

THINKING BRAZIL

A Newsletter of the BRAZIL AT THE WILSON CENTER Project

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Brazil's Challenges and Prospects *The Inaugural Meeting of the Working Group on Brazil*



The inaugural meeting of the Working Group on Brazil was on September 27, 2000 in Washington, D.C., at the Wilson Center. The proceedings were led by Dr. Simon Schwartzman, a political scientist from the University of São Paulo and ex-president of the Instituto Brasileiro de Geografia e Estatísticas—IBGE—the Brazilian census bureau. Besides motivating a lively discussion about the main challenges Brazil will face in the near future, the meeting helped refine the agenda for the activities of the Brazil at the Wilson Center Project.

The relevance of the Working Group was evident in the many possible scenarios that unfolded in the course of the meeting. Dr. Schwartzman's presentation, drafted in collaboration with Dr. Bolivar Lamounier, focused directly on the political and economic dynamics of Brazil. Dr. Schwartzman directed the dialogue towards the realized effects of these scenarios not only on the continuity of how things move forward in the country but also on the bilateral relations between Brazil and the United States. He chose to begin with the efficacy, stability and institutionalization of democracy in Brazil in the years following the military dictatorship. According to Schwartzman, there is a clear dichotomy in the Brazilian political process of recent years, the consequences of which are only now becoming apparent. On the one hand, Brazil is all too well known for the huge gaps between the "haves" and "have-nots", while on the other, it has shown a high degree of respect for and effectiveness of its institutional political arrangements.

The ramifications of income inequality are most evident in the political system in the form of constant pressure. In the end, the democratic political process in Brazil is always faced with challenges to its capacity to distribute in an equitable fashion the benefits and resources that come from the fruits of development. The end result is that Brazilian governments often have to live with high levels of unpopularity. Oddly enough, this disaffection with the government

has not resulted in movements against the democratic process up until now. However, this characteristic does not mean that anti-democracy movements could not happen in the future.

One of the principal reasons for the political stability is that inflation rates have been brought under control in the last few years (post-Real Plan, 1994). It is a most remarkable achievement in light of Brazil's experience in the twentieth century. While the stability of prices does not imply a lessening of the inequality so rampant in the country, it certainly creates a feeling that the progressive erosion of the purchasing power of the lower classes has been stopped. The effect from these feelings of societal "good will" has been a period of tolerance towards those in power. It should be noted that the improvements in inflationary trends are happening at a time in which the underlying causes of the social and regional inequality are scarcely being targeted. Dr. Schwartzman expects these feelings of good to dissipate and to be replaced by increasing demands for quantifiable programs and benefits. It is, therefore, all the more

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Brazil at the Wilson Center Project Launches the Working Group on Brazil

There is a strong feeling among U.S. and Brazilian policymakers, analysts and specialists in international relations that Brazil has a much lower profile in international affairs than its actual geo-political and economic importance indicates that it should have. Countries such as India, Mexico, Belgium, Australia and Canada that have the same or even fewer tangible resources at their disposal play a greater role in formulating, carrying out and establishing rules and agenda for the international system. This phenomenon can be particularly observed within U.S. political circles and especially in the attention that the U.S. Congress and government dedicate—or *don't*—to Brazilian issues when formulating the government's foreign policy on Latin America.

Historical reasons relating to the pattern of isolationist policies implemented by Brazilian governments from the 1940's to the 1980's, as well as the regional and global political dynamics of that period, are only a few of the many factors that relegate Brazil to this secondary status. In a complementary fashion, Brazilian perception of the international system, as an exclusionary oligopoly that is vertically rigid and biased against slower or less developed countries has produced a general conviction among the society that a proactive engagement in international politics is not vital.



A Shift in Brazilian Perceptions

During the late 1980s and the 1990s, Brazilian perceptions about the nature of the international system changed considerably. Consequently, changed the perceptions about the role that Brazil should play in this system and the possibilities that a new position might bring. The dynamic combination of realignments in the domestic political system with the reforms in the national economic development model has allowed Brazil to project a new image abroad and to pursue new objectives in the international arena. These changes are redefining the role that Brazil currently assumes and will come to assume in the international system.

