

THINKING BRAZIL

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The United States and Brazil *Strategic Partners or Regional Competitors?*

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This issue presents the statement made by Ambassador Rubens Antonio Barbosa, Brazilian Ambassador to the United States, to the Subcommittee on Western Hemisphere, House Committee on International Relations, on July 26, 2000.

Thinking Brazil requested Ambassador Barbosa's permission to publish this statement because it brings a fresh and frank perspective on the relationship between the United States and Brazil. Ambassador Barbosa's statement is informative and challenging. He summarizes Brazil's recent and extraordinary economic and political developments and explains how Brazil was able to emerge quickly from the economic crisis precipitated by the financial turmoil in Asia and Russia. Next, the ambassador addresses the main challenges to Brazil's future, and shows how Fernando Henrique Cardoso's administration has been facing the challenge of parlaying its macroeconomic stabilization program into social progress and democratic consolidation.

In addition, Barbosa puts Brazil into the context of Mercosur and the Hemisphere while underscoring the importance of the economic ties between Brazil and the U.S. Yet, Barbosa sustains that those ties should be better valued in the United States. He considers, for example, that the excessive weight given to national security by the U.S. foreign policy disproportionately diverts U.S. attention to countries that may represent threats instead of those that may represent opportunities and interests.

Barbosa concludes optimistically about the partnership between Brazil and the U.S. and calls for the improvement of the bilateral dialogue between the two countries, which is also the purpose of the Brazil at the Wilson Center project and *Thinking Brazil*.

I would like to thank Representative Elton Gallegly, Chairman of the Western Hemisphere Subcommittee, for this invitation to exchange views on recent developments and future trends in the relationship between Brazil



and the United States. It is a honor for me, both personally and as the Brazilian Ambassador to the United States, to address the distinguished members of the House Committee on International Relations to examine the long history of shared values and close cooperation between our countries and to assess the opportunities and challenges which lie ahead.

Since the birth of our two nations, Brazil and the United States have shared a common history of peaceful relations, political and ideological affinity, and productive trade and financial interactions. For almost two centuries, our countries have been writing a success story of ever-growing diplomatic ties, underscored by an unprecedented degree of cooperation over the last decade, during which several old differences were resolved and new common initiatives, such as the FTAA, were launched. In order to build our future bilateral relationship on the past and present successes, we need to look ahead, analyzing the nature of the new challenges and priorities facing our countries.



As Representative Gallegly requested, I will divide my presentation into five parts: 1) current economic and political conditions in Brazil; 2) Brazil's priorities and challenges ahead; 3) the role the United States could or should play in helping Brazil address its priorities and challenges; 4) Brazil's view of the Hemisphere; 5) how Brazil and the United States can work together in addressing the challenges of the Hemisphere. I will conclude these remarks by answering the question proposed in the title of this hearing; whether Brazil and the U.S. are strategic partners or regional competitors.

Current economic and political conditions in Brazil

If someone were to summarize what has happened in Brazil over the last ten years, two significant trends would stand out: economic modernization and the strengthening of democracy. A strong commitment to macroeconomic stabilization and reform of our economy, along with growing participation by civil society and consolidation of our democratic institutions, with regular and free elections, have characterized our recent history.

Both the Brazilian government and society have worked very hard to achieve these positive results. We have pressed and continue to press for domestic structural reforms in order to consolidate the "Real Plan," the stabilization program, and to create conditions for further improvements in our social indicators. We have already liberalized trade rules and have been successfully carrying out one of the largest privatization programs ever undertaken, probably the largest in the entire history of capitalism. We are pursuing new reforms in several areas, such as social security, the tax system, the laws governing fiscal accountability. Brazil's most important domestic goal is to maintain economic stability in order to promote a more balanced, just, equitable and democratic society.

