhat those suspicions in the interim.

TABLE 4.3
South American Public Opinion Regarding Brazil's Territorial Status and Ambitions, March 1981

1. "There are persons who believe that Brazil is an imperialistic country which wants to expand its territory even more. Others believe Brazil is a peaceful country that does not want conflicts with South American countries. In your opinion, does Brazil wish to expand its territory or does it not wish conflicts with other South American countries?"

Respondents	Wants to Expand Its Territory	Does Not Want Conflicts	No Opinion
Argentina	32%	23%	45%
Peru	31	52	17
Ecuador	21	61	18
Uruguay	7	80	13
Chile	6	62	32
Colombia	Not polled		
Venezuela	Not polled		

2. "In your opinion, what possibilities exist that there may soon be border conflicts between Brazil and other South American countries: very probable, not very probable, improbable, or not probable at all?"

Respondents	Very Probable	Not Very Probable	Improbable	Not Probable at All	No Opinion
Venezuela	15%	15%	19%	29%	22%
Ecuador	12	16	36	25	11
Argentina	8	14	19	16	43
Peru	8	18	39	23	12
Chile	2	7	28	37	26
Uruguay	1	6	32	54	7
Colombia	Not polled				

Source: Gallup Sud (Montevideo) Survey #5 (March 1981) done for the United States Information Agency and partially reported in USIA's *Foreign Opinion Note* of June 26, 1981.

(Bolivians and Paraguayans were not polled, but concerns about Brazilian influence have often been expressed in those two countries, particularly in the Santa Cruz region of Bolivia and in eastern Paraguay.) The terminology of a comparative study of Third World influence by David Myers can be used to describe Brazil's political position on the continent.[16] Those countries that can be seen as "bargainers," with sufficient capabilities to negotiate effectively with Brazil, in approximate descending order of current intensity of interaction, are Argentina, Colombia, Chile, Peru, and Venezuela. Argentina, the only local contender with Brazil for continental influence, has in effect assumed the role of junior partner. The weaker "peripheral dependents," with insufficient resources to counterbalance foreign influence, in roughly de-

scending order of intensity of interaction with Brazil, are Paraguay, Uruguay, Bolivia, Suriname, Ecuador, and Guyana.

Of these, only Paraguay (population 3.4 million) could accurately be classed as a client state, tied to Brazil by trade, contraband, investments, the Itaipú hydroelectric complex, cross-border interactions of a wide variety, many Brazilian settlers and landowners in Paraguay, and a security assistance program important to Paraguay. Brazil will become increasingly identified with what happens in Paraguay, which could give rise to anti-Brazilian nationalism there and regional political embarrassment for Brasília. The expansive and ebulliently nationalistic spirit of the settlers opening Brazil's center-west, along the border with Paraguay and Bolivia, combined with concerns of those two governments about the number of Brazilian settlers on their territory, could create increasing friction over cross-border migration that varies by season, economic conditions, or surges of local nationalism.

Paraguay has ownership of half of the power generated by the binational Itaipú hydroelectric complex and sells most of its share to Brazil. With its growing dependence on these revenues and a flourishing contraband trade into Brazil, Paraguay will be increasingly incorporated into the diversified and growing economy of southern Brazil, radiating out from São Paulo through the expanded transportation networks into southeastern Paraguay. In turn, center-south Brazil will become more dependent on the electricity from Itaipú.

The Political Outlook

From Brazil's perspective, heavy governmental attention will be focused on the changing domestic political alignments and reforms growing out of the 1987–88 Constituent Assembly and on mounting economic problems. Should this internal front become very hotly contested, as is probable, less effective attention will be devoted to foreign policy as the nation becomes preoccupied with its own problems. The current leadership sees its foreign policy options as limited by the hobbling effects of the debt, and is unlikely to come up with a comprehensive and innovative strategic foreign policy "project." Weakness in the Brazilian economy, another near-term prospect, would further hinder national opportunities for cooperation or influence in South America, but Brazil's economic ills would have to be very serious indeed to constitute a disruptive factor in continental political relations.

Brazilian relations with South America will continue to be cooperative, but their intensity will depend largely on their usefulness in achieving the principal national foreign policy economic goals—alleviation of the burden of the debt, the expansion of exports and con-

striction of imports, the recuperation of economic growth, and th acquisition of advanced technology. Most of the effort to accomplis these ends will have to be made with partners outside South Americ particularly if the regional economy sags. Brazilian concerns about dru traffic and guerrillas are growing, along with a willingness to cooperat with others on those matters. Promotion of democracy and politic security are likely to be less pressing goals, unless a clear threat t them arises from extremist activity.

Brazil will probably continue its preference for bilateral dealing rather than multilateral approaches. Even if its extra-hemispheric Thir World identification should lessen, its Latin American identification i more fundamental and should persist. The foreign debt will become a increasingly political issue at home, with growing domestic pressure t restructure it in a major way to avoid strict fiscal discipline, whic will tend to push Brazil into closer agreement with the Cartagen group. Brazil would prefer to continue unilaterally to ignore IM guidelines and to renegotiate directly with its creditors. A strategy c playing up the political dimension of the debt while not explicitly tyin Brazil's financial fate to those of other debtors is most likely to benef from the atmosphere of pressure on creditors that intra-Latin consul tation achieves.

The South American regional environment in the near term shoul experience more continuity than change, since democratic sentiment and institutions are still predominant. Yet domestic opposition an economic hardships are trying the effectiveness and legitimacy of th civilian governments. Interstate conflict levels are much lower tha several years ago and show little sign of resurfacing soon. Territoria disputes could shift onto Antarctica for Argentina, Brazil, and Chil but the probability of sharp disagreement there over the treaty revisio now seems low relative to other probable concerns. A resurgence c violence in the Falklands dispute is quite unlikely, as is Latin America insistence on the issue of Argentine sovereignty.

A mildly cooperative multilateral climate is developing, but insti tutionalizing good intentions and treaty provisions into regular practic remains a challenge. The system is one of increased interaction possibl moving toward real interdependence. The chief international issues ar likely to be the foreign debt, trade relations, and the illegal drug traffic The most probable sources of regional instability include the presidentia succession in Paraguay, social pressure against Chile's Pinochet regime Bolivia's economic and political malaise, and guerrilla activity in Per and Colombia. An optimistic international scenario must depend largel on political stability and economic growth in the region, two condition that certainly cannot be taken for granted.

Further Argentine-Brazilian cooperation is crucial to setting a positive tone for the Southern Cone subsystem, in the political, economic, and security spheres. The current state of affairs suggests continuation of significant regional integration provided that there is neither a falling out over disagreements or the development of close collaboration with third parties. If local states begin to perceive an entente leading to continental domination or otherwise working to their disadvantage, they might be reluctant to commit to further integration.