As one of the larger economies in the world (globally-ranked between eighth and ninth in terms of its GDP), Brazil has been permitted a level of self-sufficiency that allows the country to stand aloof from international entities, both economic and political. In recent years, however, the country has been exploring how to exploit its Emerging Market status and position as a key player in many regional commercial networks. The country hopes to use its regional leadership to protect domestic interests not only in this hemisphere but also within Europe and in other multilateral forums. How this is to be done, is a matter of some debate within Brazil. It should be noticed that Brazil's President, Fernando Henrique Cardoso has been having an important role to consolidate Brazil's new position within the international system. Yet, the basic consensus that pushed Brazil to this new status began to be forged before he became president in 1995. This process began in the mid-1985s, based upon the Brazil-Argentina commercial alliance.

The Idea Behind a Working Group on Brazil

As one way to track Brazil's evolving role and Washington's reaction to it, the Wilson Center launched the "Brazil at the Wilson Center" project on June 29, 2000. Within the project a "working group" has been set up, comprised of policy-makers, academic specialists, business people, journalists, civil servants and diplomats from both Brazil and the United States. This group will ambitiously attempt to bring Brazil to the attention of the Washington policymakers and to provide a venue for high-level, unofficial dialogue on the U.S.-Brazilian relations. All discussion and analysis will be centered on the challenges Brazil faces in the coming years and their impact on the relations between Brazil and the U.S.

Spiriting Opinions, Discussions and Thematic Diversity

The Working Group will adopt a strategy that incorporates a combination of attendees and members that have diverse opinions on the selected issues. The scheduled meetings and presentations will spirit a constant exchange of information between the political community in Washington and private citizens, governmental workers, as well as Brazilian and American academics. This dialogue will be organized in a round of discussions on themes chosen from the different perspectives that best illuminate the topics. Discussions will range from the realities of Brazil and how they impact the international sphere to themes that directly touch on the bilateral relations of Brazil and the U.S. The peculiarity of the structure of the U.S. political system makes it of particular importance to reach out to specific groups, most notably the Congress and the media. While the private sector and the Executive Branch have already begun to understand the growing international importance of Brazil, the Congress and the media demonstrate little interest. Their appreciation for the dynamics of politics and economics in Brazil, as well as their potential impact vis-à-vis relations with the U.S., is still nascent. In this manner, it is one of the two objectives of this initiative to bring all the richness of the topic to the attention of all members of the political community of Washington.

A continued opening of politics and the economy in Brazil hinges upon the bringing together of the political and private communities of countries such as the U.S. and Brazil that clearly have mutual common interests in increasing their involvement with each other. This initiative has the potential to expand into a project that will greatly improve bilateral relations by being an organizing force to these dynamics while incorporating the diverse opinions of the political universes of both countries.

remarkable that the consolidation of democracy has continued despite inequality and serious political crises, such as the impeachment of ex-president Collor de Mello in 1992.

Dr. Schwartzman's second theme naturally followed these ideas and was a proposal for a set of institutional reforms to the democratic system of Brazil. The subject of political reform in Brazil has been raised many times since the Constitution of 1988 but few policies have actually been implemented. Among the more salient of the problem is the electoral system, which requires the correction of unequal regional representation in the National Congress, restructuring of the party system, and regulations governing campaign finance.

The difficulties faced in attempting to resolve these changes all point to a situation that calls for delicate political balancing. How can necessary political reform that will help perfect the democratic process be implemented when the new regulations have to be approved by the very politicians that have a vested interest in maintaining the status quo? Moreover, how do you correct disproportionate representation when representatives from the states that would be affected are the same ones that dominate the houses of Congress where reforms have to be approved? Such roadblocks have consistently obstructed the improvement of democratic institutions in Brazil.

While focusing on institutional issues, Dr. Schwartzman proposed a third question related to the reform process in Brazil: the country's legal system. This covers a variety of problems, which include the necessity of institutionalizing mechanisms of accountability outside of the justice system (checks and balances), the need for regulating the *Ministerio Publico*, and analyzing the consequences that judicial actions have on the political process.