Over the last three years we have faced serious challenges as a result of the international turbulence that arose out of the Asian and the Russian crises. As a major emerging economy, Brazil was not immune to the worldwide economic effects of the Asian financial turmoil in 1997 and the Russian insolvency in 1998. The Brazilian government reacted energetically, adopting restrictive policies aimed at achieving fiscal austerity and macro-

economic stability. To preserve the conquests derived from the stabilization program, the Government was able to rely on firm support from Congress, of a vigilant and active press and the approval of the Brazilian population as a whole. The way Brazil has overcome recent economic crisis shows how active our civil society has been and how mature our democracy has become.

The doomsday scenario that was predicted by some never materialized. The government adopted a two-part strategy comprised of: (a) a severe tightening on the fiscal front and the adoption of a multi-year fiscal adjustment program and (b) the negotiation of an international agreement involving multilateral financial organizations and most of the developed countries.

In January of 1999, the Brazilian Government was forced to devalue the Real and adopt a floating exchange rate currency regime. At the time, it was widely thought that the impact of such a devaluation would unleash inflation rates, leading to the return of the so-called "hyperinflation" and to a deep recession in 1999.

What actually happened over the course of 1999 was completely different, due mainly to the sound fundamentals of the Brazilian economy. Brazil not only avoided a GDP contraction but is now clearly on the road to a strong economic recovery. Instead of recession, final figures for 1999 indicated a positive growth rate of 0.82%, fueled by the impressive recovery in the last quarter at a rate of 3.1%. Contrary to pessimistic prophecies, inflation remained well within the government's 6-10% forecast, at around 8%. The Government has also been able to meet, and even to exceed, the public sector primary surplus target agreed to with the IMF. Moreover, the new exchange rate regime has opened new opportunities for the export sector, by helping Brazilian products to compete in both domestic and international markets.

The overall economic outlook for Brazil in 2000 and the years ahead is very positive. GDP growth this year is expected to reach between 3% and 4%, as a result of declining interest rates, among other factors. Inflation forecast is around 6%. The main sign of the confidence in the Brazilian economy has been the continued high level of foreign direct investment flowing into the country. In 1999, FDI inflows reached a record US\$31 billion, ranking Brazil as the fourth highest investment destination in the world, after the U.S., the U.K. and China. This positive trend is expected to continue this year, boosted by economic recovery and renewed privatization.

Brazil's priorities and challenges ahead

From the perspective of the Brazilian Government, there is no contradiction between austere macroeconomic policies, social progress and democratic consolidation. Stabilization creates conditions for improving standards of living and strengthening democracy. We pursue economic success in the name of social justice and increasing political participation.

Thinking Brazil is a publication of the **Brazil at the Wilson Center** project. This project is founded on the conviction that Brazil and the U.S.-Brazilian relationship deserve to receive better attention in Washington. Brazil's population, size, and economy, and its unique position as a regional leader and global player fully justify this interest. In response, and in keeping with the Center's mission to bridge scholarly research and public action, **Brazil at the Wilson Center** will sponsor activities designed to create a "presence" for Brazil in Washington that captures the attention of the policymaking community.

One cannot deny that the difficulties experienced over the last three years due to the international financial turbulence have made social progress more difficult. The prevailing trend, however, is unquestionable: the Brazilian people are benefiting greatly from economic stability and will benefit even more substantially in the future.

Statistics show that social progress in Brazil has been considerable in recent years. The most important achievements have been in housing, access to services, infant mortality rates and particularly in education. Education is one of our main challenges and first priorities. The Brazilian Government's emphasis on education, especially for elementary education, in a focused nationwide effort to bring every child into a school, has resulted in remarkable progress. From 1993 to 1999, the number of children aged from 7 to 14 in school increased from 88.5% to 94.7%, and will continue to grow. As for other social achievements, the infant mortality rate during the nineties continued its 30 year downward trend in Brazil, decreasing from 48 deaths per thousand in 1990 to an estimated 35 deaths in 2000. Brazil spends 21% of its GDP on programs and activities related to the improvement of social conditions.

Also impressive has been the growing consumption of other goods and services, such as television sets, radios and telephones, by vast sectors of the Brazilian population, especially poor Brazilians. This has been one of the most important results of the "Real Plan," which, according to statistics published last week, has contributed to a more balanced income distribution in Brazil. That is why macroeconomic stability, control of inflation and sustained growth continue to be our main challenges and priorities.

