

# *notas cindes* 07

## Brazil's Foreign Policy: Bolsonaro's first eighteen months

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Taking stock of the evolution of Bolsonaro's foreign policy along the eighteen months since his tenure as President, this brief discusses to what extent a political and economic rupture with Brazil's tradition in foreign policy is underway and prospects on the future of foreign policy under Bolsonaro.

Eighteen months have passed since Jair Bolsonaro's tenure as Brazilian President. From the beginning of its term, the foreign policy adopted by the new government has been strongly criticized by the bulk of academics, ex-Ministers in charge of Foreign Affairs, politicians etc. The focus of criticism has been twofold: the almost automatic alignment of Brazil to the U.S. positions in different issues related to the international order and the "politization" of Brazil's foreign policy.

The two aspects of the new foreign policy – alignment to the U.S. and politically-driven positions – are closely intertwined. Alignment to the U.S. is driven by the political and ideological preferences of the President and his inner circle and by the idea that Brazil must prioritize its relationships with countries identified by their "like-mindedness" to Brazil in political terms.

Domestic criticism towards Brazil's foreign policy grew stronger and louder as the responses and the rhetoric of Bolsonaro's government when dealing with the spread of the COVID 19 pandemic in Brazil followed closely those adopted by President Trump in the U.S. In different moments, members of the inner circle of the President echoed Trump's version of the pandemic, blaming China (and the World Health Organization) for the upsurge and the global spread of the virus. As known, since June Brazil and the U.S. have become the countries with the largest number of cases and deaths related to the pandemic in the whole world.

However, even before the burst of the COVID 19 pandemic, the evolution in Brazil's foreign policy under Bolsonaro was widely perceived as a twofold political rupture with the tradition of such policy.

On one side, the relationship between Brazil and the U.S. has been historically a sensitive issue in Brazil's debate on foreign policy, widely perceived as a symbol of the North-South economic and political inequality against which Brazil directed much of its diplomatic efforts in the last decades. Differently from other Latin American countries, Brazil never adopted a "bandwagoning" strategy towards the U.S., opting instead for an "autonomous" strategy.

On the other side, foreign policy in Brazil has historically focused on economic issues. Through international arbitrage and diplomatic negotiations with neighbor countries, Brazil has become, since the beginning of the 20<sup>th</sup> Century, a "geopolitically satisfied country". Since then, "the definition of external threats and the perception of risks arise basically from economic vulnerabilities – not from security ones"<sup>1</sup>.

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<sup>1</sup>Soares de Lima, M. R. (2005) – Aspiração internacional e política externa – Revista Brasileira de Comércio Exterior n. 82, ano XIX, Janeiro / Março.

### *What about the economic foreign policy: any rupture over there?*

The almost exclusive focus of the domestic debate on the political aspects of the new foreign policy overshadowed the evolution of the economic dimension of the policy. In some aspects, political alignment to the U.S. influenced the economic agenda of foreign policy. The Brazilian unilateral decision to waive the Special and Differential Treatment (SDT) status in World Trade Organization future negotiations – announced during Bolsonaro’s visit to the U.S. – and the recurrent frictions with China – Brazil’s main trading partner –, fostered by Bolsonaro himself and his inner circle, provide two good illustrations of the political influence over the economic agenda.

But it is also true – and maybe more relevant when assessing the new government’s foreign policy – that in other aspects and issues the economic external agenda evolved subject to various interests and preferences that cannot be reduced to the political priorities of the President and its inner “ideological” circle. This perception can be illustrated by the evolution occurred, in the first year of the new government, in Brazil’s trade agenda.

The first example refers to unilateral trade liberalization. As known<sup>2</sup>, Bolsonaro’s program as a presidential candidate included a commitment to open the economy to foreign trade, acknowledging the costs of trade protectionism to the Brazilian economy.

Some relevant steps were taken through preferential trade agreements (PTA), with the conclusion of MERCOSUR negotiations with the European Union and the European Free Trade Area in 2019. Other negotiations are in process, with Canada, South Korea and Singapore. The conclusion of negotiations with the two European trade blocs has been a landmark in the history of Brazil’s economic foreign policy<sup>3</sup>. For the first time, Brazil (through MERCOSUR) concluded a comprehensive trade agreement with developed countries, whose objective is the setting of a free trade area between the regions involved.