In a properly functioning democracy, particularly one the size of Brazil with its enormous social and regional differences, the political system hinges on the effectiveness of its judiciary. The movement towards judicial reform is currently occurring within the context of rapid and large-scale economic reforms: the deregulation and privatization of certain industries combined with the flexibilization of the relationship between labor and capital. Any of these changes places critical demands on the capacity of a judicial system to adjudicate legitimately and efficiently the conflicts arising from implementation of the reforms. Judicial reform itself is also produces unexpected political and economic consequences. This has been the case with judgements that have evaluated the legality of certain executive orders issued during periods of hyper-inflation, some of which called for the modifications of the contracts of millions of employees, putting into play enormous sums of public funds.

More significant pressures for judicial reform have been brought to bear in relation to the issue of corruption in the public sector. Scandals and denunciations, the implication of public

functionaries in illicit actions, and the involvement of directors and assistant directors of public institutions in fraudulent actions or corruption have been disturbingly frequent. These scandals call into question the capacity of the judiciary to bring about change in an effective manner and are generating demands for a substantial reform of public institutions.

The fourth point presented in this first meeting was the need to resolve the debate over the economic model which would best serve Brazil in the future. During the administrations of Fernando Henrique Cardoso, for example, economic progress has been achieved through an eclectic mix of policies. This heterogeneous approach has lead to discussions of the best strategy that will sustain the balance of payments on foreign debt, strengthen the export sector, guarantee a sustainable level of foreign investment, improve the potential of the economic infrastructure, etc.

Politicians, both in and out of power, hold these differing opinions on which approach should be adopted and have so far failed to reach a consensus on the method for economic progress. The PSDB, the party that leads the current political alliance in power, has itself failed to reach a cohesive response to these central policy questions. As presidential and other elections come closer, these debates will become even more divisive.

Drs. Schwartzman and Lamounier suggested that the fifth point for Brazil should be related to the "social agenda." For example, improvement in the distribution of income has become one of the most polemical points, principally when examining the impact that past economic policies have had on income distribution. The stabilization of prices was widely accepted as favorable with regards to improved distribution of income. The same has not happened with the topics of privatization, deregulation, or the flexibilization of labor regulations. Unemployment levels in the country have remained at high levels and public opinion polls indicate that this topic is as sensitive an issue as the urban violence and crime. Despite the advances made in the field of education policy, this is another area in which the shortcomings of Brazil are rather shocking. It is known among Emerging Markets that Brazil has one of the worst educational levels and is closer to

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. **Brazil at the Wilson Center** is grateful for the support of the Ministry of Culture of Brazil, ADM, Cargill, Texaco, FMC, and Raytheon.

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the bottom than the middle of the list. Other critical social issues that need attention are health, housing and the distribution of social services.

Parallel to the more urban oriented social issues, a social agenda relating to agrarian reform, agricultural politics, and land ownership continues to have great importance in Brazil. A primary reason for this fact is the capacity of the *Movimento dos Sem Terra* – or MST – to mobilize large numbers of people and apply political pressure, this is to say, the ability to act on the national level to keep this issue in the foreground. The political and organizational nature of MST, combined with its ideological thrusts, has produced a level of political tension in regards to a social issue rarely seen before in Brazilian history.

The sixth point of Dr. Schwartzman's list is in regard to science and technology. A policy stance in this area is crucial to Brazil's future. Participation in the Genome project can be presented as an illustration of its importance. This project, among other points that can be made in its favor, has brought together the private and public sectors, involving a network of businesses, universities, and laboratories. New issues come to the forefront in debate over science and technology policies. The creation of federal regulatory agencies and the need for "best practices" to monitor these newly established public organizations. These agencies govern a broad range of sectors (electricity, telecommunications, oil, water, etc.) and have access to substantial funds that are to be spent on science and technology research. Any misuse of these funds could have a significant impact on the development of the technological capacity of these sectors.