As for the priorities and challenges for Brazil's foreign policy, the Government of President Fernando Henrique Cardoso has reinforced the long-standing principles and goals of our diplomacy, which has always been an unwavering dedication to fostering development and promoting peace and international cooperation.

Consistent with more than a century of peaceful and cooperative relations with its neighbors, and inspired by shared values and common purposes, Brazil's most important diplomatic priority is to strengthen our cooperation with South American countries in order to increase economic integration and to preserve political stability in the region. Toward this end, the strengthening of Mercosul and the consolidation of the dialogue with all other South American countries are paramount in Brazil's foreign affairs agenda.

Mercosul, which includes Brazil, Argentina, Paraguay and Uruguay, is the third largest trading pact in the world, and the most significant trade group in Latin America, noteworthy both for its institutional framework and its rapid and continuous growth. Trade between Brazil, Argentina, Paraguay and Uruguay increased more than 400% from 1990 and 1998, when it reached a total of more than US\$ 20 billion. In 1999, there was a decline in trade between the four countries, due to economic difficulties faced by all. In 2000,

however, Mercosul has resumed its historical pattern of increasing flows of trade and investments and growing interdependence.

Integration between the four countries is not a goal in itself. Brazil and its partners do not intend to prevent foreign competition. To the contrary, Mercosul is a mechanism for promoting better integration into the international economy. The twin objectives of domestic strengthening and outward integration are complementary. The more the four Mercosul countries deepen their economic, political, social and cultural integration, the more they will be able to proceed towards an increased and sustained exposure to foreign competition. Integration is an instrument for more far-reaching goals: it not only creates favorable conditions for economic development and political stability in our countries, but also enables them to seize the opportunities, and to avoid the risks, of an increasingly open and unstable international economy.

This is why the international agenda of Mercosul is so multifaceted and comprehensive. First, in 1996, it established free trade area agreements with the two "associated" countries, Chile and Bolivia. Chile has just requested full accession to Mercosul. The bloc is also currently negotiating with the other Andean countries the establishment of a free trade area. Taking into account the economic and political importance of the countries of Mercosul and the Andean Pact, the signature of a free trade agreement would represent a landmark on the path towards an increasingly integrated South America. Mercosul also negotiates free trade agreements within the Western Hemisphere (the Free Trade Area of the Americas), the European Union and South Africa.

This outward-looking approach and wide array of international negotiations indicate that Mercosul is an example of "open regionalism." From the Brazilian perspective, open regionalism, combined with other cardinal principles of our economic diplomacy, such as the strengthening of the multilateral trading system, converges on Brazil's fundamental interest in preserving the balanced and evenly distributed trade and financial ties that we have with the various regions and countries of the world. Brazil's main trading partners in 1999 were the European Union (28%), the United States (22%) and South America (20%), reflecting a more balanced distribution of trade than is true of most countries.

In brief, the Brazilian foreign policy has been based on a two-pronged strategy. On the one hand, Brazil's permanent commitment to peaceful coexistence and the negotiated settlement of disputes has provided the framework for a diplomacy dedicated to international disarmament, non-proliferation and the defense of shared values, such as respect for human rights and promotion of sustainable development. On the other hand, and consistent with these foreign policy principles, Brazil's quest for economic and social development has guided our approach aimed at promoting an increasingly integrated neighborhood of countries, along with a growing exposure to the global economy.

The Role the U.S. could or should play in helping Brazil to address its priorities and challenges

Few other moments in the history of Brazil-US relations have witnessed the degree of cooperation and convergence of values and interests that our countries share today. A mature dialogue and mutual trust currently characterize our bilateral relationship, which has greatly benefited from convergent positions on a wide variety of subjects, including the promotion of interamerican cooperation, respect for human rights, protection of the environment, support for democracy, consolidation of the multilateral trading system and defense of non-proliferation, to mention just a few. Together with a growing U.S. awareness of the importance of the Brazilian economy and society, this common perspective has enabled our governments to develop a very special relationship, confirmed by the fact that Brazil is listed among the 10 U.S. strategic partners.

