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Date

U.S.-China-Brazil Relations

The Role of Perceptions in International Relations

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May 2011

A Thesis submitted for the degree of International Relations

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## Abstract

Throughout the 20<sup>th</sup> century, Brazil pursued a foreign policy focused in two ultimate goals: economic development and regional leadership; and the relationship with the United States had been the key component of Brazilian diplomacy. However, the beginning of the 21<sup>st</sup> century has been marked by new dynamics in Brazilian foreign policy. On the one hand, the United States has pursued efforts towards *rapprochement* with its South American neighbor. On the other hand, relations with China have boomed and exponentially increased over the last ten years. In response, Brazil has exhibited semi-hostile behavior towards the United States and a friendly attitude towards China. How can one explain Brazil's behavior towards the U.S. and China and how are they related?

This study analyzes the development of U.S.-China-Brazil relations in the last 10 years, focusing on how it has impacted Brazil's foreign policy. I explain Brasília's behavior towards Washington and Beijing, while discussing how Brazil's dyadic relationship with the United States has impacted its relations with China and vice-versa. I argue that Brazil's change in foreign policy is influenced by how the South American giant perceives the U.S. and China.

I develop my argument by evoking Constructivist concepts of shared history, reputation and image, which will be used as tools to understand Brazil's behavior. I apply these concepts to examine the history of relations between these countries, as well as the main accomplishments and conflict points between U.S. and Brazil and China and Brazil during the 2000s.

## Acknowledgements

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To all of you:

Thank you, 谢谢, obrigada

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# Chapter 1

## Introduction

An overarching task of International Relations is to explain states' behavior. One of the great developments in the field has been the incorporation of perception as an element in explaining how states shape their foreign policy. This thesis explores the U.S.-China-Brazil relations and how Brazil's foreign policy towards the United States and China has changed based on how it perceives the bilateral relations it has with the two countries. I analyze this case study by developing a theoretical account using Constructivist theory to explain how perceptions influence a country's foreign policy.

I analyze Brazilian foreign policy towards the United States and China, and the development of their trilateral relationship over the last ten years. During this period, especially in the last two years, Brazil has adopted a policy ranging from unresponsive to semi-hostile towards the United States, while simultaneously embracing an accommodating and friendly strategy towards China. This is an unexpected outcome in light of Brazil's diplomatic goals,

which entail economic development and regional leadership;<sup>1</sup> besides its diplomatic history, which had prioritized an alliance with the United States. Thus, how can one explain this unpredicted behavior? I argue that this change is the outcome of Brazil's perceptions of these two countries, based on their shared history (or the lack thereof); in addition, Brazil's perception of China is influenced by Brazil's dyadic relationship with the United States and vice-versa.

I focus on a survey of relations between the United States, China, and Brazil from 2001 to 2010. Additionally, my analysis encompasses historical elements that date back to the end of the 19<sup>th</sup> century, particularly regarding U.S.-Brazil relations. In order to explain this trilateral relationship, I analyze the main agreements and conflicts between the U.S. and Brazil, and China and Brazil during the 2000s. I also examine the level of trade among these countries in order to assess the importance of commercial exchange to the significant shift in Brazil's policy. Finally, I consider other elements that may have influenced Brazil's trilateral relationship with the U.S. and China, such as the presidency of Luiz Inácio Lula da Silva (2003-2010).

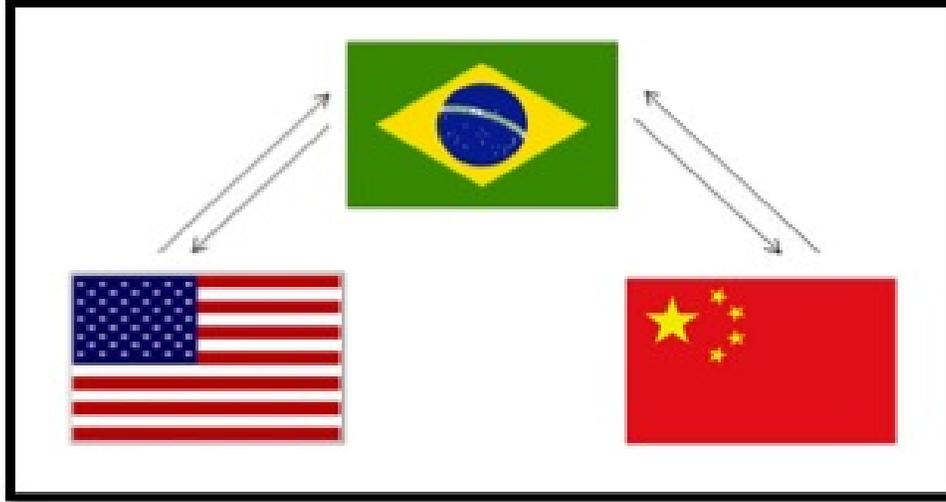
The trilateral relationship of United States, China and Brazil does not correspond to a strategic triangle. A famous example of a strategic triangle in foreign affairs is the engagements among the United States, the Soviet Union, and China during the Cold War. In the case of the U.S.-China-Brazil Relations, the interactions between the U.S. and China do not affect Brazil's policy.

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Mullins, Martin. *In the Shadow of the Generals*. Hampshire: Ashgate P., 2006, 85.

Figure 1.1: U.S.-China-Brazil Trilateral Relationship



This study aims to contribute to the scholarly work in the field of International Relations, analyzing the role of perceptions in foreign policy. It adds to our understanding of how a state's perception of another state is contracted in the absence of previous interactions. In addition, it starts to fill two gaps in the scholarly work. Firstly, it contributes to the growing literature on Chinese-Latin American ties, with a special focus on Brazil. Most of the academic works published until now on this subject have examined the economic interactions between China and Latin America, whereas I focus on the political aspect of this relationship. Secondly, this study sheds a new light on Brazil's interactions with the U.S. and China, by arguing that Brazil's relations with one country affects the way it interacts with the other.

This thesis is divided as follows: Chapter 2 provides an analytical framework on the formation of states' perceptions regarding other states, highlighting the role of shared history, reputation, and image, as well as a literature review of works on the U.S.-Brazil and the

China-Brazil relations. Chapter 3 presents a historical survey of relations between the U.S. and Brazil, and China and Brazil. It shows the influence of previous interactions, and the lack thereof, on the formation of Brazil's perceptions of the two countries. In Chapter 4, I discuss the main political and economic developments of Brazil's relations with the United States and China over the last ten years. In Chapter 5, I explore other explanations to Brazil's shift in foreign policy and expand my argument and discuss the connections between Brazil's dyadic relations with the U.S. and with China and how they influence one another. Chapter 6 concludes with an analysis of the recent developments of the U.S.-China-Brazil relations, and an outlook towards the future of this triangle and lessons to Latin American countries.

### **Old and New Friends: Brazil's unexpected behavior towards the U.S. and China**

The beginning of the 21<sup>st</sup> century is a memorable decade for the United States, China and Brazil, but for different reasons. Between 2001 and 2010 the U.S. experienced a decline in its hegemonic influence in the world system, while facing one of the worst economic recessions since the Great Depression. Meanwhile, China and Brazil established their ascendance in the global order. China became an economic powerhouse and by the end of 2010 it was already the second largest economy in the world. During the same period, Brazil emerged as a diversified and prosperous economy, experiencing stellar economic growth from 2005 to 2010.

During the same period, relations among these three countries changed remarkably and became more intertwined. The dynamic between the United States and Brazil was altered

from being friendly and cooperative to being unresponsive and cold, especially after the 1990s. Throughout the 20<sup>th</sup> century, Brazil engaged in a foreign policy of alliance with the United States. The U.S., however, did not respond in kind and shunned several Brazilian initiatives including Brazil's campaign for a seat at the United Nations Security Council, created after World War II.

It was only in the last decade that the U.S. government recognized the importance of nurturing good relations with its neighbors and began to promote closer relations with the region through a myriad of accommodating and collaborative initiatives, particularly with Brazil. Since President George W. Bush's (2001-2009) second term, the U.S. has pursued a policy of *rapprochement* between the two countries. However, this time, Brazil is the one that is shunning the U.S. by pursuing an independent foreign policy. Over the last decade, Brazilian diplomacy has engaged in conversations with the United States concerning closer relations, while simultaneously adopting measures and decisions that go against Washington's interests; for instance, its fierce opposition to the Free Trade Agreement of the Americas (FTAA), which resulted in the end of negotiations (2003-2004).

Moreover, the United States was not the only country that was interested in strengthening relations with Brazil, now an economic and political power in the region. Its large consumer market and natural resources caught the attention of another nation, one very much interested in commodity trading and new consumers for its exports. Starting in the late 1990s, China discovered the potential of Latin American markets, and particularly Brazil as a commercial and diplomatic partner.

Relations between China and Latin America – nearly insignificant prior to 2001 – have rapidly increased over the last decade, primarily due to China’s needs for natural resources. China’s demand for commodities had a strong influence on Latin America’s further economic growth including Brazil’s, which is China’s biggest commercial partner in the region. This trading relationship has focused on exporting Brazilian soy, pig iron and oil to China, while Brazil has become the second largest regional consumer of Chinese products.<sup>2</sup>

As both countries are developing powers, one would expect partnerships between the two in particular, considering the increasing emphasis by both countries on South-South cooperation. While diplomatic cooperation is predictable, what it is unexpected is Brazil’s lack of caution on economic trading with China, especially addressing Chinese competition against Brazilian manufactures in third markets. Over the last decade, Brazil has pursued more alliances with China through collaboration and cooperation opportunities. However, it has not taken a tough stand against Chinese competition, or adopted measures to protect and stimulate its manufacturing industry against the Chinese threat.

Considering the facts just listed, Brazil’s main foreign policy goals – regional leadership and an increase of exports – and its diplomatic history, one would expect that Brazil would take advantage of U.S. efforts towards rapprochement and respond positively to the United States. Furthermore, observers of the region might expect that while Brazil might welcome Chinese interaction, it would not be as open-ended as it has been. In other words, as Brazil envisioned China’s competition in its domestic and third markets, one would expect that

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Ellis, R. Evan. *China in Latin America*. London: Lynne Rienner Publishers, 2009, 49.

Brazil would take stronger measures towards the East Asian country in order to protect its regional and international markets. However, Brazil has taken an unexpected path, doing nearly the opposite of these expectations. How can one explain Brazil's unexpected behavior?

**Puzzle: Explaining Brazil's behavior**

While Brazil's bilateral relations with the U.S. and China could be studied separately, I argue that these three countries share very particular dynamics. Why has Brazil been successful in the last decade in pursuing an independent foreign policy that disregards U.S. interests? Likewise, one needs to ask why is Brazil not protecting its manufacture sector from Chinese competition? The puzzle that I will be explaining in this study is how Brazil's new relationship with China has affected the way Brazil responds to the United States; along the same lines, how Brazil's pursuit of closer relations with China is influenced by the mixed results of U.S.-Brazil relations.

In order to solve such puzzle, I develop a three-fold argument: Firstly, I explain Brazil's response towards the United States, by arguing that Brazilian diplomacy, through interpretation and observation based on a century of relations with the U.S., has learned from its dyadic relationship and changed its perception of the United States. Brazil has built the perception that the U.S. may not be the ideal partner for the consolidation of Brazil's ultimate foreign policy goals. Secondly, I discuss Brazil's welcoming behavior towards China, by arguing that because Brazil has no previous interactions with the Chinese, it has neither negative nor positive experiences with the East Asian country. Thus, Brazil's perception of China is based on Beijing's relations with other countries, and the Chinese discourse on

South-South cooperation. Brazil then sees China as an alternative path to relations with the United States. However, such enthusiasm overlooks the threats that the Chinese relationship poses to the Brazilian industry. Finally, I analyze how Brazil's bilateral relationships with the two countries are interrelated. I argue that, on the one hand, Brazil's interaction with China increases Brazil's bargaining leverage with the United States, creating the conditions that Brazil needed to pursue a foreign policy independent from U.S. interests. On the other hand, because Brazil wants to decrease U.S. influence, it engages in policies that may compromise its own interests, but that foster closer relations with its new partner, China.

## **Chapter 2**

# **Analytical Framework and Literature Review**

In this chapter, I introduce the analytical framework from which my argument draws its theoretical foundations. I discuss the Realist and Constructivist perspectives on states perception and assess the applicability of these theories to this particular case study. I also review the scholarly work on U.S.-Brazil relations and China-Brazil relations, in order to identify the current debates in the field, as well as the gaps in the literature, which this study aims to fill.

### **2.1 International Relations Theory**

International Relations theory has argued that perceptions are a key element in how a state shapes its behavior. Different International Relations theories attribute the construction of

a state's perception to different elements. My goal in this section is to analyze how Realism and Constructivism would evaluate Brazil's interactions with two specific countries – the United States and China. Considering the importance of Realist tradition in International Relations theory, I first examine how Realism would explain this relationship, and how it would predict Brazil's behavior towards these two countries. Subsequently, I explore Constructivist explanations to Brazil's trilateral relationship with the United States and China.

### **2.1.1 Realism**

Realist theory posits that states live in an anarchic and self-help world and whenever a state seeks to amass more power, other states will balance in response. States are selfish and they act on behalf of their own national interests, usually motivated by security threats.<sup>1</sup> While this premise remains the main tenet of Realism, other branches within this school of thought have provided new ways to understand the concept of balance of power. Most notably, Neorealism, spearheaded by Walt in his book *The Origins of Alliances*, has taken this concept in a new direction. Walt argues that states balance more against threat than power and they perceive threat by assessing both capability and intent. He provides a theoretical framework to assess how states interpret the capability and intent of other states.

I apply Walt's framework in the case of the U.S.-China-Brazil relations and analyze whether

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Jackson, Robert and Georg Sorensen. *Introduction to International Relations*. Oxford: Oxford University P., 2007.

Neorealism can accurately explain this triangle relationship.

In *The Origins of Alliances*, Walt explains that states can have two very distinct reactions when facing threats posed by other countries: states can balance or bandwagon. As he puts it, “*balancing* is defined as allying with others against the prevailing threat; *bandwagoning* refers to alignment with the source of danger.”<sup>2</sup> A state decides whether it will balance or bandwagon based on how it perceives another country’s intentions, and how this country threatens its security. Thus, a state balances against the nation that poses the greatest threat, not necessarily the most powerful one. Walt’s theory takes in consideration four elements: (1) aggregate power; (2) geographic proximity; (3) offensive power; and (4) aggressive intentions.<sup>3</sup> Let us consider each in turn and ascertain whether these elements explain what actually occurred.

### **United States and Brazil**

(1) Aggregate power: Walt defines aggregate power as the state’s total resources, which include population, industrial and military capability, and technological expertise.<sup>4</sup> He suggests that aggregate power can either pose a threat or provide an incentive for alignment. In that sense, the U.S. total resources can pose a threat to Brazil, considering the asymmetry of power between the two. The United States is the most powerful military nation in

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<sup>2</sup>

Walt, Stephen M. *The Origins of Alliances*. Ithaca: Cornell University P., 1987, 17.

<sup>3</sup>

Ibid, 21-26.

<sup>4</sup>

Ibid, 22.

the world system, and is the country that spends the most on defense; meanwhile Brazil's military nowadays has a more prominent role in border control and has not nearly the same capability that the U.S. military does. Aggregate power can also be a reason for alignment, in order to receive protection from the more powerful state. Since Brazil has historically pursued alliances with the U.S., winning the United States' support would also mean having the U.S. as a military ally and a supporter of Brazilian causes, such as a seat at the United Nations Security Council.

(2) Geographic proximity: Walt argues that the ability to project power declines with distance; therefore, states that are nearby pose a greater threat in comparison to nations that are far away.<sup>5</sup> While geographic proximity is still a relevant factor, it has lost some of its importance due to globalization and the advance of technology. States no longer limit their sphere of influence to neighbors or close countries. Nonetheless, one still considers that the United States proximity to Brazil implies an important threat.

(3) Offensive power: Walt describes offensive power as the ability to threaten the sovereignty or territorial integrity of another state at an acceptable cost.<sup>6</sup> While related to aggregate power, offensive power has to do with the ease in which a state can turn its aggregate strengths into offensive power against a specific state. The U.S. has a considerable offensive power, however, an attack to Brazil would not further its interests, especially in Latin America. This move would be costly to the United States, because it could create instability

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Ibid, 23.

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Ibid, 24.

in the region and strongly harm U.S. relations with Latin America. In addition, the U.S. involvement in conflicts abroad (the War in Afghanistan and the Iraq War), would make an attack against Brazil unacceptably costly.

