

Brazil's Rise to Dominance in Latin America

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The recent emergence of Brazil as a major power in Latin America has generated considerable attention in both official and academic circles in the past few years. A growing number of studies have laid a solid groundwork for an understanding of Brazil's role in international politics, yet the significance of Brazil's regional role

in Latin America would seem to merit closer attention. If Brazil is to achieve world power status, it will have to begin by staking out a regional base of power, which it can then use as a springboard for global involvement. Hence, an analysis of Brazil's present position and goals in Latin America is of special interest, since it provides an important clue for assessing the feasibility of Brazil's global ambitions.

This article will attempt to explore the role which Brazil has conceived for itself in Latin America and the actions it is taking to assume such a role. This study begins at that period in which Brazil had developed not only the economic and political power necessary for a large involvement in world affairs, but the strong desire to do so as well.

These two conditions coincided for the first time under the administration of General Garrastazu Medici beginning in late 1969. Although the so-called "Brazilian miracle" had taken root in 1968 (when the growth rates of GNP climbed from 4.8 percent in 1967 to 8.4 percent¹), it was only in late 1969 and early 1970 that this process began to overcome the economy's woes, significantly reducing the number of unemployed and sharply cutting the size of the government deficit. Similarly, although the previous administration had made cautious moves to de-emphasize relations with the United States in favor of a more autonomous foreign policy, it was only under Medici that a self-confident, ambitious Brazil launched itself into the world arena.

BACKGROUND

Brazil's geographic position has traditionally ensured that other countries in the region take relations with their immense neighbor seriously. Brazil's national boundaries include over 47 percent of the area of the South American continent, touching every state except Chile and Ecuador. Yet despite its

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1. "A Economia Brasileira y Suas Perspectivas," July 1972, Table A 2, in Donald E. Syvgrud, *Foundations of Brazilian Economic Growth*, (Stanford: Hoover Institution Press, 1974), Table III-1, p. 50.

geographical preponderance, Brazil did not enjoy a notable political advantage over its other large neighbors in past decades. This situation resulted largely from the underdevelopment of the Brazilian economy, particularly in comparison with its traditional rival, Argentina. In the classical South American balance of power, as in its European counterpart, the largest countries cooperated and vied for influence, often intervening in the affairs of lesser regional states and even on occasion coming to blows. Few economic links were fostered among the countries of Latin America, and the great powers of the North Atlantic dominated the region's trade and frequently interfered in its political affairs. Today, however, political stability and rapid socioeconomic progress have elevated Brazil above a simple peer status. Brazilian capabilities are now superior to those of any single neighbor, and in the future may come to exceed those of all other South American states combined. Nevertheless, all of the recent Brazilian governments have continued to grant Latin America a high priority in their diplomacy. This continuing emphasis is firmly rooted, as we shall see, in the domestic priorities of the successive military regimes.

Almost without exception, Brazilian elites view the attainment of great power status as the nation's basic policy goal.² This encompasses, at a minimum, the achievement of full economic development, the possession of an adequate and autonomous national security capability, and the recognition of Brazil as a political peer by other world powers. To this end, the administrations of both Medici and his successor, General Ernesto Geisel, have made security and development the pillars of Brazilian national policy. Security, it is believed, provides the necessary environment for development, but ultimately only development can guarantee national security. All aspects of Brazil's foreign policy are geared toward the fulfillment of these interrelated objectives. It is within this context that South America assumes a continued importance for Brazilian diplomacy.

South America is of course the area with immediate relevance to Brazilian security. Brazil shares with the United States a strong opposition to the penetration of the hemisphere by Communist forces. Based on the geopolitical concepts evolved by the intellectuals of the "Sorbonne" (the Brazilian National War College), the military rulers since 1964 have espoused strategies ranging from that of "ideological frontiers" to that of the "circle doctrine." The first sees a potential threat to Brazil in political developments in any country on the continent, while according to the second, which emerged around 1971, subversion originates on the Brazilian borders. The cases of Chile and Uruguay have

2. For instance, a Brazilian general and teacher of the Superior War College writes: "By the beginning of the next century, we must be among those nations which are the most prosperous and powerful of the universe" in Carlos de Meira Mattos, *Brazil-Geopolitica e Destino*, (Rio de Janeiro, 1975).

been viewed as examples of this.³ Brazil has reacted to this perceived threat through what it terms "vivification of the frontiers," encouraging Brazilian settlements along the country's borders, as well as providing for a larger military presence there.

The ultimate realization of Brazil's national security goals (i.e., military parity with the world powers and the capability to ensure full territorial integrity) obviously requires a serious upgrading of Brazilian military power. Between 1963 and 1973, the military budget quadrupled (to some \$1.2 billion), making Brazil's expenditures equal to the collective expenditures of all other South American nations. The size of the Brazilian armed forces now equals that of the two next largest South American forces combined.⁴ Furthermore, in 1975 Brazil concluded a \$4 billion agreement with West Germany providing for the development of a full Brazilian nuclear industry. This should not only allow Brazil to match Argentina's level of nuclear power development but may also enable Brazil to build nuclear weapons, a goal which has been privately admitted to by Brazilian military officers.⁵

The increase in military power has been paralleled by an expansion in the scope of military operations. Traditionally concentrated around urban centers and along the Argentine border, the Brazilian army is now penetrating the interior. The navy and air force, also affected by this change in emphasis, have shown a markedly increased interest in the riparian network and airspace of the interior, as well as in the broad expanses of the 200-mile territorial sea.

Recent years have revealed a clear-cut trend for Brazil to fill the vacuum left by the US as the bastion and center of military organization in Latin America. Under the leadership of Brazil, for example, military commanders from more than a dozen countries met in Montevideo, Uruguay in October 1975 to plan a common strategy and to coordinate their activities in stamping out all internal dissent in a modern war for Latin American independence. Neither the meeting nor its conclusions were supported by the United States.⁶

The concern for development is a second major factor drawing Brazilian diplomatic attention toward the rest of the continent. Post-revolutionary Brazilian economic planning has strongly emphasized industrialization as the best path to rapid and secure development. An essential element in the Brazilian strategy for increased industrial production has been the need to expand and diversify markets for Brazilian exports. Owing to the limited nature

3. *Estado de Sao Paulo* in Vivian Trias (Montevideo, Ediciones El Sol, 1967), p. 102.