The democratic governments are becoming less willing to service the foreign debt in an open-ended way indefinitely, since ultimately the principal in most cases is not repayable in its entirety. The economic drain of being net exporters of capital to creditor countries at the cost of national growth will become less acceptable. Eventually, the creditors will have to bear some of the sacrifices and burdens. The major risk in the meantime is a deterioration of domestic political stability in various countries where the social repercussions of worsening economic problems may be aggravated by an international economic downturn. In such a case, the moderately reformist civilian governments now predominant would be heavily pressured by radical opposition on the left and right to the detriment of regional stability.

To prevent this possibility, the current governments may be able to generate sufficient trade surpluses to cover interest payments on the debt. For the sake of domestic economic growth, however, they may unilaterally limit the amount of payments actually made, as Peru did in 1985 and Brazil in 1987. The extent of this practice, and creditor reaction to it, may be a major factor in inter-American political affairs in the near term.

The main potential political trends in the near future that would promote or hinder a cooperative role on the continent for Brazil are the following, listed in descending order of probability.

Potential Political Trends Encouraging Cooperation

1. Continued democratic trends in the continent.
2. Continued favorable multilateral consultation and negotiating climate.
3. Continued Brazilian identification with Latin America, especially in multilateral diplomacy.
4. Continued prominence for developmental, as contrasted to security, issues.
5. Strong politicization of the debt issue with effective Latin unity.
6. Expansion of Brazilian-Argentine-Uruguayan cooperation into a Southern Cone or River Plate subsystem.

7. Granting of Brazilian concessions or preferences such as de rescheduling or foreign aid to less-developed countries to encou age partnerships or democratic governments, thus placing Bra in a donor role.

Potential Political Trends Discouraging Cooperation

1. Greater attractiveness and receptivity of non–South Americ partners in fulfilling Brazil's goals; e.g., China, USSR, Mid East.
2. Lack of follow-through on regional initiatives Brazil undertake
3. Attritions caused by poorly managed border problems, such drug traffic, guerrilla movements, or movements of settlers (p ticularly with Colombia, Peru, Paraguay, and Bolivia).
4. Regime incompatibilities or serious domestic instability problen
5. Deterioration of the current cooperative relationship with Arge tina.
6. A surge in Brazilian growth accompanied by nationalistic reactic in Spanish America.
7. Brazilian intervention or interference in a neighboring state.

Brazil's Economic Relations in South America

Current Economic Characteristics

In the field of trade in the late 1970s, South American markets w among the most successful in the world for Brazilian exports. In peak years of 1980 and 1981, the whole Latin American region receiv 18.1 percent and 19.3 percent of Brazil's exports, shares larger th those absorbed by the United States.

The next year, however, saw debt management problems through the region, constricted international credit, more non-tariff barrie IMF guidelines mandating restriction of imports and economic slo down, and pressure on foreign exchange. Intraregional trade declir further in value, a process actually begun in 1979. Brazil's exports Latin America suffered greatly; in 1983, only 10.4 percent of Braz sales were to that region. Its regional imports contracted less abrup but many of its bilateral trading agreements failed to come to promise.

With its own debt repayment schedule, Brazil turned toward m dynamic developed-country markets where it could more reliably cumulate large trade surpluses in hard currency, particularly with

United States. Success in the U.S. market from 1983 to 1986 and achievement of major commercial surpluses there tended to reverse the economic and political momentum of the earlier Third World drive, as well as to reverse partially the 1970s trend toward closer economic ties with Western Europe. Yet the Foreign Ministry has not relinquished the goal of gradually expanding trade with South America in order to reduce the recent return to dependency on the United States.

South America's chief economic value for Brazil has been as a major market for manufactured goods (often sold by multinational corporations) and as an alternative source of raw materials (with Brazil's state companies as major purchasers). Brazil, in its continental trade, has characteristically (but not always) run a surplus, which has occasionally led trading partners to suspend imports from Brazil. The continuing problem for Brazil in trade negotiations has thus been to continue to place manufactured products in sluggish local economies, while finding enough to buy in return to maintain a trade balance satisfactory to the regional partner.

Finance has been a serious obstacle. Countertrade has provided some relief in the short term, but has been episodic and pursued chiefly with oil producers outside South America. Brazil's very resource, climatic, and industrial diversity has posed problems for its continental trade. As Brazil becomes more self-sufficient in temperate crops (Argentina), aluminum (Guyana and Suriname), copper and phosphates (Chile), tin (Bolivia), coal (Colombia), natural gas (Bolivia and Argentina), and petroleum (Venezuela and Ecuador), it will face a chronic trade surplus unacceptable to its partners and the counterpart problem will become more severe. Brazil will become competitive with its neighbors in some of these products in the mid-term.

Brazil does not trade disproportionately heavily with South America, nor has its share of intraregional trade surged in recent years. Brazil is the largest intraregional supplier of manufactured goods, especially chemicals, basic manufacturers, machines, and transportation equipment. Yet, overall, the role of South America in absorbing Brazilian manufactured exports relative to markets elsewhere has declined gradually.[17] After 1982, sales of capital goods to the region were seriously curtailed by recession.

The geographical concentration by country of Brazil's South American markets from 1972 to 1982 showed much more dispersion of exports than during the previous decade.[18] Brazil's continental trade is directed heavily toward a major Southern Cone bloc in which the markets of Brazil and Argentina serve as poles of attraction for each other and for Bolivia, Chile, Paraguay, and Uruguay.[19] This network is already the major trading configuration within Latin America, and any

TABLE 4.4
Degree of Concentration in Brazil's Trade with Its Principal Latin American Partners, 1981–1986

	Share of Brazil's Exports to Latin America (percentage)					
Country	1981	1982	1983	1984	1985	198
Argentina	19.6	20.7	29.1	27.4	22.1	24.
Venezuela	9.1	15.0	11.9	11.7	11.9	12.
Paraguay	10.0	10.3	10.3	10.7	12.1	10.
Chile	14.3	9.2	9.2	9.0	9.6	8.
Bolivia	5.7	2.5	4.8	4.5	6.9	7.
Uruguay	8.3	4.4	4.6	4.4	5.6	7.
Peru	6.3	7.1	3.3	4.0	3.7	5.
Mexico	14.3	10.3	7.4	9.2	8.9	5.
Ecuador	1.5	2.1	3.0	4.5	4.8	4.
Colombia	4.5	8.7	6.4	5.5	4.1	3.
TOTALS	93.6	90.3	90.0	90.9	89.7	91.