Although relevant as an inflexion in the historical trajectory of Brazil’s economic foreign policy, liberalization through PTA seems to have replaced, in the rhetoric and the practice of the trade policy, the proposal of a unilateral trade liberalization. PTAs take longer than unilateral liberalization to produce economic effects and the switch of priorities – from unilateral to negotiated liberalization – was welcomed by the import-competing (protectionist) industrial sector.

Besides, during the first eighteen months of Bolsonaro’s term, no relevant unilateral measure geared at reducing the protection afforded to domestic producers was implemented. A proposal for reducing tariffs on capital and informatics/telecommunications goods developed under the previous government and discussed in the first months of the new one was ultimately not adopted, under pressure from the potentially affected sectors. At the same time,

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<sup>2</sup>Motta Veiga, P. and Rios, S.P. (2019). Brazil’s foreign policy under the new government: the first movements of a rupture, Policy Brief, May.

<sup>3</sup>Brazil has historically avoided trade and investment agreements with developed countries, whose trade liberalization goals are perceived as threats to the import-competing industrial sector whose rules and disciplines are seen as restrictions to “policy space”, especially for industrial policies.

in the agricultural sector, some protectionist measures were enforced unilaterally, targeting specific products, such as bananas and powdered milk.

The issue of trade liberalization overlaps with the MERCOSUR issue, because Brazil shares with the other member countries a Common External Tariff (CET)<sup>4</sup>. From the outset of its term, the new government announced that it would propose a systemic review of the CET, aiming at a 50% reduction of the applied tariffs across the sectors. In broad terms, MERCOSUR seemed to be perceived by the new government as a protectionist device, with high tariffs to protect domestic production from import competition.

This view was initially shared by the Macri's government, but the deepening of the macroeconomic crisis in Argentina, during the last year of his term (2019), reduced significantly its room for maneuver to reduce tariffs and embrace the Brazilian proposal. On Brazil's side, the trade liberalization agenda was substantially downgraded in the ranking of policies priorities, which, consequently, reduced the priority given to the revision of the MERCOSUR's CET.

The election of an Argentinian president politically distant from Bolsonaro, in November 2019, fostered bilateral criticism in the political arena, but was not sufficient to revive the debate between Brazil and Argentina on MERCOSUR's integration model as well as to bring back to the negotiation front the Brazilian proposal on the CET reform.

In such a scenario, the interests of the industrial sectors in the member countries – most notably in Brazil – recovered the primacy in the setting of MERCOSUR's agenda and *status quo* prevailed. The CET reform is still formally in the agenda, but no one expects that the discussion will lead to concrete outcomes in the near future.

In these emblematic two cases, continuity has prevailed over rupture and the current *status quo* is likely to last for Bolsonaro's remaining time of Presidency. The interests that have driven historically Brazil's trade policy imposed their views as far as unilateral trade liberalization and the MERCOSUR process are concerned and no relevant rupture has intervened in the political economy of trade policy inherited from the previous governments.

Beside those two major examples, some initiatives politically driven with potential economic impacts have been limited or not even adopted under the pressure of strong domestic interests. The case of bilateral relations with China illustrates this perception: despite some tough rhetoric, a pragmatic and economically-driven approach from the Brazilian government as a whole has prevailed – at least so far – reflecting the pressure of the powerful agribusiness sector, whose largest export market is precisely China.

In all these cases, pragmatism and the economic interests of the business sector prevailed. In this sense, the political motivation behind the two announced proposals seems to have been overtaken by economic concerns related to their potential impacts on the dominant position of domestic producers in the domestic market and the Brazilian exports to China and to MERCOSUR.

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<sup>4</sup>MERCOSUR is a customs union and supposedly has a common trade policy, in practice limited to an incomplete common external tariff.

On balance, Bolsonaro's foreign policy was driven by a somewhat paradoxical combination of political and ideological preferences with pragmatism pushed by economic considerations and interests. It seems fair to argue that Brazil's foreign policy follows the political and ideological preferences of the government as far as its rhetoric is concerned, while the translation of rhetoric into practice has been "modulated" (and moderated) by domestic economic interests favorable to continuity over rupture in the economic foreign policy<sup>5</sup>.

