ARI 120/2018
12 November 2018

What foreign policy now for Brazil?

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Theme

On 1 January 2019 Jair Bolsonaro will become the next President of Brazil. This paper looks at the key elements of the new Administration's foreign policy.

Summary

Jair Bolsonaro comfortably won the presidential elections in Brazil with an inflammatory domestic discourse but very few hints about how he sees international relations. As a result, debate has naturally arisen over the likely guiding principles of Bolsonaro's foreign policy. This paper attempts to answer the most central of these questions, many of which remain speculative. Much of the uncertainty stems, on the one hand, from the President-elect's lack of foreign-policy definition and, on the other, from the still unknown identity of the next Foreign Minister, fundamental to many of the questions raised here.

Analysis

The unconventional character of the candidate Jair Bolsonaro, who spoke abundantly on the most sensitive issues of Brazil's domestic agenda –although not on any specific policy details as to how he plans to achieve his objectives– is, following his election victory, all the greater as regards foreign policy. His lack of definition, contradictions and the fact that the future Foreign Minister has not yet been appointed all make it difficult to analyse the policies and diplomatic style that will characterise the new government's relationship with the world as of 1 January 2019.

In a statement on the night of Sunday, 28 October, after being elected President, Jair Bolsonaro hurled a sharp criticism at Itamaraty, Brazil's Ministry of Foreign Affairs: 'We will free Brazil and Itamaraty from the ideological bias to which international relations have been subjected in recent years'. Before this pronouncement, foreign policy remained one of the great exceptions over which the President-elect had not yet expressed himself in depth (save for some marginal statements). As such, there have been few clues available as to the kind of foreign policy that Bolsonaro plans to develop.

The criticism against excessive ideology in foreign policy was also reiterated by Paulo Guedes, the future 'super-Minister' of Planning, Industry and Finance: 'Brazil has been caught up in ideological alliances and that is bad for the economy'. The explosive tone of his declaration of principles –starting with his call for economic openness– suggests the direction in which Guedes desires to push his ministerial portfolio. He is also likely to push a pro-market bias in the country's future trade negotiations. The role of Guedes is important because both the success of Bolsonaro's presidency and the country's future international image depend, to a large extent, on Brazil's economic recovery.

One of Bolsonaro's obsessions –systematically stated during the recent election campaign– is to eliminate all vestiges of the influence of the Workers' Party (PT) in national politics. From this perspective, Bolsonaro believes Brazilian foreign policy needs much reform, particularly certain erroneous or counterproductive initiatives of Lula da Silva. Some of these elements of foreign policy were modified or corrected during the government of Dilma Rousseff and more deeply under Michel Temer. At any event, an intensification of foreign policy reform can be expected from the new President.

The most controversial foreign policy issues in Brazil include its relationship with 'Chavismo' and Bolivarian populism, its clear support for regional projects such as Unasur and CELAC, and its neutrality –if somewhat biased– with respect to ALBA. Brazil gave strong support to political leaders such as Hugo Chavez, Fidel Castro, Evo Morales, Rafael Correa and the Kirchners during the PT presidencies. In May 2008 Lula claimed that 'Chavez is the best President that Venezuela has had during the past 100 years'. Other controversial issues include Brazil's presence amongst the BRICS (and especially its approach to China), its role in Africa and its relationship with Arab countries, plus its attempt to develop a foreign policy independently of the US.

However, until the new Foreign Minister is appointed, any attempt to clarify the guiding principles of Brazil's future foreign policy will remain speculative. Among the different potential options some female names have been suggested. Should the latter be the case, it would be the first time for a woman to be in charge of Itamaraty. At the same time, such an appointment would also serve as a message from Bolsonaro to counter some of the accusations against him, including that of male chauvinism. Still, the odds are not very high.

One difficulty facing any analysis of the new government's foreign policy is that before his election victory the President-elect said very little about international relations or Brazil's role in the world. Rather, he remained focused on the domestic political issues that had most concerned him during his nearly three decades as a parliamentary deputy, especially the most polarising that could provide him with the most short-term electoral gain, although without actually expressing the maxim of Andrés Manuel López Obrador that the best foreign policy is domestic policy. But the President-elect is now being asked to state his position on foreign policy matters and he has begun to offer some hints.