Brazil is currently the 11th market for U.S. products. The United States is the main individual trading partner and foreign investor in Brazil. The stock of U.S. investments in the Brazilian economy amounts to US \$ 40 billion, greater than American investments in any other emerging market, including China, Russia, India or even Mexico. Brazil is currently one of the few countries with which the United States has a trade surplus, reflecting Brazil's wholehearted dedication to trade openness and liberalization. The U.S. trade surplus with Brazil reached US\$ 5 billion in 1998, the fourth largest in the world, and was nearly US\$ 1.5 billion in 1999.

Despite the importance of these economic ties, Brazil is underrated in the United States. I am confident that the more Brazil is studied here and the more the U.S. Congress is informed about U.S. stakes in Brazil, the more decision-makers will learn to differentiate a country which, while facing serious challenges, is making steady progress on the road towards economic and social development, entering the new century as an important player in the Hemisphere and on the world stage. The history of our country has been marked not only by peaceful relations with our neighbors, but also by our tradition of cultural diversity and tolerance, as well as an impressive penchant for economic growth.

Recent developments have demonstrated the great potential for improved cooperation between Brazil and the United States. Over the last three months, two important decisions have been made by our governments. First, we have agreed to institutionalize our relationship by establishing a framework for regular meetings of senior foreign officials. This will tend to free our bilateral relationship from the personal inclinations of the senior officials in office, making governmental contacts more predictable and regular. Second, Brazil and the U. S. have reached a historic and much-sought agreement allowing for the participation of American companies in the space launch activities at the

Alcântara launch site. This constitutes a breakthrough on the Brazilian path towards both technological progress and commercial competitiveness in several highly sophisticated technological sectors. It also underscores the growing mutual trust between our countries in the areas of sensitive and advanced technologies.

The United States has also been very supportive of Brazil in our efforts to safeguard and consolidate our program of macroeconomic stabilization. Washington took the lead among the industrialized countries in supporting the agreement signed by Brazil and the IMF. This was a very important step in consolidating economic stability in Brazil, although we are still concerned with the current "volatility" of the international financial markets. The Brazilian government continues to support a more continuous and close monitoring and assessment of the nature and mobility of short-term capital, as well as multilateral efforts aimed at improving the capacity of national governments and multilateral institutions to foresee and prevent financial crises. We need a more stable, transparent and predictable international financial structure, as the Brazilian President Fernando Henrique Cardoso remarked in a meeting in Florence last November with Presidents Clinton and D'Alema, and Prime Ministers Blair, Jospin and Schröder.

Notwithstanding the excellent relations between Brazil and the U.S., some important challenges lie ahead. They arise not from incompatible worldviews, values or principles, but from concrete and naturally divergent interests. The most evident example is how to foster bilateral trade, currently well below the potential

Future Publications

The Amazon as an Issue of International Politics, Thomaz Guedes da Costa, Center for Hemispheric Defense Studies, National Defense University.

The Politics of Structural Adjustment, Kurt Weyland, Vanderbilt University and the Woodrow Wilson Center.

The Politics of Environmental Management, Margaret Keck, Johns Hopkins University.

Drug Trafficking and International Security in the Amazon, Eduardo Gamarra, Florida International University.

Brazil's Amazônia in Strategic Perspective, Ralph Espach, Woodrow Wilson Center.

SIVAM: Monitoramento Ambiental e Segurança na Amazônia, Clóvis Brigagão, Universidade Cândido Mendes, Rio de Janeiro.

Aspectos do Catolicismo Negro Brasileiro Impressos em Objetos Mágico-Religiosos, Marina de Mello e Souza, Universidade Federal Fluminense, Rio de Janeiro.