Consequently, in broad terms, rupture in Bolsonaro's foreign policy seems to have gone further in political than in economic terms, which leads one to a further question: is this political rupture sustainable? To put it differently: will it be able to produce along lasting shift in the trajectory of Brazil's foreign policy?

### ***How sustainable is the political shift?***

To answer these questions, it is useful to disentangle the two aspects that make for the supposed political rupture in Brazil's foreign policy: the almost automatic alignment of Brazil to the U.S. positions in different issues related to the international order and the "politization" of Brazil's foreign policy.

As for the first aspect, it is worth recognizing that the efforts made by the government to tighten the bilateral relationship with the U.S. have been frustrating, pointing to an ideological and non-strategic approach from the Brazilian government, with no clearly stated goals and no means to achieve them. Beyond that, the Brazilian approach to this issue seems to ignore the trends that have dominated U.S. foreign economic policy under President Trump's government, largely driven by economic nationalism and a beggar-thy-neighbor approach.

The domestic repercussions of some recent episodes involving the U.S.-Brazil relationship – including the Brazilian official response to the pandemic, mimicking the U.S. one – seem to reinforce this conclusion. The tightening of the ties with the U.S. is exclusively justified by the President and his inner circle on political (or even ideological) grounds, and has not been framed by anykind of strategic vision and/or programmatic set of actions and objectives.

This obviously does not prevent the 'ideological group' from influencing foreign policy to push for closer relationships with the U.S. and other like-minded countries<sup>6</sup>. But at this point in time it seems that these initiatives owe more to the fostering of domestic 'cultural wars' through social media than to the pursuit of a new foreign policy strategy. Therefore, it is hard to imagine that it would get political traction to change effectively and durably the course of

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<sup>5</sup>Although concentrated on the "rhetoric foreign policy", the political and ideological preferences of the government have shaped some concrete attitudes and stances in international fora, driving Brazil's votes at the United Nations on issues relating to human rights, cultural values, sanctions imposed to Cuba etc.

<sup>6</sup>As stressed in the previous brief (Motta Veiga and Rios, 2019, op. cit), "*Brazil's foreign policy under Bolsonaro evolves under the influence of different groups, with very diverse views on the course of the international system and Brazil's interests in it. The so-called 'ideological group' is strongly represented in the inner circle of the President (...). The members of this group share an 'anti-globalist view', averse to international governance institutions and agreements – including in areas such as migrations, climate change etc – very similar to the views promoted by the Trump's government. The 'liberal group' is concentrated in the Ministry of Economy and it is responsible for pushing the economic elements of the rupture in the foreign policy, as well as the unilateral trade reform*".

Brazil's foreign policy, beyond Bolsonaro's term. This is why the tightening of ties with the U.S is likely to add to a series of short-lived episodes of alignment to the U.S. in the international arena, associated with very specific governments or historical moments.

However, this does not mean that Brazil's foreign policy will return to the *status quo* after Bolsonaro, which leads us to the second aspect of the supposed political rupture: the "politization" of an agenda historically focused on economic issues.

In Brazil, foreign policy was largely spared from domestic political debate during the import-substitution period and beyond, as it was consensually perceived as the external dimension of the industrialization strategy<sup>7</sup>. Continuity contributed to consolidate the widely shared perception that foreign policy is a matter of State, to be developed in a different plan from the domestic politics' one.

"De-politization" of foreign policy has begun to be challenged in the first decade of the 21<sup>st</sup> Century, under Lula da Silva's two presidential terms (2003-2010). To be sure, to a large measure, this evolution does not exclusively relates to Brazil's circumstances. It reflects the thematic expansion of the trade policy agenda, in the last decades of the 20<sup>th</sup> Century and beyond, which brought to the trade policy arena players that were not directly concerned with trade and foreign policy, among which the Legislative branch and different segments of the civil society. Through trade negotiations, foreign policy became an issue for many social groups and a potential source of domestic political legitimacy (or illegitimacy) for the governments<sup>8</sup>.