4. William Perry, *Contemporary Brazilian Foreign Policy*, (Beverly Hills: Sage Publishers, 1976), p. 31.

5. *Facts on File*, 1977, (New York: Facts on File, Inc., 1978), p. 190.

6. See Irving Horowitz, "From Dependency to Determinism: The New Structure of Latin American Militarism," in *Journal of Political and Military Sociology*, 1977, Volume 5, Fall, p. 235.

of Brazil's own domestic market, which is stunted by the country's highly skewed income distribution, the penetration of outside markets capable of absorbing Brazil's substantial productive capacity has been essential for the maintenance of high levels of economic growth. Moreover, Brazil has required a flourishing export sector in order to pay for imports of highly costly capital goods indispensable to industrialization. Such imports contributed heavily to the deterioration of the Brazilian trade balance from a slight surplus in 1966 to a deficit of more than \$700 million for the years 1971, 1972, and 1973.⁷ The quadrupling of oil prices in 1974 added \$3 billion more to the oil import bill for 1974 alone and raised the deficit level to about \$1.8 billion in the first half of 1975.⁸ This situation not only seriously eroded Brazil's credit position but, combined with a pressing debt service, presented a serious threat to future growth prospects as well. Thus, in 1974 plans were made to triple Brazilian exports by 1979.⁹ This export emphasis has applied to Brazil's agricultural and raw materials output, but even more to its burgeoning line of manufactured products.

The significance of Latin America within this economic context is threefold. First of all, since many of the Latin American countries produce the same agricultural goods and raw materials as Brazil, recent Brazilian governments have found it useful to seek the cooperation of these countries in a common effort to raise the world prices for the various products. Brazil has been at the forefront of the movement to organize world producers of sugar, coffee, and cocoa. More recently, Brazil has sought to collaborate with the producers of more critical items, such as bauxite and iron ore.

Secondly, Latin America possesses potential as an important market for Brazilian goods. From 1970 to 1975 Brazilian exports to other Latin American countries almost tripled, expanding from \$309.2 million to \$1107 million.¹⁰ It is essential to bear in mind that the high protective tariffs levied upon Brazilian manufactured exports by North American and Western European countries add to the importance of Latin American markets. As Latin American tariffs are generally lower or destined to be abolished under the terms of LAFTA (Latin American Free Trade Area), it is not purely coincidental that over half of Brazilian manufactured goods are sold to Latin American nations.¹¹

7. Perry, p. 26.

8. *Brasil em Dados — 1975*, Rio de Janeiro, Rio Graphico Editora (S.A., 1975) pp. XI-XII.

9. *Ibid.*, p. xii. Actually, if Brazil realizes an export increase in 1978 and 1979 equal to the average yearly increase since 1974, it will have fallen short of this ambitious goal, but will still have increased exports by a remarkable 214 percent.

10. United Nations' *Yearbook of International Trade Statistics — 1975*, (New York: UN Publications, 1976), p. 198.

11. Stephan H. Robock, *Brazil: A Study in Development Progress*, (New York: D. C. Heath & Co., 1975), p. 98.

The third factor is directly related to Brazil's energy needs. Brazil is dependent on imports for 75 percent of its petroleum requirements and is the largest Latin American consumer of crude oil, with a rapidly rising demand. Exhaustive exploration for oil in the past few years has produced disappointingly small new finds. Nor does Brazil possess coal reserves of a quantity or quality sufficient to support a drive for energy self-sufficiency.¹² Brazil's potential in hydroelectricity, nuclear energy, and shale oil will remain largely unexploited for at least another decade. For the time being, Brazil must continue to import substantial quantities of oil, coal, and natural gas.

This harsh reality explains the active interest which Brazil has shown throughout the 1970's for the oil-exporting countries of Latin America (Venezuela, Ecuador, Bolivia and Mexico). In this respect, Brazil has pursued a policy of diversifying its foreign suppliers of petroleum in the hope of reducing its dependency on any one country or group of countries. Also, Petrobrás, the Brazilian national oil company, created an international subsidiary in 1970, Braspetro, which has since entered into agreements with state and private oil companies in various Latin American countries.¹³ These call for Brazilian participation in the exploration and exploitation of foreign reserves of petroleum as a means of assuring Brazil a long-term foreign supply.

The twin concerns for security and development have influenced Brazil's foreign policy toward Latin America under both Medici and Geisel. However, their generally similar policies have differed in one important area. Medici, as mentioned, was the first post-1964 military ruler to actively re-assert an "independent" Brazilian foreign policy. In 1971, he launched a campaign to discover and test Brazilian interests with other Latin American nations. In bilateral negotiations with those countries, Brazil aimed to accomplish four basic goals: 1) to increase Brazilian economic relations with the country, if necessary by making offers of financial or technological aid in order to improve access for Brazilian exports to the country's markets; 2) to establish bilateral cooperation in the struggle against terrorism; 3) to form a common front against protectionist economic policies of the developed countries; and 4) to strengthen the Organization of American States. These points clearly reflect the goals of Brazil's hemispheric policy under Medici, which were to strive for active leadership within Latin America (goals 1, 2, and 3), while at the same time retaining close ties with the United States through support of American interests in the area (goal 4), except where these interests clashed with Brazilian economic concerns (goal 3).¹⁴

12. *Ibid.*, p. 9.

13. *Quarterly Economic Review of Oil in Latin America and the Caribbean*, Annual Supplement: 1974 (London: The Economic Intelligence Unit, 1974), p. 9.