A final point raised as a possible component of the agenda for the Working Group is the environment. This issue, despite the major changes in the international political stances assumed by the Brazilian government in the last 10 years, continues to be an important underlying question. The preservation of the tropical rainforests, principally the Amazon, remains the primary ecological issue for the country. Air pollution in the largest cities as well as pollution in wells and subterranean aquifers are also of enormous weight and relevance to public debate in Brazil. Both types of pollution have a direct impact on the quality of life and public health of the population of Brazil.

The Complexity of Brazil and the Working Group's Agenda

The wide-range of issues stimulated by Dr. Schwartzman's presentation indicates the complexity of the decisions involved in charting Brazil's future course. Equally, this complexity as the potential to impact the dynamics and path of U.S.-Brazil relations.

With this context in mind, the members of the Working Group presented suggestions about topics, actors and approaches that should be used to create a plan of action that would best capture the dominant trends in the Brazilian economic and political process, particularly for a Washington audience.

The importance of including foreign policy as a part of the agenda was stressed given the way in which it serves as the medium for domestic politics and the development of economic policies to impact bilateral relations with the U.S. This point was highlighted through a discussion of the regional focus, exemplified by Mercosul, that Brazilian foreign policy has had over the previous years. The recent South American summit points to a clear, externally oriented agenda in Brazil that circumscribes international engagement within a South American sphere, rather than a hemispheric focus.

The perception that Brazil is engaging in the construction of continental political arrangements is continually being reinforced by Brazil's negotiations for the Free Trade Area of the Americas. There is a clear preference for slow-paced centered economic integration centered on already established regional trade blocs: NAFTA, Mercosul and the Andean Pact.

Another issue the group suggested should become part of the project is the politics of the deregulation and privatization of state and federal banks. The impact of this program on the economic and political life of the country could be dramatic. There has been an intense debate in Brazil over the degree of autonomy the Central Bank should have in order to better administer the stability of the Real, so that currency management is independent from the economic goals of the government. On the other hand, a political pariah has arisen from the problems of rescuing and privatizing insolvent state banks: the need for states to raise, collect and distribute tax receipts. To give some hint at the importance of this issue, the *Banco do Estado de São Paulo* (BANESPA), appraised at more than US\$1 billion, is to be privatized in approximately 5 years, with potential buyers appearing from various countries and two domestic groups.

The rise in technological innovations and the explosive growth of the "New Economy" have produced significant effects in countries like Brazil and serve to emphasize the centrality of competitive policies in the discussions of country's political economy. In this regard, the key issue will be the capacity of states to regulate these new segments of the economy and the ability to create a labor force that will encounter jobs in such an economy.

Brazil at the Wilson Center Project News



Brazil's Minister of Culture Visit to the Brazil at the Wilson Center Project

On September 22, Brazil's Minister of Culture Francisco Weffort, a former fellow of the Wilson Center, visited the Brazil at the Wilson Center Project and renewed the cooperation agreement existing between Brazil's Ministry of Culture and the Woodrow Wilson Center. Under this agreement, Brazilian public policy scholars come to D.C. for a two-month period of research "in residence" at the Wilson Center. (Photo: Wilson Center Director Lee Hamilton and Brazil's Minister of Culture Francisco Weffort sign the agreement).

Brazilian Congressmen Visit the Brazil at the Wilson Center Project

On October 18, a Brazilian Congressional Delegation visited the Brazil at the Wilson Center project. These Congressmen also had the opportunity to debate with the U.S. sponsors of the project the main tendencies of critical policies considered in Brazil's Congress. The following Brazilian Congressmen and businessmen took part of the group:

- Rep. Nelson Marquizezelli, Brazilian Congress Agriculture Caucus and Committee.
- Rep. Augusto Nardes, Vice President of the Agriculture Committee and Rural Policy.
- Rep. Paulo Delgado, Vice President of the National Defense and Foreign Affairs Committee.
- Dr. Osmar Moraes, Congressional Agriculture Committee and Executive Secretary of Science and Technology Front in the Brazilian Congress.
- Dr. Geraldo Machado, General Director, Luis Eduardo Magalhães Foundation.
- Mr. João Gilberto Vaz, President, Brazsat.