	Share of Brazil's Imports from Latin America (percentage)					
Country	1981	1982	1983	1984	1985	198
Argentina	18.1	16.2	15.1	22.4	27.6	37.
Chile	9.3	9.0	7.1	10.0	12.8	14.
Uruguay	5.3	4.3	5.4	5.2	8.0	14.
Mexico	23.8	23.1	30.7	28.3	23.1	8.
Venezuela	29.9	28.6	29.0	24.4	15.6	5.
TOTALS	86.4	81.2	87.3	90.3	87.1	79.

Percentages calculated from figures in International Monetary Fund, *Direction of Trade Statistics Yearb 1988* (Washington, DC: IMF, 1988), p. 112.

current trends in negotiations and complementarity are extensions pre-existing propensities.

Table 4.4 indicates that Brazil's continental imports are much m concentrated in origin than are its exports, largely because of the va of petroleum purchases from Venezuela (especially since 1981) a limited Brazilian imports beyond those from Argentina, Chile, a Uruguay. The prominence of Brazil for the Southern Cone grouping seen in Table 4.5, which shows a generally increasing reliance imports from Brazil in Paraguay, Bolivia, Uruguay, and Argenti Only Paraguay increased the proportion of its exports going to Bra The other Southern Cone countries tended to rely less on the Brazili market over the 1978–1984 period.

Joint Projects

Most of Brazil's joint projects and technological cooperation w developing countries seem to occur within South America. Statist are incomplete, but a preliminary compilation by the Brazilian Indu

TABLE 4.5
Brazil's Share in the Imports and Exports of South American Countries, 1981–1986

	Percentage of Imports Coming from Brazil					
Country	1981	1982	1983	1984	1985	1986
Paraguay	25.9	26.5	28.5	32.6	36.1	31.5
Bolivia	14.1	10.2	13.9	21.8	30.9	35.3
Uruguay	19.8	12.7	11.2	16.4	17.8	24.4
Argentina	9.5	12.9	14.8	18.1	16.0	14.6
Suriname	3.6	3.4	4.3	6.0	6.0	8.9
Chile	9.0	7.3	6.4	8.5	8.9	7.9
Ecuador	3.7	3.9	5.0	12.7	6.5	6.8
Peru	5.6	6.1	2.8	6.2	6.0	6.7
Venezuela	2.1	3.9	4.4	5.2	4.2	4.5
Colombia	3.4	5.2	3.5	4.0	3.1	3.6
Guyana	2.3	2.0	1.3	2.2	2.6	0.7

	Percentage of Exports Going to Brazil					
Country	1981	1982	1983	1984	1985	1986
Paraguay	18.3	25.3	21.0	16.0	19.8	39.6
Uruguay	13.0	14.1	11.4	12.2	16.7	27.3
Argentina	6.5	7.4	4.6	5.9	5.9	10.2
Chile	7.3	8.3	4.3	6.2	5.4	6.9
Peru	1.5	2.0	1.7	1.4	1.8	2.9
Bolivia	1.3	2.0	5.0	1.0	0.7	2.2
Ecuador	2.6	7.3	0.1	0.1	0.1	1.1
Venezuela	4.7	5.7	4.4	3.2	1.8	0.8
Guyana	0.7	0.8	0.0	0.8	0.5	—
Colombia	0.2	0.1	0.1	0.4	0.2	0.2
Suriname	0.7	0.1	0.0	4.2	3.7	7.8

Percentages calculated from figures in International Monetary Fund, *Direction of Trade Statistics Yearbook, 1988* (Washington, DC: IMF, 1988).

trial Engineering Association showed that 59.5 percent of the foreign service contracts of Brazilian engineering firms from 1975 to early 1982 were in that continent.[20] With the continental recession after 1981, the demand for these building and construction projects contracted. Services exports will remain a good indicator of economic integration, however, because they are a relatively recent form of relations and lead to deeper ties than simple merchandise sales. The most promising arena for joint services projects appears to be among Brazil, Argentina, Uruguay, and perhaps Paraguay, as a function of economic integration in the River Plate Basin.

The Argentina-Brazil-Uruguay Triangle

The most important and imaginative Southern Cone initiative by far has been the broad and gradual approach to economic integration

undertaken by Argentina, Brazil, and Uruguay in negotiating an expanding series of bilateral complementarity agreements, based on comprehensive technical studies to balance comparative advantages. Building on previous agreements and presidential summits, in December 1986, for example, Presidents Alfonsín and Sarney signed amendments to twelve existing protocols (those signed in July 1986) and signed five new protocols. These seventeen working documents cover capital goods, wheat, food supply, trade expansion, binational enterprises, financial affairs, an investment fund, energy, biotechnology, economic studies, early warning and public safety in nuclear accidents, aeronautical cooperation, steel, land transportation, maritime transportation, communications, and nuclear cooperation. Most notable in these results-oriented procedures are elimination of tariffs on 500 capital goods, a large role for the private sector (including in consultations before setting treaties), acceleration of transnational exchanges, specialization by sector of production or activity, agreement on quantitative objectives, mechanisms to keep the flow of trade balanced, and emphasis on stimulating a two-way flow of manufactured goods, agricultural products, and services.

An early product of industrial cooperation was the July 1987 creation in São Paulo of Autolatina, a joint-production merger of Ford and Volkswagen affiliates in the two countries. In the same month, another semiannual summit, in Buenos Aires, inaugurated a common trade currency (the "Gaucho"), produced a protocol on cultural cooperation and one on public administration, added amendments to existing protocols, and saw Sarney visit the closely guarded Argentine nuclear reactor at Pilcaniyeu (used to produce enriched uranium). Both presidents reiterated at the time the theme that they saw the bilateral effort as a step toward Latin American economic integration.

Most of these agreements and protocols came into effect in 1987, so their effectiveness cannot yet be gauged. Private-sector follow-up to the governmental efforts will be crucial. The existence of the attempt in itself is monumental, and the total volume of Argentine-Brazilian trade has grown greatly since the talks began in principle several years before the signing of the first protocols. (Uruguay has been partially included through bilateral treaties within ALADI "partial scope" provisions and President Sanguinetti's presence at several summits.) The process has been carried on with minimal bureaucracy, mutual responsiveness, and a realistic intent to fulfill commitments.

Problems must be attended to in these most ambitious foreign policy projects. Variations in national economic growth rates or internal adjustments would complicate international adjustments, especially if real interdependence were achieved. So would disagreements about the treatment of the participation of multinational affiliates based in the other

country, as such participation would affect national policies toward foreign capital and market reserves. The heavily subsidized Argentine industrial sector was initially quite concerned that Brazil would buy only raw materials and in turn swamp Argentina with tariff-free manufactures, but those fears have been somewhat allayed by the results so far and by President Alfonsín himself. The lower level of efficiency in Argentine industry relative to the Brazilian will nevertheless remain one of the persistent structural inequalities requiring constant attention in order to keep a reasonably balanced exchange of products envisioned by an industrial complementarity list.[21] The relationship receives considerably more public attention and controversy in Argentina, because of Brazil's greater size in the exchange and its confidence in its ability to compete, and because of Argentina's greater stakes in the linkage.