(4) Aggressive intentions: Over the past decade, the United States has showed a very friendly and accommodating behavior towards Brazil, aiming towards a *rapprochement* with the South American country. The U.S. has not only accommodated Brazil's interests in a number of issues, but it has also made important concessions for Brazil.

### **China and Brazil**

(1) Aggregate power: China's aggregate power is not as impressive as that of the U.S., but it has grown exponentially in the last 30 years. While not comparable to the U.S. armed forces, the Chinese military has rapidly grown, as China has dramatically expanded its Defense budget. Similar to the case of the U.S., this can be perceived as a security threat, or as an encouragement for an alliance, since China's and Brazil's capabilities are less asymmetric in comparison with Brazil's and United States' capabilities.

(2) Geographic proximity: China would not pose a threat to Brazil in this aspect, since it is very far geographically. Nonetheless, this is not the most relevant factor to this analysis, for reasons mentioned before.

(3) Offensive power: In assessing Chinese offensive power against Brazil, two factors need to be taken in consideration: on the one hand, China depends on Brazilian commodities, thus increasing the cost of an offensive reaction against Brasília. On the other hand, Brazil does not pose a direct security threat to China's national interests. In addition, the two countries

do not share many historical, social or cultural bonds, which would lessen the cost of using Chinese offensive power. Nevertheless, a Chinese attack against Brazil could potentially trigger an East-West divide, which could jeopardize China's relations with Western countries. Therefore, one would conclude that China's cost to use its offensive power against Brazil would be as high as it is for the United States.

(4) Aggressive intentions: China has encouraged South-South cooperation, which shows the country's willingness to have good relations with Brazil. However, China also poses substantial threats to Brazilian manufactured products in the domestic and third markets, which represents aggressive intentions.

Walt's Neorealist framework leads one to conclude that China poses a greater threat to Brazil compared to the United States. Therefore, one would expect that Brazil would be more likely to bandwagon with the United States and take advantage of its aggregate power towards fulfilling Brazil's foreign policy goals than to balance with China against the U.S., since China poses bigger threats to Brazil, especially regarding trade and industrial competitiveness. Instead, here one sees a contradiction between theory and practice. In the case of the U.S.-China-Brazil relations, Neorealism does not provide an accurate prediction of what actually happens on the ground and does not adequately explain Brazil's behavior.

There are various weaknesses in Neorealism's conclusions. First, its emphasis on security does not take in consideration important elements that would help us understand Brazil's behavior, such as diplomatic history, the context in which the country is inserted, and its learning process about other states' behavior. Therefore it is important to evoke other

conceptual tools to explain these relations. I will use a Constructivist approach to explain Brazil's behavior. I focus on three aspects of Constructivism: shared history, reputation and images, and how these concepts play a role on building states' perceptions. In the remainder of this section I analyze how these three elements can better explain the dynamics of the U.S.-China-Brazil relations.

### 2.1.2 Constructivism

Constructivism is an alternative explanation to Realism within International Relations theory. Alexander Wendt is the founder of this school of thought and Constructivism's main ideas can be found in his book *Social Theory of International Politics*. In Wendt's words, Constructivism makes three core assumptions:

“(1) states are the principal units of analysis for international political theory; (2) the key structures in the states system are intersubjective, rather than material; (3) state identities and interests are in important part constructed by these social structures, rather than given exogenously to the system by human nature or domestic politics.”<sup>7</sup>

While both Realism and Constructivism focus on states as the central actors of International Relations, they differ on how they treat these agents. For Constructivism, states have anthropomorphic characteristics, and hold identities, interests, rationality, and other

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Wendt, Alexander. “Collective Identity Formation and the International State,” in *American Political Science Review*, n 88, vol 2, June 1994, 385.

similar characteristics.<sup>8</sup> Another crucial distinction between Realism and Constructivism is how they define states' threat perception. For Realism, states perceive threats based on material factors, while for Constructivism, states' assessment relies on subjective elements. It is precisely these subjective elements that I will be discussing next. For the purposes of this study, three of them stand out: shared history, reputation and image.

### **Shared History**

Constructivism suggests that states build their perceptions based on subjective elements. But how are these first developed? As a general understanding, one knows that the history of behavior between two nations can be influential in the present and future actions among these same actors. Several scholars have further developed this idea, by focusing on different kinds of interactions that help states build an identity of their counter-parts. Some authors have analyzed how repeated actions between two nations create a shared identity of their relationship. Wendt sees in repeated acts of cooperation among states a way for states to learn how others perceive them and also how they project their own self-image to other states.<sup>9</sup> This learning process later influences how a state interprets another nation's actions and behavior. For instance, the case of former communist countries after the collapse of the Soviet Union or recently independent nations, which are still developing their own foreign policy and perceptions of other countries. Nonetheless, Wendt only mentions how cooperation produces such understandings among actors; I further his analysis by considering how

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Ibid, 392.

9

Ibid.

negative experiences can also contribute to identity building in another nation.

In addition, Constructivism argues that memory plays a crucial role in how states perceive previous interactions, and how they select which considerations will be more salient than others to their foreign policy. Culture can be a factor in determining which events are more relevant than others. Rousseau attributes to mass communication an important part on this selection process, shaping such conceptions, and especially hegemonic ideas, which are attitudes, beliefs, or values that are accepted by most of the members of the society.<sup>10</sup>

However, when two states have not had significant interactions before, how do they construct such perceptions? The emergence of International Organizations (IGO) has also provided a space for states that would not normally interact in the international system to learn about other states' policy preferences and interests. In an IGO environment, states that are geographically or culturally different have the opportunity to find possible cooperation opportunities or identify areas of conflict with other states.<sup>11</sup> Fausett and Volgy argue that this sharing of information tends to facilitate the likelihood of increased low levels of conflict, by testing their hypothesis on conflicts in a Postcommunist space. For them, a limited history of interaction in addition to the lack of, or reduced institutional memory between two countries results in a small propensity to conflict.

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<sup>10</sup>

Rousseau, David. *Identifying Threats and Threatening Identities*. Stanford: Stanford University P., 2006.

<sup>11</sup>

Fausett, Elizabeth and Thomas J. Volgy. "Intergovernmental Organizations (IGOs) and Interstate Conflict: Parsing Out IGO Effects for Alternative Dimensions of Conflict in Postcommunist Space," in *International Studies Quarterly*, vol 54, issue 1, March 2010, 79-101.

## Reputation

In addition, the concept of reputation and learning can also be applied in cases where countries have not interacted before, since states not only learn based on interactions that they are involved in, but they also incorporate information on how a particular state interacts with others states – especially the ones that are similar to the observer. One can identify three forms of this learning process: the first is the experiential learning, where a state learns from the experiences and behavior of other states; the second is the diagnostic learning, in which a state uses the experience of others countries similar to it to update its knowledge about a certain state; third, the vicarious, or diverse learning, through which a state learns from experiences that it is not directly involved in, or not necessarily relate to.<sup>12</sup> Using the concept of reputation, Crescenzi analyzed how a state may observe the behavior of its bilateral partner in different settings and how it interacts with different countries.<sup>13</sup> He concludes that a state may change its perception about a specific state based on its reputation in what he calls “extra-dyadic behavior,” or how the same country treats others.

This definition of learning expands the one formulated by the neorealist tradition, since according to Waltz,<sup>14</sup> states rely upon relative power information to assess their strategies in crisis situations. The “learning” in Constructivism theory encompasses more elements,

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<sup>12</sup>

Jervis, Robert. *Perceptions and Misperceptions in International Politics*. New Jersey: Princeton P., 1976 and Crescenzi, Mark J. C. “Reputation and Interstate Conflict,” in *American Journal of Political Science*, vol 51, issue 2, April 2007, 382-396.

<sup>13</sup>

Crescenzi, “Reputation and Interstate Conflict,” 2007.

<sup>14</sup>

Waltz, Kenneth. *Man, The State and War*. New York: Columbia University P., 1959.

which are relevant to a country's foreign policy, as oppose to focusing only on the increase of state's power. For instance, it considers the relationship that a country has with its counter-parts, as explained above. This is a useful definition because it allows us to better understand how a state can build and change their perception about a certain state.

### **Image**

Once a state has constructed a perception, how does it shape its behavior? States may act based on the constructed image of other countries. States then create stereotypes, based on the information available and on their selected considerations, which shapes future interactions. Cottam creates a framework of possible categories that a state can attribute to other nations: dependent, enemy and neutral.<sup>15</sup> She applies such categories to the relation between the United States and Latin American countries during the Cold War. She argues that the more complex the notion of a countrys image, the more diversified a foreign policy towards that country will be. Cottams theory does a good job on justifying policies already put in place, but is not as reliable in making predictions of changes and developments in foreign policy. Still, Cottam makes a very useful observation in arguing that a countrys image and goals may shift as other countries become involved. In other words, strategic interaction is not always strictly bilateral.

### **Conclusions**

I apply the conceptual tools of Constructivism to explain the puzzle of U.S.-China-Brazil relations. My argument is three-fold: I use constructivism to explain Brazil's relations with

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Cottam, Martha L. *Images and Intervention: U.S. Policies in Latin America*. Pittsburgh: University of Pittsburgh P., 1994.

both the U.S. and China, while using this perspective to investigate how one influences the other. Firstly, considering U.S.-Brazil relations, the shared history between the two countries explains well why Brazil has reluctantly partnered with the United States and has adopted a semi-hostile behavior towards Washington. Secondly, the concepts of reputation and image can be used to explain the approximation between China and Brazil. China's reputation as a leader of developing countries and its engagement with other nations in the Global South have motivated Brazil to pursue similar ties with China. In addition, Brazil's excitement towards commodity trading with China may have generated a perception of dependent or neutral, as oppose of an enemy. Thirdly, Brazil's distrust of the United States reinforced the friendly perception of China and vice-versa.

## **2.2 Literature Review of Brazil-U.S.-China Relations**

In the following two sub-sections, I briefly review recent academic discussions on U.S.-Brazil relations and China-Brazil relations, in order to provide a better understanding of the current scholarly works on these two subjects.

### **2.2.1 U.S.-Brazil Relations**

There is an extensive literature that discusses the relationship between the United States and Brazil, but for the purposes of this study, I focus on the works that have examined the last ten years of this bilateral relation. There is a strong consensus among authors that the end

of the Cold War changed dramatically how U.S. foreign policy addressed Latin America.<sup>16</sup> Security and ideology are no longer major concerns, and as a consequence, U.S. interests in the region have changed. Nowadays, U.S. foreign policy is more interested in promoting trade with the region and fighting against the drug war. Latin American demands have changed as well, particularly Brazilian ones. The South American giant has moved from being the awkward Portuguese-speaking nation among a Spanish-speaking majority to a conflict mediator and regional integration leader. Brazil now aims to gain more space on the global stage and participate in issues that go beyond the Western Hemisphere.<sup>17</sup>

Brazil is decidedly important to the effectiveness of the U.S. foreign policy in Latin America. If the United States wants to exert its influence in the region, it needs Brazilian support; otherwise, situations similar to the failure of the Free Trade Area of the Americas (FTAA) may occur again, where the end of negotiations can be directly attributed to Brazil's opposition to the FTAA. Unlike other Latin American countries, Brazil has received considerable attention from the United States, especially during George W. Bush's administration (2001-2009).<sup>18</sup> Whether the U.S. strategies to win Brazil's support have been successful is a matter of debate.

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Crandall, Russell C. *The United States and Latin America after the Cold War*. New York: Cambridge University P., 2008.

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Einaudi, Luigi R. "Brazil and the United States: The Need for Strategic Engagement," in *Strategic Forum*, March 2011, 01-16.

<sup>18</sup>

Hirst, Mônica. "Brazil-U.S. Relations: Getting Better All the Time," in *Contemporary U.S.-Latin American Relations Cooperation or Conflict in the 21st Century?* ed. Jorge I. Domínguez and Rafael Fernández de Castro. New York: Routledge, 2010.

Recent publications have undertaken this discussion, trying to evaluate whether Washington and Brasília's new and different interests have translated into renewed partnerships or policy conflicts. Some authors argue that the interests of the U.S. and Brazil have moved towards convergence and that the two countries have now a great potential to work together, since they share common concerns in the region.<sup>19</sup> For others, the partnership between the United States and Brazil faces new challenges, in part due to the inability of the U.S. to address Brazil's new role in Latin America and international system, and in part due to Brazil's reluctance to permanently side with the United States.<sup>20</sup> Thus, one sees two lines of thought: some suggest that the U.S.-Brazil relations are evolving positively, and within a few years the two countries foreign policies will converge; others suggest that relations are in serious trouble, since the two countries have conflicting interests, and Brazil is moving towards an independent foreign policy.

A U.S. Congress hearing on U.S.-Brazil relations in 2000 came to the conclusion that Brazil is at once an ally and a rival.<sup>21</sup> In his article, "The Reluctant Partner," Peter Hakim also characterizes the current U.S.-Brazil relations in similar terms:

"Brazilians have traditionally preferred pragmatic and opportunistic cooperation

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Crandall, *The United States and Latin America after the Cold War*, 2008 and Hirst, "Brazil-U.S. Relations: Getting Better All the Time," 2010.

<sup>20</sup>

Hakim, Peter. "The Reluctant Partner, in *Foreign Affairs*, January/February 2004, 114-23 and Shifter, Michael and Daniel Joyce. No Longer Washingtons Backyard," in *Current History*, February 2009, 51-57.

<sup>21</sup>

House of Representatives, "Hearing: U.S. Relations with Brazil: Strategic Partners or Regional Competitors?" in *Committee on International Relations*, July 26, 2000

with the United States on specific issues. Still somewhat distrustful of Washington, Brasília is wary of creating the expectation that it will quasi-automatically support U.S. positions, compromise its ability to set an independent course for itself, or diminish the diversity of its other international relations. Brazil, in other words, has little interest in developing a privileged relationship with the United States of the type Argentina once sought. That leaves Washington with having to earn Brasília's cooperation issue by issue, without presuming it will be granted."<sup>22</sup>

Hakim's characterization of Brazil as a reluctant partner will be a guiding light to this study, in explaining what has motivated Brazil to take this stand against the U.S. and how the bilateral relationship with China has influenced Brazil's behavior towards the United States. This study does not assume that Brazil has become a rival to the U.S., but rather that it has moved towards pursuing its own path, which can sometimes differ significantly from the U.S. preferences.

### **2.2.2 China-Brazil Relations**

The China-Brazil relations are a new issue in international relations. Thus, unlike the U.S.-Brazil relations, there is not an extensive list of publications on the subject. Much of the academic works on China-Brazil relations have focused on two themes: trade between the two countries and South-South cooperation. Regarding trade, two points are made: (1)

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<sup>22</sup>

Hakim, "Reluctant Partner," 121.

Brazil has benefitted from commodity trading with China,”<sup>23</sup> and this has contributed to Brazil’s economic growth over the last decade; (2) Brazil has been facing strong competition in third markets against Chinese manufactured products.”<sup>24</sup> As for South-South relations, this is seen as a very promising area for China and Brazil, since both countries are now leaders of the developing world. Also, since both countries advocate of a multipolar world, cooperation between the two has created a strong front in international disputes, representing the interests of the Global South.<sup>25</sup> Nonetheless, such studies do not discuss in detail how China has influenced Brazil politically.

Perhaps it would be more useful to look at China’s relations with other countries similar to Brazil, or other developing regions like Latin America. However, one notices that the relationship that China has with Latin America and Brazil is rather unique. It cannot be compared to the relationship China has with Southeast Asia, and countries such as Thailand and Indonesia, since geographic proximity and regional influence are important factors in their relationship, besides their long historical connection, elements that are not present in China-Brazil relations.”<sup>26</sup> Furthermore, regarding Chinese presence in Africa, one

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Jenkins, Rhys, Enrique Dussel Peters and Mauricio Mesquita Moreira. “The Impact of China on Latin America and the Caribbean,” in *World Development*, vol 36, n 2, 235-53, 2008 and González, Francisco E. “Latin America in the Economic Equation – Winners and Losers: What Can Losers Do?” in *China’s Expansion into the Western Hemisphere*, Washington D.C.: Brookings Institutions Press, 2008, 148-69.

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González, “Latin America in the Economic Equation – Winners and Losers: What Losers Can Do?” 2008 and Gallagher, Kevin and Roberto Porzecanski. *The Dragon in the Room*. Stanford: Stanford University P., 2010.

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Hirst, Mônica. “A South-South Perspective,” in *China’s Expansion into the Western Hemisphere*, Washington D.C.: Brookings Institution P., 2008, 90-110.