Brazil's Leadership in South America

The Latin American Program dedicated the September meeting of its Washington Policy Forum to a discussion of the South American Summit and Brazil's leadership in the region. Former Wilson Fellow and Associate Editor of the São Paulo newspaper *Valor*, Carlos Eduardo Lins da Silva conducted the session.

Dialogue Interviews Brazilian Ambassador for the United States

Dialogue's host George Liston Seay interviewed Ambassador Rubens Barbosa about Brazil and its bilateral relations with the United States. The interview will be broadcast across the United States, on NPR Worldwide, and on the Armed Forces Radio Network. In Washington, D.C., *Dialogue* is broadcast on Sundays on WARW, FM 94.7, at 6:30 a.m., WGMS, FM 103.5, at 6:00 a.m., and WJZW, FM 105.9, at 5:30 a.m. For stations in other areas, please telephone (202) 691-4170 or visit *Dialogue* online at www.wilsoncenter.org.

ON THE AGENDA

- **November 8: Working Group Meeting, Brazil's Economics, Al Fishlow**
- **November 9: Mercosur, Public Seminar**
- **December 8: Brazil's Economic Challenges and Prospects, Arminio Fraga Neto, President, Central Bank of Brazil**
- **December 12: Working Group Meeting, Brazil's Politics, Bolívar Lamounier**

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.

Only Myths Separate Us

BY EURÍPEDES ALCÂNTARA

VEJA Magazine's Yellow Pages, 18 October 2000



When they want to highlight the political abilities of Anthony Harrington, 58, Ambassador of the United States in Brazil, his friends note the circumstances surrounding his confirmation in the U.S. Senate. During a year and four months the White House tried to nominate an ambassador to substitute in Brasília Melvyn Levitsky, who had retired. In vain. The Foreign Relations Committee, led by ultra-conservative Republicans, had barred one by one the nominations of President Bill Clinton. Finally, when the name of Anthony Harrington –partner of the largest and most traditional law firm in the United States, Hogan & Hartson, card-carrying member of the Democratic Party, personal friend of Clinton – came up he was approved in one week. At post for eight months, Harrington and his wife, Hope, are still adapting to Brazil, but have already found more similarities in the ways of both peoples than differences. To accelerate the learning of the local language, the couple surrounded themselves with only employees who spoke Portuguese in the official residence.

VEJA: Only two weeks after your arrival in Brazil, in February, Foreign Minister Luiz Felipe Lampreia said that the relationship between our two countries was at its worst level for the past 30 years. That was not the sort of welcome you were expecting, was it?

Harrington: It was an interesting way of receiving a new US ambassador. But, mainly, it sparked a lot of jokes. During a phone conversation with Rubens Barbosa, Brazilian ambassador to Washington, I jokingly told him I had broken a record. I had only spent 15 days in Brazil and had already managed to put bilateral relations at their worst level in the past 30 years. My friend Lampreia promptly phoned me to explain that he was referring to certain topics of the list of Brazilian exports, namely iron and steel. He was not referring to our relations as a whole. What is more, President Fernando Henrique Cardoso tells me that our relations “are better than ever.”

In our last issue, we published a statement that Ambassador Rubens Barbosa, Brazilian Ambassador to the United States, made in the U.S. Congress. This statement offered an interesting overview of U.S. –Brazil relations, from the Brazilian standpoint. During an August trip to Brazil, Luis Bitencourt, Director of the Brazil at the Wilson Center Project, and Joseph Tulchin, Director of the Latin American Program, had the opportunity to visit Anthony Harrington, U.S. Ambassador to Brazil. They were both very impressed by Ambassador Harrington's positive approach and attention to U.S. relations with Brazil. The following interview, published by *VEJA*, offers a good overview of the U.S.-Brazil relations, from the U.S. standpoint. The English translation of this interview was provided by the U.S. Embassy in Brazil.

VEJA: You have been the first diplomat to forthrightly declare that you consider Brazil a consolidated leadership not only among the developing countries but also at a worldwide level. What makes you think that?