Success of the scheme would make Brazil an even larger commercial player in the Southern Cone, yet without explicitly political motives. Another effect of success would be to focus the effective subregional international transactions on a River Plate Basin area that has for some time represented more of the demographic, transportation, and economic reality of Southern South America than has the largely geographical Southern Cone designation.[22] Such a trend would tend to marginalize Chile, while probably drawing Bolivia toward the Basin rather than toward the less attractive Andean economic grouping.

More hopeful Brazilian trade promotion officials see the recently negotiated bilateral upgrading of trade as a model to be applied to other countries, but, in reality, other countries in the region cannot approximate the economic diversity and size of Argentina. There has been some speculation about Mexico's participation in the scheme, through bilateral deals with Argentina and Brazil, but no progress has been attempted on either trilateralization or multilateralization of the complementarity agreements. Expansion of the concept should be delayed until this first configuration shows dependable progress in conditions more favorable than those of the continent as a whole.

The Economic Outlook

Determining Factors

Over the next several years Brazil's chief concerns in its South American relationships will be economic, involving export promotion, debt issues, sales of services, and technological cooperation. Other markets will continue to be more attractive than regional ones. Brazil will suffer increased local competition from other Newly Industrialized Countries (NICs), particularly those in Asia. Brazil will also find it

more challenging to purchase merchandise and raw materials as becomes more self-sufficient in both. The customary manufacture goods for raw materials exchange will not encourage many partners, s management of the trade flow will become more important, especiall regarding complementarity and substitution of sources. Brazil has tra ditionally concentrated much more on promoting exports through mu tinationals than on seeking longer-term complementarity that woul allow trade to flow more steadily in both directions and avoid fluctua tions caused by recurrent sectorial disputes or episodic deals.[23] Th recent success with Argentina and Uruguay, however, could encourag more comprehensive trade planning with other partners, even for lowe levels of return.

Brazil is now relying heavily on trade with the United States, whe it has been able to gain large surpluses helpful in achieving yearl targets for balance of trade surpluses. Should U.S. economic growt decline or protectionism increase, Latin America could appear mo attractive, although still resistant to quick gains through marketin Increases in trade with Peru, Ecuador, and Colombia will be less likel than success in the Southern Cone. Yet South America will be a unsatisfactory substitute for the United States as a trading partner. I the longer run, an even more diversified Brazil may need even les from South America, although Brazil's products remain attractive i the region.

Brazil would benefit from progress in regional integration, especiall in the Southern Cone. Brazil would be relatively advantaged, for ex ample, if ALADI promoted Latin American cooperation in impo substitution through complementarity agreements. Brazil could play key role in building multilateral regionally cooperative institutions if i were willing to give sufficient concessions to lessen fears of countrie at lower stages of development. Brazil, however, is emphasizing bilatera trade deals more than multilateral integrative ones and is not accus tomed to granting such concessions. One possible trend, therefore, i continental integration toward Brazil rather than multilateral integra tion.

Joint ventures in technology (such as petrochemicals, informatic and nuclear science) and civil construction (such as hydroelectric com plexes and airports) hold more promise, especially if the economie pick up. Only meager Brazilian foreign aid to smaller states can b expected beyond import credits. In short, Brazil is becoming a majo alternative for its neighbors, but, with the exception of Paraguay, no a dominant one.

Despite recent progress in trade negotiations and plans for join projects, a downside scenario for Southern Cone economic integratio

looms as well. It takes into account persistent negative factors in the subregion as a whole. The Southern Cone economies generally will compete poorly globally with the more dynamic and innovative Asian NICs, because of sluggish statism, debt, social disorganization, slowness to absorb or create technology, and lower levels of efficiency and capital input. The European Community could turn toward Portugal, Spain, Greece, and Turkey for products formerly purchased from the Southern Cone. The populations of the subregion are found in separate clusters with insufficiently developed or undependable transportation routes. There is still a local perception that other South American countries have low-quality goods with undependable delivery and weak competitiveness when contrasted with comparable suppliers elsewhere. Integration in these circumstances could promote a subregional economic provincialism relative to global technological change, even as local national barriers are broken down.

Political rivalries and negative cultural and racial stereotypes have not been completely buried. Governments with weak legitimacy are prone to pay protectionist attention to groups complaining when hurt by freer trade, as many who rely on pervasive government price regulation and subsidies will be. The region's characteristic political-economic instability makes transnational economic planning even more hazardous than the usually frustrated national planning.[24] It is indicative of the nature of the subregion that years of attempted multilateral cooperation through the Rio de la Plata Treaty group yielded very little, and that recent integrative progress has been carefully carried out on a strictly bilateral basis. The current Argentina-Brazil-Uruguay scheme, while technically well-conceived, is the result, at least in the short run, of a specific configuration of presidents, ministers, and interconnected pro-integration colleagues who have come to power in the three countries. It has not yet taken firm root in the societies. It remains to be seen, as always in Southern Cone international relations, whether this new departure is really a trend.

The main potential economic trends in the near future that would promote or hinder a cooperative role on the continent for Brazil are the following, listed in an approximate descending order of probability.

Potential Economic Trends Encouraging Cooperation

1. Greater multinational corporation use of Brazil as an export platform to South America.
2. Economic recuperation of the region.
3. Success of countertrade, clearing house mechanisms, or a revolving fund for finance.

4. Deeper private sector ties, especially joint ventures in services, mining, investment, and industrial and technical cooperation.
5. Great increase in U.S. protectionism.
6. Brazilian decision to favor South America in acquisitions and sales (via realigned or managed trade).
7. Complementarity agreements for two-way trade in manufactured goods or for joint marketing agreements.
8. Advances in multilateral integration arrangements, either at a continental level or through the Amazon Pact or River Plate groupings.

Potential Economic Trends Discouraging Cooperation

1. Brazilian option for concentration on relations with more attractive partners outside the region.
2. Declining Brazilian need for regional products.
3. Serious regional economic deterioration.

Brazil's Security Relations in South America

Current Security Characteristics

Through the 1970s, external security issues were summarized in the chief interest of keeping political relations with neighboring countries good enough to prevent the formation of an anti-Brazilian alliance. The traditional conciliatory Brazilian view has been that skillful diplomacy should be adequate to head off potential crises well before they reach security proportions, and that is still the Foreign Ministry's position.