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notices similarities as far as commodity trading goes, but not the same level of government partnerships.”<sup>27</sup> In addition, a crucial difference is that Latin American countries are more democratic than African ones, which also influences how government authorities interact with Chinese officials. Chinese Foreign Direct Investment in Latin America does not have the same weight that it has in Africa, although in 2010, Chinese FDI in the Latin American region increased considerably.

The bigger discussion on China-Brazil relations that I approach in this study is how beneficial this relationship has been to Brazil and to what extent it threatens U.S. hegemony in Latin America. Most scholars have evaluated the China-Brazil relationship on a basis of economic terms, but very little has been said about how relations with China have impacted Brazil’s foreign policy. The literature on China-Latin American relations is growing and this study aims to expand it, by discussing the relations between Brazil and China, in the context of relations with other countries – the United States in this case.

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Kurlantzick, Joshua. “China’s Growing Influence in Southeast Asia,” in *China’s Expansion into the Western Hemisphere*, Washington D.C.: Brookings Institutions P., 2008, 193-212.

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Alden, Chris. “Chinas New Engagements with Africa,” in *China’s Expansion into the Western Hemisphere*, Washington D.C.: Brookings Institutions P., 2008, 213-38.

## Chapter 3

# Shared History (or the Lack Thereof): Background for Perceptions

Before examining U.S.-China-Brazil relations, it is important to understand the historical background of Brazilian bilateral relations with the United States and China. As noted before, shared history and reputation are two key concepts on how states construct their perceptions, thus, the need to assess the influence and the overall nature of the previous relationship among these countries. The main goal of this section is to provide for the reader the background in which the current U.S.-China-Brazil relations unfold and how the U.S.-Brazil and the China-Brazil relations have developed before 2001. In this section U.S.-Brazil relations are extensively discussed, while the survey on China-Brazil relations is considerably shorter. This asymmetry has actually played a key role on how Brazil perceives the two countries. Brazil has had a very extensive history of engagements with the United

States, which have yielded mixed results for Brazilian diplomatic efforts of close partnerships. Conversely, Brazil has neither a negative, nor a positive institutional memory of relations with China, due to the lack of interactions between the two before the 2000s.

### 3.1 U.S.-Brazil History

Relations between the two giants of the Western Hemisphere date back to the 19<sup>th</sup> century. During that time, interactions between the two were not significant; both countries had a very Eurocentric foreign policy, paying little attention to their hemispheric neighbors. Historically, Brazil has prioritized relations with great powers and the case of the U.S. is no exception.”<sup>1</sup> Brazil’s size and different form of colonization and colonizers has produced the idea among the Brazilian leadership that the country enjoys a very unique position in the region and deserves a special place among global powers. As the United States emerged as a major state in the region and the world, relations between the two gradually changed. During the 20<sup>th</sup> century, the focus of Brazilian foreign policy has been the establishment of strong partnerships with the United States. This has mostly resulted in mixed outcomes: Brazil did not achieve a central position as U.S. ally, but it preserved a unique relationship with Washington. Relations between the United States and Brazil have experienced different phases, but never reaching extreme positions (good and bad). Hirst define them as oscillating from “good” to “cool.”<sup>2</sup> In fact, Brazil has neither been directly hostile to the U.S., nor has

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Mullins, *In the Shadow of the Generals*, 74.

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Hirst, “Brazil-U.S. Relations: Getting Better All the Time,” 124.

it been a priority to the United States foreign policy.

**Beginning of relations: importance of trade led to importance of diplomatic ties**

At the end of the 19<sup>th</sup> century, the U.S. and Brazil started a process of approximation, which persisted until the Second World War. At the time, Brazil cultivated a firm relationship with Great Britain, then the hegemon, as a consequence of the importance of trade between the two countries and the role of the British as financiers of the newly independent country. However, as the 19<sup>th</sup> century came to a close, Brazil – as well as the majority of countries in Latin America – tried to move away from a Europe’s domain sphere.

For Brazil, as trade with the United States increased, strong relations with the North-American country seemed more and more appealing. In 1891, the two countries signed the Treaty of Commercial Reciprocity, strengthening existing economic ties. In addition, Washington’s Monroe Doctrine provided a convenient opportunity for Brazilian diplomacy to shift away from Europe. Such emphasis on relations with the United States can be greatly attributed to the influence of Barão de Rio Branco, who is considered the father of Brazil’s 20<sup>th</sup> century foreign policy and who placed great emphasis on nurturing good relations with Brazil’s neighbors – not only the United States, but also other countries in the region, such as Argentina. By the beginning of the 20<sup>th</sup> century, the U.S. was already an important export market for Brazil and between 1910 and 1914, 38 percent of Brazil’s total exports were destined to the United States.

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## World War I and II: frustrated attempts of close alliances

This relationship became even stronger with the wakening of World War I. Brazil was one of the first countries to side with the United States and declare war against Germany, in October of 1917. Brazil's initiative was especially significant for two reasons. Firstly, other important countries in the region decided to only break relations with Germany (Mexico), or remain neutral (Argentina). Secondly, Brazil had enough reasons to follow a similar policy to its neighbors, or even, the most neutral; it had an influential large German immigrant community and Germany itself was one of Brazilian coffee's best clients, right after the United States. Nonetheless, Brazilian diplomacy decided to break relations with Germany in April and six months later, it declared war against the Germans. Indeed, one can read Brazilian policy as aiming for close alliances with the United States, in order to facilitate economic and military exchange between the U.S. and Brazil, as well as a statement of Brazil's leadership in South America.<sup>3</sup>

During this period Brazilian exports to the U.S. increased, and also U.S. imports to Brazil more than doubled. According to Hirst, "between the years of 1914 and 1928, U.S. participation in Brazilian imports grew from 14 to 26 percent."<sup>4</sup> Products ranged from wheat to automobiles and steam engines. The United States became an important source of

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Joseph Smith quotes a British Minister at the time about Brazil's assertion of leadership: It was her proud boast, that she was the first among the Latin American republics to support the United States. Smith, Joseph. *Brazil and the United States – Convergence and Divergence*. Athens: University of Georgia P., 2010, 75.

4

Hirst, *The United States and Brazil – A Long Road of Unmet Expectations*, 109.

industrial and military goods, as well as technology transfer. Brazilian diplomacy saw in the partnership with the U.S. a path towards development and modernization, and considered the United States a key ally to support its leadership in Latin America.

After World War I, Brazil's intentions to side with the United States were even more evident. Yet, it was also during this same period that Brazil's first disappointments in its foreign policy towards the United States appeared. During the inter-war period, Brazil kept a strong alliance with the United States, in spite of its trade ties with Germany. At the outset of the Second World War, Brazil did not want to sacrifice its relations with the Allies and the Axis powers, so it first declared its neutrality in the conflict. However, U.S. pressure and the naval blockade against Germany forced Brazil to take sides and join the Allies in August 1942. Brazilian diplomacy saw an opportunity similar to the one during World War I and demanded a "special relationship" with Washington.<sup>5</sup> Before declaring its support for the Allies, the U.S. and Brazil signed the 1942 Washington Agreements, which provided loans to the Brazilian government for the construction of a steel plant, and a secret military accord between the two countries.

Brazil was the only Latin American country to send troops to the war in Europe. The ideal of a "special relationship" with the Allied powers reinforced the belief that Brazil deserved a prestigious place among the North American and European powers. With the end of the war, Brazilian diplomacy had high hopes to win a seat at the recently formed United Nations Security Council. However, the country was marginalized at the creation

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Ibid, 4.

of the United Nations, and despite being recognized as one of its founding members, it did not win a permanent seat at the Security Council. The disappointment was reinforced by Brazils acknowledgment that “U.S. postwar priorities were directed towards Europe instead of compensating its closer Latin American fellows.”<sup>6</sup>

In spite of its frustrated aspirations, Brazil continued as an important U.S. ally during the Cold War, especially for Washington’s Inter-American initiatives, such as the creation of the Organization of American States (OAS) in 1948. It supported the U.S. during the Korean War in 1949, and readily recognized the government of the Republic of Korea (South Korea).<sup>7</sup> Aware of its political loyalty, Brazil hoped to receive U.S. support for Brazilian economic development initiatives. However, the U.S. government was reluctant to provide funds for Brazilian development projects through the Bank for International Recovery and Development (BIRD) and the U.S. Export and Import Bank (Eximbank). Washington once again disappointed Brazils aspirations of support towards its development.

### **The Cold War: growing frustrations**

Gradually, resentment built around the failed attempts of cooperation with the United States. During the 1960s, as anti-American sentiment increased, Brazilian leadership launched what it called an “Independent Foreign Policy,” which aimed at expanding the country’s autonomy and enacting foreign policies according to Brazils national interests. The U.S. highly disapproved this move and feared that Brazil’s “Independent Foreign Policy,” actually meant

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Ibid, 5.

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Ibid, 6.

increasing ties with the Soviet Union and Communist countries. Apprehensive about the radical inclinations of Brazil's then government, Washington readily blessed the military coup d'état that happened in March 1964. The reasons that motivated the coup were domestic, but the coup also appeased U.S. concerns over a possible Brazilian turn towards the Soviet Union.

The military dictatorship lasted three decades and during this time, Brazil was very much aligned with the United States. Especially during the first decade of the military regime, Brasília's reliance on Washington could not have been more evident. In the words of Foreign Minister Juracy Magalhães (1966-67), "whatever is good for the United States is also good for Brazil."<sup>8</sup> But even during times when Washington and Brasília seemed unequivocally allied, Brazil's hopes of U.S. support for its international aspirations were once again frustrated. Starting from 1974, under the administration of Ernesto Geisel (1974-78), Brazil shifted its foreign policy towards fulfilling national interests and pursuing a nonideological foreign policy.

U.S. concerns about Brazilian foreign policy increased again, in particular when the country expressed a desire to build a nuclear plant. When Brasília decided to push the Brazilian nuclear program forward, Washington adamantly opposed. The nuclear program started to be developed during the mid-1970s and it reflected one of Brazil's aspirations of becoming a notable global player and perhaps even a military power. The United States highly discouraged and disapproved this move and urged Brazil to adhere to the Nuclear

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Ibid, 7.

Nonproliferation Treaty. Brazil went ahead and signed in 1976 an agreement with West Germany to exchange nuclear fuel enrichment for uranium, which caused some military friction between the U.S. and Brazil. As former Brazilian Ambassador Luigi Einaudi puts it, “US opposition to Brazil’s development of a nuclear weapons capability confirmed previous Brazilian fears that the United States sought to ‘freeze’ global power relationships to its advantage, relegating Brazil to a subordinate status.”<sup>9</sup>

After many frustrated and failed attempts of engaging in closer partnerships and winning American support for Brazilian development, skepticism of U.S. intentions was carried on, as Brazil moved back into a democratic government. Brazil expressed a critical view of U.S. intervention in Central America and trade conflicts between the two countries gained space in the U.S.-Brazil agenda.

### **The 1990s: failed *rapprochement***

Relations between the two Western Hemisphere giants started to change again at the end of the Cold War. Once the security threat posed by the Soviet Union no longer existed, Washington had the opportunity to pursue interactions with Brazil and Latin America in more positive issues, or ones of common interest. In addition, the consolidation of Brazilian democracy led to a process of approximation between the United States and Brazil, abandoning its previous defensive posture. One main reason motivated this initiative: Brazilian leadership at the time reshaped its foreign policy in order to use it as a tool to improve its access to other markets, credit, and technology and increase Brazil’s international competitiveness.<sup>10</sup>

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Einaudi, “Brazil and the United States: The Need for Strategic Engagement,” 9.

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Talks of cooperation between the two countries increased, particularly because of Brazil's adherence to the Washington Consensus. Although there was a clear incentive on the part of the executive to foster good relations between the two countries, trade conflicts remained the main subject of disagreement between the U.S. and Brazil. During the 1990s, both Presidents Fernando Collor (1990-1992) and Fernando Henrique Cardoso (1994-2002) emphasized the importance of relations with the United States and adopted economic policies that were very much aligned with U.S. interests. Pres. Collor cancelled the nuclear program, and publicly closed the country's nuclear reactor in 1990.<sup>11</sup> This initiative at the beginning of his administration clearly signaled Collor's intentions to align with the United States. He also re-visited Brazil's economic policies to address trade concerns coming from the United States. In spite of all these efforts, Brazil never made onto the U.S. "A-list" in Latin America. Washington's attention was more focused on the political situation in Mexico and Cuba, as well as the Drug War in Colombia.

The policy of approximation with the United States was continued during the Cardoso administration. There were high hopes of closer ties between Cardoso and Clinton government, given their ideological similarities – Cardoso as a Social Democrat and Clinton a Democrat. Pres. Cardoso pursued economic liberalization policies, including privatization and fiscal austerity. He saw in Clinton his main ally in the quest for international aid and in negotiation of loan packages from the International Monetary Fund (IMF). The sentiment

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Hirst, *The United States and Brazil – A Long Road of Unmet Expectations*, 10.

<sup>11</sup>

Crandall, *The United States and Latin America after the Cold War*, 158.

seemed reciprocal, as Clinton affirmed “President Cardoso said two years ago when he visited me at the White House – and I quote – ‘The vocation of Brazil and the United States is to stand together.’ I believe we stand together today as never before.”<sup>12</sup> The U.S. supported Brazil in 1998, when the country was hit by a financial crisis, by facilitating an IMF rescue package for the country, which denotes the special relationship between the two countries.

Still, Brazilian economic instability and trade conflicts put a shadow over the advance of closer relations between the two countries. Towards the end of the Clinton presidency, the increase of tariffs on rolled steel imports and extended tariff on Brazilian orange juice increased the tensions in trade disputes. As Crandall puts it, the growing power asymmetry between the two countries complicated the idea of Brazil as an equal partner.<sup>13</sup> In addition, dissatisfaction with Washington Consensus policies increased the anti-American sentiment among the Brazilian population, which further aggravated the prospects of closer relations between the two countries.

### **Summary**

Throughout the 20<sup>th</sup> century, Brazil has pursued a foreign policy aimed at establishing a close partnership with the United States. Brazilian diplomacy perceived an alliance with the United States as an important step towards the South American country’s global ambitions. Nonetheless, Brasília was repeatedly frustrated by Washington’s lack of support

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<sup>12</sup>

President William Clinton. The Presidents News Conference with President Cardoso in Brasília. Weekly Compilation of Presidential Documents, 33, n 42, October 20, 1997 in Crandall, *The United States and Latin America after the Cold War*, 152.

<sup>13</sup>

Crandall, *The United States and Latin America after the Cold War*, 151.

towards a more independent foreign policy. By the end of the 20<sup>th</sup> century, Brazil had a “special relationship” with the United States, but it was far from what Brazilian diplomacy thought the country deserved, especially based on its efforts of accommodating and cooperating with U.S. interests. U.S.-Brazil relations during the last century show an interesting pattern: relations were positive and friendly in two situations: (1) when Brazil supported U.S. interests, even though they may not be in Brazil’s national interests; (2) when Brazil was in a dependent position, in other words, when the country was unstable and needed U.S. support. Conversely, relations were especially conflictive in two kinds of situations: (1) when Brazil tried to pursue an independent foreign policy or gain more space in the international community; (2) when it harmed U.S. economic interests. In the next chapter, I will discuss how these patterns have changed during the 2000s.

## **3.2 China-Brazil History**

In contrast to relations with the United States, Sino-Brazilian relations are a new phenomenon. Before the 2000s interactions were very limited, and both countries lacked strategic relations towards their other counter-parts. Historically, there is evidence of commerce between the two countries dating back to the 1800s and sparse, but friendly, interactions. Furthermore, relations between Brazil and the People’s Republic of China (PRC) only started in the 1970s. In 1974, Brazil was the first Latin American country to recognize the PRC, two years after Nixon’s trip to China. Diplomatic relations were established in the following year. Brazil also adhered to the One China Policy, which does not recognize the Republic of

China, Taiwan, as a state, but as a part of the Chinese nation. The first visit of a Brazilian president to China only happened ten years later in 1984, when Military President João de Oliveira Figueiredo (1979-1985) visited Beijing. Relations between China and Brazil were not significant and did not figure in either countries foreign policy priorities.