Beyond that shift, shared by many developing and developed countries, some foreign policy options made during the Lula da Silva's administrations brought to foreign policy agenda an unseen level of "politization". Trade negotiations became a tool for forging political alliances and coalitions irrespective of their relevance when assessed through an economic metric. In South America, the economic integration agenda was frozen to the benefit of a political agenda fostering cooperation between Brazil and politically like-minded governments (Argentina, Venezuela, Bolivia and Ecuador).

Hence, the "politization" of Brazil's foreign policy was a central component of Lula da Silva's governments and, as such, the phenomenon precedes Bolsonaro's election. In comparison with the PT's government, Bolsonaro has only inverted the political signs (from left to right) and "doubled the bet" on the "politization" of foreign policy<sup>9</sup>.

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<sup>7</sup>Motta Veiga, P. and Rios, S.P. (2019).op.cit.

<sup>8</sup>In Brazil, the (unsuccessful) negotiations of the Free Trade Area of the Americas (FTAA) were the main trigger to the "politization" of the foreign policy arena

<sup>9</sup>"Politization" of foreign policy under the PT governments was less noticeable than under Bolsonaro. There are reasons for that. In the former case, the political view guiding foreign policy shared many points with the historical paradigm that has dominated Brazil's foreign policy(priority given to multilateralism and to coalitions of developing countries and a permanent "soft counter-hegemonism" targeting the U.S. and its influence, especially in South America), making it a kind of "leftist version" of the mainstream thought on Brazil's international relations. In the latter case, "politization" has meant, besides the alignment to the U.S., a rhetoric made of anti-globalism and radical conservatism as far as cultural and social values are concerned. These are ideas that have never been a part of Brazil's foreign policy, in practice or in words.

Therefore, irrespective of specific government's political values and preferences, Brazil's foreign policy seems to have durably entered the stage of the domestic political debate and has become politicized. There is no indication that this trend will be undone or reverted in the future.

### *Summing up: reassessing the intended rupture*

Putting together the evolution of the different components of Bolsonaro's foreign policy, it seems clear that, in the economic dimension of the policy a relevant inflexion – but not a rupture – took place. The main movements that point to this inflexion have been the conclusion of trade negotiations with the EU and a less “defensive” stance in the WTO, where Brazil applied to membership to the plurilateral Government Procurement Agreement (GPA)<sup>10</sup>. Movements that would actually represent a rupture in the tradition of Brazil's economic foreign policy – unilateral trade liberalization and a shift in the integration model adopted by MERCOSUR – have been withdrawn from the agenda.

In the political dimension, the “politization” of foreign policy under Bolsonaro's points to the deepening of a phenomenon that emerged explicitly during the PT governments. The stridency of “politization” during the last one year and a half could mislead the analysis, suggesting a rupture where there is continuity, albeit at a higher tone.

Strict alignment to the U.S. positions would indeed represent a political rupture in the trajectory of Brazil's foreign policy, but, as argued here, it seems to be unsustainable beyond Bolsonaro's government. First, because there is no strategy behind Brazil's alignment. Second, because the U.S. does not respond to Brazil's movements with initiatives that could be perceived as a reward for Brazil's “loyalty”. Perhaps more importantly, Brazilian unilateral alignment seems to owe more to the admiration of Bolsonaro's inner circle towards Trump than to any other political or economic factor. If this is the case – and there are good reasons to believe it is – Brazil's alignment to the U.S. could be seriously hit and “vanish in the air” if Trump is not reelected in November 2020.

Eighteen months of government have been enough to outline the extension and the limits of the rupture in Brazil's foreign policy pursued by the new government. If there is rupture, it is concentrated on the unilateral alignment to the U.S. – which, in its actual terms is unsustainable. In the other aspects of foreign policy, continuity prevails, despite a rhetoric betting on “extreme politization”.

