

CONTINUITY AND CHANGE IN BRAZIL: A CHALLENGE FOR AMERICAN FOREIGN POLICY

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In the past two decades, Brazil has slipped quietly into the ranks of the big ten industrial powers in the world. This event has not been the subject of headlines in the United States because our antenna is set on an east-west axis and our communication system, including the media, generally records events only as far south as Panama. The Brazilians consider it compatible with their policy that they continue to be thought of as a less developed country and indeed in some ways it is. Consequently, Brazil does not advertise its new economic power. Those responsible for defining policy for the United States, however, must look beyond the headlines and consider the implications of this already apparent major shift in economic strength.

Actually it should not be a surprise that the shift has been overlooked. Neither public nor private researchers in the United States seem to have seriously looked at the political and economic realignments that are taking place because of Brazil's new status. It was considerably difficult to obtain specific data to document Brazil's dramatic rise since 1960 and compare those changes with other countries in order to determine what this may mean in the years ahead for the foreign policy of the United States, Brazil and other countries in South America.

I. BRAZILIAN GROWTH

Brazil has been the fastest growing country in Latin America in the past two decades. The Brazilian economy grew at the rate of over 6 percent in the 1960s and then jumped to almost 9 percent in the 1970s.¹ Brazilian production more than quadrupled in the twenty-year period while other countries such as Colombia, Vene-

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1. 1980-1981 INTER-AMERICAN DEVELOPMENT BANK; ECONOMIC AND SOCIAL PROGRESS IN LATIN AMERICA REPORT at 185.

zuela and Mexico were tripling and Argentina was only doubling. Brazilian foreign trade increased fifteen times and Brazilian manufactured exports increased almost twelve times while Latin America in general was increasing such exports only 5 1/2 times.

Likewise, the nature of the Brazilian economy has changed. Brazil has shifted from being an agrarian economy to one based on industry and services. Petroleum imports doubled from 18 to 36 percent of total imports from 1960 to 1980, while capital goods imports were cut in half from 38 percent to 19 percent. Nothing quite dramatizes the change in the internal economy as the figures on coffee. In 1960 almost 60 percent of Brazil's exports was coffee; but by 1980 coffee had dropped to about 12 percent and has been surpassed by soybeans.

While Brazil has made spectacular advances on the economic side, it has not done as well on the social side. The Brazilian literacy rate dropped from being eighteenth out of twenty-four Latin American countries in 1960 to sixteenth in 1980, according to Economic Commission for Latin America (ECLA) data. It remained fifteenth in Latin America in life expectancy although it improved qualitatively from a life expectancy of fifty-six years to sixty-two years. In 1980, it was ranked thirteenth and nineteenth respectively with regard to the percentage of its population which had a supply of drinking water and provisions for sewerage services. During this same period, Brazil's population increased by 170 percent from 71 million to 121.2 million.² Its population continues to grow at the rate of 2.4 percent annually.³

II. POLITICAL AND SOCIAL IMPACT OF GROWTH

The statistics are quantitative but the change in Brazil has been so overwhelming that it is qualitative. Brazil is not just another country, which is a fact not really understood in the United States. Brazil has one-third of Latin America's population and produces over one-third of its goods and services.⁴ The Brazilian economy is presently three times that of Argentina whereas it was only 1.4 times larger in 1960. It has the largest economy in the so-called

2. See BUREAU OF PUBLIC AFFAIRS, U.S. DEP'T OF STATE, BACKGROUND NOTES ON BRAZIL 1 (Sept. 1981) wherein the figures indicate that in 1971, the population was assessed at 119 million. The 119 million population figure refers to that part of the population classified as "resident." [hereinafter cited as BACKGROUND NOTES].

3. 1980-1981 INTER-AMERICAN DEVELOPMENT BANK; ECONOMIC AND SOCIAL PROGRESS IN LATIN AMERICA REPORT at 184.

4. *Id.* at 145, 184.

third world. For the first time in its history, Brazil now has more trade with its Latin American neighbors than with the United States.