China-Brazil relations took a positive turn during the Sarney administration (1985-1990). José Sarney made a trip to China in 1988 and signed with the Chinese government a protocol on joint development of two earth resources satellites.<sup>14</sup> This initiative created the China-Brazil Earth Resources Satellite Program (CBERS), considered the initial mark of Sino-Brazilian cooperation. The project aimed to develop satellite images for developing countries' use. This was one of the first initiatives that implemented the idea of South-South cooperation, a key concept in the two countries' bilateral relations. The initial agreement planned to launch two satellites. The first one, CBERS 1 was launched in 1999, and since then, two other satellites, CBERS 2 and 3 have been put into orbit. The program expects to launch two more satellites in 2011 and 2012. During the 1990s, Chinese President Jiang Zemin and Brazilian President Fernando Henrique Cardoso exchanged official visits to each other's countries. "Strategic relations" were limited to Brazil's support of China's entry into the World Trade Organization, announced by Cardoso during his visit to China in 1995.

Overall, Sino-Brazilian relations before the 2000s were not only sparse, but also not important to either countries' diplomatic ambitions. Trade was not significant, and their interactions in International Organizations, unimportant. Both countries did not cultivate

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Tong Bingqiang. "The Sino-Brazilian Relations Enter a New Period," in *Beijing Review*, vol 36, issue 47, 1993, 4-5.

common goals, and their spheres of influence were very distant and distinct. As a result, Brazil had no institutional memory of bilateral interactions with China, thus neither a bad nor a good perception of the country. These dynamics shifted starting from 2001, when trade ties intensified. This lack of institutional memory can also justify Brazil's lack of strategy towards relations with the Chinese. These developments and motivations will be discussed on chapter 4.

## Chapter 4

# Brazil's Bilateral Relations During the 2000s

In the previous chapter I examined Brazil's historical relations with the United States and China, in order to assess how they influenced the construction of Brazil's perception of these two countries. Brazilian foreign policy towards the U.S. resulted in frustrated attempts of close partnerships. In contrast, the lack of interactions and strategic relations with China produced neither a negative nor a positive perception of the East Asian country. In this chapter, I analyze how previous relations (or the lack thereof) shaped Brazil's behavior towards the two countries. I discuss the two bilateral relations separately. In the first section I investigate Brazil's unexpected semi-hostile behavior towards the U.S.; in the second section, I discuss Brazil's friendly and welcoming behavior ties towards China. In chapter 5, I will further expand upon how each bilateral relation has influenced the other and examine the

implications of U.S.-China-Brazil trilateral relationship.

## 4.1 U.S.-Brazil Relations: *Rapprochement* from the U.S., Hostility from Brazil

In the 20<sup>th</sup> century, relations between the United States and Brazil were characterized by two clear patterns: on the Brazilian side, it attempted to become a close partner to the United States, in order to win U.S. support towards its international ambitions; on the United States side, U.S. policies only supported Brazil when this aligned with Washington's interests, and discouraged Brazilian independent foreign policy otherwise. The 21<sup>st</sup> century marked new beginnings for bilateral relations between Washington and Brasília. There was a clear change of approach to foreign policy during the George W. Bush administration. The U.S. strategies towards Brazil aimed for a rapprochement between the two countries. For the first time since World War II, U.S. diplomacy was pursuing cooperation and accommodation policies with Brazil.

This was an unexpected change: historically Brazil was not a priority of U.S. foreign policy. In addition, very few analysts would have predicted efforts of approximation from a Republican president, George W. Bush, towards a left-of-center Brazilian president, Luiz Inácio Lula da Silva. Even more unexpected was the Brazilian response, as it shifted from friendly and cooperative to unresponsive and semi-hostile. In this section, I discuss the initiatives and behavior of the two sides, and focus on how Brazil's foreign policy towards

the U.S. has changed. I first examine political and diplomatic relations between the two countries, to then analyze their economic ties.

#### **4.1.1 Political and Diplomatic Relations**

Before discussing U.S. rapprochement efforts, it is important to briefly explain the motivations behind this policy. After the September 11 attacks, the U.S. government engaged in conflicts abroad – the War in Afghanistan (2001-Present) and the Iraq War (2003-2010) – which have drained much of the financial and military resources of the country. As a consequence, the U.S. had to seek out support from its allies to carry on and enforce its foreign policy. The U.S. saw Brazil as a potential partner to push forward its agenda in Latin America. A study conducted by the American think tank Council on Foreign Relations and presented to the Bush administration in February 2001 concluded that Brazil was considered “the fulcrum of any successful US policy initiative in South America.”<sup>1</sup> Washington’s accommodating policies towards Brasília signaled the will to have Brazil as an ally in Latin America and help mediate conflicts in the region. In addition, Pres. Lula’s moderation provided room for cooperation, in light of the perceived increase of extremism of Hugo Chávez among other left-oriented leaders in the region.

U.S. courtship of the Brazilians can be best summarized with three U.S. cooperation initiatives: the Memorandum of Understanding (MOU) on Biofuels (2007), the Memorandum of Understanding on Narcotics Control (2008) and the Defense Cooperation Agreement

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Hirst, *The United States and Brazil – A Long Road of Unmet Expectations*, 61.

(2010). These three agreements were first encouraged by the United States, a significant change from previous U.S.-Brazil bilateral relations.

The MOU on Biofuels – particularly regarding ethanol, represents a major step coming from the U.S. side, because it attempted to accommodate an old Brazilian complaint against American ethanol production and U.S. market for biofuels.<sup>2</sup> The agreement signed in March 2007 by Pres. Bush and Pres. Lula had three main objectives: foster technology sharing between the parts and feasibility studies for biofuel use, expand the biofuels marketplace globally, and establish a joint cooperation to develop ethanol among third countries. So far the program has benefited the Dominican Republic, El Salvador, Haiti, St. Kitts and Nevis, Guatemala, Honduras, Jamaica, Guinea-Bissau and Senegal.<sup>3</sup>

This U.S. initiative is significant because it tackles two major Brazilian interests: First, it recognizes Brazil's pioneer work in the development of biofuels and energy alternatives, by providing an equal-level partnership in a field where Brazil is not a secondary actor. Second, it supports Brazilian leadership among developing countries, by creating a North-South partnership that has further implications in South-South cooperation. Thus, the U.S. is behaving within longstanding Brazilian foreign policy preferences.

Moreover, the other two agreements address two main U.S. concerns in Latin America:

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The raw material used for American ethanol production is corn, while the Brazilian ethanol industry uses sugarcane bagasse. Corn ethanol is considered less productive and more harmful to the environment than sugarcane ethanol.

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Even though cooperation regarding Ethanol has increased considerably, the obstacles to Brazilian ethanol in the U.S. market continue to challenge Brazils production: tariffs of 54 cents per gallon on Brazilian ethanol and subsidies of 51 cents per gallon paid to U.S. producers.

drug trade and security. However, in contrast to previous bilateral agreements, Brazil's role in the MOU on Narcotics Control and the Defense Cooperation Agreement is more autonomous, while reinforcing the idea of equal partnerships. The MOU on Narcotics Control and Law Enforcement establishes cooperation between the U.S. and Brazilian government to strengthen Brazilian institutions fighting drug trafficking. The Drug War is one of the main concerns of U.S. foreign policy regarding Latin America and Brazil's partnership is crucial to an efficient policy against drug production in South America. Brazil is the second largest cocaine consumer in the world (the U.S. is the first one), and a major transit country for illicit drugs on their way to Europe. The U.S. government plans to give funding of \$5,450,000 to finance different activities and operations to help in the drug war, which include special trained police and security intensification in airports.

One might argue that the bilateral dynamics between the U.S. and Brazil remained the same in the MOU on Narcotics Control: the U.S. providing funding for a problem that the Brazilians cannot control by themselves. However, this agreement represents a change because this time the need comes from Washington and not from Brasília. The success of U.S. War on Drugs and in particular Plan Colombia has been widely questioned. Hence the need for Brazilian support to the United States. Moreover, while Washington is providing the funding, it will be used in existing Brazilian institutions and programs, which gives more independence to Brazil on managing these funds.

Furthermore in April 2010, American Secretary of Defense Robert Gates and Brazilian Defense Minister Nelson Jobim signed the first major U.S.-Brazilian military agreement

since 1977, when the U.S. broke military alliances in disapproval of the Brazilian Nuclear Program. The Defense Cooperation Agreement (DCA) involves cooperation in research and development, technology security as well as joint military exercises and training. Later in November, Gates and Jobim signed the General Security of Military Information Agreement, which will facilitate the sharing of classified defense and military information between the U.S. and Brazil. The DCA is particularly significant because it shows that Washington recognizes Brasília as a strategic partner and helps Brazil to lay out the foundations for its defense industry.<sup>4</sup> Both agreements are waiting to be ratified by the Brazilian senate.<sup>5</sup>

In spite of Washington's clear moves towards more cooperation with Brasília, the same cannot be said of Brazil. In fact, not only has Brazilian diplomacy been unresponsive, but it has also undertaken policies that shun away the United States. In contrast to 20th century bilateral dynamics between the U.S. and Brazil, this time it is the United States that is pursuing closer partnerships with Brazil, while Brazil is only willing to collaborate in efforts that advance Brazilian national interests. This represents a change on how Brazil perceives the United States. Based on its historical past and institutional memory, Brazil has learned to not trust the United States. As a result, Brazil is friendly and responsive to the United States when engaging in same-level partnerships and unresponsive to asymmetrical engagements – which again, depart from previous patterns.

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Llana, Sara Miller and Andrew Downie. "Why Brazil signed a military agreement with the US, in *The Christian Science Monitor*, April 13, 2010, accessed March 27, 2011.

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Department of Defense. "Fact Sheet: U.S.-Brazil Defense Cooperation," in *Office of the Department of State/Western Hemisphere*, March 14, 2011, accessed March 27, 2011.

In the last five years, Brazil has assertively pursued a very independent foreign policy, moving away from the U.S. without completely refusing its help and support. Examples of this behavior are Brazil's opposition to the Free Trade Area of the Americas (2003-05), and to the increase of American troops in Colombian bases (2009), as well as its participation on negotiating Iran's nuclear production (2010).

Talks about the creation of the Free Trade Area of the Americas date back to 1994, after the approval of the North American Free Trade Agreement (NAFTA) between Canada, Mexico and United States. Formal negotiations were only launched four years later, at the 1998 Santiago Summit. The FTAA project aimed to expand the U.S. hemispheric agenda and integrate 34 nations in the region (all except Cuba) in the models of NAFTA. In April 2001, at the third Summit of the Americas, hosted in Quebec, the 34 countries agreed on a timeline, in which negotiations would be completed by January 1, 2005 and the FTAA would be ratified by December 31, 2005.<sup>6</sup> Brazil's position vis-à-vis the FTAA is a good representation of the change in its foreign policy towards the United States. It first took on a defensive role, but as negotiations progressed, Brazilian diplomacy adopted an aggressive position against the FTAA, that ultimately resulted in the drop of negotiations.

Brazil, one of the co-chairs of the Trade Negotiations Committee (TNC), was also one of the countries that most strongly opposed the FTAA. In particular, there were specific issues in which Brazil and the U.S. clashed, for instance, on subsidies to American farmers, an old

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Batista Jr., Paulo Nogueira. A América do Sul em Movimento, in *Revista de Economia Política*, vol 28, n 2 (110), April-June, 2008, 227-29, and Hirst, *The United States and Brazil – A Long Road of Unmet Expectations*. 36-37.

Brazilian complaint against U.S. protectionism. Another reason for Brazil's opposition to the FTAA was the possible undermining of its position as a regional leader. In the initial project, the FTAA would dissolve other subregional integration groups such as the Central American Common Market, the Andean Pact and the Southern Common Market (Mercosur). Given that Mercosur is one of Brazil's main policies towards regional integration, it turned out to be a non-starter. Later in 1996, the project changed in order to allow the coexistence between FTAA and other existing subregional groups. Still, Brazil believed that the FTAA would diminish Mercosur's (Southern Common Market) importance, and thus, hurt Brazilian interests.<sup>7</sup>

The FTAA project was a potential threat to Brazil's national interests. While in a previous era, Brazil would have tried to accommodate U.S. interests to the relative detriment of its own, this time Brazilian diplomacy was not willing to make such concessions. Once U.S. and Brazilian negotiators reached an impasse in 2003, negotiations dragged on for two more years, until being officially dropped in 2005, when countries were supposed to have reached a consensus. The U.S. understood that without Brazilian support, the hemispheric free trade project could not be accomplished. After 2005, the U.S. has moved towards establishing bilateral free-trade agreements with countries that desire to do so, as opposed to a hemispheric one.

Most recently, in the last two years, Brazil has taken bolder steps in its foreign policy and has diverged into initiatives that show its independence from United States influence.

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Mullins. *In the Shadow of the Generals*. 86-89.

In one instance Brazil was highly critical of U.S. policies – U.S. troops in Colombia (2009) and in another, Brazilian diplomacy was hostile against U.S. interests – diplomatic relations and negotiations with Iran (2010).

Since the deepening of the political crisis in Colombia during the 1990s, Brazil has worried about U.S. influence in the country and how Colombian political stability may end up tied to U.S. aid. This apprehension deeply increased when the U.S. congress approved Plan Colombia in 2000.<sup>8</sup> The idea for Plan Colombia was first presented during the presidency of Andrés Pastrana de Arango (1998-2002). In 1998, the Pres. Pastrana de Arango proposed what would be a type of “Marshall Plan” for Colombia.<sup>9</sup> In the words of the Department of State, Plan Colombia became a comprehensive program to combat narco-terrorism, spur economic recovery, strengthen democratic institution and respect for human rights, and provide humanitarian assistance to internally displaced persons.<sup>10</sup> However, it is important to highlight that ultimately, Plan Colombia became a military initiative against drug trafficking, since 80 percent of the \$1.3 billion destined to the program was directed to defense purposes, including the purchase of helicopters and training of special army antinarcotics battalions. Brazil was concerned with the effects of U.S. intervention and presence in Colombia, since

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Hirst, *The United States and Brazil – A Long Road of Unmet Expectations*, 47.

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Arnson, Cynthia, and Arlene Tickner. “Colombia and the United States: Strategic Partners or Uncertain Allies?” in *Contemporary U.S.-Latin American Relations – Cooperation or Conflict in the 21<sup>st</sup> Century?* ed. Jorge I. Domínguez and Rafael Fernández de Castro. New York: Routledge, 2010, 170.

10

U.S. Department of State. “Background Note: Colombia,” in *Bureau of Western Affairs*, last modified, October 4, 2010, accessed March 27, 2011.

both countries share long borders in the Amazon region. In 2006, the United States and Colombia renewed Plan Colombia and Brazil perceived it as a threat to its sovereignty, given the increased U.S. military presence close to its borders, and stimuli to the expansion of the Revolutionary Armed Forces of Colombia (FARC) activities in the area, now connected with Brazilian drug trafficking organizations.<sup>11</sup>

In August 2009, Brazil strongly criticized the United States when it announced an increase of U.S. troops in Colombian territory and access to seven military bases in the country, secretly negotiated with the Colombian administration. Colombian President Álvaro Uribe justified U.S. presence to assist in fighting against drug-trafficking and Marxist rebels. Pres. Lula, who at the time was meeting with other Latin American leaders, asked that Pres. Obama explained his administrations objectives in the region.<sup>12</sup> More passionate criticism came from leaders such as Rafael Correa, Evo Morales and Hugo Chávez, but analysts noted that the opposition from less radical leaders, such as Brazilian Pres. Lula, denoted the seriousness of the U.S. move.

Brazil is now confident of its position in the region, and Brasília believed that it should be consulted on important matters regarding Latin America, in particular, South America. It reinforces its distrust of U.S. foreign policy and its perception that the U.S. presence in the region may undermine its leadership among Latin American nations. Thus, Brazil's response

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<sup>11</sup>

Hirst, "Brazil-U.S. Relations: Getting Better All the Time," 135.

<sup>12</sup>

Forero, Juan. "South American Leaders Assail U.S. Access to Colombian Military Bases," in *The Washington Post*, August 29, 2009, accessed December 27, 2010.

to the issue in Colombia illustrates that the country has not only changed its perception of the United States, but also it has consolidated its self-image as a regional leader. It is interesting to notice that once the U.S. proposed a Defense Cooperation Agreement (discussed previously in this chapter) Brazil readily accepted. It may seem a contradiction, since first the Brazilian government criticized U.S. military presence in Colombia, and later signed the DCA with the United States. Nonetheless, what this move signals is that Brazil is eager to cooperate with the United States, but not as junior partner anymore.

