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BRAZILIAN-ARGENTINE RELATIONS IN THE 1980s: FROM WARY RIVALRY TOWARD FRIENDLY COMPETITION

Prepared by: Dr. Wayne Selcher
Elizabethtown College

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EXECUTIVE VERSION

BRAZILIAN-ARGENTINE RELATIONS IN THE 1980S: FROM WARY RIVALRY TOWARD FRIENDLY COMPETITION

Since 1979, Brazil and Argentine have steadily softened the tone of their traditional rivalry and set up mechanisms for cooperation. Both perceive that accumulated small grievances could cause major points of attrition, sapping more important efforts. Democratization is now a key element in the betterment of relations, as are common economic pressures.

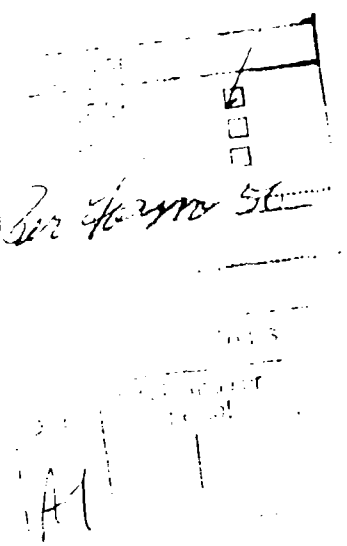
All sense of competition will not be removed, however, nor will an entente cordiale or a joint hegemony emerge. Most likely in 1985-86 is friendly competition with mild signs of economic interdependence (75% probability). The 1987-89 period should see a cooperative tone with subdued competition (65% probability), unless poor management of the rivalry-driven drift toward the nuclear-weapons threshold causes an upsurge in tensions (25% probability).

American policy and interests in the region will be affected mainly in political and security aspects. The chief challenge will be the enhanced local political conditions and mounting technical need to address the nuclear proliferation threat with confidence-building measures before the threshold is inadvertently crossed. Both countries will revise their security doctrines and pursue more independent foreign policies, offering changing opportunities for American cooperation.

Successful economic cooperation under democracy will give both partners a bit more autonomy in relations with the U.S. and increase the potential for

evolutionary political change and economic cooperation in the whole Southern Cone. Slightly greater competition for American business interests may result.

The weight of the foreign debts is a political issue and a principal impediment to constructive local cooperation. Milder debt repayment terms would have positive internal and international consequences. The biggest downside economic risk, unlikely at present, is that, should Brazil and Argentina succeed together in dictating repayment terms, other debtors would probably follow suit.



ARA VERSION

BRAZILIAN-ARGENTINE RELATIONS IN THE 1980S: FROM WARY RIVALRY TOWARD FRIENDLY COMPETITION

Dr. Wayne A. Selcher
Department of Political Science
Elizabethtown College
Elizabethtown, PA 17022

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KEY JUDGMENTS

Events since 1979 have steadily softened the long-dominant tone of rivalry in Brazilian-Argentine relations, created mutual confidence, and set up institutional mechanisms for greater cooperation. This understanding is attributable to a pragmatic perception in both capitals that accumulated small grievances could mount into major points of attrition sapping more important efforts. Relations are now being defined more in terms of opportunities than of controversies. Excellent diplomatic relations are being extended into other sectors of activity. Yet all sense of competition will not be removed nor will an entente cordiale or a joint hegemony develop to be the mainspring of foreign policy for either country.

Continued success of democratization will encourage more cooperation. Joint action on foreign debt issues will be more implicit than explicit, unless creditors become unyielding in the face of a serious worsening of ability to pay which threatens internal stability. Economic cooperation, mainly in trade, will be the chief result of the bilateral approximation. Security antagonisms have been greatly reduced, but close security cooperation is unlikely. The greatest security danger ahead is an inadvertent drift toward the nuclear threshold as a spinoff of the two civilian programs.

The most likely state of the relationship in 1985-86 is friendly competition with mild signs of economic interdependence (75% probability). Major formative factors beyond 1986 include degree of mutual economic benefits, status of foreign debt terms, economic health, viability of countertrade, inward vs. outward orientations, internal stability, regime compatibility, comparative advantage, political status of neighbors, and status of nuclear development programs. Most likely in 1987-89 is continuation of an essentially cooperative tone with subdued competition (65% probability), unless poor management of the nuclear issue causes an upsurge in tensions (25% probability).

American policy will be affected chiefly by somewhat greater autonomy of the partners, the increased potential for evolutionary political change and economic cooperation in the Southern Cone, the weight of the foreign debts as an impediment to constructive local cooperation, slightly greater economic competition, revision of local security doctrines, and the enhanced conditions and need for managing the nuclear proliferation issue.

I. POLITICAL RELATIONS: CURRENT DYNAMICS AND FUTURE PROSPECTS

CURRENT POLITICAL DYNAMICS

For many Argentines the main point of uneasiness toward Brazil has been a sense of frustration in failure to achieve a supposedly destined clear primacy within South America. Argentina's vacillation, developmental difficulties, and internal divisions since 1930, after decades of impressive economic and political progress, contrast with more stable Brazil's steady population and economic growth and increasing global significance, however troubled. The Argentine elite's sense of cultural and racial superiority toward a much larger and racially mixed Brazil further aggravated specific disputes arising from typical trade, regime, border, or sphere of influence differences. An Argentine

penchant for casting international relations into zero-sum geopolitical frameworks, evident particularly in military thinking, posited tensions and cast Brazil into the role of a successful expansionist power pressing against a weak and indecisive Argentina.

Brasilia regards Argentina as its most important Latin American partner by far and one of its rather few foreign policy partners with which relations must be carefully managed. In the worst Brazilian stereotypes, Argentina is seen as a bad example of political instability, haughtiness, social indiscipline, military cruelty, organizational weakness, economic stagnation, and unruly labor.

Armchair strategic analysis aside, Brazil has been careful that its initiatives, such as the Amazon Basin Pact, do not take on an anti-Argentine cast. Argentina has value as an economic partner and as a key to relations with South America, but it can also play a "spoiler" political role. For this reason, good or at least acceptable relations with Argentina are an important ongoing priority for Brazil, in part to free attention for more important questions and partners. The impetus toward better relations can be traced to 1976, when a feeling took hold in Buenos Aires that continued competition would automatically relegate Argentina to loser's status. The mutually satisfactory settlement in 1979 of the Itaipu Dam controversy over shared water resources was the first major result of closer relations.

The 1982 Falklands conflict and its aftermath actually accelerated the cooperative trend. Brazil's position during the conflict and afterwards was, on balance, well-received by the Argentines. The Falklands defeat and the wounding of Argentina's Western self-image generated an introspective rethinking of premises. Subsequent progress on the settlement of the Beagle Channel dispute with Chile eased the Argentine feeling of "encirclement" and lessened pre-

occupation with a long-standing focus on a conflictful issue. The gathering speed of Brazil's political liberalization and general acceptance of its nascent role on the continent as a cooperative one further heightened its attractiveness as a partner.

For Brasilia, the Argentine invasion of the Falklands both rekindled stereotypes about Argentine volatility and underlined the necessity of encouraging cooperative rather than conflictful international relations in South America. The Foreign Ministry's accomodationist view prevailed that adroit diplomacy and preventive maintenance were the best way to assure that, at worst, Buenos Aires could come to represent an annoyance because of erratic behavior rather than a threat because of armed hostility directed toward Brazil, caused in part by an upsurge in Brazilian military preparedness.