14. Vivian Trias, *Imperialismo y Geopolítica en América Latina* (Montevideo: Ediciones El Sol, 1967), pp. 104-8.

Geisel's Latin America policy has distinguished itself from that of Medici in this respect: it has moved considerably away from the position of support for the United States. Its stance has become more like that of other Latin American countries, who are striving to restructure their economic and political relationships with the United States and with the rest of the developed countries. This was apparent in Brazil's support of the Latin American Economic System (SELA), its backing of Panama in that country's attempt to gain sovereignty over the Canal, and its favorable attitude toward Argentina's demand that national sovereignty over multinationals be recognized.¹⁵

Meanwhile, Geisel's choice of cabinet members pointed to the fact that Brazil would continue to strive for leadership on the Latin American continent and emphasize the need to defend Brazilian security from the threat of Communism. Thus, Azeredo da Silveira, considered a pronounced nationalist,¹⁶ was appointed minister of foreign affairs. Much more significant, however, was Geisel's creation of a new cabinet post, that of Civil Cabinet Chief, for which General Golbery Couto e Silva, Brazil's leading military theoretician, was appointed. Although the exact duties of the new post were unknown, it was generally acknowledged that Golbery "would be a key man in the new government."¹⁷ Not only was Golbery a staunch anti-Communist, but he had also openly proposed imperialist policies in Latin America aimed at promoting Brazilian hegemony. In his own words, "we too can invoke a 'manifest destiny,' especially insofar as it does not clash in the Caribbean with that of our brothers to the North."¹⁸

It is still too early to tell if any changes will occur in Brazil's policies toward the continent under the new government of Figueiredo, whose term of office began on March 15, 1979. Yet it is interesting to note that Golbery will again very likely play a leading role in the new government, for he was one of the main promoters of Figueiredo's presidential candidacy.¹⁹ This suggests that Brazil will continue its active drive for a leadership role in Latin America, and that the struggle against leftist movements will be considered crucial.

BRAZILIAN POLITICAL-MILITARY PENETRATION OF LATIN AMERICA

Brazil appears to realize that although an expansionist policy may be attractive in some ways, it would generate antagonism which could seriously undermine Brazilian foreign policy initiatives in other matters. Adverse political and

15. Brady Tyson, "The Drive for Great Power Status: New Problems for Brazilian Foreign Policy," in Davis Wilson, *et al.*, *Latin American Foreign Policies* (Baltimore: Johns Hopkins University Press, 1975), p. 242.

16. *Facts on File*, 1974, p. 179.

17. *Ibid.*, p. 210.

18. Vivian Trias, p. 39.

19. *Facts on File*, 1978, pp. 165-6.

economic consequences would most likely completely offset the original geographic gains.

Although one can rule out any designs of Brazil to expand its physical presence on the continent, it is impossible to deny that, in keeping with its security concerns, Brazil has attempted to exercise control in the political affairs of other Latin American countries. Since, according to the aforementioned "circle doctrine," the greatest threat to Brazilian security comes from the penetration of subversive ideas into Brazil through bordering countries, it is not surprising to find that Brazilian actions on the continent have been directed at its smaller southern neighbors: Bolivia, Paraguay, and Uruguay. These three countries share extensive borders with Brazil and are not separated, as are Brazil's northern neighbors, by great natural barriers.

In the past seven years, many have accused Brazilian diplomacy of constructing a "security perimeter" in these three states.²⁰ Inside the perimeter, the pernicious influence of foreign powers would be checked, and cooperative governments would rule, providing no base for subversive activities of extreme nationalist or left-wing orientation. Finally, these states would prove a privileged zone for Brazilian economic penetration, affording markets for Brazil's manufactured products and supplying needed raw materials.

Considerable evidence exists to support this view. For example, Brazilian collaboration in the Bolivian military coup of August 21, 1971, which ejected the left-leaning Torres government, has been well documented. Brazilian military leaders viewed the Torres government with great concern, fearing that "the first soviet on the continent is now being installed in Bolivia with the complicity of the illegitimate government and under the direct guidance of the USSR."²¹ The announcement by the Torres government that it would receive a \$200 million credit from the Soviet Union for the construction of a metallurgical processing plant in Mutun, an area of southeastern Bolivia bordering on Brazil, only served to strengthen their fears. To the prestigious newspaper *Estado de Sao Paulo*, the situation called for Brazil to "assume the role of guardian of democracy on the continent and to make the fundamentals of Western and Christian civilization reign, if necessary by force."²²

Brazil, rather than intervening directly, allied itself with the right-wing and conservative elements of the Bolivian military and aided them in their overthrow of the Torres government. General Hugo Bethelen, former Brazilian ambassador to Bolivia, was arrested in January 1971 by the Torres government for conspiring with Bolivians to overthrow Torres and for offering financial aid to

20. Carlos Astiz, "The Military and Brazil's Geopolitical Missions," p. 12, cited in Perry, p. 87.

21. Statement by General Bethelen quoted in Peter Schilling, *Ira Brazil a la Guerra?* (Montevideo: Fundacion de Cultura Universitaria, 1972), p. 81.

22. Schilling, p. 81.

the subversives.²³ Later, during the planning of the successful coup, a bomb went off in the mayor's office in Santa Cruz, where the coup's high command directed operations; mysteriously, Mario Amarin, the Brazilian consul, was injured in the explosion.²⁴ Furthermore, after the coup, Bolivian General Luis Roque Teran, who was a late joiner to the rebelling forces, admitted that planes of the Brazilian Military Aviation had delivered rifles, machine guns, bombs, and various munitions to General Hugo Banzer's rebel forces.²⁵ Finally, on August 22, even before the fighting had ceased, the Brazilian government raced to recognize the Banzer regime.