Harrington: Brazil has really changed its role in the international scenario. It has become a leader and a spokesman. Moreover, it is a new source of ideas regarding the developing world. President Clinton says that we must treat Brazil as an equal partner from now on. Before coming to Brasília, I sensed that it was the White House and State Department's desire that the new ambassador focus his attention on positive issues that would bring the two largest countries of the continent increasingly closer. This is exactly what I am trying to do.

VEJA: Foreign diplomats have accused Brazil, in a veiled fashion, of only wanting the benefits of leadership, avoiding the responsibility that the new situation entails. Do you agree with that?

Harrington: I believe that Brazil, the same as the United States did, is changing from being a typically continental country focused mainly on itself to a country more open to the world. It is doing this at the appropriate moment. The globalization process is making the world smaller. Those countries more open to the world and willing to show leadership will be the ones that will benefit most from this process. I did not hear the criticisms you mentioned, on the contrary. Our diplomats praised Brazil's role as temporary member of the UN Security Council. But leadership, obviously, has its responsibilities, even in economic respects. I believe that if Brazil's economy continues to grow, Brazil will be able to finance its growing participation in the world scenario, including UN peace-keeping missions.

VEJA: Many a times the diplomatic situation does not reflect the feelings of the people of the two countries. Don't you think that outside the diplomatic circles the anti-American feeling in Brazil is growing?

Harrington: Honestly speaking, no. What there is, is a strong feeling regarding trade issues between the two countries. In this field I am willing to work hard to iron out all the creases there are. I hope to be able to change the current rivalries and disputes into profitable trade agreements for the benefit of the two countries. The truth is that there are very few trade disputes between the United States and Brazil. The headlines on the subject do not really reflect the state of the situation. The United States wants to sell more wheat to Brazil and Brazil sell more orange juice and sugar to the United States. That can be solved. The interesting thing is that regarding basic commercial issues, such as the reduction of subsidies and the opening of markets, Brazil and the United States are seated on the same side of the table.

VEJA: Nevertheless, I believe that the feeling that prevails in Brazil is that the United States talk about opening the market but do not practice it when this opening affects its interests...

Harrington: That is only a myth held by some Brazilians. The United States is the country with the most open economy in the world. How can we be regarded as a protectionist country if our trade balance with the rest of the world has a \$331 billion deficit? Our average import tariff stands at 2-3 percent, while Brazil's import tariff stands at 14 percent. I have an even more convincing figure on the subject. Last year, of the \$11.3 billion worth of goods that Brazil exported to the United States, no less than \$7.8 billion entered the US market with a zero tariff. That is, 68 percent of the Brazilian exports to the United States did not pay a cent in custom tariffs. But I agree that there are misunderstandings. In our opinion, they must be settled with the help of the WTO. In the future, when the FTAA, the broad free trade agreement we want for the continent, is working, this sort of problems will practically disappear. But making up myths about another country is not a prerogative of the Brazilians alone. We Americans also have erroneous ideas about Brazil.

VEJA: What ideas?

Harrington: Those traditional myths that irritate the Brazilian people such as believing that Buenos Aires is the capital of Brazil or that Spanish is the language spoken here. But there are other more complex myths. Most Americans would be surprised to see that Brazil physically occupies half of the South American continent, that compared to the Brazilian economy, the Russian econo-

my is nothing and that US investors invest five times more money in Brazil than in China. The Americans invested \$35 billion in Brazil during the past five years. That is more than what we invested in Mexico, our neighboring country.

VEJA: Many Brazilians believe that, with the money, Americans are holding jobs generated by foreign investment.

Harrington: That is another myth. There are very few Americans working in US companies in Brazil. I went to Pernambuco a few weeks ago to attend a meeting of business leaders from both countries. A US food company has a huge operation in the region and I became interested in learning how many foreigners are employed by it. Well, I was informed that they have only one foreigner on their payroll and that he is not American. He is British!

VEJA: Melvyn Levitsky, who preceded you as ambassador, said that it is a priority for the US ambassador to defend the interests of US companies in Brazil. Do you concur with him?