In consonance with Brazil's characteristic pro-stability orientation in South America, it is in Brazil's interest that Argentina be neither unstable politically on one hand, nor seized by an ebullient and rash nationalism, on the other. Increased attention to the quality of the relationship was the outcome, to move even further away from confrontation and to head off problems "technically" well before they peak politically.

FUTURE POLITICAL PROSPECTS

A Situation of Ambiguity

The supposition of an overarching and permanent rivalry has given way to a more reasonable, problem-solving attitude which extends to both bilateral relations and exchange of analysis of regional and global issues. What remains is to give practical consequence to the change in perceptions. Most Argentines, however reluctantly, have apparently accepted that, on the whole, Brazil is economically more advanced and will continue to outpace their country. Brazil is seen much more as a source of options than as a threat. Yet many Argentines

have not yet given up a somewhat fanciful idea that somehow their country can maintain some kind of rough "parity" of capabilities with Brazil. Nor have the negative stereotypes been completely abandoned on either side.

There are no important conflicts between the two states now, but neither has their mutual awareness been raised sufficiently to produce the level of more intense cooperation which an objective examination might find possible. Neither country wishes to be led by the other, yet Argentina will have to take Brazilian views more seriously as the years go by. Both countries continue to look inward or elsewhere first for their needs rather than to each other, at both the governmental and private sector levels. The tentative nature of the emerging political institutions and domestic economic restructuring on both sides will demand much immediate attention of the governments and will make unlikely in the near term the undertaking of major departures beyond trade intensification.

Central to the future of the relationship is the Brazilian government's recent acceptance of the policy relevance of the fact that the country is the predominant power on the continent and that it is slowly expanding a more tangible stake in what happens there. One of its premises is that attention should be drawn from territorial disputes to developmental issues. Brazil's interest will move into cautious, modest, and almost reluctant action, if the government believes that the chances for success are good. Brazil stands to gain from a cooperative, economically healthy South America, and prerequisite to such a future are cooperative relations with Argentina.

Political Conditions in the Short Run (1985-86)

Recent democratization in both countries has been a crucial element for political understanding. Assuming a Raul Alfonsín government in Buenos Aires and a Tancredo Neves government in Brasilia, the approximation is very unlikely to reverse.

There will be few direct effects between the two countries in the process of redemocratization, including in the treatment of the military, because each process is autonomous. Yet a power of example, of encouragement or discouragement, will be present. Old gibes and distrust will tend to decline slowly, and a sense of friendly competition (as contrasted to the former wary rivalry) will emerge. Brazil will remain more a potential target of Argentine dissatisfactions than the other way around. Continued success of these two democracies and the strength of their relationship will encourage moderation and evolutionary change in the Southern Cone.

Resolution of the debt burden will be the priority item on the agenda of each, with high probability of a "political" approach. Possibilities are good for continued joint or simultaneous pressure on creditors for options such as interest rate stabilization, an interest rate ceiling, or payments limited to a percentage of export earnings, in the name of social obligations and preservation of fragile democracies. Most probable at first is a common political statement in a spirit of compromise (yet also warning) to create systemic conditions for more favorable but separate renegotiations. Also likely is continuation of the alternating approach of bargaining for better terms from creditors, based on concessions won earlier by the other side.

Formation of a more radical "debtors' cartel" for a broader and more insistent united front is likely only as a last resort if payment conditions become exceedingly burdensome. A serious worsening of Latin American ability to pay, causing a serious constriction of economic "breathing space" with socio-political consequences, could well overcome Brazil's reluctance, given its own situation, its growing identification with Latin America, and its present and future economic and political-security stake in the region's stability and growth. Should the creditors refuse to recognize in practical terms the

ultimately unpayable nature of the debts under any conceivable circumstances, the threat of a joint rupture with past agreements, in order to force new parameters and relieve pressures, could seem less damaging to the two cooperating national economies than continuation of a massive anti-growth capital outflow with constrictive economic policies and social disruption.

Political Conditions in the Medium Run (1987-89)

Most important among factors for progress are the success of the two new democracies and the institutionalization of cooperation. The course of the debt issue will probably be the single most important overriding outside factor, because that affects many other economic and political variables. The quality of the bilateral relationship can have major effects on tension levels in South America, and particularly in the Southern Cone.

For conjectural purposes, potential major political trends can be divided into those tending to strengthen the linkage and those tending to strain it, ranked in rough descending order of probability.

Potential Political Trends Strengthening the Linkage

1. Continued stable civilian government on both sides, with developmentalist and outward-looking policies.
2. Continued development of the socio-economic concept of national security, as contrasted with a national defense concept.
3. Settlement of Argentine territorial disputes with Chile and at least attenuation of the Falklands controversy.
4. An easing of the debt payment terms for both countries, but particularly for Argentina.
5. Deeper private sector ties.
6. Continued acceptable progress in joint projects, such as water resources projects in the River Plate Basin.
7. A deterioration of debt payment terms and the economies to the point at which a confrontational stance toward the creditors and a great joint economic effort seem the only way out.

Potential Political Trends Straining the Linkage

1. Argentine instability, or return to power there of the Peronists or right-wing military sectors.

2. Rapid Brazilian growth concommitant with Argentine stagnation or regression, clearly destroying the notion of "parity" still held by some nationalistic Argentines.
3. Revival of geopolitical views in either country, but particularly Argentina.
4. Worsening of the debt payment situation for either country, but only to the point where it dominates foreign policy and cripples new departures such as joint action towards creditors.
5. A strong American preference toward either country, but especially Brazil, and particularly in military or nuclear technology matters.
6. Argentine obsession with the Falklands controversy or border questions with Chile.
7. Great surge in Brazilian influence or the continent, especially in the Southern Cone and if done in a flambouyant manner. (Paraguay is the most likely case in point.)
8. Level of political uncertainty within Brazil high enough to cause national introversion and anxiety about domestic power distribution.

II. ECONOMIC RELATIONS: CURRENT DYNAMICS AND FUTURE PROSPECTS

CURRENT ECONOMIC DYNAMICS

The measure of the quality of the relationship will be its economic results, particularly in trade, technology, and possibly mutually reinforcing actions on the foreign debt. Stubborn structural problems have inhibited further immediate progress, but recent major governmental agreements may signal an imminent turning point toward a degree of interdependence.

Trade

The trade turnover between Brazil and Argentina has been erratic over the last decade because of low levels of mutual attention and trade policies dominated by short-term considerations. Reaching less than $1 billion total by 1978, it shot up to nearly $2 billion by 1980, heavily as a result of Brazilian response to the later-discredited pro-import and free-trade economic policies of Argentine Economy Minister José Martínez de Hoz. When the exchange rate incentive was removed, recession and import restrictions on both sides, as well as the Falklands conflict, cut the trade to nearly half within three years.

Argentina's exports are typically dominated by raw materials, while Brazil's are composed largely of manufactured goods. Brazil has had problems

finding commodities to buy in large quantity from Argentina, short of rediversion of sourcing from traditional suppliers. Brazil's internal sourcing and import substitution policies may just aggravate this problem as its economy continues to be reprofiled. The most obvious substitution possible is in wheat, in which Brazil can shift sizable purchases from the U.S. and Canada (where it enjoys trade surpluses) in order to encourage a balanced trade with Argentina at a higher level.