The Wonderful Wizard of Washington: The Tale and the Case of the Smithsonian Institution, Maria de Lourdes Parreiras Horta, Museu Imperial, Ministério da Cultura.

of the two largest economies of the Americas. Several of the most competitive Brazilian products, such as steel, ethanol, sugar, shoes, textiles, orange juice, tobacco, and meat, face considerable trade barriers in the U.S. market, including tariff peaks, retaliatory threats, antidumping and countervailing measures, quotas, safeguards, voluntary restriction agreements, restrictive technical norms, sanitary and phytosanitary measures and increasing domestic subsidies. Moreover, labor standards and environmental considerations may be used to legitimize disguised protectionist measures against exports from developing countries.

Studies currently being carried out both in Brazil and by the Brazilian Embassy in Washington indicate that U.S. trade barriers significantly affect as many as 80 major Brazilian export products. These barriers go a long way towards explaining the unbalanced bilateral trade flows over the past decade. Despite the fact that the U.S. economy is open to most imports, having the largest trade deficit in the world, many of Brazil's most important export products face insurmountable trade barriers that severely limit, or even prevent, their entry into the American market.

Brazil has reiterated its concerns about protectionist pressures in the United States and, specifically, about measures against Brazilian exports. Recent anti-dumping and anti-subsidies measures have been arbitrarily applied against Brazilian steel products, without any genuine evidence of improper practices. The continued existence of such non-tariff import barriers is not consistent with the importance that the American Government claims to give to its relationship with Brazil, nor with the stated goal of both countries to increase bilateral trade exchanges.

Brazil's views of the hemisphere

The Western Hemisphere enters the 21st century with a new economic geography. For all practical purposes, in economic and financial terms, it is already perceived by the business community as being composed of three different groups of countries: North America, Central America and the Caribbean, and South America. I will concentrate most of my remarks on that last of those three areas, which is the least known in the United States.

Today the countries of South America are engaged in an extraordinary move towards integration. This move is reshaping the economies of the region in very visible and powerful ways, even though its various manifestations may occasionally appear to be spontaneous and uncoordinated. Roughly 340 million people live in South America, generating a GDP of about US\$ 1.5 trillion, making the region a fast-growing destination for international trade and investment.

Throughout most of South America, regional integration has acquired great impetus since the early 1990s, due in large part to the consolidation of democratic institutions and the adoption of converging policies in the areas of economic discipline and trade

liberalization. Different sub-regional mechanisms – especially Mercosul – play a key role in providing a framework for advancing integration, but the process may also benefit from a series of apparently unrelated bilateral initiatives. In fact, one of the most significant aspects of the current trend in South America has been the strengthening of actual physical infrastructure links, especially in energy, transportation and telecommunications. Conversely, the region is self-sufficient in energy and its abundant oil, gas, coal and water resources have all become precious commodities that are bound to expand trade further within and beyond South America. With improved infrastructure facilitating increased trade flows, the nations of South America are becoming increasingly interconnected. As never before, national borders bring neighbors together instead of separating them.

In such auspicious circumstances, and in the spirit of friendship among neighbors, Brazilian President Fernando Henrique Cardoso has decided to bring together the Heads of State of the twelve South American countries for a discussion on common endeavors and matters of mutual interest. This South American Summit, a historical first, will take place in Brasília, on August 31st and September 1st, 2000. The agenda will include only a few essential items, so that the meeting can be as focused and action-oriented as possible: (a) the strengthening of democracy, (b) the expansion of trade, (c) improving infrastructure integration, (d) drug trafficking and related crimes, and (e) science and technology.

The countries of South America share more than geography and history. They share common values and a commitment to build a better future for our citizens, through the consolidation of democratic institutions, sustained economic growth and the struggle to overcome social injustice. They know that by working together they can enhance their individual and collective abilities to attain those goals. They know that together they stand a better chance of achieving a successful integration into the globalized economy.

The Brasília summit will provide the perfect opportunity for an in-depth discussion on the future of South America. The region, as a whole, should benefit. This is particularly true because the presidents will look into special measures, with the backing of multilateral financial institutions. Hopefully this meeting will also provide a clear road map for the future of regional integration.