In the first half of the 1980s, however, a number of events converged to provide a more tangible external security dimension to Brazilian foreign policy. The trend toward improving relations with Argentina, begun in 1979, demonstrated the positive value of reducing tensions with its traditional rival. Expanding effective occupation of the northwest frontiers brought the now "live" borders into official attention as the "buffer zone" of sparse occupation was being closed. Borders already agreed to by treaty must now be set and regulated in actual practice. A growing Brazilian presence in Paraguay and the Itaipú Dam itself gave Brazil a stake in that country's future which is hard to deny. (The last several ambassadors to Paraguay have been generals, contrary to usual Brazilian practice.)

Several events in 1982 and 1983 along with the government's responses to them set off an unprecedented public, governmental, and

military debate on regional security issues: The Falklands War, impoundment by Brazil of three Libyan aircraft carrying weapons to Nicaragua, and extension of security and economic aid to Suriname as a counterbalance to Cuban influence.[25] Security concerns are also inherent in Brazil's arms sales and its recent Antarctic exploration activities to keep up negotiating credentials for the 1991 conference.

As the 1980s progressed, Brazilian-Argentine rapprochement, the wave of democratization in South America, and the settlement or subsidence of several border disputes and the Falklands issue lowered the continental prominence of traditional security issues in favor of developmental issues. The trend away from national security diplomacy and regional conflict is likely to continue and is helpful to Brazilian interests and the intensification of its cooperation in South America. This does not negate the fact, however, that Brazil is gaining, almost unawares, an implicit stake in a wider range of events on the continent. The extent of that stake and the degree to which it is interpreted as security-related will influence the evolution of Brazil's future security relations with South America.

The Security Outlook

While not giving up the role of ultimate arbiter of internal order, the Brazilian military is developing an international security perspective as well. They will take an active interest in and may set limits on certain foreign policy topics which they deem to be security-related. Within South America these would include aspects of relations with Paraguay, Bolivia, Suriname, Guyana, and Argentina, Amazon colonization, illegal drug traffic, border matters generally (including guerrilla movements), leftist currents in neighboring states, and the health and international competitiveness of the civilian-run national arms industry. While the navy plays a large role in Brazil's newly begun Antarctic explorations, the government has staked no official claims and its policies are unlikely to be exclusionary and conflictful.

Brazil's regular military forces are the largest in Latin America, but are small relative to the size and population of the country. Few enlisted men are permanent and recruits often have health and literacy problems. An unusually high percentage of expenditures has gone to personnel and construction projects rather than to equipment, much of which is worn and outdated. Military expenditures in recent years have been below one percent of the GNP. The army, garrisoned mainly in and around the cities, has had a heavily internal mission and no real combat experience. The services are very limited in airlift or seaborne reach and logistic capabilities, even to the point of developing a rapid

deployment force for border areas distant from present major bases. Despite its South Atlantic ambitions, the navy is heavily coastal and riverine.

The Falklands War made the military establishment very conscious of weaknesses accumulated during the years of military rule. Several years of study gave rise to a long-term modernization effort (Land Forces 1990 or FT-90 Project). It aspires to substantially increased permanent army corps size; professionalization in organization, communication, control, and training; and more and higher quality nationally produced equipment. An Amazon and a western military command have been established, as well as an air defense and traffic control system for the southern part of the country. Roads to and along western and northern borders are to be constructed, and transfers of units from elsewhere in the country to these points made feasible. The army is also to form a light air force unit with infantry transports and helicopter gunships.[26] Force modernization plans for the navy and air force are much less ambitious, in keeping with the larger role the army has always played in size, influence, and doctrine in this century.

Concurrently, the national war materials industry, already the Third World leader, is advancing rapidly in quantity and quality of production, extending from small arms ammunition into light tanks, armored vehicles, guided missiles, corvettes, and subsonic fighter planes. Many of these items, now destined heavily for export, will be incorporated into the military's arsenal. Projects for construction of a rocket to launch satellites, a supersonic fighter, and submarines (including a nuclear model) are also underway, with completion time frames in the early to mid-1990s.

Such improvements, while facing increasing domestic economic constraints, apparently have broad civilian support and fit into the civilian government's need to find further legitimate functions for the military. Without planning explicitly to do so, just by bringing its forces up to national size and development levels, Brazil will become the premier military power of Latin America. The government does not see military force as an instrument of foreign policy, but a greater military presence in border areas could implicitly raise continental tensions in moments of severe political disagreements. Brazil may also ultimately have to face up to the strategic implications of its developments in rocketry and nuclear science.

The trends already underway, if successful, will definitely have an impact on Brazil's capability to use military force and to cooperate with or to rival the military establishments of its neighbors. Brazil could become a significant source of equipment, training, or joint production of regional partners. Regional confidence-building measures

in civilian and military sectors and good public relations would lessen the likelihood of political strains later and would facilitate enhanced security relationships around the continent as Brazil upgrades its capabilities. Otherwise, the Brazilian advance could easily generate suspicion and political resistance among its neighbors.

Key Security Issues

Brazil's security interests are served generally by continued attention to, and action on, those elements detrimental to its political position in South America. Encouraging nonintervention, evolutionary change, cooperation, and concentration on economic development issues therefore suits Brazil's security needs. Advancement of cooperation with Argentina is at the center of this agenda, and shows early signs of going beyond the political and economic to include security cooperation with a confidence-building effect as well. Consultations and symposia on strategic issues among upper-level military officers of the two countries have been held and gave evidence of decreasing suspicion and advancing willingness to cooperate.

Few imminent "flash points" in South America can be cited, but a few potential future issues are evident. With military units near formerly remote frontiers and increased cross-border movements of persons, Brazil will be more sensitive to increased drug traffic, guerrilla movements, political disturbances, and treatment of its nationals across the frontiers. Currently, the cross-border labor migration and capital flows are heavily from Brazil outward, most in evidence in Paraguay, French Guiana, Uruguay, and Bolivia, in approximate descending order of magnitude. Binational cooperation rather than confrontation is the most probable result, but some disagreements are likely to occur. Leftist revolutionary violence or internal instability in neighboring states could cause military reinforcement of border regions, most recently with Colombia (because of M-19 guerrilla movements) and potentially with Peru and Bolivia. Otherwise, Brazil is tolerant of more typical levels of local disruption. Its large stake in Paraguay makes Brazil the most interested foreign party in the Stroessner succession and in Paraguayan stability and cooperation, especially if, as is already the case in Bolivia, political factions with pro- and anti-Brazilian biases should emerge and secession to join Brazil becomes an issue.