Argentine industrialists' complaints against Brazilian subsidies for manufactured goods are a common occurrence at trade talks, raising threats of protectionism. Argentine manufactured goods suffer from a restricted domestic market and fare less well than the Brazilian in the foreign market place in general because of quality, price, finance, marketing, and delivery disadvantages. The recent drive of both countries to promote exports and stem imports will just worsen the situation, unless countertrade or clearing-house type reciprocal credit accounts deals are established on a regular basis. The range of complementarity may be broad, but each area is still rather shallow relative to commitments elsewhere. Most relative advantage factors tend to favor Brazil.

Joint Projects and Technological Cooperation

A small amount of joint investment or services activity can be expected on only an episodic basis, because both countries will continue to look heavily to customary sources of investment and technology in order to keep up with the state of the art. To date, it appears that most, perhaps nearly all, of the industrial cooperation between the two countries occurs as a result of the activities of multinational firms. Yet pooled resources or industrial complementarity could be well utilized in hydroelectric projects (some years away because of decreased demand), biomass fuel technology, livestock raising,

mining, energy, engineering, petrochemicals, steel, automotive parts, machine tools, aviation, informatics, microelectronics, and nuclear science.

FUTURE ECONOMIC PROSPECTS

Economic Conditions in the Short Run (1985-86)

The relationship must have a heavier underpinning in broad projects in order to survive and perhaps to reach a degree of generally-perceived interdependence which does not currently exist. Mutual preferences and rechanneling of commitments from elsewhere to this linkage will be necessary and an indicator of serious engagement. The predominant advantage will remain with Brazil in most sectors, necessitating adjustments to ensure Argentine participation under conditions of equity. Mutual responsiveness and willingness to administer a broader relationship are now good, but tangible benefits must flow in the next several years because the economies of both parties require some short-term payoffs. Governmental engagement will continue to be crucial.

Economic Conditions in the Medium Run (1987-89)

Success in enhancing cooperation will have positive effects for Bolivia, Chile, Paraguay, and Uruguay, because these four countries form a major intra-regional trading bloc with Argentina and Brazil. Should third-party effects of the joint initiatives of the two giants occur too rapidly, however, the smaller states could react negatively.

Potential major economic trends can be grouped into those which will reinforce the relationship and those which will weaken it, ranked in rough descending order of probability.

Potential Economic Trends Strengthening the Linkage

1. Success of countertrade or reciprocal credit clearing house accounting, to ease the cash flow bind.
2. Redirection of trade flows and concession of mutual preferences.
3. Relief on debt payment terms sufficient to ease import restrictions.
4. Economic recuperation of both parties, and particularly Argentina.

5. Bilateral or subregional cooperation in energy matters, particularly natural gas and hydroelectric power.
6. Economic recession sufficient to encourage countertrade, a sharing of resources, and joint import substitution.
7. Cooperation between branches of multinationals located in both countries.
8. Major spillover of cooperative efforts into the private sector.
9. Effective industrial integration, in areas such as machinery, tools, and petrochemicals.

Potential Economic Trends Straining the Linkage

1. Sluggish or recessive economies on either side.
2. Continued Argentine emphasis on the Soviet trade, or Brazilian emphasis on Western and Asian markets.
3. More onerous debt payment conditions.
4. Greater gap in economic competitiveness, provoking Argentine protectionism against Brazil and losses in Argentina's third markets.
5. A heavy Brazilian turn toward the internal market and internal sourcing and import substitution, particularly in food or natural gas.

III. SECURITY RELATIONS: CURRENT DYNAMICS AND FUTURE PROSPECTS

CURRENT SECURITY DYNAMICS

The Conventional Level

Troublesome security concerns were greatly lessened, but not completely alleviated, by the betterment in political relations and the shift from a territorial defense preoccupation toward a largely socio-economic concept of national security. Military leaders have safeguarded relations in times of rivalry, but security cooperation is not close. Military visits with exchanges of views have been fairly frequent, but longer-term training arrangements in the other country are few. Both security establishments turn a significant amount of their intelligence efforts toward each other and still run war contingency scenarios based on aggression from the other side. Yet the Argentine navy and air force have acquired Brazilian-built ground attack jet fighters. Brazil has much less use for Argentine-produced weaponry because it prefers to develop its own through its much larger defense industry.

Both military and security establishments are reassessing their self-images and security missions with the return of civilian rule. This redefinition will

be a process of several years' duration and will depend upon the evolution of domestic politics and that in neighboring countries. As the years pass, both states will possess more sophisticated weaponry, with more advanced domestic production (among the Third World leaders) and international capability. Because of past security concerns that were heavily internal and an East-West orientation imparted by American doctrine, ideas on avoidance of international war in South America have as yet been poorly developed, even after the Falklands conflict. "Muddling through" or tacit bargaining may no longer be good enough, especially since the United States is increasingly less likely to be able to exert a restraining influence. Each country will develop its own security doctrine and pursue its own choices, freer of American influence than in the past, more informed by national and continental theoreticians, and less caught up in East-West concerns.

The Nuclear Issue

A tacit and worrisome nuclear technology development race has the potential for inadvertently precipitating a nuclear weapons race, given either a crisis or status drives as incentives to cross the threshold. Both countries pursue policies that keep open their options to build a nuclear device, while vehemently disavowing all intention to do so. Argentina is further along in nuclear technology and capability, which is seen nationally as a proud and successful measure of scientific maturity. Thus Argentina is the rapidly advancing "push" factor in a "push-pull" escalation or inadvertent drift toward the nuclear threshold as a spinoff of the two civilian programs.

Because nuclear technology is one of the few areas in which Argentina surpasses Brazil, and because it has prestige and commercial applications, Argentina will not allow itself to fall behind. Should Argentina produce weapons-grade plutonium or announce ability to construct an explosive device in

a short time frame (an ability it already has), Brazil will almost inevitably follow suit.

Argentina has its own uranium deposits and is well on its way to mastering the complete nuclear fuel cycle. Brazil could be in a similar position in the 1990s. From an arms control standpoint, the political problem becomes one of managing near-nuclear-weapons capability through confidence-building and regional safeguards without precipitating an actual decision by either side to construct a bomb. This "pre-deterrence" situation will be difficult to manage, given the characteristic regional political uncertainties, and will persist whether regimes are civilian or military.

FUTURE SECURITY PROSPECTS

Security Conditions in the Short Run (1985-86)

The security facet of the relationship will increase in significance as time passes. A "window of opportunity" exists in this time frame for mutual confidence-building measures in the conventional and nuclear development areas, to lower the potential for both the reassertion of more problematic territorial or geopolitical security preoccupations and the initiation of a conventional or nuclear arms race. Because of the recent record of the Argentine military and a Brazilian perception of them as still unpredictable, really close security cooperation is not likely in this time frame.

Both sides will be pursuing higher levels of self-sufficiency. Brazil is not undertaking the task of becoming a world-class military power, and its military forces are still deployed for domestic purposes. Argentine forces have already shown international performance more than sufficient for localized hostilities.