Brazil appreciates the fact that the U.S. government has taken a very constructive view on this summit meeting, and has made public its support for the Brazilian initiative.

This is an especially promising moment, rich in opportunities for foreign investors. In order for American entrepreneurs to make the most out of it, however, a very important question must be addressed: the urgent need for policymakers in this country to tear down the veil of worn-out clichés about the region. It is high time for decision-makers beyond those who focus on “Hispanic”

constituencies, and for analysts beyond those who specialize in the region, to realize that, yes indeed, there are major differences between individual countries south of the Rio Grande.

When it comes to Latin America, it is not unusual for those of us who work in the region to be confronted in the United States by a tendency to accept and spread simplistic generalizations, as if they were simply common wisdom. All too often, problems that affect any one country (or a given group of countries) are perceived as “regional” and extrapolated accordingly.

Just to mention a few examples: if the armed forces do not behave as they should in a particular country, suddenly the ghost of military regimes is viewed as haunting the region again; if major political changes sweep another country, suddenly the dangers of populism threaten to overtake the whole region; if drugs are a matter of life and death in some countries, the same is somehow deemed true for all the others countries in the region; if the economic outlook appears less than promising in one country, the achievements of the last decade are at imminent risk everywhere else; if people are somewhat disappointed with the performance of democratically-elected governments, suddenly there is talk of a widespread “democracy-fatigue,” and so on, seemingly without end.

It is high time for a fresh approach, one that fully takes into account the various sub-regions and the individual characteristics of countries within them. Unfortunately, South America, as an American congressman eloquently put it some months ago in a congressional hearing on U.S. foreign policy: “is simply not on Washington’s radar screen.”

Too bad for the region, some may argue. But this also constitutes a missed opportunity for the United States, since economic prosperity, sustained growth and political stability in the whole Hemisphere coincide with America’s national interest. A fresh Washington perspective on South America is long overdue, and its natural corollary ought to be a new and comprehensive way of thinking about Brazil. Given its continental dimensions and the strength of its economy, Brazil should be seen as both the engine for growth and a magnet for foreign investment in South America.

Among the countries of the world, Brazil ranks fifth in population and size. Few Americans realize that it is larger than the continental United States. It also has one of the ten largest economies of the world – ranking in eighth, ninth or tenth place, depending on the source and criteria used. Moreover, Brazil is the most industrialized and economically diversified country in the Southern Hemisphere.

Brazil has enjoyed peace with its neighbors for over 130 years, and shares with the United States the western values that are at the very core of both nations: freedom, justice, democracy, tolerance and the rule of law. Brazil is a racially and ethnically diverse and integrated country, enriched by the contributions of people from every corner of the world. We are keenly aware that this is the

central feature of our nationhood, the major source of our strength. Brazil has a sense of national purpose and a vision of a better future, which we are striving to reach sooner rather than later.

It is crucial that the United States deal with Brazil on its own merits within the region, in a differentiated way. Our bilateral relations must reflect the relative weight of our two countries.

Brazil is ready to take on the responsibilities that arise from its importance in the region.

How Brazil and the US can work together in addressing the challenges of the Hemisphere

During the last decade or so, the Hemisphere has witnessed unprecedented changes, mostly for the better. This is true in the North, where the outstanding economic performance of the United States has put to rest any possible doubts about American preeminence on the world stage. It is also true in the South, where democracy is now virtually universal and economic disarray and inflation have given way to stability and a strong drive towards integration.

Yet many serious problems remain to be solved in the Hemisphere: economic, political and especially social problems. But our region is on the move, in the right direction, and will certainly emerge stronger after overcoming our current challenges. As sustained economic growth picks up and countries in the region continue to tackle their respective problems with greater confidence and a renewed sense of regional solidarity, the conditions are now in place for an era of achievement and prosperity, during which social justice can at long last be attained.

Brazil and the United States share the fundamental values that must be at the very core of any meaningful integration process in the Hemisphere: democracy, promotion of human rights, protection of the environment and fighting against poverty, discrimination and organized crime in their many forms. Brazil and the United States are vital players as the Hemisphere continues to move forward in the integration process that will hopefully provide the basis for a future of progress and sustained growth for all countries in the region.