Another episode of friction between the U.S. and Brazil happened when Brazil intensified diplomatic relations with Iran – one of the countries on Washington’s black list. In November 2009, Pres. Lula received Iranian President Mahmoud Ahmadinejad in Brasília, the first Iranian leader to visit Brazil in 44 years. The visit was part of a Brazilian diplomatic effort to appease the tension between Israel and the Palestinians. However, attention was not focused on the resolution of the Israel and Palestine conflict, but rather on Pres. Lula’s support of Iran’s right to develop nuclear technology for energy generation purposes.<sup>13</sup> Brazil’s initiative was received with protests domestically and internationally and criticized by United Nations members and former Brazilian diplomats. They argued that this move could represent Brazil’s legitimization of Ahmadinejad’s government when the United States and European powers were seeking to pressure Iran to limit its production of nuclear technology for civilian use.<sup>14</sup> The U.S. government did not directly criticize Ahmadinejad’s visit, but Pres. Barack

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Barrionuevo, Alexei. “Obama Writes to Brazil’s Leader About Iran,” in *The New York Times*, November 24, 2009, accessed December 27, 2010.

<sup>14</sup>

Roett, Riordan. *The New Brazil*. Washington D.C.: Brookings Institution Press, 2010, 147.

Obama sent a letter to his Brazilian counter-part, and Secretary of State Hillary Clinton called Brazilian Ministry of Foreign Affairs, Celso Amorim, to encourage Brazil in talks against Iran nuclear program. Brazilian diplomacy defended itself claiming that this was an effort to engage all countries, and not to isolate one.

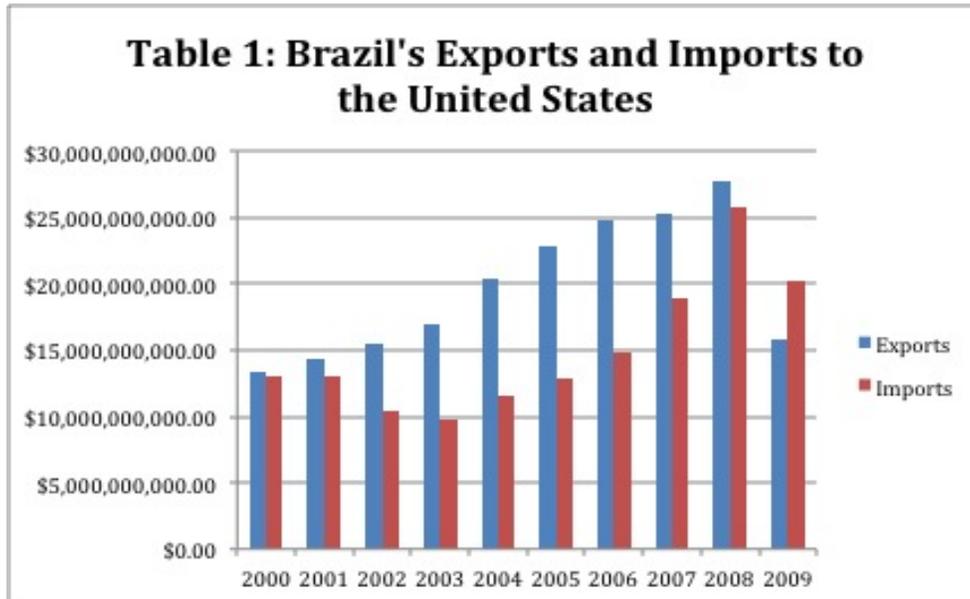
Brazilian diplomacy was even more audacious when in May 2010 along with Turkey, helped to settle an agreement with Iran, in which the country would send enriched uranium at a low level abroad, similar to the nuclear fuel-swap deal proposed by the United Nations in October of the previous year. While U.S. diplomats and Russian President Dmitri Medvedev considered this initiative as the “last chance” to reach an agreement with Iran and avoid UN sanctions, the Brazilian and Turkish efforts backfired. Secretary of State Hillary Clinton condemned the actions from the start, and as soon as the deal was reached, the U.S. opposed to it, calling it a delaying tactic and urging the Security Council to draft a resolution for new sanctions against Iran.

#### **4.1.2 Economic Relations**

Ever since the decline of importance of trade with the British, the United States has been Brazil’s most important trade partner. During the 2000s, this account remained true, although the U.S. share of Brazilian exports and imports has decreased. As shown in table 1, absolute trade between the two has increased, with a notable increase of Brazilian imports from the United States. It is important to mention that trade between the two countries suffered a significant decrease in 2009 due to the financial crisis, which severely hit the U.S.

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economy.



According to the Office of the United States Trade Representative (USTR), Brazil's four top import categories from the U.S. in 2009 were: machinery, aircraft, electrical machinery, and mineral fuel.<sup>15</sup> As for Brazilian exports to the U.S., they were concentrated in a more diverse set of categories; the top four were: mineral fuel and oil, machinery, iron and steel, and spices, tea, and coffee.<sup>16</sup>

In tables 3.1, 3.2, 3.3, 3.4 and 3.5 (appendix), I show the breakdown of Brazil's exports to the United States and China by type of product, using the Lall classification, which looks at export data at the three-digit SITC level, revision 2.<sup>17</sup> As Lall points out,

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<sup>15</sup>

Executive Office of the President. "U.S.-Brazil Trade Facts," in *Office of the United States Trade Representative*, accessed March 27, 2011.

<sup>16</sup>

Ibid.

<sup>17</sup>

Data from UN Comtrade, for further reading about the Lall classification: Lall, Sanjaya. "The Tech-

“This level, reasonably disaggregated, puts together activities at different levels of technological complexity under the same category.” There are five categories: primary products; resource-based manufactures, which are products that tend to be simple and labor intensive; low-technology manufactures, which tend to have stable, well-diffused technologies; medium-technology manufactures, which comprise skill- and scale- intensive technologies in capital goods and intermediate products; and finally high-technology manufactures, which are products that have advanced and fast-changing technologies with high R&D investments and prime emphasis on product design.<sup>18</sup>

In addition, U.S. Foreign Direct Investment (FDI) continues to be the main source of Brazil’s FDI, according to the Brazilian Central Bank.<sup>19</sup> In 2008, U.S. FDI totaled \$45.5 billion, which represented a 4.7 percent decrease compared to 2007. U.S. foreign investment is mainly concentrated in the manufacturing and finance and insurance sectors.<sup>20</sup>

In this section, I investigated Brazil’s bilateral relations with the United States, highlighting U.S. efforts towards a closer relationship with Brazil, while the Brazilians shunned some of the U.S. initiatives, by pursuing an independent foreign policy. Moreover, commercial Structure and Performance of Developing Country Manufactured Exports, 1985-98,” in *Oxford Development Studies*, vol 28, n 3, 337-69, 2000.

<sup>18</sup>

Ibid, 341-43.

<sup>19</sup>

Data from 2001-2006. Banco Central do Brasil. ‘Investimento Estrangeiro Direto,’ in *Câmbios e Capitais Internacionais*, accessed March 23, 2011.

<sup>20</sup>

Executive Office of the President. “U.S.-Brazil Trade Facts,” in *Office of the United States Trade Representative*, accessed March 27, 2011.

cial exchanges between the two countries continue to grow, as they continue to be strong trade partners, although Brazil's dependence on the U.S. market has decreased. In the next section, I examine Sino-Brazilian relations, the exponential increase of cooperation between the two countries, gaining space in areas that were once dominated by U.S.-Brazil alliances.

## 4.2 China-Brazil Relations: The New Friendship

Different from U.S.-Brazil ties, Sino-Brazilian relations started the 21<sup>st</sup> century almost at a blank slate. As I showed previously, China and Brazil had very limited interactions throughout the 20<sup>th</sup> century and only at the beginning of the 1990s did the two countries start to foster more concrete diplomatic initiatives. We already know how previous interactions help shape how a state perceives its dyadic partner. However, what is interesting about the case of Sino-Brazilian relations is that the background knowledge and institutional memory between the two did not exist before the 2000s. In the case of Brazilian diplomacy a few factors were key to building a perception of the Chinese nation: first, the similarities between the two countries; second, their shared interests and conflicts in international organizations and prospects of good economic ties; third, how China behaves towards other countries, both Brazilian friends and rivals. Throughout the 2000s, analysts pointed out that Brazil lacked a specific strategy towards China.<sup>21</sup> The absence of a strategy can be attributed to the lack

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Rodrigo Tavares Maciel, former Executive Secretary of the Brazil-China Business Council in Rio de Janeiro, says: "Brazil, for example, is still contemplating the cost-benefit ratio of its relationship with China," in Maciel, Rodrigo T. "The Economic Relationship between China and Brazil," in *Enter the Dragon?* Washington D.C.: Woodrow Wilson International Center for Scholars, 2007, 27-42.

of knowledge and concrete perception of China.

China and Brazil first came together for economic reasons. On the one hand, China and its hunger for natural and energy resources; on the other hand, Brazil, a commodity exporter with consolidated oil and mineral industries, as well as a strong agricultural sector. In addition, both have a very large consumer market and a growing middle class (more recent phenomenon for China). Although geographically very distant, the commercial partnership proved to be successful at first. The Chinese became interested in Latin America's exports by the end of the 1990s, and Brazil soon became China's number one partner. Brazil became China's strongest partner because it is an exporter of commodities that speak directly to China's needs: iron ore, oil and soy. For China, this trade was beneficial because it combined an important export source and import destination, especially compared to their ventures in Africa. Latin America's general political stability and existing infrastructure (although in need of improvement) were two main factors that counted in favor of the region. Moreover, the Chinese government was able to avoid criticisms of trading with undemocratic countries and supporting dictators, which had happened in a few African nations.

For Brazil, trading with China was also good news. China's demand increased the price of natural and mineral resources and made the terms of trade favorable to commodity exporters, such as Brazil. However, it is also important to notice that Chinese products have produced a menace to Brazilian manufacturing industries and there is a growing concern about the deindustrialization of Brazil's economy. Still, the economic relationship sparked a partnership that would become increasingly important throughout the decade, both in

economic and political terms. The increasing trade between these two developing countries also fostered the progress of South-South cooperation, a key term in their bilateral relations. In this section I examine Brazil's bilateral relationship with China during the 2000s, first in political and diplomatic endeavors, and then proceed into analyzing trade, competition and foreign direct investment between the two.

#### 4.2.1 Political and Diplomatic Relations

Brazil's engagements with China include an important dyadic relationship and a remarkable alignment in multilateral discussions. The two countries transformed what was a purely economic relationship into diplomatic and political partnerships. The connection between China and Brazil was first brought into light through the BRIC acronym (Brazil, Russia, India and China). In 2001, Jim O'Neill, a chief economist at Goldman Sachs and at the time the head of the Global Economic Research department, was the creator of the "BRIC" expression. In his report "The World Needs Better Economic BRICs," he highlighted the importance that Brazilian, Russian, Indian and Chinese economies would have to spur economic growth in the world. The report predicted that by the end of the decade these four countries would comprise 10 percent of world's output – by 2008, it had already reached 15 percent.<sup>22</sup>

When the BRIC report was released, critics pointed out that these four countries were not as similar as O'Neill portrayed. In particular, on one side, China played on its ability to

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<sup>22</sup>

..... Another BRIC in the wall, in *The Economist*, April 21, 2008, accessed December 27, 2010.

take market shares in services and manufacturing due to low labor costs; on the other side, Brazil benefitted by a rise of commodity prices.<sup>23</sup> Nonetheless, the four countries saw more similarities than differences between them. The BRICs decided to organize a summit in which they would come together to discuss common issues and how they could join forces. They have had two summits up until now: the first meeting happened in 2009, in Yekaterinburg, Russia. The second one was held in Brasília, Brazil in 2010, and China is the host for the third BRIC summit, in 2011.

The BRIC summits helped consolidate China-Brazil relations, reinforcing their similarities and opportunities prospects together. Above all, there is a general message of the common challenges and opportunities that they face, which is precisely what brings them together. This idea of shared interests helped Brazil build up its perception of China as a friend, since both countries were aiming for the same goals and were being confronted by similar problems. During the 2010 BRIC summit in Brasília both countries signed agreements to foster trade and support oil exploration in Brazil, but Brazil and the other BRICs failed to mention how the undervaluation of Chinese currency and the cheap price of China's products had started to harm their economies.<sup>24</sup> The BRICs did not want to raise this delicate issue and risk their friendship with China.

This partnership attitude repeated itself in other international forums, such as the Doha

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<sup>23</sup>

Ibid.

<sup>24</sup>

Colitt, Raymond and Emma Graham-Harrison. "China, Brazil sign deals at shortened BRIC summit," in *Reuters*, April 15, 2010, accessed April 2, 2011.

Development Rounds from the World Trade Organization (WTO), G-20 Summits, and the Copenhagen Climate Conference. Brazil and China have figured as important leaders in these meetings, representing developing countries and their interests (although their views may not reflect the opinions of all developing countries, especially the poorest ones). There is a clear position against the North-South paradigm, in which Brazil and China maintain that developing countries have special needs and face different constraints from developed nations, and thus cannot abide by the same rules as countries in the “North.” Similarly to Fausett and Volgy’s argument that countries use International Organizations (IOs) to learn about other nations, Brazil and China’s interactions in the space of IOs have provided Brasília the knowledge that it did not have due to the lack of previous interactions between the two. Therefore, Brazil’s perception of China is largely based on how they stand against and in favor of similar issues.

But Brazil-China relations are not only confined to interactions in multilateral organizations. The two countries have made progress towards bilateral ties, showing the growing interest of both nations in cultivating stronger relations. A good example is the number of official visits made during the last decade, which have skyrocketed compared to the previous 25 years of diplomatic relations. Up to the 2000s, only two Brazilian presidents had visited China – José Sarney in 1988 and Fernando Henrique Cardoso in 1995 – and one Chinese president had had an official stay in Brazil – Jiang Zemin in 1993 – with another two visits of two Chinese ministers to Brazil. In the 2000s, visits of country officials were much more frequent: nine important Chinese leaders, among them ministers and heads of the Chinese

Communist Party, visited Brazil in the last decade, and five Brazilian ministers and one vice-president made trips to China, besides two official visits of Chinese Pres. Hu Jintao in 2004 and 2010 and Pres. Lula in 2004 and 2009.<sup>25</sup>

The two nations have also established different mechanisms to discuss and improve their ties. In May 2004, during Pres. Lula's visit to Beijing, the two nations established the Brazilian-Chinese High-Level Coordination and Cooperation Commission (COSBAN). The agreement stated that the Brazilian and Chinese vice-presidents would be the COSBAN co-chairs. In addition, the commission would meet every two years to discuss important issues pertaining to the Sino-Brazilian relationship. According to Brazil's official media agency, COSBAN's goal is to promote development and social progress between the two countries and foster South-South cooperation.<sup>26</sup> However, the commission only met once, when Brazilian vice-president José de Alencar visited Beijing in 2006 and established the commission alongside the Chinese vice-prime minister, Wu Yi. COSBAN represents the excitement between cultivating and strengthening Sino-Brazilian ties, but also shows that relations between the two countries were eventually marked by a lot of talk, but not many concrete measures. The Joint-Action Plan between Brazil and China signed later in 2009 strived to set COSBAN in motion again.

In June of the same year, Brazil and China signed more agreements that paved the way

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<sup>25</sup>

Ministério das Relações Exteriores. Relatório China – Temas Políticos e Relações Bilaterais. *Ministério das Relações Exteriores*, Brasília.

<sup>26</sup>

..... “Alencar acerta compromissos de cooperação em Pequim,” in *Agência Brasil*, March 24, 2006, accessed April 2, 2011.

for cooperation in oil and gas extraction, electricity and mining. Dilma Rousseff, at the time Brazil's Minister of Mines and Energy and current Brazilian president, signed the agreements with the Chinese Minister of Trade. On the occasion, other two Memorandums of Understanding were signed between Brazilian state-owned companies, Petrobras and Eletrobrás, with Chinese state-owned companies, Sinopec and CITIC (China International Trust & Investment Corporation). Petrobras is Brazil's national oil company, also in the forefront of deep-water petroleum extraction; Sinopec is China's major petrochemical company and responsible for 57.8 percent of China's total oil supply. The two companies are working together in the construction of a gas pipeline, which will connect two Brazilian cities in the southeast part of the country.<sup>27</sup> Funding comes both from the Chinese and the Brazilian Development Bank, China Exim Bank and BNDES respectively. As for the agreement between CITIC, a Chinese conglomerate of companies in the area of energy, private banks, insurance companies and investment firms and Eletrobrás, Brazil's state-owned energy company, the two enterprises are working on reinforcing the generating capacity of systems owned by Eletrobrás.<sup>28</sup>

The exchanges between Brazilian and Chinese state companies continued. Another interesting example is the \$10 billion loan provided by the Chinese development bank to Petrobras in 2009. The Brazilian oil company was pursuing funds so it could increase in-

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<sup>27</sup>

..... "Brazil and China will cooperate in petroleum, gas, electricity, and mining," in *Agência Brasil*, September 6, 2004, accessed April 2, 2011.