The growth of Brazil's vigorously export-oriented arms industry and its space program, fueled by a more dynamic and larger economy, and the planned

gradual increase in armed forces size will in time far surpass Argentina's ability to keep conventional "parity" by stressing quality and training. This future gross imbalance, and a potential Argentine drive to "go nuclear" in compensation, is South America's most serious probable future security threat. Political measures to build mutual trust must be functioning reliably before a mutual perception of Brazil's overwhelming hegemony in capabilities is apparent to both governments.

Security Conditions in the Medium Run (1987-89)

The chief problems in this time frame could involve:

1. Serious Argentine concern about a greatly more powerful Brazil which is expanding continental influence and outstripping it militarily and economically.
2. The introduction of a nuclear weapons status factor into the equation.
3. Ressertion of an internationally aggressive posture by the Argentine military.
4. Severe economic and political collapse in either or both countries

At present, these conditions are less than probable, and Argentina seems more likely than Brazil to be the origin of such instability.

The following are those potential major security trends which would tend to strengthen the relationship and those which would tend to strain it, ranked in rough descending order of probability.

Potential Security Trends Strengthening the Linkage

1. Joint military training programs and exchange of views and doctrine.
2. Sufficient resolution of debt payment terms to contribute to the political stability of both parties.
3. Compatibility of political regimes, particularly under civilian rule.
4. Lessening of the Argentine military's emphasis on geopolitical models.
5. Joint military exercises with closer sharing than currently.
6. Joint weapons production.
7. Solution of Argentina's border disputes with Chile and the Falklands dispute.
8. Reaching of conventional arms control agreements.
9. Parallel or joint security assistance to Southern Cone neighbors.
10. Nuclear cooperation, safeguards, and ratification by both parties of a regional or subregional nonproliferation agreement.

Potential Security Trends Straining the Linkage

1. Mutual perception of attainment of near-nuclear-weapons status by either side.
2. Growth of a largely autonomous and powerful Brazilian arms-manufacturing capability, including rocketry and long-range guided missiles.
3. A debt crisis affecting political stability in either country, but particularly Argentina.
4. Regime incompatibility.
5. Continued Argentine rearmament well beyond early 1982 levels.
6. Acquisition or construction by either side of a nuclear-powered submarine.
7. Argentine reversion to armed confrontation with Chile or Great Britain.
8. Considerably increased Brazilian military influence (beyond Argentina's) in Bolivia, Paraguay, and Uruguay, especially if extending into the political system.
9. Emergence of a Brazilian capability and will to project military power abroad.
10. Military intervention by either in a neighboring state.

IV. CONCLUSIONS AND IMPLICATIONS FOR U.S. POLICY

RELATIVE LIKELIHOODS IN THE SHORT AND MEDIUM RUNS

The Short Run (1985-86)

The most likely probability for the short run is a continuation of friendly competition with mild signs of economic interdependence. Real interdependence is unlikely, and would require more time and a diligent searching for and following up on complementarities. Economic integration, in the best of circumstances, would require several years of confidence-building and stability, with much higher attention levels and mutual responsiveness. A speculative ranking of the short-term probabilities would be:

Friendly Competition	75% (roughly 80% cooperative, 20% competitive)
Economic Interdependence	10%
Wary Rivalry	10%
Economic Integration	under 5%
Tense Hostility	under 5%

The Medium Run (1987-89)

Beyond 1986, the quality of relations will depend most heavily upon the degree of economic benefit both parties have reaped in the short run. Major

formative factors will include the condition of foreign debt repayment terms, economic health, viability of countertrade, degree of inward or outward orientation, internal stability, regime compatibility, changing comparative economic advantage, political status of neighboring states, and status of nuclear development programs. Developments could be covered under the following three scenarios, each with its formative circumstances and approximate probability.

Scenario 1: Continuation of an essentially cooperative tone with subdued competition (65% probability). Furthered chiefly by the establishment of reliable measures of conflict resolution and confidence-building, regime compatibility, resumption of economic growth, debt payment relief, and sufficient short-term payoffs to keep both sides interested.

Scenario 2: Upsurge of wariness edging toward hostility (25% probability). Most likely induced by the greatest threat to the relationship, poor management of the pre-deterrence or pre-nuclear arms race dangers which have not yet been directly addressed. Continuation of inattention to this issue in the short run will increase the probability of this scenario as the decade continues.

Scenario 3: Acceleration of cooperation toward economic integration (10% probability). A major qualitative change judged least likely because of obstacles posed by political instability, insufficiently high levels of economic complementarity, preferences for unilateral action, and habitually greater attention paid to other partners.

RELEVANCE FOR AMERICAN POLICY

Political

1. Greater autonomy vis-a-vis the major powers would be a prime motivator for closer cooperation. Success in an atmosphere of "Latinamericanization" could present the United States with broader and more effective opposition on issues such as debt, trade, and nuclear proliferation. Brazilian-Argentine agreement would be a major impetus toward the formation of a more effective Latin American consensus on multilateral issues.

2. Stable and effective democratic government in Brazil and Argentina also holds the constructive potential for encouraging stability, cooperation, and evolutionary change in the Southern Cone as American influence there wanes or is exercised elsewhere in Latin America.

3. Joint Brazilian-Argentine hegemony over the continent in a calculated way is very unlikely, but their influence would expand there if exercised jointly in a discreet way.

4. Closer cooperation with Argentina would tend to facilitate the growth of Brazil's continental role and relieve it of a principal security concern.

Economic

1. Conditions of debt payment are important to the economic and political well-being of both parties and to their mutual cooperation. A serious deterioration of their economies or their ability to pay would threaten their vulnerable democracies and tend to align them against the creditors. The biggest downside risk is that, should Argentina and Brazil succeed together in dictating repayment terms, other debtors would probably follow suit.

2. An Argentine raw materials for Brazilian manufactures arrangement would cut into the U.S. sales of low and middle technology goods to Argentina, but open up possibilities for U.S. firms in Brazil to expand sales to Argentina. Bilateral cooperation in third markets in Latin America would spread the same effect to those countries, giving greater advantage to American firms in Brazil.

3. Marketing coordination in soybeans and beef is possible if cooperation progresses further toward interdependence.

4. Should Argentina shift large wheat sales toward Brazil instead of the Soviet Union, U.S. wheat sales would suffer more competition in Brazil but find some openings in the Soviet Union.

Security

1. The quality of Brazilian-Argentine security relations, conventional and later nuclear, will be the tone-setter for South American international politics. The chief security concern for American policy will be management of the nuclear proliferation issue. Some form of nuclear rivalry between these two regional powers is more likely than really close collaboration, and is the major danger to local security by decade's end. Inadvertent crossing of the nuclear threshold is a real possibility. Better political relations now can be extended to the establishment of confidence-building measures and regional nuclear safeguards in future years.

2. Deemphasis on local geopolitical issues, democratic governments, revision of security doctrines, more independent foreign policies, and growing tensions in South Africa and in Central America will pose greater obstacles to the cooperation of either party with the United States on South Atlantic security issues.

3. Both governments, whether civilian or military, will view with concern an expansion of subversive activity into neighboring countries, such as Bolivia, and would be open to tacit cooperation with the United States against such a threat.