Two of the basic tenets of such an endeavor are the consolidation of democratic institutions throughout the region and the fight against organized crime.

Democracy is the very cornerstone of the positive changes we have seen in the Hemisphere in recent years and its consolidation must be at the top of the regional agenda. Sometimes this may prove challenging, but we must all see to it that firm political support from our countries is readily available whenever there is a real threat to the democratic order in the region. In view of some recent events, Brazil and the United States have often consulted each other on this issue and the results have been very positive. Such consultations are beneficial to the strengthening of democracy throughout the region and should continue.

Organized crime, especially drug trafficking and related crimes, has become a transnational phenomenon that does not respect political or moral boundaries. To increase our likelihood of success in the fight against it, we must all strive to increase regional cooperation and coordination, including information sharing. This is yet another area in which Brazil and the United States have much to gain from maintaining open the channels of communication and carrying out a continuous and frank dialogue.

Again, there may be times when our views do not necessarily coincide, but this should be seen as an extra incentive for our two countries to consult closely and seek a better understanding of our respective positions.

Brazil has always had an unwavering commitment to regional integration and has been an active player in the ongoing negotiations aimed at the establishment of a Free Trade Area of the Americas (FTAA). The Brazilian Government has engaged in these negotiations in earnest since the very inception of the initiative and we share the will to have them successfully concluded in 2005.

In the nine negotiating groups that have been established for the FTAA process, we have worked hard to meet the challenges and achieve the goal of having a preliminary draft agreement ready for the ministerial meeting scheduled for April 2001, in Buenos Aires, as decided by the 34 countries of the hemisphere in Toronto, in November 1999.

Not surprisingly, Brazil's positions in these negotiations are dictated by the need to safeguard its national interests. They are also based on a few fundamental principles, which include reciprocity, decision-making by consensus, a single undertaking (i.e. nothing is agreed until everything is agreed) and market access for all sectors. Those are the principles approved by the Heads of State of the Americas.

Brazil believes that if the FTAA is to become a reality, it is imperative that it be perceived as a two-way street by all the countries of the hemisphere, large and small, developed and developing (i.e. give some, take some, so that all emerge better off at the end of the day). This must be a win-win negotiation. A win-lose approach would mean the kiss of death for the dream of a free trade area ranging "from Alaska to Tierra del Fuego."

The FTAA and Mercosul should maintain distinct, mutually supportive dynamics, as has been the case so far. On the one hand, Mercosul has been strengthened by its participation, as a unit, in the discussions on the FTAA. On the other hand, progress towards the FTAA has been aided by Mercosul's contributions and proposals.

Hemispheric integration must not become a destabilizing factor for national economies, due to excessive and sudden exposure to new and increased levels of foreign competition. Gradualism and respect for distinctive national conditions are two fundamental prin-

ciples that must guide negotiations. The future of the FTAA depends on its capacity to offer balanced results, with equal benefits for all. Reciprocity is the name of the game. That is why we hope to see concrete and substantial advances concerning our demands for improved access to highly protected sectors of the U.S. economy. Progress must be achieved not only by reducing tariffs, but also by tackling the urgent and fundamental question of non-tariff barriers, such as anti-dumping duties, subsidies and quotas.

The road leading to the creation of the FTAA is not yet free from obstacles, despite the overall genuine level of commitment in the region to make it smooth and successful. By 2003, Brazil and the United States will co-chair the Trade Negotiating Committee of the FTAA. The two countries will play a decisive role in coordinating the negotiation process as they jointly take over the steering wheel during what will hopefully be the final leg of this journey.

Conclusion: Strategic Partners in the Region

In this yet-to-be-properly-named "post cold war era," we are witnessing a great deal of debate in the United States on the definition of "national interest." Discussions are being held within, among and outside governments, major publications have opened their pages to foster this debate and the issue has also become an important topic in the current presidential campaign.