<sup>28</sup>

Ibid.

vestment in the exploration of its pre-salt oil reserves.<sup>29</sup> In exchange, the loan required a long-term commitment to sending oil to China.<sup>30</sup>

During Pres. Lula's last visit to Beijing, he and Pres. Hu Jintao signed the Joint Action Plan Between the Government of the Federative Republic of Brazil and the Government of the Peoples Republic of China for 2010-2014, which was later released in April of 2010. This strategic cooperation plan puts in place the major areas of cooperation between the two countries, which include politics and diplomacy, economic exchange and finance, energy and mining, agriculture, technology and space cooperation, besides cultural and educational programs, establishing sub-commissions for each area. The Action Plan gives new life to COSBAN, and re-affirms its importance. One of the points emphasized in the Action Plan is the continuation of the China-Brazil Earth Resources Satellite (CBERS) program, first signed in 1988, which launched its first satellite in 1999. The mission of CBERS is to develop satellite images for the use of developing countries, reinforcing the South-South cooperation mission of the two nations. After launching CBERS 1, 2 and 3, the program is estimated to launch two more satellites in 2011 and 2012.

Diplomatic relations between China and Brazil indicate Brazil's eagerness to develop a strong partnership with China, but not a concrete strategy. While it strives to highlight the similarities that the two countries share, Brazil fails to address the points in which the two

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Liu, John and Andres R. Martinez. "China, Brazil Agree to \$10 Billion Loan, Exploration," in *Bloomberg*, May 19, 2009, accessed April 2, 2011.

30

Barboza, David. "China Starts Investing Globally," in *The New York Times*, February 20, 2009, accessed December 27, 2010.

conflict. Likewise, in its economic relations with China, Brazil seems to have a good grasp of its opportunities, but has not properly tackled the issues in which China jeopardizes Brazil's economy.

#### 4.2.2 Economic Relations

In the first half of 2010, China became Brazil's biggest single export market.<sup>31</sup> An impressive jump for Brazilian exports, considering that at the beginning of the decade exports to China amounted to two percent of total exports. Table 2 shows Brazil's exports are concentrated on primary products, with three commodities accounting for 70 percent of total exports to China – soy products, iron and petroleum.<sup>32</sup> This can be largely attributed to China's needs and growing industries. Tables 3.1, 3.2, 3.3, 3.4 and 3.5 (appendix) show the breakdown of Brazilian exports to China and the United States, and the striking concentration of Brazil's export products to China on primary products and resource-based manufactures.

The first half of the 2000s was marked by the enthusiasm of the new opportunities in the Chinese market. In his first visit to Beijing, Pres. Lula remarked, "China is a shopping center (mall) of opportunities."<sup>33</sup> As a result, much of the Brazilian policies on the second half of the decade aimed at strengthening that relationship and encouraging Brazilian exports to

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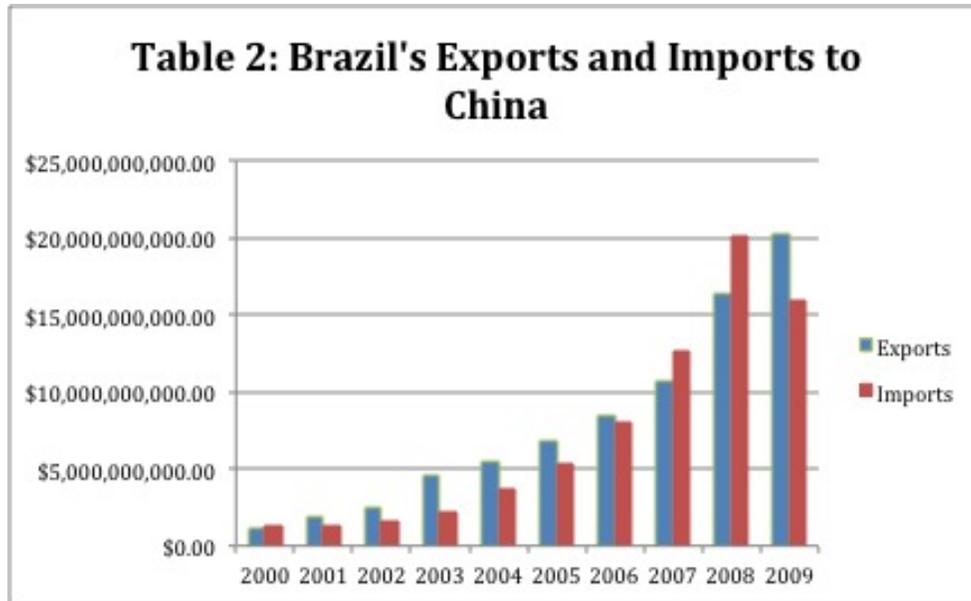
..... "The Dragon in the Backyard," in *The Economist*, August 13, 2009, accessed on December 27, 2010.

<sup>32</sup>

Ellis, *China in Latin America*, 49.

<sup>33</sup>

Martins, Ivan and Fabiane Stefano. "Lula avança no Oriente, in *Istoé Dinheiro*, June 2, 2004, accessed March 27, 2011.



China.

The growing Chinese market motivated the country to open in 2007 an office of the Brazilian Agency for Investment and Export Promotion (APEX) in China, which illustrates Brazil's welcoming behavior towards Chinese trade. Ellis remarks that before 2007, APEX had almost no resources directed to China, but now, it even has an agreement with the Chinese Council for the Promotion of International Trade (CCPIT) to stimulate bilateral exchanges. However, Rodrigo Maciel, former Executive Secretary of the Brazil-China Business Council in Rio de Janeiro, notes that exports to China differ considerably from the composition of Brazilian products destined to countries such as Argentina, U.S. and European Union, which are mainly concentrated on manufactured and semi-manufactured goods.<sup>34</sup>

Such enthusiasm about the commodity boom overshadows the size of Chinese imports

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Data up until 2006. Sources: Abeceeb.com, IADB and SECEX. Maciel, "The Economic Relationship Between China and Brazil," 2008.

and competition of Chinese products in third markets. Up until 2007, China was the second largest supplier to Brazil, taking away Argentine and U.S. shares in the Brazilian market. This means that China is substituting Argentinas and U.S. products in Brazil. Moreover, there is already an increasing competition between Brazilian and Chinese products on Brazil's domestic market. However, domestic competition is not the biggest threat that China is posing to Brazilian products. Maciel and Gallagher and Porzecanski point out that the biggest issue is the effect of China replacing Brazil in major third markets. Maciel notes that studies already show that China is responsible for 30 percent of Brazilian total losses in Chilean and American markets.<sup>35</sup> Gallagher and Porzecanski's study shows that Chinese products threat 91 percent of Brazilian manufactured exports to the world, and 93 percent of high-tech products.<sup>36</sup> The authors define two different types of threat: partial and direct. A partial threat corresponds to both countries gaining market share, but China is gaining faster than the other country, while a direct threat corresponds to China gaining more market share than the other country.<sup>37</sup> Mesquita Moreira posits that China is the "biggest threat" to industrial expansion in Brazil, as the two countries produce similar goods.

In regards to foreign direct investment, not only Brazil, but also a number of countries in Latin America hoped for a flood of FDI coming from China. Chinese FDI has rapidly

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<sup>35</sup>

Ibid, 28-29.

<sup>36</sup>

Gallagher, and Porzecanski. *The Dragon in the Room*, 2000, 51-69.

<sup>37</sup>

Ibid, 151.

increased in the last decade, but not as significantly as expected. Most of the Chinese FDI in Brazil can be classified as “resource-seeking,” although there is an important share of “market-seeking” FDI as well. However, 2010 may be a turning point, since Chinese FDI increased significantly in Brazil, particularly due to the acquisition of shares in Brazilian companies by Chinese enterprises – a good example is the acquisition of 40 percent of Repsol Brasil, an oil company, by Sinopec.

Brazil’s perception of China as a friend resulted in an excess of trust with the Chinese, and avoidance of confrontation in areas in which the country is being particularly harmed. The rapid transformation of Sino-Brazilian relations can be pointed as a reason for Brazil’s lack of strategy. Because it had no previous interaction with China, initially Brazil constructed a perception of undisputable friendship with the Chinese. However, as the 2000s come to an end, Brazil starts to acknowledge the shortcomings that exist in its relation with China. One of the fears is that a reliance on commodities and intense competition in the manufacturing sector may lead to a deindustrialization of the Brazilian economy.

In this chapter, I have investigated Brazil’s bilateral relations with the U.S. and China and identified Brasília’s behavior towards Washington as semi-hostile and towards Beijing as friendly. Throughout the 20<sup>th</sup> century, Brazil perceived the United States as a key partner towards its aspirations as an international player and thus pursued a close relationship with Washington. However, due to the mixed outcomes of this policy, Brazil learned that it could not trust the U.S., and so, during the 2000s, it was willing to engage in equal-level partnerships with the United States, while pursuing an independent foreign policy, prioritizing

what Brazilian diplomacy considered as Brazil's national interests, shunning the U.S. when it conflicted with Brazilian interests. Simultaneously, Brazil presented a friendly behavior towards China, a country with which Brazil had no institutional memory and as a consequence, neither a positive nor a negative perception of the country. The lack of previous interactions and the similarities between China and Brazil led to a positive foreign policy towards China. In the next chapter, I examine how Brazil's bilateral relations with China enhance the tone of Brazil's response to the United States, and vice-versa.

# Chapter 5

## Welcome and Hospitality

In this chapter, I discuss how the U.S.-China-Brazil trilateral relationship influenced a change in Brazilian foreign policy. I explain how Brazil's perception of the United States contributed to a positive view of Beijing, meanwhile the partnership with China contributed to the conditions in which Brasília could afford a semi-hostile behavior towards Washington. Firstly, I examine the elements that contributed to this favorable environment, which motivated Brazil to change its foreign policy in the last decade. I discuss the importance of increasing multilateralism internationally, as well as Brazil's domestic context, including the change in its executive leadership and domestic politics. I explain that while all these factors contributed to Brazil's policy shift, they cannot solely explain it. Secondly, I examine how the relationship with China has been a key element in Brazil's change of perception towards the United States. It highlighted the power asymmetry between Brazil and the U.S., and increased Brasília's bargaining leverage with Washington. Thirdly, I analyze how Brazil's relations with the U.S. have influenced Brazil's welcoming response to the Chinese, in the

sense that Brazil overlooks the threats posed by China, in order to keep a partnership that will balance the U.S. influence.

## **5.1 Why Now? Unique International and Domestic Context**

I have explained Brazil's behavior during the first decade of the 21<sup>st</sup> century; however, it is important to consider the unique combination of factors that favored Brazil's change of policy. Brazil's ability to shift its foreign policy was a product of an increasing multilateral international system, with particular importance to the rise of China; and domestically, the result of successful democratic transitions, macroeconomic stability, and change in leadership. All these factors provided Brazil with the environment and capabilities in which there would be fertile grounds for a change in perception and foreign policy. Therefore, in the presence of these elements, Brazil had the capacity to pursue a more independent foreign policy, which it had always desired because of its self-perception as a leader of South America. While these factors had been present at different points in Brazil's history, they had never occurred simultaneously. As a consequence, until the 2000s, Brazil had not engaged in a successful change of foreign policy.

If the 1990s were characterized by the U.S. hegemony in the international system, one could not say the same about the 2000s. During the first decade of the 21<sup>st</sup> century, the United States experienced a decline in its hegemony, while other powers emerged in the

international system, representing a move towards multilateralism. At the beginning of the decade, the September 11 terrorist attacks seriously affected the confidence of the United States. The U.S. then engaged in several conflicts abroad and opened space for other actors to engage in areas in which they would not have been able before, due to U.S. domain. Later in the decade, the financial crisis that deeply affected the U.S. economy reinforced the idea that the U.S. domain was still strong, but not uncontested and that even the United States had its weaknesses. The emergence of other powers also showed the evidence of a move from a unipolar to a multipolar international system. Other actors, such as the European Union, India and China, gained more economic and political importance in the international system, opening space for more multilateralism among nations. In that respect, China had a crucial role, which will be discussed in more details in the following section.

Generally, countries that are going through domestic turmoil are not able to devote enough resources to foreign policy. During the 2000s, Brazil finally achieved stability at home, both politically and economically. Politically, after 20 years of military rule, Brazil experienced four successful democratic transitions and democracy was finally consolidated in the country. The return to a democratic regime happened in 1985, and since that year, presidential transitions have been running smoothly.<sup>1</sup> As for the economy, the country went through two major crises before finally achieving solid and steady economic growth in the 2000s. During the 1980s, Latin America was hit by the debt crisis and Brazil was not an exception. Brazil struggled for a decade and a half with problems such as, three-digits

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Perhaps the greatest example of Brazils democracy was the impeachment of its first directly elected president, Fernando Color de Mello (1990-1992), due to corruption charges.

inflation levels and undervalued currency. In 1998, it suffered another major crisis, mostly due to the spill over effect caused by the Asian and Russian economic crises. After financial and institutional reforms were implemented, in addition to the successful creation of the new currency, the real, Brazil entered the 2000s in good terms with its domestic economy.

Additionally, it is also relevant to address the importance of the leadership change that Brazil experienced during the last decade. In 2002, there was a remarkable alternation of power in the country's executive: the former president, Fernando Henrique Cardoso, a center-right social democrat responsible for most of the financial and institutional reforms implemented in the 1990s and the creator of the new Brazilian currency, left the presidency to Luiz Inácio Lula da Silva, or more commonly known as Lula, a former union leader and a member of the leftist-oriented workers party. One notices two radical changes: not only Pres. Lula was the first Brazilian president to come from one of the lower ends of society, but also his party was left-oriented, something seldom seen in Brazilian politics.

Some analysts may point out that Brazil's boldness in foreign policy was a result of the new leadership of Pres. Lula and his conceptions of the international system.<sup>2</sup> I argue that while this was an important factor, it was not decisive. First, it is important to remember that Brazilian diplomacy is known for its consistency. The Itamaraty – how the Brazilian

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In the study of International Relations, this would correspond to the first image analysis developed by Kenneth Waltz in *Man, the State and War*. Waltz argues that there are three levels of analysis on attributing the motivations of a certain foreign policy. Each level corresponds to an image and each image corresponds to a different "actor" or "force." The first image focuses on the individual, in other words, the influence that an individual leader's specific ideology, beliefs, or background had in a particular decision in foreign policy, or even a whole trend in diplomacy. Second image is related to how domestic politics shape foreign policy. Finally, the third image looks into how the anarchy of the international system motivates states decisions. Waltz ultimately defends that states act motivated by security threats, due to self-interest and the international system anarchy. For further reading, consult Waltz, *Man, The State and War*, 1959.

Ministry of Foreign Affairs is commonly known among the local media – has a reputation of independence from the executive and legislative powers, which implies that the Ministry of Foreign Affairs would be less likely to change its policy only due to a change in government.<sup>3</sup>

In addition, without the context in which Lula came to power – multilateral international system, domestic political and economic stability – the Brazilian former president would have not been able to conduct its policies the way he did. For instance, other Brazilian presidents have tried to pursue a more independent foreign policy, such as João Goulart (1961-1964), but were not successful. Goulart was the vice-president of Jânio Quadros (Jan.-Aug. 1961), and he came to power when Quadros resigned after nine months in office. Goulart became president during the peak of American intervention in Latin America during the Cold War. He was a leftist-oriented president and hoped to advance Brazil's ties with other countries. However, Goulart was deposed by a military coup d'état, as mentioned before in this study, due to the fear of his communist inclinations. In a bipolar world, it was very hard for a country of Brazil's size to adopt a neutral position, neither siding with the United States, nor siding with the Soviet Union. Brazil could not afford a hostile position against the U.S., or rely solely on the Soviet Union support. Thus, Brazil did not have reliable partners to pursue and independent foreign policy.

In conclusion, there is no doubt that Lula's leadership and charisma helped foster the idea of a country that is engaged to the developing worlds issues and fights against the North-South divide. However, he also benefited from a political environment in which states

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Mullins, *In the Shadow of the Generals*, 2006.

could have a broader range of positions and more partners to interact with. There was a clear combination of factors, both internationally and domestically that provided a favorable environment in which Brazil could not only have a change in perception, but also, successfully implement its new foreign policy.