Brazilian-Argentine Relations in the 1980s: From Wary Rivalry Toward Friendly Competition

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Dr. Wayne A. Selcher
Department of Political Science
Elizabethtown College
Elizabethtown, PA 17022

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SUMMARY

Events since 1979 have steadily softened the long-dominant tone of rivalry in Brazilian-Argentine relations and have set up a mutual confidence level and institutional mechanisms sufficient to support greater degrees of cooperation. The mutual understanding, formally established during a landmark May 1980 visit of Brazil's President João Figueiredo to President Jorge Videla in Buenos Aires, is attributable above all to a pragmatic perception in both capitals that accumulated and unaddressed small grievances could mount into major and unnecessary points of attrition sapping more important efforts.

This change in spirit has shown durability by surviving several Argentine governments (military and civilian) and the Falklands conflict. President Figueiredo himself took a key role in recasting the relationship out of a personal interest in Argentina; after forty years without a Brazilian-Argentine summit, he met with his Argentine counterparts on four formal and one informal occasions since 1980. President-elect Tancredo Neves met with President Alfonsín in February 1985 during a foreign tour, and substantial agreement on key issues was noted. Argentine Foreign Minister Dante Caputo considers the opening to Brazil to be one of the Alfonsin government's most important foreign policy initiatives.

Along the way, a start has been made in the reconstruction of mutual perceptions which will be necessary for further progress. Relations are now being defined more in terms of opportunities than of controversies. Excellent diplomatic relations are being extended into other sectors of activity. Both governments are now willing to disagree on some points of foreign policy and to pursue differing objectives without imputing ulterior motives to the other side when it fails to come along. On the other hand, neither will all sense of competition be removed nor will an entente cordiale or a joint hegemony develop

to be the mainspring of foreign policy for either Brasilia or Buenos Aires.

Continued success of democratization will encourage more cooperation. Joint action on foreign debt issues will be more implicit than explicit, unless creditors become unyielding in the face of a serious worsening of ability to pay which threatens internal stability. Economic cooperation, mainly in trade, will be the chief result of the bilateral approximation. Security antagonisms have been greatly reduced, but close security cooperation is unlikely. The greatest security danger ahead is an inadvertent drift toward the nuclear weapons threshold as a spinoff of the two civilian programs.

The most likely state of the relationship in 1985-86 is friendly competition with mild signs of economic interdependence (75% probability). Major formative factors beyond 1986 include degree of mutual economic benefits, status of foreign debt terms, economic health, viability of countertrade, inward vs. outward orientations, internal stability, regime compatibility, comparative advantage, political status of neighbors, and status of nuclear development programs. Most likely in 1987-89 is continuation of an essentially cooperative tone with subdued competition (65% probability), unless poor management of the nuclear issue causes an upsurge in tensions (25% probability).

American policy will be affected chiefly by somewhat greater autonomy of the partners, the increased potential for evolutionary political change and economic cooperation in the Southern Cone, the weight of the foreign debts as an impediment to constructive local cooperation, slightly greater economic competition, revision of local security doctrines, and the enhanced conditions and need for managing the nuclear proliferation issue.

I. POLITICAL RELATIONS: CURRENT DYNAMICS AND FUTURE PROSPECTS

CURRENT POLITICAL DYNAMICS

An Ambivalent History

Rivalry and subtle tensions between the two countries can be traced back to colonial days, but elements of cooperation are also present in most periods.[1] For many Argentines, however, the main point of uneasiness toward Brazil more recently has been a sense of frustration in failure to achieve a supposedly destined clear primacy within South America. Argentina's vacillation, developmental difficulties, and internal divisions since 1930, after decades of impressive economic and political progress, contrast with more stable Brazil's steady population and economic growth and increasing global significance, however troubled. (See Table 1 for a profile of the growing gap between the two from 1960 to 1980.) The Argentine elite's sense of cultural and racial superiority toward a much larger and racially mixed Brazil further aggravated specific disputes arising from typical trade, regime, border, or sphere of influence differences. Particularly problem-ridden was the period from about 1970 to 1976, when the Brazilian economic boom and the national security diplomacy of the military regime coincided with the rise in Argentina of a nationalism which was very suspicious of Brazil and sought to contain the advance of its influence.[2] Argentine concern was intensified by Washington's apparent selection of Brazil as "key country" in South America.

An Argentine penchant for casting international relations into zero-sum geopolitical frameworks, evident particularly in military thinking, posited tensions and cast Brazil into the role of a successful expansionist power pressing against a weak and indecisive Argentina. The pitch of this concern in

the late 1950s through the 1970s was heightened by anxious readings about Brazil's supposed geopolitical intentions gleaned from Brazilian geopolitical writings blown out of proportion by geopolitical theoretician Golbery do Couto e Silva's role in the Brazilian military and government, concurrent with a dramatic widening of the economic output gap between the two countries and an increase in the Brazilian presence in Bolivia, Paraguay, and Uruguay.[3]

For Brasilia, Argentina has constituted a "problem" as well, and in recent decades the outstanding example of a political component to an otherwise highly economic foreign policy. Because of Brazil's more global activities and the growing disparity in size, Brasilia constitutes more of a preoccupation in Buenos Aires than the reverse. Yet Brasilia regards Argentina as its most important Latin American partner by far and one of its rather few foreign policy partners with which relations must be carefully managed. In the worst Brazilian stereotypes, Argentina is seen as a bad example of political instability, haughtiness, social indiscipline, military cruelty, organizational weakness, economic stagnation, and unruly labor.

Armchair strategic analysis aside, Brazil has been careful that its initiatives, such as the Amazon Basin Pact, do not take on an anti-Argentine cast. Argentina has a certain value as an economic partner and as a key to relations with South America, but so also the obverse potential for a "spoiler" political role. For this reason, good or at least acceptable relations with Argentina are an important ongoing priority for Brazil, in part to free attention for more important questions and partners. Brazil has not really required Argentine support for the international questions it considers most pressing.

The Brazilian Foreign Ministry, with its continuity and long-term orientation, finds it troublesome dealing with the typical succession of

Argentine governments and considered an inordinate distraction the resources devoted perforce to Argentine affairs during the Falklands crisis. In fact, Brazil's slight tilt toward Argentina at that time was calculated not out of any sympathy for Argentina's actions, but primarily to please a more "emotional" and closer Buenos Aires (in the interests of preserving the rapprochement), with the supposition that afterwards Great Britain would be more understanding of a slight than would Argentina.

A Change in Perspective

The impetus toward better relations can be traced to 1976, when the Videla government in Buenos Aires chose Oscar Camilión as ambassador to Brasilia. One of the top Argentine experts on Brazil, and later Foreign Minister, Ambassador Camilión worked diligently to improve relations. A feeling was growing in Buenos Aires that continued competition would automatically relegate Argentina to loser's st[illegible]given Brazil's steady advances across a widening gap.

The mutually satisfactory settlement in 1979 of the Itaipu Dam controversy over shared water resources was the first major result of closer relations, along with Brazilian indemnization to Argentina for minor damages suffered with the subsequent filling of the dam's reservoir. The Falklands conflict and its aftermath, on balance, actually accelerated the cooperative trend. From the Argentine side, the grievances with the United States and Western Europe gave rise to a "Latinamericanization" of foreign policy, heavily to concentrate on and to gain support on the Falklands issue. Brazil's position during the conflict and afterwards was, on balance, well-received by the Argentines, despite Brazil's relative lack of official fervor and its safeguarding of relations with Great Britain. The Falklands defeat and the wounding of Argentina's Western self-image generated an introspective rethinking of premises and the appearance of studies presenting new interpretations of and new

alternatives for Argentina's role in the world.[4] The more conflict-oriented geopolitical views of the previously dominant military authors are being challenged by cooperative and integrationist analyses of civilian authors, particularly after the inauguration of the democratically-elected Alfonsín government in December 1983.