The post-coup events in Bolivia saw a consolidation of the Brazilian position. One week after the coup, the Bolivian Agricultural Bank received \$5 million from the Brazilian Investexport Bank for loans to large landholders in the Santa Cruz area. This was the first of a long line of loans, long- and short-term credits, arms transfers, and technology transfers granted by Brazil which effectively edged Argentina out of the Bolivian picture. By the end of 1971, Brazil had replaced Argentina as a source of Bolivian imports and a market for exports.²⁶ In 1972, Brazilian aid to Bolivia, totalling \$46 million, was second only to that of the United States.²⁷ An essentially tutelary relationship has been forged, in which "La Paz collaborates closely in the implementation of Brazilian policy and receives in return considerable amounts of political and economic support."²⁸

In May 1974, an agreement between Brazil and Bolivia was signed that committed Brazil to constructing a 1600-mile-long pipeline and steel, petrochemical, and cement plants in Bolivia. In return for this \$600 million "pole of development," Bolivia was to provide 240 million cubic feet of natural gas daily for the next twenty years. This deal has already stimulated an impressive degree of prosperity in Bolivia, particularly in the oil-rich eastern province of Santa Cruz, but there is fear in Bolivian circles that La Paz is progressively losing control of the region to its newfound patron.²⁹ Moreover, such fears may not be unfounded in view of the alarming reports that Brazilian banks have been taking over land and property in Bolivia by lending money at high interest rates to peasants and then foreclosing when they cannot keep up payments.³⁰ Finally, Bolivia has also been receiving large amounts of direct

23. Ruth Needleman, "Bolivia: Brazil's Geopolitical Prisoner," *NACLA's Latin America and Empire Report*, February 1974, Volume VIII, p. 25.

24. *Ibid.*, p. 25.

25. Schilling, pp. 82-3.

26. *Ibid.*, p. 26.

27. *Ibid.*

28. William Perry, p. 45.

29. *Ibid.*, p. 46.

30. *Facts on File*, p. 72.

foreign investment from Brazil: in 1971 and 1972, for instance, Brazilian direct investment in Bolivia totalled \$46 million as compared to \$52 million in US investments over the same period.³¹

The Brazilian role in Uruguayan domestic politics has been one of indirect influence rather than active involvement. During the 1971 Uruguayan presidential elections, the Brazilian government feared that the Frente Amplia, an Allende-style alliance of leftist parties, might triumph. As in the Bolivian case, it therefore allowed such major Brazilian newspapers as *Estado de Sao Paulo* to publish extremely provocative editorials, which barely veiled their calls for direct Brazilian military intervention in Uruguay in the case of a victory of the Frente Amplia. This, one can speculate, was done in the hope of bettering the electoral chances of the conservative groups in Uruguay. It has also been established that Brazilian officers were actively involved in "anti-subversive" operations in Uruguay during the campaign, and conspicuous maneuvers of Brazilian forces took place along the Uruguayan border throughout the voting.³²

Since that time, continuing instability in Uruguay, which has led to the increased role of conservative military elements in an ostensibly civilian government, has also resulted in an increase of Brazilian influence there. The present leadership of Uruguay now looks to Brasilia both to support her claims in a long-time border dispute with Argentina as well as to aid the nation in its struggle against domestic subversion. In this last respect, it is known that death squads (*Esquadrones de la Muerte*) patterned after the notorious Brazilian model have emerged in Uruguay and maintain links with Brazilian security forces.³³ On another level, the governments of Brazil and Uruguay have increasingly begun to cooperate on such projects as the development of the Lago Mimim Basin and the harnessing of the Platine River system for electric power. It seems apparent that the *de facto* military leadership of Uruguay will seek to link itself even closer with Brazil in order not only to extract itself from its present deep economic crisis, but also to overcome domestic subversive forces (such as the Tupamaros).

In fact, Uruguay is, in the words of *Newsweek*, "on the way to becoming nothing less than a client state of Brazil."³⁴ When the Bordaberry regime was threatened with a massive strike in July 1973, Brazil sent three hundred truckloads of supplies and \$30 million in emergency credits to the Montevideo government.³⁵ Moreover, although bank figures are lacking to prove it, it is a

31. Geraldo Banas (ed.), *Brazil Today* (Sao Paulo, Editora Banas, S.A., 1973), p. 25.

32. William Perry, p. 46.

33. Schilling, pp. 132-6.

34. "Brazil: The Poor Man's Yankees," *Newsweek*, August 20, 1973, p. 44.

35. *Ibid.*, p. 44.

widely-held belief that when the country encountered severe difficulties with foreign suppliers, it was essentially the Bank of Brazil and a private American bank which financed the needed imports.³⁶ Meanwhile, though, Brazilian landowners were taking advantage of the virtual collapse of the Uruguayan peso, buying extensive estates in the country. By July 1972, Brazilians owned as much as forty percent of the land in the northwestern state of Artigas and about twenty percent in the other border states of Cerro Largo, Treinta y Tres, and Rocha.³⁷ Brazil has furthermore taken part in numerous joint economic development projects with Uruguay. In one of these Petrobrás is committed to explore for oil on the continental shelf off Uruguay. This exploration, if successful, would greatly relieve Uruguay's present financial difficulties. At the same time, though, it would likely draw Uruguay even nearer to Brazil. Even more significantly, President Bordaberry, aligning himself with national cattle and meat interests, announced in 1973 that Uruguay would be better off if its weak economy were "rationalized" and integrated with the booming Brazilian model.³⁸

Brazilian intervention in the domestic political matters of Paraguay has not been observed. On the other hand, it has not, in Brazilian eyes, been needed, for the dictatorship of Alfredo Stroessner has been safely right-wing since 1954. Therefore, Brazil's expansionism has no present ideological justification here. Not only does Paraguay present no security threat to Brazil as a base for the spread of "subversive ideas," but Brazil has found the Stroessner government very cooperative in both economic and political matters. Brazil and Paraguay have, for instance, regularly coordinated military intelligence and activities.³⁹

Brazil's political influence in other bordering states has until now been minimal. However, there are increasing signs that in these states, too, Brazilian political power is beginning to assert itself. Brazil, since the turn of the decade, has undertaken an ambitious program of railroad and highway building aimed at linking the various regions of Brazil to one another and to neighboring countries. This program, much of which has already been completed, will link Brazil more closely to Venezuela, Ecuador, Guyana, Bolivia, and Uruguay. For a number of years, the international links involved in this program were delayed by the reticence or lack of interest shown by several of Brazil's neighbors. However, in July 1978, Brazil succeeded in removing the last stumbling blocks as it persuaded its seven northern and western neighbors to sign the Amazon Pact, committing themselves, among other things, to cooperate in building

36. Schilling, p. 134.

37. *Facts on File*, 1972, p. 342.