One could cite other facts, but that would merely serve to augment what is already clear. Economic weight carries with it political weight. For example, consider the United States in the world, the Federal Republic of Germany in Western Europe and Japan in the Pacific. Yet, Brazil's political leadership has chosen not to exert this tremendous economic strength. In fact, it has vigorously asserted that it does not want to exercise leadership. But the fact remains that the balance has shifted and the political and economic power is there. The world and the United States as the leader of the West have a tremendous stake in Brazil's current efforts to achieve a genuine political opening that assures Brazilian citizens effective participation in the decisions that affect their future.

Brazil has historically been a force for peace and moderation, and a guardian of western values. Its growing strength should be welcomed as added support for the ideals of liberty and democracy. It was not, for example, just chance that political events in Brazil in 1967-1969 helped set the tone for political events in Latin America during the late 1960s and 1970s.⁵ Nor was it happenstance that the Brazilian decision in 1974 to return to an open political system with free elections echoed in other countries on the South American continent. It would not be correct to deduce from this that as Brazil goes, so goes South America, but events in Brazil certainly have an influence. Its influence in political terms extends beyond the hemisphere and may be seen especially in Africa. Brazil has the capability in the United Nations and by other means to make positive contributions to the resolution of issues in Africa today and in the future.

III. DECENTRALIZATION

While the United States is interested primarily in the external effects of Brazilian developments, these rapid changes obviously have a major internal impact on how Brazil will manage its political, economic and social structure. How Brazil decides these issues

5. See BACKGROUND NOTES, *supra* note 2. During the 1950s and 1960s, Brazil attempted to create a reform-oriented constitutional democracy. However, Brazil's civil politics were brought to an abrupt halt by a military coup in 1964. Since then, the military has governed the country, using authoritarian methods and modern techniques of economic management. Since 1977, Brazil has tried to return to the path of democratization.

will certainly have additional effects on Brazil's neighbors, including the United States.

Economic growth of over 400 percent in twenty years has produced significant managerial problems. Brazil is a country stretching along the Atlantic seaboard from Belem near the mouth of the Amazon River to Porto Alegre and the border with Uruguay. Until recently, the overwhelming part of Brazil's population lived within one hundred kilometers of the sea coast. However, this is rapidly changing in many ways as a conscious policy. The move of the capital to Brasilia is the most evident feature of that policy.⁶ Similarly, the fastest growing area in Brazil is now Rondonia, bordering on the Andes.

Brazil has also made the political decision to make the states an effective part of the political process and an important partner in the federal-state relationship.⁷ The massive growth in the economy and the requirement for public services have rendered impractical centralized decision-making on every detail. The political decision will be carried out through the popular election of governors in 1982. The major political changes that the decision implies will take some years to work out, but the effects will become evident as early as 1984 when Brazil selects a new President.

As a part of the decision on changing the political process, the Brazilian President created a Ministry of Debureaucratization.⁸ We would probably call it deregulation, but that would miss the point. The Brazilian Government is attempting nothing less than to change cultural attitudes inherited from Portugal and others about the "patron" system and the view that every event has to be recorded on paper and kept in multiple copies.

Brazil also seeks to have genuine national political parties. One of the chronic problems is the political groupings. It is not unheard of to have as many as a dozen political parties in a Latin American country, or to have what appears to be two or three parties but in reality is an umbrella for numerous legally recognized factions.⁹ Brazil seeks to curb this political factionalism and force the creation of national parties by requiring that parties have an

6. BACKGROUND NOTES, *supra* note 2, at 1.

7. *Id.* at 5.

8. *Id.*

9. See BACKGROUND NOTES, *supra* note 2. Five parties are in the process of establishing themselves under the party reorganization law: (1) Social Democratic Party (PDS); (2) Party of the Brazilian Democratic Movement (PMDB); (3) Popular Party; (4) Workers Party (PT); (5) Brazilian Labor Party (PTB).

organized base in nine of its twenty-two states. In addition, it would require that these parties obtain at least 3 percent of the vote in each of the nine states in a general election. The penalty for failure to organize a geographically broad-based party is to be removed from the ballot.

Brazil has serious distortions in regional growth which has encouraged mass migrations of population, costly problems in the provision of urban services in the cities which receive the migrants, and a host of other concerns. Although all Brazilians have benefited from the economic growth of the past two decades, the fact remains that wealth is more concentrated at the upper end of the scale now than it was in 1960.¹⁰ Thus, Brazil has been confronted in this new phase of its political and economic development with the kind of issue the United States faced in the early 1930s: how to improve the regional distribution of income and to reverse the trend toward concentration of wealth evident over the past two decades.