Before his victory at the polls, Bolsonaro had managed to dodge such foreign policy issues with relative success. In the months before and during the campaign he made contradictory statements regarding the Paris Agreement on climate change and on the possible unification of the Ministries of Agriculture and the Environment, raising the alarm amongst environmentalists, given the potential repercussions for the Amazon. He also spoke out against the United Nations ('a meeting place for communists') and in favour of Israel (and of moving the embassy to Jerusalem) and advocated a deeper relationship with the US. There were even threats –some less veiled than others but always subsequently denied– of a possible military intervention against Venezuela.

In this respect, the identity of the new Foreign Minister remains a high point in the debate over the direction the new government will take. In the past, Bolsonaro has questioned why a diplomat like Celso Amorim might become Defence Minister while a military official has little hope of becoming Foreign Minister. Not only is such a reflection provocative, its content has also generated some nervousness in Itamaraty, as have Bolsonaro's declarations on the ideological bias of Brazilian foreign policy under the Lula and Rousseff governments. Clearly, 14 years of PT control significantly influenced not only the training of new diplomats but also the composition of the diplomatic corps itself, along with the country's international objectives and its way of seeing and inserting itself in the world.

To a certain extent, nationalism and developmentalism are common values shared by important segments of two of Brazil's most powerful corporations: the military and the diplomatic corps. Today such views –long held by Bolsonaro–stand in stark contrast with the ultraliberal message on economic matters that Paulo Guedes defends. His positions are clearly favourable to free trade and opening up the economy. They include a determined elimination of protectionist barriers and a reduction of the 'Brazil premium' –the higher differential cost that investors must pay for doing business in this South American country–. Along with his objective of reforming the pension system and considerably reducing the public deficit, Guedes' ambitious privatisation plan also stands out.

Little is known of the privatisation plan with respect to its scope and depth, although it is common knowledge that there are contradictory points of view on the issue. Some military voices demand that companies linked to strategic sectors of the economy remain under state control. The scope of protectionism will be another point of contention, as revealed by the proliferation of statements on MERCOSUR which failed to clarify exactly what the new government wants of this regional integration scheme or how it will achieve its goals.

Brazil and its neighbours: MERCOSUR

Bolsonaro's victory has ignited two debates in Latin America, and especially in South America. The first is over the effect in neighbouring countries of the shock wave generated by his electoral victory. The emergence of xenophobic voices in some Latin American capitals, along with a rising demand to control migration and deport irregulars, seems to suggest that there will be at least some contagion effect. A more complicated question, however, is whether other new national leaders will emerge in the region promoting the same values as Bolsonaro (ie, defending an anti-abortion, anti-gay marriage and cultural-values agenda, and a hard-line policy on crime, with support of the evangelical churches). Such questions are now increasingly commonplace in practically all the countries of the region.

The second debate concerns the relationship of the new government with Brazil's neighbours. First, the shift in regional balances that began in recent years will not only continue but also gain momentum. This may spell the end of Unasur, and probably also of CELAC, although the death throes of such organisations are usually long drawn. Furthermore, the influence of ALBA in Latin America will be increasingly marginal. In statements made at the beginning of November, the Vice-President-elect, General Hamilton Mourão, corroborated the idea, claiming that Unasur is a 'dying' and 'practically bankrupt institution'.

However, one of the questions of greatest interest, both in Brazil and beyond, regards the future of MERCOSUR. Argentina, Paraguay and Uruguay are concerned about decisions now being taken in Brasilia, especially after Paulo Guedes pointed out that MERCOSUR would not be a priority for Brazil. His subsequent qualifications, invoking a MERCOSUR devoid of ideology, failed to calm such preoccupations. How will the opening moves of the new Brazilian Administration affect an organisation so wedded to protectionism (especially during the Rousseff and Cristina Fernández era)? Will the traditional view that competence for trade negotiations belongs to MERCOSUR and not national governments –despite Uruguay's long-time aspiration to negotiate bilateral agreement– finally be abandoned?

There is also the additional question of a possible convergence between MERCOSUR and the Pacific Alliance. Such an eventuality should not be ruled out, given the close relationship aspired to by Bolsonaro and Sebastián Piñera (a 'strategic alliance,' in the words of the Chilean President). On the other hand, we will have to see what kind of relationship Brazil will pursue with the Mexico of Andrés Manuel López Obrador. Not only are relations between the two countries traditionally difficult, but their national leaders are now positioned at opposite extremes of the political and ideological spectrum. Nevertheless, it is reasonable to expect pragmatism from both.