38. *Ibid.*, 1973, p. 649.

39. *Ibid.*, 1972, p. 332.

roads linking the Amazon delta with the "broadest possible freedom of navigation of the Amazon River and other rivers in the area."⁴⁰

Brazilian interest in the construction of this vast road and rail network appears to emanate not only from a desire for enhanced trade, but also in large part from security concerns. The highways have been shown, in some cases, to be unrelated to contemporary commercial needs.⁴¹ Moreover, as one author has shown, the Brazilian portions of these highways are in part military constructions, being "built to bear the weight of Hercules C-130 planes and of tanks weighing several tons."⁴² All of these factors suggest that one of the purposes of the new network is to allow the Brazilian military forces to occupy within hours all strategic points along its borders. Hence, the new international links agreed to in the Amazon Pact, whatever their commercial purposes, can also be seen as creating the potential for a Brazilian armed invasion of formerly isolated neighbors. An invasion of Brazil by those neighbors, however unlikely, would also be rendered easier.

The increased political influence which such military mobility will bring to Brazil appears inevitable, as one example vividly portrays. Venezuela has long-standing claims to a large segment of Guyanese territory. Following the most recent flare-up between these two nations in 1970, Guyana agreed to the linking of its hinterland highway (which runs through the disputed territory) to the Brazilian network. In doing so, Guyana was aware that the agreement would be an asset to Brazil in the exportation of its goods to North America and Europe. It hoped to benefit, in exchange, by gaining a permanent Brazilian commitment to Guyanese ownership of the territories claimed by Venezuela. That much it seems to have accomplished, but perhaps at the price of continued military dependence on Brazil. For since then, Venezuela has made substantial weapons acquisitions, which some observers have attributed, at least in part, to Brazilian pressures.⁴³ This means in effect that Guyana, whose economy could not possibly support a comparable military build-up, will have to look increasingly to Brazil to ensure its continued territorial integrity.

Guyanese military dependence on Brazil could easily lead to a situation of economic dependence. Recent large discoveries of uranium in the area of Brazil bordering on the three Guyanas can be expected to pique Brazilian interest in exploring the area on the other side of its borders and exploiting whatever reserves are discovered. If uranium deposits were actually found in Guyana, it would be almost impossible for that country to refuse a Brazilian offer to help in exploiting them; but the need to retain the Brazilian guarantee of Guyanese

40. *Ibid.*, 1978, p. 829.

41. Vivian Trias, pp. 72-3.

42. "Brazil on the Offensive," p. 28.

43. William Perry, p. 43.

territorial integrity would put Georgetown in an inferior position in any bargaining that took place on joint ventures to develop the uranium fields.

Brazil has succeeded in making its influence felt most recently in Chile. Brazilian leaders were deeply perturbed by the victory of the Marxist Salvador Allende in the presidential elections of 1970. Although Brasilia maintained formally correct relations with the Allende regime, it contributed covertly to undermining the Marxist government.⁴⁴ The Chilean Center for Public Opinion Studies, which became a principal source of anti-government strike agitation, rumor campaigns, shock troops for demonstrations, and the women's movement against Allende, had been exactly patterned after the Brazilian Institute for Research and Social Studies (IPES), following the directives of a Brazilian, Glycon de Paiva. Although the Brazilian government was not formally involved in this activity, its security forces were certainly aware of it, especially since de Paiva was linked to IPES, which cooperates closely with the Brazilian military. After the coup, Brazil quickly granted the new Pinochet government substantial economic credits to aid in the consolidation process, and has since cooperated with Chile in mutually beneficial economic endeavors. Although the Brazilian military regime undoubtedly sympathized with the proclaimed goals of the Pinochet junta, it has been careful not to entertain very close collaborative ties with Chile. This probably reflects not only the Brazilian desire not to alarm other South American countries by giving an impression of a powerful, conservative diplomatic axis, but also a hesitancy at the thought of sharing the international odium which has weighed upon the Pinochet regime for its blatant and crude methods of political repression.

This does not signify that Brazil has completely renounced a chance to extend its area of influence, but simply that such influence has been indirect and subtle. Thus, President Geisel brought the leaders of Bolivia and Chile together and advanced a compromise solution to their territorial dispute. By February 1975 the two countries had restored diplomatic relations, severed in 1962, and renewed commercial ties. In the agreement, Chile promised to cede to Bolivia a narrow corridor to the Pacific, including the port of Arica.

The mediating role which Brazil chose to exercise in reconciling Bolivia and Chile can be explained by two aims. The first was the desire to see two close Brazilian allies entertaining amicable relations between themselves, thereby allowing closer economic and political cooperation among all three nations. The second was the interest in establishing a secure new channel for Brazilian export goods bound for the Pacific from Sao Paulo via Bolivia and Arica. Until then, the only Atlantic-Pacific channel for Brazilian goods had led through

44. *Facts on File*, 1974, pp. 31-32.

Argentina, a situation which Argentina could conceivably have exploited to exert pressure on Brazil.⁴⁵

Yet the particular solution proposed by Brazil completely ignored Peru's historic claim to the corridor and its right to participate in any international settlement involving the territory. Finding Geisel's solution insensitive to Peruvian interests, Peru rejected it and proposed one of its own, which in turn was rejected by Chile. Although diplomatic negotiations continue, both sides are building up defenses to prepare for the eventuality of a military conflict. Both sides have spent hundreds of millions of dollars on modern armaments obtained either in the United States (Chile) or in the Soviet Union (Peru). The outbreak of war has become a real possibility.