## **5.2 China's Impact on the U.S.-Brazil Relations: the Pursue of Equal-Level Partnerships**

In the previous section I explained how an increasing multilateral international system allowed Brazil to pursue a more independent foreign policy. Furthermore, it is important to investigate how the relationship with China had a unique and significant impact on the way Brazil relates to the United States. I argue that the relationship with Beijing caused two major impacts on the U.S.-Brazil relations. Firstly, the similarities between China and Brazil highlighted the power asymmetry between the United States and Brazil, and stressed the idea that the two Western Hemisphere countries do not share the same goals in the international system. Secondly, because of the increasing importance of trade and political relations with China, Brazil's dependence on the U.S. decreased over the last decade, thus improving Brazil's bargaining leverage with the United States.

The shared characteristics between China and Brazil, such as their developing country status, military capabilities, and the relations with neighbors, bring these two countries together, while increasing the distance between Brazil and the United States. As developing

countries, China and Brazil are active in international forums, trying to balance the North-South divide, whereas the interests of the U.S. align with those of developed countries. Considering that the United States is the biggest military power in the world, China and Brazil have a smaller gap between their military capabilities. Furthermore, Brazil exerts its leadership in South America, while trying to cope with the influence of another power in the region, the United States; likewise, China exerts its influence in Southern Asia and competes for the leadership in East Asia and Japan. The similarities that Brazil shares with China highlight the differences and conflict points between the United States and Brazil, by emphasizing how the U.S. national interests may conflict with Brazil's aspirations as a global power. The U.S. hegemony in the international system represents a unipolar world, which does support Brazil's ultimate foreign policy goals.

Increasing relations with China have resulted in a decrease of reliance on U.S. support, both economically and diplomatically. As showed in table 4 (appendix), the U.S. continues to be Brazil's biggest trade partner, and trade between the two has increased in absolute terms. However, U.S. importance to the Brazilian economy has decreased, since other actors, and most notably China, have gained space as Brazil's export destinations and import suppliers. In 2000, out of all Brazils exports, 24 percent went to the U.S., whereas by 2008 this share decreased to 14 percent. Meanwhile, Chinas climb in the export/import ladder has been impressive. In 2000, China did not even rank among the top 5 Brazilian trade partners, but by 2008, it was already the third largest Brazilian export market, concentrating 8.29 percent of all of its exports and in 2010 it surpassed Argentina, Brazil's second largest importer.<sup>4</sup>

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As for imports, by 2008, China became Brazil's second biggest import source, with Brazil importing 11.57 percent of its inputs from China.

Moreover, Brazil's diplomatic interactions with China demonstrated that the country could diversify its partners and engage in South-South cooperation. Brazil's perception of mistrust towards the United States was catalyzed by the partnership with China. In the past, Brazil's diplomacy had very limited potential partners, for instance, the Soviet Union and Germany. These two countries had similar characteristics to the U.S., in regards to the asymmetry of power and very strict foreign policy. It would not have been beneficial for Brazil to shun the United States in order to engage in similar power dynamics with another country. In addition, after the end of the Cold War, the main extra-regional actors for Latin America were Europe and Japan.<sup>5</sup> However, relations with them did not imply new strategic dynamics for Brazil, because these actors were not geopolitical adversaries of the United States. With the rise of China, Brazil could take an "alternative path" to allying with the United States, decrease the U.S. influence, and afford a policy independent from the U.S. without completely breaking relations.

As a result of the decreasing reliance on the U.S., Brazil's bargaining leverage with the country increased. In chapter 4, I discussed different occasions in which the United States pursued policies of *rapprochement* towards Brazil and Brazil did not respond in kind. Today, one cannot assume an automatic alliance between the United States and Brazil. This has two

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----- "The Dragon in the Backyard," 2009.

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Ellis, R. Evan. "Emerging Multi-Power Competitions in Latin America," in *Air & Space Power Journal*, 2011, 02.

important implications for the U.S. and Brazil's foreign policy: on the one hand, the United States will have to adopt a more flexible policy towards Brazil and be more accommodating of Brazil's interests; on the other hand, Brazil does not have to accommodate U.S. interests at the cost of its own and as a result, it can now foster an equal-level partnership with the United States.

In conclusion, because of the increasing trade relations with China and the China-Brazil collaboration in the defense of shared interests in international forums, Brazilian diplomacy feels less dependent on U.S. support for its initiatives as a global player. It also increased Brazil's ability to negotiate with the United States, since now, an automatic alliance between Washington and Brasília is not as easy as before. The U.S. needs to compete for Brazil's attention, and more than never, it has engaged in accommodating and friendly relations to guarantee and create new alliances with the South American country. Whereas, Brazil has taken advantage of the increase of its bargaining leverage, in order to demand better partnerships with the United States.

### **5.3 U.S. Impact on the China-Brazil Relations: Searching for a Multipolar World**

In chapter 4, I examined how Brazil's frustrated attempts of becoming a close ally to the U.S. impacted how the country perceives the United States. Furthermore, it is important to investigate how the dynamics between U.S. and Brazil influenced Brazil's dyadic relations

with China. Throughout the 20<sup>th</sup> century, Brazil's relationship with the U.S. was marked by an alliance and power asymmetry between the two countries, as well as the U.S. control of their bilateral diplomatic agenda. At the beginning of the 21<sup>st</sup> century, one notices how this had two major consequences in how Brazil pursues new partnerships. Firstly, when establishing relations with other countries, Brazil aimed for equal-level partnerships, which accommodated its national interest, in contrast to the "junior partnership" with the United States. Secondly, it strived for more diverse partners, which would ultimately balance the U.S. influence.

Moreover, the diplomatic lessons learned from the relationship with the U.S. had a large influence on Brazil's welcoming and accommodating behavior toward China. As noted before, the similarities between China and Brazil emphasized the differences between the U.S. and Brazil, and vice-versa. Brazil perceived China as a formidable partner, one that not only would engage in an equal-level partnership, but also would decrease Brazil's economic dependence on the United States. However, the enthusiasm and eagerness to establish relations with China prevented Brazil from developing a concrete strategy toward the East Asian country. In addition, in order to secure an ally that would balance the U.S. influence, Brazil overlooked and avoided conflicts with China.

Before strengthening relations with China, Brazil was already searching for partners that could leverage the influence of the United States, for instance, Brazil's efforts towards regional integration and the creation of Mercosur (Southern Common Market). By creating a common identity in the region, Brazil was hoping to consolidate itself as a regional leader, besides

creating a net support in order to decrease the U.S. influence in the region. Nonetheless, the successful creation of the Southern cone regional bloc was not enough to decrease U.S. influence in Brazil and the region, since the United States market continued to be the main export destination of Mercosur's members. Furthermore, Brazil needed partners that would not only share similar power capabilities, but also decrease U.S. influence in its own foreign policy.

The rise of China represented the emergence of the ideal partner for Brazil. Similar to Brazil, China is also a developing country with a large population, facing challenging social problems while trying to promote its economic development. Additionally, relations with China seemed particularly appealing due to the emphasis on South-South cooperation and “win-win” situations, two expressions that are repeatedly mentioned in Chinese government officials speeches. These elements alone already justify Brazil's welcoming ties towards China. Furthermore, in light of Brazil's relationship with the United States, Brazil adopted a very friendly attitude towards China, since it saw in Sino-Brazilian relations an alternative to alliance with the United States.

However, the prospects of close alliances with China caused a neglect of issues in which China threatens Brazil. As I have discussed previously in chapter 4, China poses serious threats to Brazil's economic development, particularly to Brazilian manufactured products, because of increasing competition in domestic and third markets. Additionally, commodity trading with China can induce the development of a Dutch Disease in the Brazilian economy. Dutch Disease refers to the process of deindustrialization, which countries rich

in natural resources experience because of the lack of incentive to diversify its production. Tables 3.1, 3.2, 3.3, 3.4 and 3.5 compare the breakdown of Brazilian exports to the United States and China. Brazilian exports to China are mainly concentrated in primary products and resource-based manufactures. Brazil's reliance on Chinese markets in order to decrease the dependence on U.S. markets can be a dangerous move to its diversified economy, because it undermines Brazilian industries. Similarly, Brazil has failed to bring into discussion the issue of China's currency undervaluation, the yuan, which significantly harms Brazil's competitiveness against Chinese products.

Why is Brazil not addressing these problems and taking a tougher stand against China in these particular issues? The reason can be attributed to the desire to foster closer alliances with the East Asian country, since Brazilian diplomacy sees great potential in Sino-Brazilian partnerships, especially in comparison to the ones it had with the United States. In other words, the bad previous experiences with the U.S. make the partnership with China look better than it actually is. Additionally, Brazil does not want to engage in a conflict with China, because it needs its partner to balance the influence of the United States. This reasoning can also be applied to the issue of a permanent seat at the Security Council.

As a conclusion, after Brazil's previous experiences with the United States, Brazilian diplomacy learned that the best way to foster its national interests is through equal-level partnerships with countries that share similar foreign policy goals. As a result, relations with Beijing were welcomed with great enthusiasm by Brasília, since it represented an important partner to counterweigh the influence of the United States. Consequently, Brazil presented

a very welcoming and friendly behavior toward China, in order to foster and strengthen alliances and collaborations between the two countries. However, the emphasis on keeping good relations with China have prevented Brazil to effectively address the threats that China poses to the country, resulting in an avoidance of conflicts with the East Asian country. What seemed at first a “win-win” situation for both countries, has translated into a partial victory to Brazil, since again, the country is accommodating the interests of another country at the cost of its own, in order to have close alliances between the two.

# Chapter 6

## Conclusion

The field of International Relations is full of controversy and debate. The different schools of thought generally agree that the state is the main subject of International Relations. However, less agreement exists on what leads a state to behave in a certain way. What motivates a change in foreign policy? What leads a state to prioritize relations with a specific state and not another? Different theories will point out to different answers. Realism used to dominate the International Relations thinking until the end of the Cold War. Yet, the international system has continuously changed and IR theories have tried to follow this transformation. States have become more independent and relations among them more complex. As a consequence, there is a need for different analytical tools and different ways of understanding state's behavior, other than the ones provided by Realism. This thesis has aimed to build on the use of these new forms of analysis, particularly the ones provided by the emerging theory of Constructivism. More specifically, through the case study of Brazil's trilateral relations with the United States and China, this thesis examined the role

of perceptions in the change of Brazilian foreign policy.

This study explained Brazil's behavior during the 2000s and how the rise of China and the decrease of U.S. hegemony had an impact on the trilateral relationship among these countries. On the one hand, Brazil's previous bad experiences with its foreign policy towards the United States and the favorable new partnership with China resulted in Brazil's semi-hostile behavior towards the United States. On the other hand, Brazil's limited previous interactions with China and the desire to balance the U.S. influence resulted in a welcoming behavior toward the new partner, but an overall lack of strategy on the part of Brazil.

The first decade of the 21<sup>st</sup> century was a very unique moment in the history of these three countries and represented a starting point on their trilateral relationship. While the U.S.-Brazil relationship gained new contours, Brazil and China emerged as new partners, in a fast changing relationship. Moreover, in light of these trilateral dynamics that occurred in the 2000s, what trends can one expect to happen on the next following years? Additionally, what are the lessons that Latin American countries can take from this trilateral relationship?

## **6.1 U.S.-Brazil Relations: *Rapprochement* Will**

### **Continue**

The first decade of the 21<sup>st</sup> century represented a turning point in Brazilian history and diplomacy. For almost half a century, Brazil has been considered the “country of the future.” But as the popular say goes, “that future never arrives.” However, it was in the 2000s that

Brazil went from the country of the future, to the country of the present. Domestically, it had a significant improvement in its social-economic indicators, besides acceleration of its economic growth. Internationally, the rise of Brazil represented the presence of the South American country into the center state of multilateral discussions, particularly representing the view of the Global South. Brazil consolidated its position as a regional power and strengthened its global aspirations.

Brazil's new status as "the country of the present" implies new dynamics with its old partners, specially the United States. As I have noted before, a new dynamic between the two countries was launched in the 2000s, a radical change in the history of relations between these two countries, which was described in chapter 3. The United States recognized Brazil's position as a regional leader and sought rapprochement policies with the South American country. Brazil, aware of its new place in the international system and new partners, most importantly, China, increased its bargaining leverage with the U.S. and pursued equal-level partnerships with the country, and nothing less. In fact, Brazil adopted a very hostile policy towards the United States by the end of the 2000s, as shown in chapter 4.

As for the future, the new leadership in both countries, Barack Obama (2008- ) in the United States and Dilma Rousseff (2011- ) in Brazil, have showed the willingness to give continuity to this new dynamic of equal-level partnership, while trying to overcome Brazil's hostile behavior from 2008 to 2010. Particularly, Brazil's new president, Ms. Rousseff, seems very interested in engaging in a relationship that emphasizes the positive aspects between the two countries, as oppose to their conflict points.

In his recent trip to Latin America in March of this year, Pres. Obama made a long stop in Brazil, visiting Brasília and Rio de Janeiro and signaling in his speeches that more than ever, the U.S. was committed to a partnership with Brazil and to its new role in the international system. Addressing a crowd of 2,000 Brazilians at the Municipal Theater in Rio de Janeiro, Pres. Obama said:

“As you [Brazil] confront the many challenges you still face at home as well as abroad, let us stand together not as senior and junior partners, but as equal partners, joined in a spirit of mutual interest and mutual respect, committed to the progress that I know that we can make together.”<sup>1</sup>

Pres. Rousseff welcomed the U.S. president's speech, however, without any sort of official commitment or promise of automatic alliance. Similarly to what happened in the 2000s, one would expect that, in the following years, Brazil's alliance with the United States will happen on a case-to-case basis, based on how each situation fits or not the country's interests.

## **6.2 China-Brazil Relations: Acknowledging Threats, But Avoiding Conflicts**

Different from U.S.-Brazil relations, the 2000s served as a learning period for Brazil in regards to its relationship with China. Because the two countries had very limited interactions during

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<sup>1</sup>

White House, the. “Remarks by the President to the People of Brazil in Rio de Janeiro, Brazil,” in *Office of the Press Secretary*, March 20, 2011, accessed March 27, 2011.

the 20<sup>th</sup> century, Brazil will largely shape its future foreign policy towards China based on the experiences that it had over the last decade. In the 2000s, the relationship with China seemed at first largely favorable to Brazil. China's need for natural resources increased commodities' prices worldwide, which in turn benefited the Brazilian economy and fostered the country's economic growth. However, by the end of the decade, Brazil had started to acknowledge that Sino-Brazilian relations also posed threats to the country, particularly in regards to competition to its manufactured products and ultimately, to its diversified economy.

Less than a month after Pres. Obama's visit to Brazil, Pres. Dilma Rousseff did her first official visit to China, to attend the third BRIC summit. In Beijing, she largely emphasized the common issues shared by all the BRIC members, emphasizing that the group is not an opposition against a particular country or set of nations, but rather emerging countries coming together to discuss issues pertaining to their interests.<sup>2</sup> In addition, she also signed a series of commercial agreements with China, which included a big contract to Brazil's aircraft manufacture, Embraer. While the four countries – Brazil, Russia, India and China – discussed a reform of the international monetary system, no reference was made to the undervaluation of the Chinese currency and how the yuan has been harming economies worldwide, including the Brazilian one.<sup>3</sup> Although Brazil has not taken a stand against the undervaluation of the yuan, the country has started to address some of the other threats

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Salek, Silvia. "Para Dilma, agenda dos Brics não prevê confronto com outros países," in *BBC Brasil*, April 14, 2011, accessed April 20, 2011.

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Colitt Raymond "China, Brazil summit brings trade but no yuan talk," in *Reuters*, April 12, 2011, accessed April 23, 2011.

posed by China. A few days before Pres. Rousseff's visit to China, the country imposed anti-dumping measures on Chinese fibers, raising additional tariffs on several Chinese-made synthetic textiles.<sup>4</sup> The measure was adopted largely to contain the inflow of cheap imports in the country, which have harmed Brazil's local industry.

As a conclusion, it seems that the 2000s have provided two big lessons to Brazil about its relationship with China: firstly, it needs to address the issue of competitiveness against Chinese products and devote more attention to Brazilian industries; secondly, it considers the partnership with China important, and as a consequence, does not want to engage into direct conflicts with its counter-part. Brazil's accommodating behavior toward China has been costly to its manufacture sector, which may be an indication of the country prioritizing its political goals over the economic objectives. Brazil has finally started to acknowledge the setbacks of Sino-Brazilian relations, and one expects that in the next years it will begin to address smaller issues – as it has, with the textiles' example – but avoid the more sensitive issues, so it would not ultimately compromise its greater relations with China.