Moreover, Brazil has been faced with problems concerning the education of its citizens. Despite major efforts to improve education, Brazil has been unable to accommodate the rapid increase in school-age population. Brazilians generally recognize that continued rapid economic growth depends on the availability of trained manpower. Indeed, the limited availability of Brazilians with a primary and secondary education is a major obstacle to further rapid economic growth. At the same time, the oversupply of university-trained Brazilians is a source of social and political tension.

This type of problem in education is not unique to Brazil. If one considers the history of the United States, only 10 percent of eligible school-age children were in secondary schools in 1900. As we moved from an agrarian-based society into a more sophisticated industrial society which required skilled technicians and managers, we found primary education was not enough. The explosion in technology in the late 1800s and 1900s forced the United States to reassess its educational structure and develop a broad-based secondary educational system. The allocation of a greater share of resources to primary and secondary education has become crucial if Brazil is to develop over the next twenty years as it has over the past two decades.

Another major issue concerning Brazil is the management of

10. World Tables, 1976, from the data files of the World Bank at 517 (Washington D.C. 1976).

its economy. It has recently reiterated its determination to develop its economy on the basis of private enterprise and the government is considering how it can divest itself of certain companies that can more effectively be managed in the private sector. According to a recent survey of nonfinancial enterprises in Brazil, private Brazilian companies control 87 percent of the firms, provide over 65 percent of the employment, possess over 53 percent of the sales and are comprised of greater than 38 percent of the net worth. The government is dominant in public utilities with almost a monopoly in this sector and in many basic services. This dominance means that the federal government owns twenty-four of the largest twenty-five companies and accounts for about half of the net worth of the 7,535 firms surveyed. Multinationals are a distant third in the non-financial sector with an important role only in the manufacturing sector where they account for about 25 percent of the total employment and net worth, and one-third of the sales. In the financial sector, state and private Brazilian banks are dominant with private foreign banks having only a minor share.

Brazilian private companies are generally family owned which tends to restrict their ability to raise capital and therefore the growth of the private sector and the economy. Thus, the private sector also faces a decision on broader-based participation.

IV. THE CHALLENGE OF CHANGE

Brazil's growth over the past twenty years has thus brought it to the point of decision on a number of highly significant issues: (1) how to distribute power between the federal government and state municipal governments; (2) how to organize a political process that is national in scope and permits meaningful participation by the citizen and political parties; (3) how to establish policies that will result in more equitable distribution of resources both regionally and individually; (4) how to allocate resources and manage an education system that provides adequately trained manpower to assure a strong and expanding economy; (5) how to strengthen the private sector so that it will be the engine of growth and have a structure capable of raising the immense amounts of capital needed; and, (6) how to manage its relations with other countries in a way that will be supportive of this monumental task of internal development.

It is not pretended that the foregoing agenda is exhaustive. But it is easy to see even from this list that it is an exciting time to

be in Brazil. Obviously, how Brazil handles these issues is exceedingly important to the United States. If Brazil can make the adjustments which are required because of its success since World War II, and can continue to progress for the next two decades at the rate it has for the past two, it will be the fifth or sixth largest economy in the world by the year 2000.¹¹

Stated another way, Brazil is one of the four continental-sized powers in the world; the others being the United States, the Soviet Union, and China. Also, Brazil is an offspring of Western Europe as is the United States. Consequently, it is a custodian of western civilization and political thought that stresses individual freedom, social justice and individual initiative. Moreover, Brazil is similar to the United States in that it seeks to develop its natural and human resources and to give its people the freedom to be creative, try new approaches, and hopefully succeed.

V. CONCLUSION

The United States and Brazil have traditionally been allies. We share in common many interests and ideals. That is the constant. But if there is anything clear, one of the constants is also change. The changes in Brazil have been especially dramatic. A challenge for the United States is to recognize that change and to build with Brazil a new and strong alliance that will serve our mutual interests as we move into the twenty-first century.

11. BACKGROUND NOTES, *supra* note 2, at 5. Brazil has the tenth largest economy in the world and is expected to surpass Italy before the end of the twentieth century.