Since Brazil was well aware of Peruvian territorial claims in the area, the question arises as to what its intentions were in completely ignoring such claims. Although the answer is necessarily limited to speculation, it appears possible that Brazil was using the Bolivia-Chile situation to exert pressure on Peru. At the time, the Peruvian military was investigating ways of forming a non-capitalist, nationalistic socioeconomic structure. Economically, Brazil was interested in the potentially rich oil reserves found in the Peruvian Amazon. Politically, within the Andean group, Peru's attempts at domestic reform were regarded as too experimental, and any choice between Peru on the one hand and Bolivia and Chile on the other would most likely have left Peru the odd man out. Hence, such Brazilian pressure might have been effective — in 1975. Since then, though, the situation has changed considerably. A change of military leaders in Peru's junta has been accompanied by a return to more conservative economic policies. Chile's departure from the Andean group strengthens Peru's stance within the group with respect to the border question, and Bolivia is not as adamant in this matter as is Chile. This means, in effect, that the diplomatic pressure which can be exerted upon Peru by Brazil and Chile has been lessened.

BRAZILIAN ECONOMIC PENETRATION OF LATIN AMERICA

Brazil's policy-makers, in keeping with their determination to promote the country's exports, have not remained indifferent to the creation of regional economic organizations in Latin America. There are three worth mentioning here: the Latin American Free Trade Association (LAFTA), the Andean Group, and the Latin American Economic System (SELA).

The first, LAFTA, was created in 1964 with the principal goals of eliminating all trade barriers between its member nations and of establishing a common

45. This actually did occur later in 1978 as a result of the Beagle Channel conflict between Chile and Argentina.

protective tariff vis-à-vis the outside world. By 1969 Brazil had become an enthusiastic backer of LAFTA, for its export sector stood to gain considerably from a complete liberalization of trade within Latin America. This was particularly true for the industrial sector, in which Brazil possessed a large comparative advantage over the other members of the organization, with the possible exception of Mexico. At the same time, though, Brazilian policy-makers have shown a realistic awareness of some of the limitations of multilateral negotiations, and so have sought to offset the inevitable slowness of multilateral trade liberalization by pursuing an energetic policy of bilateral trade liberalization with the various member nations. This bilateral approach has become increasingly important to Brazil since 1973, when the integrative process of LAFTA began to stagnate.

The Andean Group, a smaller regional organization created in 1969, incorporated five states of South America: Bolivia, Colombia, Chile, Ecuador, and Peru. This organization was initially set up to counteract the progressive economic domination of LAFTA by its larger members. However, as Brazil rapidly attained the unchallenged position as the continent's dominant industrial power, the Andean Group members increasingly began to visualize Brazilian economic power as the principal threat to their own national economies. Brazil's ascent to industrial supremacy seems to have been a major motivation for Venezuela's desire to join the Andean Group, as well as for the Group's eventual decision in 1973 to incorporate Venezuela. More and more, the Andean Group and Brazil are emerging as the two principal economic forces on the continent, and a latent sense of rivalry exists between them.

With the rise of the Andean Group, Brazil realized it faced partial exclusion from what promised to be an important market for industrial goods. On the other hand, because the Andean Group adopted a comparatively tough stance toward foreign investment, many foreign companies wishing to invest in Latin America have chosen to establish themselves in Brazil rather than in the Andean countries. This not only raises the levels of foreign investment, but also improves Brazil's power in bargaining with the multinational corporations.

The Latin American Economic System, created on the initiative of Venezuela, Mexico, and Colombia in March 1975, was devised largely as a response to discrimination against Latin America inherent in the 1974 US Trade Reform Act. By forming this ambitious organization, which included Cuba and excluded the United States, the Latin American nations not only showed their dissatisfaction with the economic policies of the US, but also hoped to forge the unity necessary to confront the United States within the OAS and provoke a change in those policies.

Brazil originally was hesitant about joining the organization because it did not wish to provoke a confrontation with the United States, but eventually overcame its doubts and became one of 25 Latin American nations to opt for

membership in SELA. This move was a clear sign of Brazilian willingness to forgo a close relationship with the United States in favor of political and economic solidarity with its Latin American neighbors.

The hope of eventually assuming a position of leadership within SELA, as the United States does within OAS, might have been one of the incentives for Brazil's choice, although other economic and political considerations were probably more influential in the decision. Most likely, one of these was the hope of slowing the momentum of the Andean Pact by encouraging a concentration of Latin American attention on the new organization, which was more compatible with Brazilian economic interests.⁴⁶ Another consideration was undoubtedly the rapidly expanding significance of the Latin American market for Brazilian exports. Thus, the fact that Brazilian exports to the countries of LAFTA reached \$1.2 billion in 1975, almost equal to the figure for the United States that year, clearly attests to the comparative importance of the Latin American market.⁴⁷ Moreover, this represented a 15 percent increase to Latin America over 1974 levels, but a 24 percent decrease to the United States. At the time of SELA's creation, then, the prospects for future growth of Brazilian exports seemed to be increasingly linked with Brazil's access to the Latin American market.⁴⁸

Brazil's growing economic impact on the general flow of Latin American trade is readily discernible. In 1968, of all the members of LAFTA, Brazil was the second largest exporter in intrazonal trade, at \$193 million (19.8 percent of the total), remaining slightly ahead of Venezuela at \$165 million, but well behind Argentina, at \$338 million. By 1971, Brazil had already come to vie with Argentina for predominance in Latin America by almost doubling its exports to the region. Both countries have since experienced soaring rates of growth in their exports to the region (averaging 20 percent and 19 percent a year respectively), and both have increased their share of the region's total export trade.