Furthermore, given what the Brazilian market represents for the Argentine economy and the importance of Argentine-Brazilian relations for both countries, another factor concerning the future of MERCOSUR is the personal and bilateral relationship to be established between Mauricio Macri and Bolsonaro. Traditionally, the first foreign trip undertaken by a Brazilian President-elect has been to Argentina. However, Onyx Lorenzoni, the future Minister of the Civil House (ie, the President's chief of staff), noted that Bolsonaro's first informal trips before assuming the presidency would be to Chile (given the current relationship between the two countries), the US and Israel. However, there could be a change of plans in the end because the new President must soon undergo surgery (as a result of the attack he suffered during the campaign), temporarily limiting his movement.

Another important issue will be the relationship with Bolivia –at least while Evo Morales heads the government–. Bolsonaro once said that national interests should prevail over ideology in international relations. It will be interesting to see if he applies the same principle to Bolivia, Brazil's main source of imported gas (particularly as the current contract expires in 2019). Another contentious issue concerns the route of the so-called bi-oceanic railway corridor that is expected to link Atlantic and Pacific ports (a project closely related to China's 'One Belt, One Road Initiative'). Although Michel Temer signed an initial Brazilian commitment with Uruguay, Paraguay and Bolivia, Piñera is now trying to change things by influencing Bolsonaro. Furthermore, Bolivia recently joined MERCOSUR and its membership –now pending only Brazilian ratification– acquires more relevance in such a context.

One last factor affecting MERCOSUR will be the outcome of the negotiations for a Treaty of Association with the EU. Although there has been significant progress in the negotiations, a few outstanding issues prevent the agreements from being closed.

MERCOSUR's highly-protected automotive sector (which produces at higher costs than the international average) has been a major obstacle in negotiations with the EU. Indeed, Bolsonaro has already been pressured to extend such protection for a long transition period. There is one last (albeit tenuous) hope for an agreement to be reached at the next G-20 Summit in Buenos Aires on 30 December. But if the Treaty is not finalised by then, time will begin to work against it. On the one hand, upcoming European parliamentary elections mean that new authorities will subsequently be appointed in Brussels; on the other hand, a new Administration in Brazil introduces further delays in the negotiations.

Venezuela

Much speculation as to the new Brazilian position on Venezuela has been sparked by certain statements suggesting a possible Brazilian military invasion of Venezuela to overthrow the Chavez regime. This possibility has emerged in the wake of the arrival of thousands of Venezuelan immigrants in Brazil and related disturbances in some cities and border towns.

In mid-October, Luiz Philippe de Orleans –a deputy from Bolsonaro's Social Liberal Party (PSL) and one of possible candidates to head Itamaraty– raised the possibility of a military intervention in Venezuela. At the time, he noted that 'There is a dictatorship in a neighbouring country and we are doing absolutely nothing politically. We are not taking a stand against it... We must act with principles. We cannot tolerate a dictatorship in Latin America. I do not rule out military intervention'. He nevertheless clarified that the military option would not necessarily imply an invasion; instead, he might offer logistical support and funds to the Venezuelan opposition, in line with Trump's approach.

However, the day after his election, Bolsonaro completely ruled out any possibility of military intervention, opting instead for a peaceful resolution to the Venezuelan crisis, even despite the 'serious difficulties' posed by the 'dictatorship' of Nicolás Maduro. A few days later, the future Vice-President, General Mourão, argued that Brazil should not impose trade sanctions but rather exercise greater 'diplomatic pressure'. One possible way out of the current impasse for the new team at Itamaraty would be to break off diplomatic relations with Venezuela, a decision that would be quite detrimental to Maduro's interests. However, given the large debt the Caracas government owes to Brazil, this issue should be evaluated with greater care before resorting to such a strong measure.

With respect to Brazil's policy on Venezuela, there are some other issues to be considered, including Brazil's membership in the Lima Group and possible coordination with the US. Brazil will likely remain a member of the Lima Group and attempt to form a core of hard-line countries opposed to the Maduro regime with whom the new government feels greater political harmony. However, not all governments will want to be associated with such a confrontational discourse against Chavismo (depending on public opinion in their respective countries).