### **6.3 The Next Steps of the U.S.-China-Brazil Relations**

Furthermore, what can one expect from the trilateral relations among the United States, China and Brazil? The current currency war is a good reflection of what the expected Brazilian policies towards the United States and China will be. Overall, the currency war

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----- Brazil imposes antidumping duty on Chinese fibers, in *Fibre2Fashion*, April 06, 2011, accessed April 12, 2011 and Pearson, Samantha and Joe Leahy. Cheap Asia Imports hit Brazil's industries, in *Financial Times*, April 20, 2011, accessed April 24, 2011.

pertains to the use of monetary policy by different countries to contain the effects of the last financial crisis, or benefiting the value of their products abroad. The main topic on debate is the undervaluation of the yuan, and its impact on other economies. China's undervalued currency makes its products even cheaper abroad, which increases its competitiveness vis-à-vis other export products from other countries. As a result, Chinese products are outcompeting U.S. and Brazilian products in domestic and third markets. Pearson summarizes well the dilemma that Brazil is facing in respect to the currency issue:

“It [Brazil] blames loose monetary policy in the US for unleashing a flood of liquidity onto international markets that has strengthened the real against the dollar, making Brazilian manufactured exports uncompetitive. Meanwhile, cheap Chinese imports, helped by an allegedly under-valued renminbi, are pouring into Brazil, hurting the domestic manufacturing sector.”<sup>5</sup>

Since last year, the U.S. has taken the forefront of discussions in the currency and has repeatedly requested that the Chinese government reconsider the value of its currency. In February of 2011, U.S. Secretary of Treasury, Timothy Geithner visited Brazil in order to gain the support of Pres. Rousseff against the undervalued yuan.<sup>6</sup> While it is on Brazil's interests to have an overvaluation of the Chinese currency, Geithner left Brazil without any promises of support. The Brazilian government has given vague responses about the currency

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Pearson, Samantha. “Brazils currency conundrum,” in *Financial Times*, April 11, 2011, accessed April 11, 2011.

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Leahy, Joe. “US seeks Brazils support on renminbi,” in *Financial Times*, February 7, 2011 accessed February 10, 2011.

issue. In addition analysts expected that Pres. Rousseff would bring up the undervalued renminbi issue during the BRIC summit in April, however, as I have mentioned before, the subject was not discussed at the occasion (at least publicly).

In conclusion, the initial trilateral relations among the United States, China and Brazil during the 2000s indicate that Brasília will continue to align with Washington when it believes that its national interests are being accommodated and when it engages in equal-level partnerships with the United States. Additionally, Beijing has become an important ally and while Brasília has started to pay close attention to the problems that Sino-Brazilian relations may bring to its diversified economy, it will still avoid direct conflict with the country, in order to have a partner that influences the U.S. influence. When it comes to picking sides, as one sees in the currency war, it seems that Brazil would tend to side with its Global South partner, as oppose to the United States. However, it is important to keep in mind that this trilateral relationship has emerged and changed very rapidly. As a consequence, much more remains to be said about the U.S.-China-Brazil relations and much more may still change in the next few years.

## **6.4 Lessons for Latin America**

Finally, the U.S.-China-Brazil triangle relationship represents two important lessons to Latin American countries. The first one is related to the relationship with the United States. Throughout history and especially since the end of the Cold War, Latin American countries complained about the lack of attention of the U.S. to the region. Latin America has lost im-

portance in U.S. foreign policy, and only a few issues such as the drug conflict, immigration, and NAFTA still remain as top priorities. Latin American nations hoped for a close relationship with the United States. They would like the U.S. support, but would refrain from “being told what to do.” The rise of China in the international system can be an interesting opportunity to not only balance the influence of the U.S. in the region, but also attract more supportive policies from Washington.

As I have noted before, the relationship with China provided to Brazil a unique chance to decrease the influence of the United States, as well as to foster a more symmetric relationship. Likewise, other countries in the region can use the ties with China as a bargaining leverage toward the United States. A good example is the recent announcement by Colombia that is negotiating the construction of an alternative Panama Canal.<sup>7</sup> This is particularly relevant to the relations with the United States, since Colombia has been negotiating a Free Trade Agreement with the U.S., but the project has been stalled in Congress for several years. This could be an effort to bring the U.S. attention to Colombia and perhaps force the approval of the FTA.

The second lesson concerns the relationship with China, and applies to countries such as Brazil, which are natural resources exporters. At first, relations with China seem very favorable, because Chinas demand has increased the price of commodities, which has yielded better returns to these countries. However, as the case of Brazil has shown, this is not an absolute “win-win” situation. Countries such as Brazil, Argentina, Chile, Peru and

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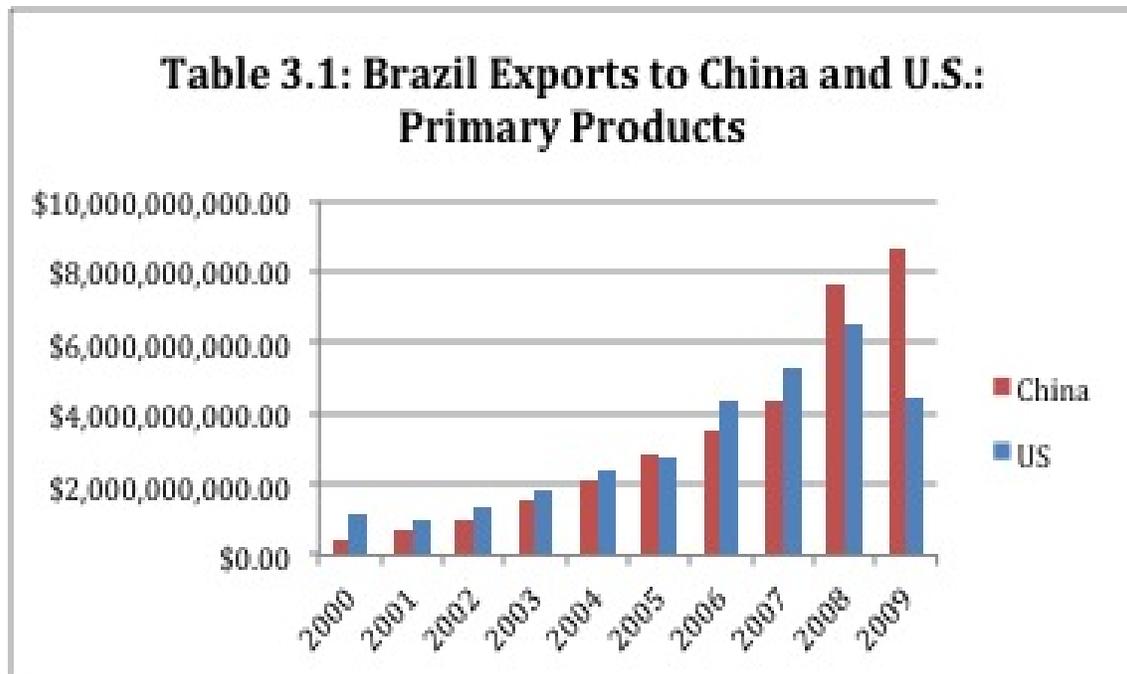
----- “China and Colombia announce ‘alternative Panama Canal’,” in *BBC*, February 14, 2011, accessed February 26, 2011.

others, need to direct these extra revenues into improving their economy' s productivity and infrastructure, otherwise they will be destined to return to the position of primary resources exporters, in an almost semi-colonial relationship with China.

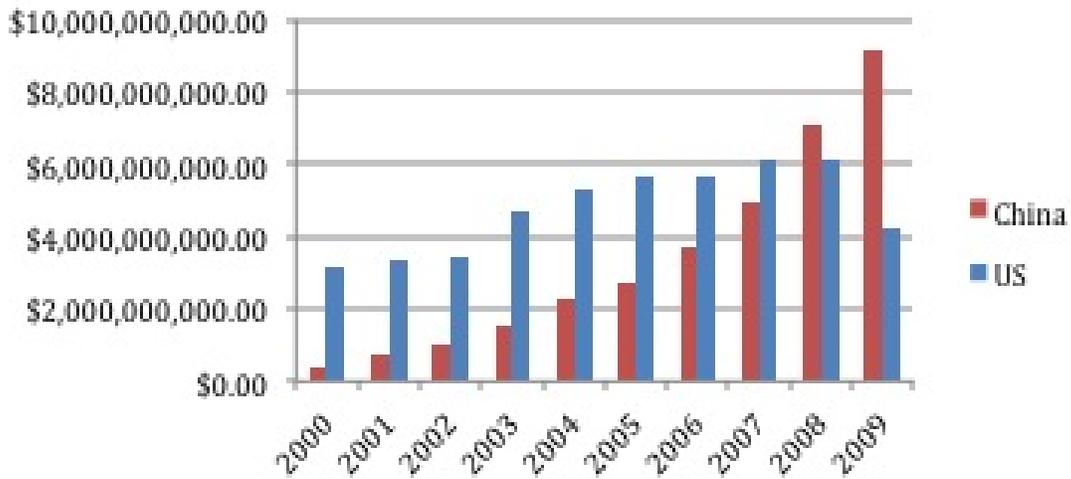
Finally there is a general lack of strategy towards relations with China. Countries in Latin America need to define what they expect to gain from trading with China and how Sino-Latin American relations can help foster their economic and social development. This study has aimed to shed a new light into these new relations, hoping to inform academia, policy makers and the general public about the new foreign policy challenges that particularly Brazil faces and help build better diplomatic strategies.

# Appendix A

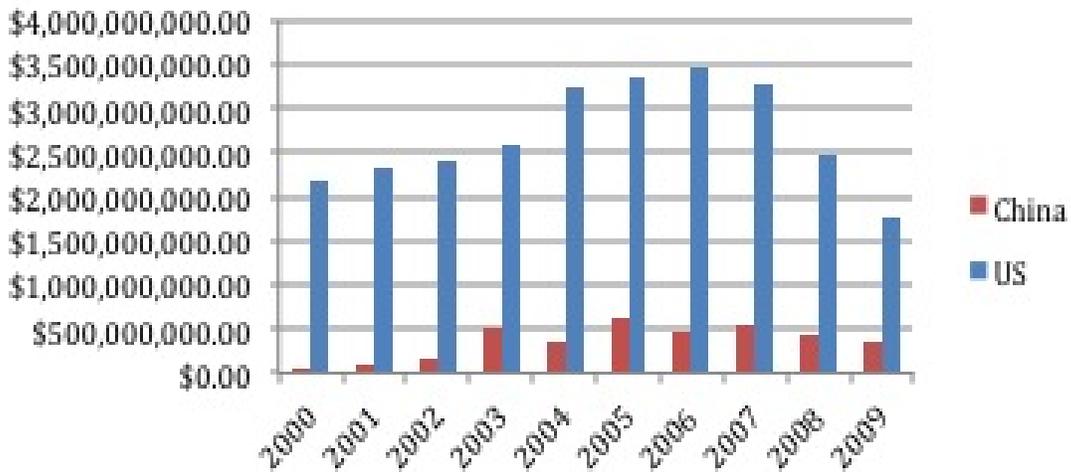
## Tables



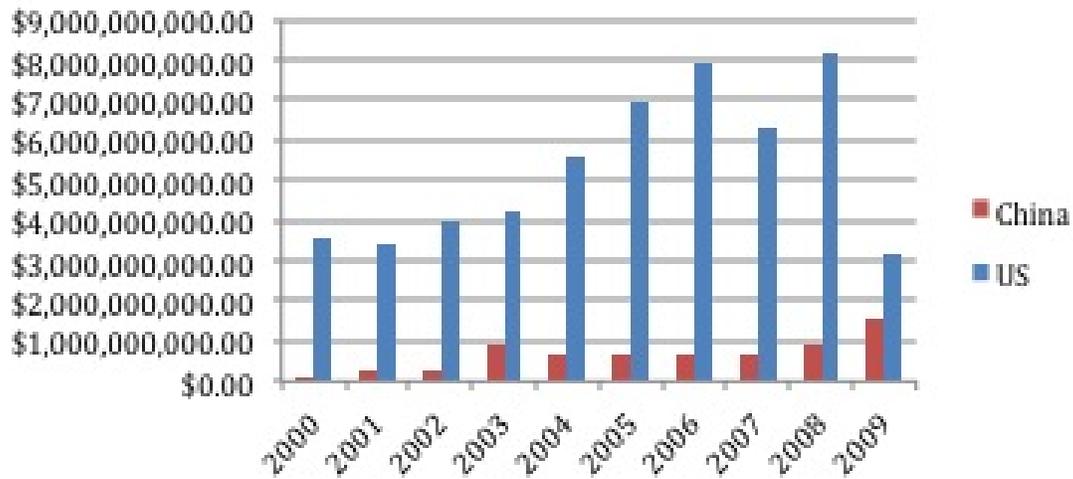
**Table 3.2: Brazil Exports to China and U.S.:  
Resource-Based Manufactures**



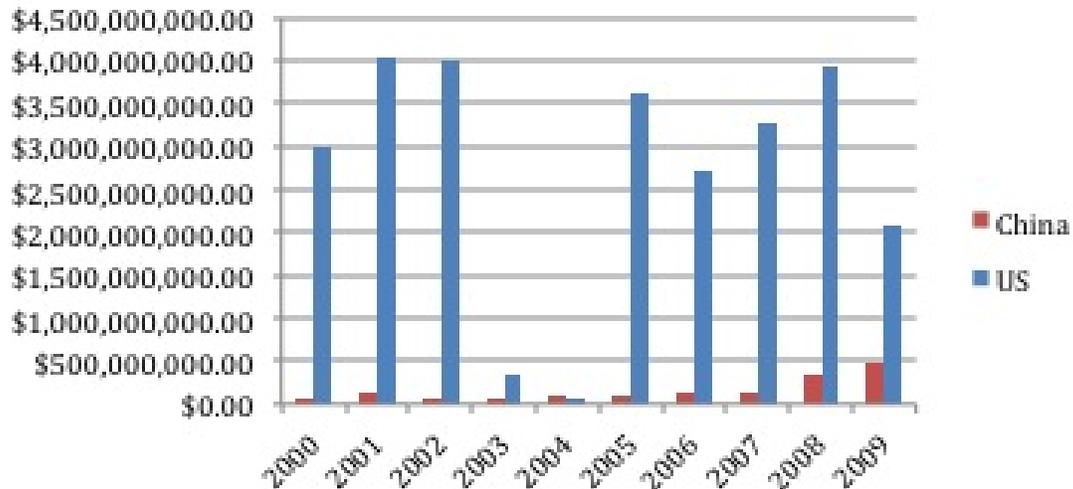
**Table 3.3: Brazil Exports to China and U.S.:  
Low Technology Manufactures**



**Table 3.4: Brazil Exports to China and U.S.:  
Medium Technology Manufactures**



**Table 3.5: Brazil Exports to China and U.S.:  
High Technology Manufactures**



2000		2001		2002		2003		2004	
Country	Exports								
USA	24%	USA	25%	USA	26%	USA	23%	USA	21%
Argentina	11%	Argentina	9%	Netherlands	5%	Argentina	6%	Argentina	8%
Netherlands	5%	Netherlands	5%	Germany	5%	China	6%	Netherlands	6%
Germany	5%	Germany	4%	China	4%	Netherlands	6%	China	6%
Japan	4%	Japan	3%	Argentina	4%	Germany	4%	Germany	4%
2005		2006		2007		2008			
Country	Exports	Country	Exports	Country	Exports	Country	Exports		
USA	19%	USA	18%	USA	16%	USA	14%		
Argentina	8%	Argentina	9%	Argentina	9%	Argentina	9%		
China	6%	China	6%	China	7%	China	8%		
Netherlands	4%	Netherlands	4%	Netherlands	6%	Netherlands	5%		
Germany	4%	Germany	4%	Germany	4%	Germany	4%		
2000		2001		2002		2003		2004	
Country	Imports								
USA	23%	USA	23%	USA	22%	USA	20%	USA	18%
Argentina	12%	Argentina	11%	Argentina	10%	Argentina	10%	Argentina	9%
Germany	8%	Germany	9%	Germany	9%	Japan	5%	Germany	8%
Japan	5%	Japan	6%	Japan	5%	China	4%	China	6%
Italy	4%	Italy	4%	France	4%	Italy	4%	Nigeria	6%
2005		2006		2007		2008			
Country	Imports	Country	Imports	Country	Imports	Country	Imports		
USA	17%	USA	16%	USA	16%	USA	15%		
Argentina	8%	Argentina	9%	China	10%	China	12%		
Germany	8%	China	9%	Argentina	9%	Argentina	8%		
China	7%	Germany	7%	Germany	7%	Germany	7%		
Japan	5%	Nigeria	4%	Nigeria	4%	Japan	4%		

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