As is apparent in Table II below, Brazil also has assumed the position of principal buyer of intrazonal goods among Latin American nations. Here again, Argentina has relinquished the dominant position it held from 1968 to 1971. Although Brazil's share of intrazonal imports in 1977 had not climbed much above its 1968 mark of 25.8 percent, this was of a rapidly expanding total, so that Brazil has actually come to be markedly ahead of the second and third largest importers.

46. See the Speech of Foreign Minister Silveira in *Estado de Sao Paulo*, August 15, 1975.

47. *Índice do Brasil*, O Banco de Dados (ed.), (Rio de Janeiro, 1976), p. 68.

48. *Yearbook of International Trade Statistics*, 1978, Vol. I, p. 230.

TABLE I:
LAFTA — INTRAZONAL EXPORTS
(millions of dollars)

	Total	Brazil	Argentina	Venezuela
1968	1001.	193.054 (19.3%)	338.108 (33.8%)	165.081 (16.5%)
1971	1411.	354.712 (25.1%)	365.476 (25.9%)	141.329 (10.0%)
1974	4029.	917.673 (22.8%)	929.337 (23.1%)	525.737 (13.0%)
1975	3954.	1197.037 (30.3%)	755.512 (19.1%)	379.633 (9.1%)
1976	4357.	1202.067 (27.6%)	1282.220 (29.4%)	n.a.
1977	5247.	1480.442 (28.2%)	n.a.	n.a.

Sources: *Yearbook of International Trade Statistics*, 1973, 1974, and 1978, Volume I.

TABLE II:
LAFTA — INTRAZONAL IMPORTS
(millions of dollars)

	Total	Brazil	Argentina	Chile
1968	1001.	276.697 (27.6%)	275.262 (27.4%)	178.171 (17.8%)
1971	1411.	309.238 (21.9%)	390.236 (27.7%)	233.812 (16.6%)
1974	4029.	1007.875 (25.0%)	789.489 (19.6%)	624.903 (15.5%)
1975	3954.	775.436 (19.6%)	907.740 (30.0%)	611.100 (15.5%)
1976	4357.	1282.220 (29.4%)	808.885 (18.6%)	n.a.
1977	5247.	1466.427 (27.9%)	n.a.	n.a.

Sources: *Yearbook of International Trade Statistics*, 1973, 1975, and 1978, Volume I.

Traditionally, the greater part of Brazil's intrazonal trade was conducted with its larger neighbors. In recent years, though, this has been changing somewhat as Brazil's small border states — Paraguay, Uruguay, and Bolivia — have been drawn ever more into the Brazilian trade orbit. Thus, from 1973 to 1976 exports to these three rose from 24.6 percent of Brazil's regional exports to 32.7 percent of the total. Imports from these countries were of less significance, as one would expect, but even they reveal the same underlying trend. Nevertheless, today as in the past, Brazil's principal trade partner in Latin America is Argentina, which bought 27.5 percent of Brazil's exports and supplied 36.9

percent of its imports in 1976. The second and third largest buyers of Brazilian goods in 1976 were Uruguay (13.5 percent) and Mexico (11.8 percent), while Chile (23.3 percent) and Mexico (15.8 percent) were the next largest suppliers of Brazilian imports.

Brazil's emergence as an industrial power is demonstrated by indications that its exports to Latin American countries consist primarily of manufactured goods, while its imports are mostly raw materials and primary products. Thus, the commercial exchange with Bolivia in 1972-1973 entailed a continual flow of petroleum products to Brazil, particularly gasoline, diesel oil, kerosene, and fuel oil.⁴⁹ From Brazil, Bolivia received heavy machinery and manufactured goods, as well as technical assistance. Nor is this trend limited to the smaller, less developed economies of Latin America. Argentina, for instance, still has one of the most advanced industrial capacities in Latin America. Yet by 1970, 77 percent of its imports from Brazil were manufactured products, while 80 percent of its sales to Brazil were primary products.⁵⁰ Since manufactures are Brazil's most dynamic export sector, and over half of these are shipped to the countries of Latin America, one can predict that this trend of exchanging manufactured products for primary products will become more important in the future.

Despite Brazil's increasing continental presence, it is not now possible to say that Latin American economic dependence on Brazil has emerged or is likely to emerge in the near future. Brazil supplies only about one-fourth of Latin American intrazonal imports and these imports represented only 11.3 percent of the LAFTA countries' global imports in 1973.⁵¹ Thus, an average of only about 2.8 percent of the imports of Latin American countries originates in Brazil. Similarly, the Latin American countries depend on the Brazilian market for an average of only 3 percent of their exports.⁵² As mentioned, trade dependence is rising for Paraguay, Uruguay, and Bolivia; but even here it does not assume significant proportions.⁵³ Nor does the composition of Brazilian exports create a situation of dependency. Almost all of Brazil's manufactured exports are goods produced by Brazilian subsidiaries of the leading multinational corporations, which means that both the goods themselves and their spare parts can be readily obtained on the North American, European, and Japanese markets.

Brazil has embarked since the early 1970's on an ambitious offensive de-

49. Needleman, p. 26.

50. "Medici e Lanusse Poden Acertar o Passo," *Estado de Sao Paulo*, February 3, 1972, p. 15.

51. *El Proceso de Integracion en American Latina en 1974*, Banco Internacional de Desarrollo, *El Proceso* (Buenos Aires, 1975), p. 57.

52. 11.2% × 27%. See *Ibid.*, p. 55.

53. Uruguay, for instance, the most dependent of the three on Brazilian exports, bought in 1973 only 16.9 percent of its total exports from Brazil. *Ibid.*, pp. 57, 69.

signed to spread its economic influence. Besides promotion of trade, this includes credits, loans, joint development projects, direct foreign investment, and even military aid, which have been directed toward all of the countries of Latin America except Argentina.