The Trump government is interested in expanding regional support for placing increasing pressure (including military) on Venezuela, and it has made some efforts to attract certain

Latin American governments, including Colombia, Chile, Argentina and now Brazil. Another option under consideration by the Trump Administration is to support rebel soldiers with the intention of provoking an internal uprising that weakens the Maduro regime. Although there have been some contacts with senior officials in Washington, there have been no concrete results to date given the resilience of the Maduro regime. At the same time, OAS Secretary General Luis Almagro advocates a Venezuela Plan against drug trafficking as the most effective strategy for weakening Chavismo. Such an initiative might also be well received by the new Brazilian administration.

Relations with the US, China and other international actors

The governments of the US and Brazil have exchanged messages expressing an interest in a deeper mutual approach for developing joint regional initiatives over the medium term. The aim would be to influence not just Venezuela, but also Cuba and Nicaragua. In a recent speech in Miami, Trump's National Security Adviser, John Bolton, called those three countries 'the troika of tyranny'. On the one hand, the future of the Cuban programme *Mais Médicos* (More Doctors) that supports primary care in Brazil is in danger, but the depth of the entire relationship with Cuba could also be at stake. Bolsonaro believes that *Mais Médicos* is financing the 'Cuban dictatorship' and he asks: 'What business can we do with Cuba? Are we talking about human rights?'. With respect to the Brazil-Cuban relationship, he added: 'Can we maintain (diplomatic) relations with a country that treats its citizens in such a (bad) way?'

On several occasions during the campaign, Bolsonaro pointed out that: 'Trump wants the US to be great. I also want a great Brazil'. In line with such statements, he has also been willing to back the US's Israel policy and to adopt Washington's determination to establish its embassy in Jerusalem: 'If a country decides where its capital is located, we must act accordingly'. He also criticised the location of the Palestinian embassy (very close to the presidential palace) and suggested the possibility of lowering the level of diplomatic recognition in effect since 2010: 'Palestine needs to be a state to have the right to an embassy'.

Although the convictions of the President-elect remain firm, many voices have already warned that such measures could affect relations with Arab countries to the detriment of Brazilian interests. The PT governments bet heavily on the maintenance of strong ties with the Arab countries. Brazil was also the principal promoter of ASPA, the Summit of South American-Arab Countries (four summits have been held to date). Furthermore, Arab countries represent the second largest export market for Brazilian meat products. In 2017 total Brazilian exports to the Arab countries totalled US$13.5 billion, generating a trade surplus for Brazil of more than US$7 billion. Some of the major Arab sovereign wealth funds have been considering investing in various Brazilian infrastructure projects, a plan that could be frustrated if the embassy move to Jerusalem goes forward. North Africa is another area that could experience reduced Brazilian presence. This might generate important opportunities for other countries and competing companies.

Bolsonaro has insisted that China does not buy Brazilian products to the same degree that it exports to Brazil. He claims in fact that the Chinese are actually buying Brazil itself. Along the same lines, he also claimed that China is a 'predator that wants to dominate crucial sectors of (Brazil's) economy'. Therefore, he believes that the Chinese should not be authorised to buy land or to control strategic industries in Brazil. To complicate matters further, Bolsonaro visited Taiwan in February 2018, prompting an angry response from Beijing, which considered the visit to be 'an affront to the sovereignty and territorial integrity of China'.

This explains the particularly harsh and threatening tone of an editorial in the *Global Times*, an official Chinese newspaper linked to the *People's Daily* of the Chinese Communist Party (CCP). The title of the article asked 'Will the new Brazilian government reverse China policy?'. The editorial began by describing Bolsonaro as a 'tropical Trump' and recalled his accusations against China during the campaign. However, it also acknowledged the fact that shortly before the second round of the elections, Bolsonaro began to change his tone: 'we will do business with all countries and China is an exceptional partner'. The editorial therefore concluded that it would be 'unthinkable' for Bolsonaro to decide to replace the Brazil-China trade with Brazil-US economic ties, and that 'China never interferes in Brazil's domestic affairs'.

However, the editorial tone hardened in reference to the Taiwan visit, suggesting that if Bolsonaro 'continues to disregard the basic principle over Taiwan after taking office, it will apparently cost Brazil a great deal'. Finally, the editorial remarked: 'Many observers tend to believe that Bolsonaro, who has never visited the Chinese mainland, doesn't know enough about Oriental power. But it's worth Beijing's attention that he was a China-basher during the campaign and believed an unfriendly stance on Brazil's largest trading partner would help him get elected'.