For Brazil, arms sales are still a commercial matter rather than a foreign policy tool. As Brazil's military equipment industry becomes larger and more diversified, there will be more pressure to sell in South America. The Falklands War convinced South American military establishments of the need to modernize their forces and to increase their

degree of self-reliance.[27] The recent Brazilian-Argentine political understanding and a January 1986 aeronautical treaty between them raise the possibility of coproduction, local assembly, or joint research and development, a practice that could conceivably be extended to other states as well (although there are no immediate signs that this will occur). Brazil's defense industry will outpace all others in Latin America and could serve as an alternative or auxiliary source of technology and supply for more countries by the early 1990s. With expanding Brazilian influence on the continent by that time, defense supply, training, and technology arrangements will have domestic and international political significance or symbolism, even if the primary motives remain economic. Such developments would create an enhanced role in training, missions, and exchanges for the Brazilian military in the continent, even though the arms industry is largely a civilian operation.[28] (About half of Brazil's fifty-four military attachés abroad in 1985 were in South America.)[29]

Weighing against full realization of Brazil's potential as regional defense industry hub are local political instability, nationalism, and a possible reluctance of partners to accept the second or third level of technology such arrangements would entail. Extracontinental suppliers will remain more competitive for sophisticated state-of-the-art equipment. From Brazil's perspective, major new extracontinental markets (such as China, Saudi Arabia, and some Western nations) are certain to hold more promise than South America in total sales volume. Brazil may also choose to refrain from being a large supplier to South America in order to avoid political controversy with its neighbors.

The nuclear technology development rivalry between Brazil and Argentina was diminished, but not eliminated, by a late 1985 agreement to discuss mutual inspection of nuclear facilities. It was followed up by Sarney's visit to Argentina's Pilcaniyeu uranium enrichment plant in July 1987, resulting in a joint presidential declaration that the two countries would use nuclear energy only for peaceful purposes. As at least a start toward confidence-building and presenting a favorable and peaceful image to the world, the principle was successful. Implementation, however, may be cosmetic and tentative because nuclear research remains one of the most nationalistic and secretive issues on both sides and is likely to continue so. For the time being, actual mutual inspection has been deemed unfeasible, but a permanent working group of diplomats and technical specialists consults on questions raised. Important segments of the programs of both nations are not under international safeguards, and neither government is willing to accept such safeguards. Both countries supply nuclear technology and equipment to other Latin

American nations, and are expanding mutual cooperation in nuclear research and supply, thus opening up second-tier supplier issues.

Argentine advances tend to drive the rivalry, and Brazil feels pressure to "keep up." Brazil became all the more suspicious when its intelligence community was surprised by the November 1983 announcement by Argentina that its scientists had mastered uranium enrichment through a secret program and were moving to complete the fuel cycle. President Alfonsín's transfer of nuclear development to civilian control and reduction of the budget calmed some fears. Yet Brazil is unwilling to accept second place status in enrichment capability and has concerns about Argentina's longer-term political stability. In September 1987, President Sarney announced that Brazil, too, had mastered uranium enrichment, but he reiterated the peaceful purposes of the nuclear research program. (Sarney had informed Alfonsín by telephone two days before the public statement.)[30] Argentine fears, however, are stirred by reports and rumors in the Brazilian press and among intellectuals and scientists about a secret "parallel" nuclear science program in Brazil, under military control, and reports of a supposed highly guarded nuclear test site being prepared in the Amazon in the Serra do Cachimbo.

At this point, further progress in confidence-building measures could lower tensions enough to allow a sub-regional safeguards agreement growing out of Brazilian-Argentine initiatives. Recent political understandings and consultations on nuclear issues give some reason for hope, because the issue deserves and is receiving ongoing high-level attention in both governments. Meanwhile, bilateral cooperation is likely to be limited to more peripheral areas of nuclear science. In a negative scenario, the nuclear issue, if poorly managed, could conceivably find both countries ultimately on the edge of nuclear weapons status, then pushed (perhaps inadvertently) over the threshold into the decision to produce by a quirk event or rumor. Such a chain of events would not augur well for Southern Cone political cooperation.

The main potential security trends in the near future that would promote or hinder a cooperative role on the continent for Brazil are the following, listed in an approximate descending order of probability.

Potential Security Trends Encouraging Cooperation

1. Continued Brazilian-Argentine political understanding.
2. Continued low prominence of border disputes in South America.
3. Continuation of civilian governments on the continent.
4. Greater training of South American military officers in Brazil.
5. Mild increase in Brazilian military assistance programs.

6. Regional confidence-building measures.

Potential Security Trends Discouraging Cooperation

1. Poor management of cross-border traffic and mistreatment of foreign nationals across the borders, with troublesome incidents or incursions.
2. Poor management of Brazil's growth in military capabilities.
3. Radical or anti-Brazilian regimes in neighboring states.
4. Resurgence of Brazilian-Argentine nuclear technology rivalry.
5. Emergence of a Brazilian capability and will to project military power beyond its borders.
6. Brazilian military intervention in a neighboring state.

Implications for U.S. Policy

General Considerations

Through increasing interactions with its neighbors and the growing primacy of its economy on the continent, Brazil is gradually acquiring greater interests and influence in South America, at a pace not matched by other local states. Judging, however, by the extent of its extracontinental priorities, its apparent predispositions to restraint, the record so far, its considerable international dependence, the degree of its attention to internal affairs, and the weight of counterbalancing local and external influences, Brazil is definitely not a hegemonic power in South America. To the contrary, Brazil's policies and actions do not presently appear to constitute major official concerns beyond Argentina, Paraguay, Bolivia, Uruguay, Suriname, Guyana, and perhaps Chile. Colombia and Venezuela are heavily turned toward the United States and the Caribbean Basin. More substantial relations with Peru, Ecuador, Colombia, and Venezuela will be required before Brazilian influence can really be said to be effectively continental in scope.

There appears, however, to be a consensus on the continent that a politically stable, democratic, and economically healthy Brazil is a definite asset to the local well-being. Brazil's steadily growing potential encourages neighbors toward peaceful accommodation, a process aided by Brazil's cooperative style and "good neighbor" role. Brazil will likely continue this cautious diplomatic style, but from time to time may be faced with pressure to turn mere concern into concrete action through the option of using its potential influence in South America, to take a clearer and more committed position than it has done heretofore. The nature of these commitments, how they are carried out, and interna-

tional and domestic reaction will be important signposts for a more active Brazilian role on the continent. The practical realization by Brazil of the consequences of its continental primacy, in the context of its global policies, then, carries some implications for the United States.

Political Implications of Brazil's Primacy

Brazil's acceptance of a larger South American role will increase the likelihood of coordination of its foreign policy with those of other regional states in issues of foreign debt repayment and Central American conflict, among others. The debt repayment issue will rise in Brazil's regional priorities, and the sense of shared interests with other debtors will grow. Brazil will most likely continue to prefer to work out its own arrangements with creditors, using the Latin consensus for support, unless creditor intransigency or economic collapse make the unilateral approach unworkable.

Domestic stability and continuity in Brazil, particularly under a democratic regime, would be important for continental stability and evolutionary change. Brazil's support for democracy in South America, however, is likely to be more abstract than concrete.