Subsequent progress on the settlement of the Beagle Channel dispute with Chile eased the Argentine feeling of "encirclement," weakened a geopolitical war horse, and lessened preoccupation with a long-standing focus on a conflictful issue. The Argentine military, humiliated domestically and internationally, looked inward and to its relations with civilians. The corresponding rise of the Foreign Ministry in policy formation increased Argentine compatibility with Brazil. The gathering speed of Brazil's political liberalization and general acceptance of its nascent role on the continent as a cooperative one further heightened Brazil's attractiveness as a partner.

For Brasilia, the Argentine invasion of the Falklands both rekindled stereotypes about Argentine volatility and underlined the necessity of encouraging cooperative rather than conflictful international relations in South America. The Brazilian military initially took the invasion as an argument for major expansion and upgrading of equipment and forces, but with the Argentine defeat the actual effects on national defense policy were much more limited. Consensus grew that Argentina was unlikely to try another military venture. Some of the reasons behind Argentina's defeat, such as insufficient logistical support, weak inter-service coordination, and shortages of supplies were defects Brazilian planners saw in their own forces and moved to remedy without reference to any specific potential threat. The Foreign Ministry's accomodationist view prevailed that adroit diplomacy and preventive maintenance were the best way to assure that, at worst, Buenos Aires could come to represent an annoyance because

of erratic behavior rather than a threat because of armed hostility directed toward Brazil, caused in part by an upsurge in Brazilian military preparedness.[5]

In consonance with Brazil's characteristic pro-stability orientation in South America, it is in Brazil's interest that Argentina be neither unstable politically on one hand, nor seized by an ebullient and rash nationalism, on the other. Increased attention to the quality of the relationship was the outcome, to move even further away from confrontation and to head off problems "technically" well before they surface or peak politically. Brazil prefers to "depoliticize" the relationship as much as possible, in order to emphasize economic matters, as it does elsewhere.

Several signposts for the new cooperation can be cited: Brazil's representation of Argentine diplomatic interests in London and its efforts to restart talks on the Falklands, its release of Montonero Mario Firmenich to Buenos Aires, restrictions on landing rights in Brazil for British planes bound for the Falklands, and concession of a short-term loan to ease Argentina's credit squeeze. The two governments worked out the awkward moments following the clumsy detention by Argentine naval units of an Antartica-bound Brazilian scientific vessel transiting the Beagle Channel (January 1983), which could well have created a major incident five years earlier. Construction of the first new bridge linking the countries in over 35 years was begun in the same month. Brazilian and Argentine presidents joined in a four-power Latin American declaration on international interest rates and the debt, and supplied credit to the elected government of Siles Suazo in Bolivia. New treaties in varied areas of activity were signed starting in 1980. Following up on intermittent official civilian and military consultations and four summit meetings on varied topics, a system of broad binational interministerial consultation was begun in May 1984

FUTURE POLITICAL PROSPECTS

A Situation of Ambiguity

What has occurred has been termed a "conceptual leap," a new way of approaching the relationship qualitatively at the official level. The supposition of an overarching and permanent rivalry has given way to a more reasonable, problem-solving attitude which extends to both bilateral relations and exchange of analysis of regional and global issues.[6] What remains is to give practical consequence to the change in perceptions.

Both countries have had their ambitions greatly cut back in recent years, and neither is expansive in degree of international activity. With the decline of prestige considerations as motivators, the sphere of influence race in the three "buffer" states has subsided. Most Argentines, however reluctantly, have apparently accepted that, on the whole, Brazil is economically more advanced and will continue to outpace their country. The idea is spreading that cooperation with Brazil need not be to Argentina's disadvantage as a "minor partner." Brazil is seen much more as a source of options than as a threat. Yet many Argentines have not yet given up a somewhat fanciful idea that somehow their country can maintain some kind of rough "parity" of capabilities with Brazil. Nor have the negative stereotypes been completely abandoned on either side.

There are no important conflicts between the two states now, but neither has their mutual awareness been raised sufficiently to produce the level of more intensive cooperation which an objective examination might find possible. Neither country wishes to be led by the other, yet Argentina will have to take Brazilian views more seriously as the years go by. Both countries continue to look inward or elsewhere first for their needs rather than to each other, at both the governmental and private sector levels. (See Table 2 on mutual images.) The foundering of the five-member River Plate organization is a consequence of this

proclivity, as is the signing of far-reaching treaties of cooperation which still enjoy meager follow through. The tentative nature of the emerging political institutions and domestic economic restructuring on both sides will demand much immediate attention of the governments and will make unlikely in the near term the undertaking of major departures beyond trade intensification.

Central to the future of the relationship is the Brazilian government's recent acceptance of the policy relevance of the fact that the country is the predominant power on the continent and that it is slowly expanding a more tangible stake in what happens on the rest of the continent. The manner in which this realization will be played out is unclear, but it will be gradual (barring major upheaval in a neighboring country) and is unlikely to be hegemonic. Starting with the Figueiredo government's brisk exchange of presidential visits and treaties, including the OAS Secretary-Generalship of Brazilian diplomat João Clemente Baena Soares, and extending into the Neves government, Brazil is reaffirming a Latin American identity in both practical and rhetorical ways. One of its premises is that attention should be drawn from territorial disputes to developmental issues. Brazil's interest will move into cautious, modest, and almost reluctant action, if the government believes that the chances for success are good. No long shots or high-risk outlays are likely. Brazil stands to gain from a cooperative, economically healthy South America, and prerequisite to such a future are cooperative relations with Argentina.

Political Conditions in the Short Run (1985-86)

Recent democratization in both countries has been a crucial element for political understanding between the two powers. Assuming a Raul Alfonsín government in Buenos Aires and a Tancredo Neves government in Brasilia, the approximation is very unlikely to reverse. A heightened cordiality and

enthusiasm at the rhetorical level can be expected because of ideological compatability and as part of participation in "continental redemocratization." The Tancredo Neves circle of advisers includes many with a pro-Latin American cooperation and independent foreign policy bent. (One of the persistent impediments in the last three decades was precisely a lack of such "political synchronization" relative to national goals and worldview.) Argentina may be more rhetorically supportive of human rights and democracy elsewhere than Brazil, as a key element of its reintegration into Latin America. Mild Brazilian speeches on the theme, however, and some aid would be constructive and continue to firm up Brazil's position in the continental trend without necessarily demanding a large contribution.

There will be few direct effects between the two countries in the process of redemocratization, including in the treatment of the military, because each process is autonomous. Yet a power of example, of encouragement or discouragement, will be present. Congressional and intellectual exchanges on the theme of democracy and joint relations will pick up. Increased cultural and news exchange is likely, helping to create more positive reciprocal imagery. Old gibes and distrust will tend to decline slowly, and a sense of friendly competition (as contrasted to the former wary rivalry) will emerge. Brazil will remain more a potential target of Argentine dissatisfactions than the other way around.