Harrington: I believe that our priority mission is to make relations more productive for both sides. Yet, any ambassador will be a defender of the interests of his country. My friend Rubens Barbosa is an effective advocate of Brazilian commercial interests in Washington. I will always stand ready to fight for US companies receiving fair treatment in Brazil. Fortunately, things are moving here toward an atmosphere of transparency and stability, which ultimately serves equally the commercial interests of both Brazilians and Americans.

VEJA: South Americans harbor a certain mistrust about the economic success of Mexico being used as a showcase of the virtues of free trade with the United States — just as Berlin was, during the time of the Berlin Wall, a showcase of the virtues of capitalism. How would you comment on that?

Harrington: I don't know why anyone should draw that conclusion. Because of globalization and of the transport and communications facilities existing today, geographic proximity now has very little significance. Free trade with the United States through NAFTA has really worked wonderfully to boost relations among Mexico, the United States, and Canada. In a few years since its implementation, trade volume among the three countries has grown by 96 percent. The Mexican economy was in the 26th position in the world in terms of exports before NAFTA. It is now in the eighth position. I believe the Mexican example is not an artificial one. It is clear proof of what a free trade zone can do for the economies of all of the countries of the Americas.

VEJA: What type of news about Brazil have you sent to Washington lately?

Harrington: Basically good news. Brazil has implemented very substantive reforms which, in the medium term, will bring down what has become known as the Brazil cost. At present it is much easier to import the necessary technology for companies to operate smoothly. There are a few barriers for obtaining temporary working visas for specialized technicians to set up new factories. The government established education as a priority and social issues are not being neglected. The overall outlook is very positive. Obviously, there are still pockets of backwardness in the country. Businessmen are subjected to bureaucratic formalities that have remained unchanged for decades. Imports and exports are still moving at turtle pace in ports, thus offsetting the productivity gains obtained through electronic trade.

VEJA: At present, the Amazon Region is a major topic of distrust by some Brazilians with regard to the United States. Some, more radical, have gone as far as uttering fear of an invasion.

Harrington: The idea that US troops could intervene in the Amazon Region is absurd. Truly, it is not worth commenting. Like most people in the world, the Americans are fascinated with the forest. We know there are technologies of sustained development in tropical rainforests and that Brazil is genuinely interested in preserving the Amazon Region. Thus, if we could help in any way within this context, we are going to do it. I am happy to say we are helping. We have good examples of Brazilian-US cooperation in the Amazon Region. The US Forest Service is helping Brazilians enhance their ability to detect and to eliminate forest fires. In the 1980's, technology helped us detect smoke. Now, it is possible to look through the smoke and thus precisely pinpoint the source of the fire. That technology was developed here in Brazil with the cooperation of US scientists. It is still not available in the United States. Thus, regarding the Amazon Region, I would like to reaffirm that we will

always stand ready to help Brazil and to develop the region in a way that would be harmless to the environment and would do justice to the enormous Brazilian natural resources. Some people claim that the action of Asian lumber mills in that region is out of control. That would pose considerable risk. Yet, I have no sufficient information to make an assessment of the situation.

VEJA: US military presence in Colombia has provoked some uneasiness in certain political circles in Brazil. What are the US intentions in Colombia?

Harrington: They are comprehensive and there are many misunderstandings regarding Plan Colombia. Emphasis has mistakenly been placed on the military aspects of the plan. It should be made it clear, in the first place, that the Colombians will implement the plan, not the United States. Then, of the \$7.5 billion to be spent through the plan, only \$1.3 billion will cover military expenses. Most of the resources will be used to promote economic development and to enhance the country's political and judicial systems. President Clinton was sufficiently clear. "There can be no military solution to the Colombian problem." Colombia will not be a new Vietnam. That is unthinkable. To us, the main thing is the peace process in the country. Colombians have been living under the hardships of a civil war for many, many years. It is a priority now to help President Andres Pastrana to continue with his peace efforts with the guerrillas. To this end, it is clear to the United States and to the South American countries as well that it is necessary to fight the drug trade. Naturally, Brazil and the other neighboring countries of Colombia fear that the success of the operations against the Colombian drug traffickers could result in the problem being exported to their territories. It is a legitimate fear. I believe, however, that the military and police efforts in border areas will be sufficient to control the situation.

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