The political understanding with Argentina is likely to continue and serve as a positive tone-setter for South American international politics. It could aid considerably in the building of regional stability and sounder multilateral institutions, with more local autonomy. Closer cooperation between the two states would also free the United States from the temptation to support preferentially either Argentina or Brazil, a questionable "option" that has not proved advantageous in recent administrations. The general economic health of the area, including resolution of the debt dilemma, will be very important (but not sufficient) to keep local international cooperation moving forward.

Close political identification with the United States will be resisted because it would hinder Brazil's emerging role by suggesting dependence on the U.S. or an American-Brazilian coordination in regional affairs. Brazil as a middle power is ultimately restricted in its activities on the South American continent by potentially strong pressure exerted counter to Brazilian interests by the United States when its own security interests are threatened. It is thus to Brazil's advantage to avoid injection of superpower security issues into South American or South Atlantic international politics and to encourage continuation of the current low U.S. political profile on the continent.

Economic Implications of Brazil's Primacy

For Brazil, its South American trade will not substitute in variety, value, or potential surplus for trade lost in the United States through

protectionism. A chief disadvantage Brazil suffers relative to the United States in trade with South America is its growing difficulty in finding enough to buy to keep a balanced trade flow. Yet Brazilian manufactures will begin to rival those from the United States in South American markets, especially in the Southern Cone and especially if the River Plate Basin integration continues.

Security Implications of Brazil's Primacy

Brazil's important security interests are heavily in South America. Its chief security interest is to guard regional stability and its own influence in the South American continent by keeping East-West competition out of South America and the South Atlantic. This concern explains its decision against cooperation with the United States in constructing a base on Trindade Island in the South Atlantic, its aid to the Bouterse government in Suriname, and its active role with Argentina in promoting the South Atlantic as a "zone of peace." Even though its continental security interests parallel those of the United States in some cases, it would be politically unacceptable to appear to be acting in concert with Washington.

In practical terms, Brazil accepts the American role as leading extra-regional power in South America, even while seeking to safeguard its own foreign policy independence. The lesson of Brazil's low-key reactions to Central America, Grenada, and the Falklands, in contrast to its actions in the Libyan and Suriname cases, is that Brazil is reluctant to confront or associate itself with a great power in security issues not directly affecting it, but is able to take adequate action to defend its own interests when they are affected. The sense in Brasília that the Suriname security and economic aid effort is taxing, although small by global standards, suggests the current close limits Brazil places on its willingness to set up donative client relationships. Yet, for reasons of nonintervention, Brazil is unlikely to be interested in a regional security system.

Brazilian-Argentine nuclear rivalry will continue at a muted level, but still represents a serious long-term problem. The opportunity now exists to achieve effective bilateral or subregional safeguards. These measures must originate, however, from regional actors rather than from the United States or the larger international community. Although avoiding proliferation of nuclear weapons capability to Argentina and Brazil is probably the chief predictable security issue for the United States in the Southern Cone, there is relatively little the United States can do about it.

Brazil is unlikely to pursue bellicose policies toward its neighbors, but it will have to manage their concerns about Brazil's growing military

capabilities and Brazilian migration and economic influence across borders into neighboring countries. Brazil has the potential, through sales, coproduction, training, and military exchange, to be a significant defense supplier to South America. The case of Paraguay will be a demanding entanglement because of the stakes involved for Brazil. Despite these stakes, Brazil has had no interest in joining with the United States to urge democratic evolution in Paraguay.

Brazil will seek greater rights in Antarctica in the probable treaty review beginning in 1991, but will not be a major player or pursue exclusionary principles. Brazil would be in a position to serve as mediator in border disputes that may flare up, such as between Colombia and Venezuela, Guyana and Venezuela, or Ecuador and Peru.

Brazil is unlikely to go out of its way to please the United States. In general, however, U.S. and Brazilian political-security interests in South America will be compatible. A democratic Brazil will quietly and reliably, but on its own, support evolutionary change, regional cooperation, low levels of military development, democracy, Western values, and moderation. Yet, on some issues, Brazil will pursue quite independent policies. On the whole, much more substantial U.S. differences with Brazil are likely in bilateral or global multilateral matters than from Brazil's role in general South American affairs or in relations with third countries there.

Notes

1. An overview of this period is found in Wayne A. Selcher, "Recent Strategic Developments in South America's Southern Cone," in Heraldo Muñoz and Joseph Tulchin (eds.), *Latin American Nations in World Politics* (Boulder: Westview Press, 1984), pp. 101–118.

2. Roberto Russell, "Argentina y la política exterior del régimen autoritario (1976–1983): Una evaluacion preliminar," *Estudios Internacionales*, no. 66 (April-June 1984), pp. 170–201.

3. The settlement of this major longstanding irritant in Southern Cone international politics is recounted in James L. Garrett, "The Beagle Channel Dispute: Confrontation and Negotiation in the Southern Cone," *Journal of Interamerican Studies and World Affairs*, vol. 27, no. 3 (Fall 1985), pp. 81–109.

4. Cynthia A. Watson, "Alfonsín's Foreign Policy: Argentina Charting a New Course?" Paper presented at the International Studies Association Meeting, Washington, DC, April 15–18, 1987, pp. 20–21.

5. Roberto Russell, "El caso de Argentina," in Monica Hirst and Roberto Russell, *Democracia y Política Exterior: Los Casos de Argentina y Brasil*, vol. 4, no. 12 (Buenos Aires: FLACSO, Programa Buenos Aires, April-June 1987), p. 106.

6. Oscar Camilion, "Tres años de política exterior argentina," *América Latina/Internacional*, FLACSO, Programa Buenos Aires, vol. 4, no. 12 (April-June 1987), p. 106.

7. Heraldo Muñoz, "Chile's External Relations Under the Military Government," in J. Samuel Valenzuela and Arturo Valenzuela (eds.), *Military Rule in Chile: Dictatorship and Oppositions* (Baltimore: Johns Hopkins University Press, 1986), p. 310.

8. Waltraud Q. Morales, "La geopolítica de la política exterior de Bolivia," Documentos de Trabajo PROSPEL, No. 2, September 1984 (Santiago, Chile), p. 20.

9. Mladen Yopo, "Paraguay: Transición o reacomodo?" *Cono Sur*, vol. 6, no. 3 (June-July 1987), pp. 2–4.

10. Joseph Tulchin, "Uruguay: The Quintessential Buffer State," in John Clay and Thomas E. Ross (eds.), *Buffer States in World Politics* (Boulder: Westview Press, 1986), pp. 213–229.