Continued success of these two democracies and the strength of their relationship will exert definite pressure of example on the besieged Pinochet government in Chile and will encourage the Uruguayan liberalization. The effects on a more tumultuous Bolivia and a less mobilized Paraguay would be more uncertain. The net effect, more indirect than direct, would be toward encouraging moderation and evolutionary change in the Southern Cone.

Both Argentina and Brazil will play important roles in conceptualizing and working out a coordinated understanding of possibilities for Latin American economic cooperation. Resolution of the debt burden will be the priority item on the agenda of each, with high probability of a "political" approach. Possibilities are good for continued joint or simultaneous pressure on creditors for options such as interest rate stabilization, an interest rate ceiling, or payments limited to a percentage of export earnings, in the name of social obligations and preservation of fragile democracies. Most probable at first is a common political statement in a spirit of compromise (yet also warning) to create systemic conditions for more favorable but separate renegotiations. Also likely is continuation of the alternating approach of bargaining for better terms from creditors, based on concessions won earlier by the other side. (Mexico is the third important player in this game.)

Formation of a more radical "debtors' cartel" for a broader and more insistent united front is likely only as a last resort if payment conditions become exceedingly burdensome. Brazil is much less eager for a multilateral solution than is Argentina, partly because it sees Argentina as considerably less responsible in its adjustment to the debt. A serious worsening of Latin American ability to pay, causing a serious constriction of economic "breathing space" with socio-political consequences, could well overcome Brazil's reluctance, given its own situation, its growing identification with Latin America, and its present and future economic and political-security stake in the region's stability and growth. Should the creditors refuse to recognize in practical terms the ultimately unpayable nature of the debts under any conceivable circumstances, the threat of a joint rupture with past agreements, in order to force new parameters and relieve pressures, could seem less damaging to the two cooperating national economies than continuation of a massive anti-

growth capital outflow with constrictive economic policies and social disruption. Brazil and Argentina would then have gained a functional equivalent of the rather united position which the creditors have assumed toward each of them separately.[7]

Brazil will remain unwilling to crown its ties with Argentina with a formal "special relationship" status, to remain at least nominally evenhanded in its continental dealings. Some calmer years will have to pass in Buenos Aires, though, before Brazil sees Argentina as politically stable and economically dynamic enough to enter into major bilateral long-term economic projects with, because of concerns about capabilities in contribution and follow through.

Political Conditions in the Medium Run (1987-89)

The short run will see much more planning and conceptualizing than actual accomplishments, but ultimate success depends upon a number of political factors which are already identifiable. Most important among these are the success of the two new democracies and the institutionalization of cooperation. The major foreign determining factors in the 1987-89 time frame would concern trends in Latin America, and particularly in South America. The course of the debt issue will probably be the single most important overriding outside factor, because that affects many other economic and political variables. Most conceivable political events outside Latin America would be of much less impact, unless they divert Brazil's attention elsewhere, such as the Persian Gulf, or lead to a major escalation of world tensions. On the other hand, the quality of the relationship can have major effects on tension levels in South America, and particularly in the Southern Cone. Success in cooperation will reinforce a bit the world role of both partners (particularly Brazil) in both image and capability, provide support in negotiations with third parties, and make it more difficult for third parties to even implicitly play one against the other.

For conjectural purposes, potential political trends can be divided into those tending to strengthen the linkage and those tending to strain it, ranked in rough descending order of probability within magnitude of significance.

Potential Political Trends Strengthening the Linkage

Major Impact

1. Continued stable civilian government on both sides, with developmentalist and outward-looking policies.
2. Continued development of the socio-economic concept of national security, as contrasted with a national defense concept.
3. Settlement of Argentine territorial disputes with Chile and at least attenuation of the Falklands controversy.
4. An easing of the debt payment terms for both countries, but particularly for Argentina.
5. Deeper private sector ties.
6. Continued acceptable progress in joint projects, such as water resources projects in the River Plate Basin.
7. A deteriorization of debt payment terms and the economies to the point at which a confrontational stance toward the creditors and a great joint economic effort seem the only way out.

Minor Impact

1. Stability in neighboring countries of the Southern Cone.
2. Continuation of Argentine emphasis on "Latinamericanization," which up to now has yielded few benefits beyond the Brazilian connection.
3. Continued dynamism in the intra-Latin American dialogue in favor of economic cooperation, as through the Latin American Economic System (SELA) and the Latin American Integration Association (ALADI), which both countries are promoting in principle.

Potential Political Trends Straining the Linkage

Major Impact

1. Argentine instability, or return to power there of the Peronists or right-wing military sectors.
2. Rapid Brazilian growth concommitant with Argentine stagnation or regression, clearly destroying the notion of "parity" still held by some nationalistic Argentines.
3. Revival of geopolitical views in either country, but particularly Argentina.
4. Worsening of the debt payment situation for either country, but only to the point where it dominates foreign policy and cripples new departures such as joint action towards creditors.
5. A strong American preference toward either country, but especially Brazil, and particularly in military or nuclear technology matters.
6. Argentine obsession with the Falklands controversy or border questions with Chile.

7. Great surge in Brazilian influence on the continent, especially in the Southern Cone and if done in a flambouyant manner. (Paraguay is the most likely case in point.)
8. Level of political uncertainty within Brazil high enough to cause national introversion and anxiety about domestic power distribution.

Minor Impact

1. Argentine demands for a substantial revision of the tripartite agreement on Itaipu-Corpus.
2. High Argentine expectations of Brazilian support for out-front stands on matters in which Brazil prefers to remain moderate or aloof, such as the debt, the Falklands, advocacy of democracy, or American military intervention in Central America.

II. ECONOMIC RELATIONS: CURRENT DYNAMICS AND FUTURE PROSPECTS

CURRENT ECONOMIC DYNAMICS

Now that outstanding political differences have been resolved, the measure of the quality of the relationship will turn to economic results, particularly in trade, technology, and possibly mutually reinforcing actions on the foreign debt. Stubborn structural problems have inhibited further immediate progress, but recent major governmental agreements may signal an imminent turning point, moving away from what has amounted to mutual commercial inattention and toward interdependence. At the conceptual level economic cooperation and its limitations have been thoroughly thought out, thanks to a notable intensification of governmental and rather cordial private sector conferences from late 1982 on and to the work of a binational commission.

Trade

The trade turnover between Brazil and Argentina has been one of the largest flows between non-oil-exporting developing countries. It has been erratic over the last decade (Table 3) because of low levels of mutual attention and trade policies dominated by short-term considerations. Reaching less than $1 billion total by 1978, it shot up to nearly $2 billion by 1980, heavily as a result of Brazilian response to the later-discredited pro-import and free-trade economic

policies of Argentine Economy Minister José Martínez de Hoz. When the exchange rate incentive was removed, recession and import restrictions on both sides, as well as the Falklands conflict, cut the trade to nearly half within three years. Brazil's capital goods exports to Argentina were particularly affected. Brazilian exporters became apprehensive about selling to Argentina because of payment problems. At its height, the trade was highly diversified, with Brazil shipping over 1300 different types of items to Argentina, and Argentina sending over 800 types to Brazil. Argentina's exports are typically dominated by raw materials, while Brazil's are composed largely of manufactured goods. Since 1980, the usual condition has been a persistent balance in Brazil's favor, costing Argentina in hard currency and causing chronic complaints.