From such rough estimates as can be made,⁵⁴ it quickly becomes evident that the bulk of Brazilian economic activity has been directed toward Brazil's three small southern neighbors — Bolivia, Paraguay, and Uruguay. The involvement in these countries is of large enough magnitude to justify their separate treatment below. Apart from these countries, most of Brazilian aid, in the form of credits, has been awarded to Chile: \$50 million in 1971, and the largest part from among four donors of \$100 million in 1972 (in other words, over \$25 million). Another \$3.04 million was lent to Venezuela in 1971 for the development of a sugar processing plant. Although monetary figures are not given, it is also known that Brazil granted emergency aid to Peru and Nicaragua in 1970 and 1972 respectively, and financed literacy programs in Colombia and Ecuador, in addition to highway development in Ecuador. Finally, suppliers of equipment and material in Brazil were one of four sources of loans for the \$640 million Cuajone open-mining project in Peru, devised in 1975.

Brazil has also embarked on a number of joint exploration and development projects with the countries of Ecuador, Colombia, and Peru in order to supplement its own reserves of crucial raw materials. Thus Petrobrás, Brazil's national oil firm, has built the first Brazilian petroleum refinery abroad in Colombia, and has contracted with the government of Ecuador to explore jointly for that country's oil. Brazil is also scheduled to aid Colombia in the exploitation of its coal reserves, and will participate in a joint venture with Peru to produce partially reduced iron for steel production.

Brazilian banking operations in Latin America appear to have increased tremendously in recent years, although most figures remain hidden behind the cloak of "banking confidentiality." As a consequence of Brazil's policy adopted in the late 1960's to promote the country's exports, the Bank of Brazil set about establishing agencies abroad. (The Bank of Brazil is Brazil's largest bank, is partly government regulated, and is the main Brazilian bank operating abroad.) By 1973, the Bank had opened branches in Mexico, Argentina, Chile, Paraguay, Uruguay, and two in Bolivia. It is notable that the Bank of Brazil's

54. My two principal sources were *Facts on File* and the *New York Times Annual Citation Index* over the years 1969-1977. Exact figures are hard to obtain, but in many cases these have not been made available to the public or simply have not been completely tabulated. Despite extensive research, for instance, I have not been able to find any complete statistics on Brazil's financial aid program, banking operations, or foreign investments in Latin America. Because this economic activity is relatively new, it appears that no effort at such statistical computation has yet been undertaken. Lacking these statistics, I have relied on various newspaper and magazine indexes and have pieced together all reports of such Brazilian activities in Latin America over the years 1969 to 1977.

foreign deposits increased 304 percent in 1969, 115 percent in 1970, 945 percent in 1971, and 156 percent in 1972.⁵⁵ At the end of 1972, these deposits totalled \$1,932 million. Although no breakdown exists on a per-country basis, a large part of these deposits are likely to have been invested in Latin America, since this is a traditional area for Brazilian banking operations and 45 percent of the bank's branches exist there. Moreover, in December 1971, the Bank of Brazil created its first multinational bank, the European-Brazilian Bank (Eurobráz), remaining the principal stockholder with 35 percent of the shares and selling the rest to a variety of financial institutions. Eurobráz finances medium- and long-term industrial and commercial activities throughout the world, but principally in Latin America.⁵⁶

CONCLUSION

The findings of this paper substantiate the thesis that Brazil is well on its way to assuming the role of hegemonic power in Latin America. Already, it has shown itself able to affect decisively the course of political events beyond its own borders, namely in the three small bordering countries of Bolivia, Uruguay, and Paraguay. The sphere of influence Brazil has cast over these neighbors has been attained through a combination of pressures: financial aid, trade credits and preferences, direct investments, military aid, military threats, security ties, and covert operations. Of course, the presence of domestic groups within these countries who look favorably upon the Brazilian model of economic and political development has greatly facilitated the recent Brazilian efforts, as has the political and economic weakness of Argentina, Brazil's traditional rival. Brazil's economic goal in these countries is to secure informally their supplies of primary materials as part of its own national resource base, while creating patterns of economic development complementary with its own present and future needs in the fields of trade and investment. Of equal importance is Brazil's security aim, which is to prevent the consolidation of leftist governments or strong leftist movements in neighboring countries while limiting the potential military power which regional rivals (currently Argentina) could muster through a system of alliances with them. Although these goals require considerable influence over political and economic decisions in its three small neighbors, Brazil is not interested in annexation or even in direct control, for either would risk considerable adverse repercussions.

Brazil's influence over the other countries of Latin America hardly approaches the ascendancy it has gained over, for example, Uruguay; but here,

55. Schilling, p. 132.

56. Here again, unfortunately, little information is available on subsequent banking activities. However, I have found one report of a loan to Brazil, involving 42 million dollars in 1973, which suggests that Eurobráz's scope of operations has increased enormously over a short time span.

too, Brazil's active foreign policy over the past few years clearly demonstrates Brazil's eagerness to assume a leadership role. Already, Brazilian views have become a weighty political consideration in matters affecting the national territories of Chile, Peru, Venezuela, and Guyana. Brazil has also come to be an important source of capital and technology in crucial industrial and infrastructural projects in Guyana, Colombia, Ecuador, and Peru.

As Brazil's intensive efforts to industrialize and settle its Amazon hinterland progress, as Brazil begins to exploit the large uranium fields believed to exist near its northern borders, and as the transportation network agreed to in the Amazon Pact becomes a physical reality, fostering new channels of trade and communications, Brazilian security and development interests in the area will grow enormously. With more at stake, Brazil can be expected to intervene more extensively in the affairs of its northern and western neighbors in an attempt to shape a political and economic environment compatible with its own regional and global ambitions, as has already occurred in Paraguay, Uruguay, and Bolivia. The degree to which Brazil will succeed in such aims will largely depend not only on the presence or absence of strong domestic groups within those countries who are sympathetic to the Brazilian development model, but also on the willingness and ability of other political regional powers (Mexico, Argentina, Venezuela) to challenge Brazil for the leadership of Latin America. At this stage, it is possible to conclude with certainty only that if Brazil's economy, technological know-how, and military capacity continue to grow at current rates, the other South American countries will find it extremely difficult to resist Brazilian power.