11. The remainder of this chapter builds on ideas originally developed in Wayne A. Selcher, "Current Dynamics and Future Prospects of Brazil's Relations with Latin America: Toward a Pattern of Bilateral Cooperation," *Journal of Interamerican Studies and World Affairs*, vol. 28, no. 2 (Summer 1986), pp. 67–99.

12. Robert D. Bond, "Brazil's Relations with the Northern Tier Countries of South America," in Wayne A. Selcher (ed.), *Brazil in the International System: The Rise of a Middle Power* (Boulder: Westview Press, 1981), p. 132.

13. For an overview, see Wayne A. Selcher, "Brazilian-Argentine Relations in the 1980s: From Wary Rivalry to Friendly Competition," *Journal of Interamerican Studies and World Affairs*, vol. 27, no. 2 (Summer 1985), pp. 25–53; Monica Hirst and Miguel Lengyel, "Brasil—Las relaciones con Argentina: Primeros sintomas de un acercamiento estable," *América Latina/Internacional*, FLACSO, Programa Buenos Aires, vol. 2, no. 6 (October-December, 1985), pp. 119–122; Institute for European–Latin American Relations (IRELA), *A New Phase in Latin American Integration? The 1986 Agreements between Argentina and Brazil* (Madrid: IRELA, December 1986); "El programa de integración argentino-brasileña," *Integración Latinoamericana* (INTAL), Year 12, Number 122, entire issue; and Renato Baumann and Juan Carlos Lerda (eds.), *Brasil-Argentina-Uruguay: A integraçao em Debate* (Brasilia: Editoras Marco Zero–Universidade de Brasília, 1987).

14. Monica Hirst, "Democratic Transition and Foreign Policy: The Experience of Brazil," in Heraldo Muñoz and Joseph S. Tulchin (eds.), *Latin American Nations in World Politics* (Boulder: Westview Press, 1984), p. 223.

15. On Brazil's cautious diplomatic style and the reasons behind it, see Wayne A. Selcher, "Brazil in the World: Multipolarity as Seen by a Peripheral ADC Middle Power," in Elizabeth G. Ferris and Jennie K. Lincoln (eds.), *Latin American Foreign Policies: Global and Regional Dimensions* (Boulder: Westview Press, 1981), especially pp. 98–101.

16. David J. Myers, "Threat Perception and Strategic Response of the Regional Hegemons: A Conceptual Overview," Paper, Northeast Political Sci-

ence Association, Philadelphia, November 14–16, 1985, especially the country listings in Table 1.1.

17. Inter-American Development Bank, *Economic and Social Progress in Latin America—Economic Integration* (Washington, DC: IDB, 1984), p. 104.

18. Ibid., p. 117.

19. Ibid., pp. 112–114.

20. Assoçiaco Brasileira de Engenharia Industrial, *Exportaçaao de Servicos de Engenharia-Levantamjento Preliminar* (Rio de Janeiro: Mimeographed, May 1982).

21. Robert M. Plehn, "International Trade: Economic Integration of the Argentine Republic and the Federal Republic of Brazil," *Harvard International Law Journal*, vol. 28, no. 1 (Winter 1987), pp. 193–194.

22. The evolution and potentials of the River Plate Basin subsystem are considered in John D. Wirth, "Brazil's Role in the New World Regions," in John D. Wirth, Edson de Oliverira Nunes, and Thomes E. Bogenschild (eds.), *State and Society in Brazil: Continuity and Change* (Boulder: Westview Press, 1987), especially pp. 273–284, and Carlos de Meira Mattos, *Estratégias Militares Dominantes* (Rio de Janiero: Biblioteca do Exercito, 1986), pp. 85–87.

23. Monica Hirst, "Brasil—Balance y perspectivas de la política exterior brasileña," *América Latina/Internacional*, FLACSO, Programa Buenos Aires, vol. 1, no. 1 (July-September, 1984), p. 14.

24. Some of the ways in which chronic internal weaknesses and demands for entitlement carry over into weaknesses of Argentina's foreign policy regarding international interdependence are discussed in Edward S. Milenky, *Argentina's Foreign Policies* (Boulder: Westview Press, 1978), pp. 293–304.

25. The effects of these events on Brazil's foreign policy are analyzed in Wayne A. Selcher, "Brazil's Foreign Policy: More Actors and Expanding Agendas," in Jennie K. Lincoln and Elizabeth G. Ferris (eds.), *The Dynamics of Latin American Foreign Policies: Challenges for the 1980s* (Boulder: Westview Press, 1984), pp. 116–121.

26. *O Estado de São Paulo*, December 11, 1985, p. 7.

27. Carlos Moneta, "Las fuerzas armadas y el conflicto de las Islas Malvinas: Su importancia en la política argentina y en el marco regional," *Foro Internacional*, vol. 23, no. 3 (January-March 1983), pp. 282–285.

28. Alexandre de S.C. Barros, "Brazil," in James E. Katz (ed.), *Arms Production in Developing Countries: An Analysis of Decision Making* (Lexington: Lexington, 1984), p. 83.

29. Alexandre de S.C. Barros, "The Future of United States–Brazilian Relations: Political and Security Issues and Opportunities," Paper, Seminar on the Future of the United States–Brazilian Relations, Center for Strategic and International Studies, Washington, DC: September 26, 1985, p. 6.

30. "Sarney arma seu ciclo," *Veja*, September 9, 1987, pp. 18–19.

5

U.S. Interests in South America

Morris J. Blachman

From the beginning of the American Republic, key U.S. leaders have coveted Latin America. Thomas Jefferson wrote in the late 1780s that it was in the interest of the United States "to gain it (Latin America) from them (Spain) piece by piece."[1] He saw the region as "essential to our tranquility and commerce. . . . Our strength will permit us to give the law of *our own* hemisphere."[2] As if to echo that notion, Secretary of State William Seward in 1846 promised that he would "engage to give you the possession of the American continent and the control of the world."[3] In 1895 Secretary of State Richard Olney, at the behest of President Grover Cleveland, made it clear that U.S. hegemony in the Western Hemisphere had become a matter of policy as well as reality. He said:

> Today the United States is practically sovereign on this continent, and its fiat is law upon the subjects to which it confines its interposition. Why? It is not because of the pure friendship or good will felt for it. It is not simply by reason of its high character as a civilized state, not because wisdom and justice and equality are the invariable characteristics of the dealings of the United States. It is because, in addition to all other grounds, its infinite resources combined with its isolated position render it master of the situation and practically invulnerable as against any or all other powers.[4]

Secretary Olney was correct in the sense that the power of the United States to enforce its will was enormous. The United States came to exercise virtual control over the internal affairs of certain regimes in the Caribbean region by becoming the dominant trading partner, inserting and withdrawing troops, and making and breaking governments. In addition, the United States sought to set the limits of "legitimacy" for the foreign policies of other countries in the hemi-