As for the near future, the main challenge to be faced by the government in the field of foreign policy refers to the competition between the U.S. and China and its implications for Brazil. This is an issue involving political and economic questions and the debate in Brazil

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<sup>10</sup>It is important to stress that, as in the case of Brazil's demand for accession to the OECD, in 2017, the conclusion of the MERCOSUR – EU negotiations became a priority in the economic foreign policy agenda during the government of Michel Temer (May 2016 - December 2018), which immediately preceded Bolsonaro's one. However, it seems indisputable that the final push, from Brazilian side, to conclude the negotiations came, mainly through additional concessions, during the first six months of the new government. On the other side, it is also indisputable that policies followed by Bolsonaro in sensitive areas as the environment, can jeopardize the efforts made to conclude the negotiations and postpone the ratification of the agreement.

will surely be, in some measure, framed and influenced by evolution of the international scenario, growingly polarized.

### ***U.S.- China Competition in Brazil: a new challenge for foreign policy***

In the first decade of this century, China became Brazil's main trade partner. The two countries are partners in BRICS, considered a South-South cooperation forum, but their bilateral economic relations are typical of a North-South pattern: China exports manufactured goods to Brazil and imports basic commodities (iron ore and soybeans, essentially) from Brazil. Critics of this pattern of trade argue that by exporting food and raw materials and importing industrialized goods, Brazil faces the risks imposed by the volatility of commodities prices and de-industrialization.

Since 2010, China has become a major foreign investor in Brazil, mainly through state-owned companies investing in infrastructure, particularly in the energy sector. Chinese investment has been widely welcomed in an environment characterized by declining investment rates and low economic growth. However, more recently, some concerns have been raised by Brazilian policymakers and analysts pointing out the economic and geopolitical risks of an 'excessive' dependence on Chinese State companies in sectors perceived as strategic for the economy. This perception was reinforced by the recent evolution of Chinese politics, which seems to confirm the central role of state-owned companies in the country's development model and internationalization strategies.

During his election campaign, President Bolsonaro warned that the "*Chinese are not buying in Brazil. They are buying Brazil*"<sup>11</sup>. As argued, since the President took office, the issue has not been raised again, suggesting that a more pragmatic and economically driven stance has prevailed. This stance seems to have been confirmed by the visit of President Bolsonaro to China, in October 2019.

Although bilateral relations are nowadays being managed with a pragmatic tone, despite some rhetoric disputes, one cannot discard the possibility that the priority accorded by the Brazilian government to its relationship with the U.S. could hinder Brazil's relationship with China.

One critical event for the positioning of Brazil in the dispute between the U.S. and China will be the bid for 5G technology, likely to happen in the second half of 2020 or in the first half of 2021. High-ranked U.S. officials—most notably the Secretary of Commerce—have warned Brazil against the "*risks*" of allowing Huawei, a private Chinese company, to participate in the bid and possibly become a provider of 5G services in Brazil<sup>12</sup>.

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<sup>11</sup><https://noticias.uol.com.br/politica/eleicoes/2018/noticias/reuters/2018/10/25/discurso-anti-china-de-bolsonaro-causa-apreensao-sobre-negocios-com-o-pais.htm>.

<sup>12</sup>In February, the Brazilian government opened a public consultation on the tender document for the 5G bid. The document does not explicitly ban the participation of Huawei in the bidding process. However, one cannot exclude the possibility of a veto from the government when the final version of the document is published.

In the last months, the international scenario became more polarized between the U.S. and China as far as the dispute for technological leadership is concerned. At the same time concerns related to Huawei – and its supposed links with the Chinese Communist Party – and, more broadly, to the Chinese strategy in high tech sectors have grown in different countries, ranging from the EU and European individual countries to Canada, Australia and New Zealand. Many of these countries have adopted measures that will exclude in the short or mid-term Huawei from their domestic market.

These evolutions will have an impact on the Brazilian debate on the issue 5G-Huawei. It will become more difficult to argue favorably to the Chinese company, on grounds of economy efficiency and costs, discarding the political dimension of the affair. At the same time, a decision banning Huawei could jeopardize the efforts to attract Chinese investments in different sectors. When decisions concerning this issue will be taken in Brazil, the presidential election in the U.S. will have already occurred, maybe affecting Brazilian unilateral alignment to the U.S.

How these elements will interact and make for a decision that, in any case, is unlikely to satisfy both global super-powers and which implications Brazil's decision will have on its bilateral relationships with the U.S. and China seem to be the only remaining challenges to be faced by Brazil's foreign policy under Bolsonaro.