Given that such considerations come from a paper closely linked to the highest echelons of Chinese power, it is worth asking how Bolsonaro will react and what kind of relationship he will strive to have with a China that is now a key counterpart of Brazil in a 'comprehensive strategic partnership'. Furthermore, China is Brazil's main trading partner, with whom Brazil enjoys a US$20 billion trade surplus. The President-elect is very concerned with Chinese expansionism in his country and worried in particular about Brazil's growing financial dependence on China. Brazil is China's second-largest debtor in the region after Venezuela. Between 2005 and 2017, Brazil received 12 Chinese loans for a total value of US$42.1 billion. This has allowed the Industrial and Commercial Bank of China (ICBC), the Bank of China, the Construction Bank of China and the Bank of Communications of China, among others, to open branches in Brazil.

The accumulated stock of Chinese direct foreign investment (FDI) in Brazil exceeds US$40 billion. It is concentrated in sectors such as energy, agriculture and livestock, telecommunications, equipment manufacturing and mining. In 2016 the Chinese company Molybdenum purchased a Brazilian niobium mine (used to produce steel for aerospace and automotive companies) for US$1.7 billion. Like many of the developmentalist military officers who support him, Bolsonaro believes that certain strategic companies should remain under Brazilian control. In the specific case of niobium, Brazil controls 85% of the global market.

In the current context of fragile economic growth, Brazilian dependence on exports to China, and on capital inflows from the Asian giant (in the form of FDI and loans), is enormous. This weakens the leverage of the new government in the face of Chinese pretensions to maintain positions previously acquired in Brazil. If Bolsonaro chooses a closer relationship with Taiwan –or a China policy more in line with the Trump Administration in its confrontation with the People's Republic– Beijing's response could be very forceful and harsh. However, it is worth remembering that Bolsonaro is not Trump and that Brazil is not the US. How far will Bolsonaro go in his confrontation with China? And regardless of what Guedes has claimed, will national interests or ideology prevail?

Finally, there are Brazil's relationships with the EU and Spain to consider. First, it should be noted that during the campaign Bolsonaro made practically no mention of either. Moreover, neither the EU nor Spain imply any essential points of conflict for Brazil or its future government agenda. From the European perspective, the greatest interest lies in the outcome of the negotiations for the Treaty of Association with MERCOSUR. The possible alliances that Bolsonaro might establish with xenophobic leaders or populist movements are also a cause for concern.

It is unlikely that there will be any major variations in the Spanish-Brazilian bilateral relationship. The Spanish Ambassador in Brasilia, Fernando García Casas, has already held an interview with the President-elect, a conversation that Bolsonaro himself described in very complimentary terms. And if from the diplomatic perspective it is unlikely that there will be noticeable changes (unless there are serious moves against Brazilian democracy), they are even less likely from the business perspective. The pro-market climate promoted by Guedes is also favourable for Spanish companies.

Conclusions

In any case, and similarly to Trump's arrival at the White House, after an initial bewilderment and the shock of Bolsonaro's victory, both the governments and politicians of the region are adapting to the new scenario. Not for nothing is Brazil the biggest Latin American economy with which everyone wants to have good relations, beyond the fact that Brasilia has never been too keen to be a regional power.

Lula, for instance, aspired to have Brazil to compete in the major leagues, as shown by his promotion of the BRICS and the failed mediation attempt, alongside Turkey, in the Iranian conflict to reduce Tehran's commitment to building nuclear weapons. It remains to be seen what the aspirations of the Bolsonaro government might be in this regard. If the so-called 'strategic alliance' with Chile is further consolidated, it is possible that Brasilia will assume a more active role in the region.

MERCOSUR is a very special case. After the initial confusion generated by the words of Paulo Guedes, there is a growing consensus among the partners (Argentina, Paraguay and Uruguay) that the regional bloc will not dissolve, although it will be subject to deep revisions. Some such changes had already been requested before Bolsonaro's victory, such as Uruguay's petition to be able to negotiate bilateral trade agreements.

With respect to other extra-regional actors, a closer relationship the US seems evident, although it remains to be seen how Brazil's large interests will position themselves. Too much proximity to Donald Trump could lead them to lose positions in other countries, regions and markets. And if the Arab countries provide a clear example, the case of China is even more of a case in point. China's presence in Brazil increased considerably during the years of Lula and Rousseff: will Bolsonaro want such a presence furthered, or even maintained? Or, on the contrary, will he join the voices already beginning to speak of the need for greater containment of Chinese expansionism. Only once Bolsonaro begins to exercise power on 1 January 2019 will we be able to answer many of these questions.