Opinions may vary, but everyone seems to agree that the moment is ripe for a fresh assessment of what should be considered the "national interest." Underlying this proposition is a widespread recognition that the previous definition is no longer suitable.

Why is that so?

I would venture to say that it is because the current definition is based too heavily on "national security" considerations, which means that U.S. priorities are determined primarily by risks and threats, rather than by opportunities. In other words, some countries are placed at the top of the U.S. foreign affairs agenda because they are perceived to pose a direct threat to U.S. national security interests.

For the only superpower in the global arena, it is natural that such national security issues remain very high on the agenda, but there should also be room at the top for other kinds of considerations. One way of achieving this would be by broadening the concept of "security" to encompass not only defense matters but also everything from the economy to the environment, from trade to immigration.

Another way, however, would be to place a higher priority on non-security national interests, more in line with the changes brought about by globalization and the information revolution.

The advantage of basing policies on a broader conception of the national interest, as opposed to the somewhat more negative concept of national security interest, is especially evident in terms of U.S.-South America relations.

There are no imminent military threats originating in South America. There are, however, vital American interests at stake – especially in terms of investments, trade and finance – and the goal of strengthening relations with the countries of the region deserves all the attention it can get.

Why Brazil? How does Brazil fit in this picture? Some basic facts and figures can be helpful in answering these questions.

In terms of GDP, Brazil is larger than Russia and India combined. Using the purchasing power parity concept, Brazil's GDP in 1999 was about US\$ 1.4 trillion, which represents a per capita income of US\$ 6,350.

American companies, quick to realize where the most promising opportunities are, invest far more in Brazil than in China, Russia, India or even Mexico. Of the 500 largest U.S. companies listed in Fortune magazine, about 420 currently operate in Brazil.

As for trade, the United States exports more to Brazil than to China, Russia or India and Brazil has been identified by the U.S. Commerce Department as one of the ten “strategic partners” of the United States in this new century.

Brazil is also ready for the “new economy.” About 7 million people in Brazil have access to the Internet, which places us in 7th place worldwide (after the U.S., Japan, the United Kingdom, Canada, Germany and Australia). Brazil is already the third largest purchasing market for Amazon.com. Today, about 80% of the e-commerce in Latin America is concentrated in Brazil. The number of new Brazilian subscribers to ISPs is growing exponentially, at one of the highest rates in the world.

For all those reasons, Brazil—as a strategic partner—is a natural choice for inclusion in the short list of U.S. foreign policy priorities.

The traditional U.S. foreign policy thinking in terms of the “Big Ones,” which has previously been based primarily on national security considerations, should now be broadened to include Brazil for reasons that are based on opportunities, rather than threats, on U.S. national interests, rather than on international security concerns.

Brazil and the United States are the two major countries of this Hemisphere. They share the desire, and the commitment, to see this entire region prosper and consolidate its democratic institutions. They share a vision of a common future with fewer inequities and more social justice for all the peoples of the Americas, North and South. They share a determination to see this Hemisphere free from drug trafficking and other forms of organized transnational crime. They can and must work together in order to advance our shared goals.

The respective national interests of Brazil and the U.S. may not always coincide – even though more often than not they do – and it is only natural that as their bilateral relationship becomes more comprehensive and more complex new problems and occasional differences of opinion may arise.

Partners do not necessarily agree on everything. The important thing is to intensify their bilateral dialogue, keeping it open and straightforward, while dealing with occasional differences of opinion in a constructive, honest and transparent fashion, so as to avoid the pitfalls of a past that has often been, in the words of Congressman David Bonior, “more patronizing than respectful.”

The Brazil-U.S. relationship is so broad, close and ripe with potential for additional growth that it is only natural that it should acquire an importance that goes beyond what is merely regional.

If one considers “regional competition” in the narrow sense of the term, as in a “zero-sum game,” I would not hesitate to say that this is not an appropriate way to describe the relations between our two countries.

Partnership should really be the key word here.

A real and effective partnership between Brazil and the United States would both serve the national interests of the two countries and provide concrete benefits to all the countries of the Americas.

This partnership is already in the making.

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