The two economies, first and third in size in Latin America, have shown no great propensity to trade with each other, in spite of proximity. There has been no tendency for the mutual trade to climb upward as a proportion of either partner's global trade picture. (Table 4.) Even in its now badly blunted Third World trade drive up to 1981, Brazil found greater success elsewhere; since 1982 it has been concentrating the bulk of its promotion efforts on Western markets and East Asian markets, but particularly on the U.S. The outstanding characteristic of Argentina's trade pattern over the last decade has been the upsurge in sales to the USSR since 1980, aided by the partial U.S. grain embargo on Moscow. Argentina also carries on a higher proportion of its trade with Latin America than does Brazil.

Argentina represented only the ninth most important export market for Brazil in both 1973 and 1983, while over the same period Brazil dropped from second rank to eighth among Argentina's export markets.[8] Immediately after the Falklands conflict, Argentine officials spoke of methodically substituting

imports from Western Europe with goods from Brazil, but with recomposition of relations with Europe that idea was abandoned with no actual immediate impact.

Brazil has had problems finding commodities to buy in large quantity from Argentina, short of a politically-inspired and perhaps at least initially anti-economical rediversion of sourcing from traditional suppliers. Brazil's internal sourcing and import substitution policies may just aggravate this problem as its economy continues to be reprofiled. Brazil prefers American and Canadian wheat to Argentine, in both type and financing, for example, and is making progress in growing its own acceptable temperate zone fruits. Argentina sells no major industrial raw material Brazil requires; although natural gas sales have been discussed, recent discoveries within Brazil may work against that. Even in the latest promising trade item, electrical energy, Brazil is selling to Argentina rather than the reverse.

The most obvious substitution possible is in wheat, in which Brazil can shift sizable purchases from the U.S. and Canada (where it enjoys trade surpluses) in order to encourage a balanced trade with Argentina at a higher level. The Argentine incentive toward balanced trade in this case, however, is lower, because it has been running up large surpluses in dollars with its wheat sales to the Soviet Union. On the other hand, a shift in Soviet wheat acquisition toward the U.S. would make Brazil's market more attractive for Argentina.

The Brazilian economy, beyond its larger size and greater diversification, is less open than Argentina's, much more statist and directed, more dynamic, and less dependent on foreign trade. Argentine industrialists' complaints against Brazilian subsidies for manufactured goods are a common occurrence at trade talks, raising threats of protectionism. Reprisals and counter-reprisals were common in the early 1980s. Argentine manufactured goods suffer from a

restricted domestic market and fare less well than the Brazilian in the foreign market place in general because of quality, price, finance, marketing, and delivery disadvantages. The recent drive of both countries to promote exports and stem imports will just worsen the situation, unless countertrade or clearing-house type reciprocal credit accounts deals are established on a regular basis. At present, countertrade is seen largely as an emergency measure, but Brazil will promote it heavily if cash flow problems become severe for itself or an important developing country partner from which it could not reasonably expect hard-currency surpluses.

Slowness in resolution of trade problems like these is indicative of structural obstacles to broader economic cooperation, such as industrial complementarity agreements, much less the "integration of the economies" which is sometimes referred to in optimistic speeches. The range of complementarity may be broad, but each area is still rather shallow relative to commitments elsewhere. Most relative advantage factors tend to favor Brazil. Resolution of major bilateral trade issues will have to come before effective industrial complementarity agreements or multilateral Southern Cone trade arrangements, which require more closely coordinated interaction.

Joint Projects and Technological Cooperation

A small amount of joint investment or services activity can be expected on only an episodic basis, because both countries will continue to look heavily to customary sources of investment and technology in order to keep up with the state of the art. Neither country pursues much investment abroad; real estate speculation between the two has been more common. Neither have they been receptive to services contracts with each other. There is still little cooperation in science, yet both could gain in joint research and development.

To date, it appears that most, perhaps nearly all, of the industrial cooperation between the two countries occurs as a result of the activities of multinational firms. Yet pooled resources or industrial complementarity could be well utilized in hydroelectric projects (some years away because of decreased demand), biomass fuel technology, livestock raising, mining, energy, engineering, petrochemicals, steel, automotive parts, machine tools, aviation, informatics, microelectronics, and nuclear science. Joint ventures in research and development or services projects will lead to more economical scales of production and deeper ties than simple commercial exchanges will. Because the industrial technology, civil infrastructure, and consultancy contracts of both countries are heavily in Latin America, and most of them in South America, both competition and cooperation in third countries are possible.

FUTURE ECONOMIC PROSPECTS

Economic Conditions in the Short Run (1985-86)

Complementarities have been identified, and mechanisms to promote and monitor exchange have been recently established. These must now be promoted heavily, because in order to break away from past performance, both countries need to keep the other's attention longer and to offer more. The relationship must have a heavier underpinning in broad projects in order to survive and perhaps to reach a degree of generally-perceived interdependence which does not currently exist. Mutual preferences and rechanneling of commitments from elsewhere to this linkage will be necessary and an indicator of serious engagement. The predominant advantage will remain with Brazil in most sectors, necessitating adjustments to ensure Argentine participation under conditions of equity. (Brazil now has 40% of all Latin American manufacturing GDP, as measured by value added, while Argentina has but 9%.)[9]

The initiative for change came somewhat more from the Brazilian side, drawing upon their models for looking at intensified relations across the board with key Third World partners, then setting up binational commissions to follow through. Brazil and Argentina have given up on the feasibility of regional integration in Latin America, and now prefer networks of bilateral agreements to sweeping multilateral ones. Each has the potential to be a major partner for the other. Mutual responsiveness and willingness to administer a broader relationship are now good, but tangible benefits must flow in the next several years because the economies of both parties require some short-term payoffs to encourage continued engagement. Officials of both sides have spoken (probably overoptimistically) of providing for a balanced trade turnover of $4 or $5 billion within several years, over double the 1980 peak. Governmental engagement will continue to be crucial.

Economic Conditions in the Medium Run (1987-89)

Success in enhancing cooperation will have positive effects for Bolivia, Chile, Paraguay, and Uruguay, because these four countries form a major intra-regional trading bloc with Argentina and Brazil since Chile left the Andean Group and Bolivia shifted its trade emphasis southward. With the stagnation of regional trade negotiations, sub-regional blocs based on actual trading patterns, such as this Southern Cone grouping, present more viable and practical alternatives for trade liberalization.[10] Argentina trades proportionately more heavily with this subregion than does Brazil, but the latter hopes to see the trade innovations with Argentina become the model or nucleus for expanded subregional agreements, or perhaps even agreements of a broader scale. Uruguay is the most likely first partner, then Paraguay. Care will have to be taken to consider the interests of the smaller countries. Should third-party effects of the joint initiatives of the two giants occur

rapidly, the smaller states could react negatively, much as the weight of Argentina and Brazil in South American trade earlier stimulated the formation of the Andean Group.

Again, potential trends can be grouped into those which will reinforce the relationship and those which will weaken it, ranked in rough descending order of probability within magnitude of significance.

Potential Economic Trends Strengthening the Linkage

Major Impact

1. Success of countertrade or reciprocal credit clearing house accounting, to ease the cash flow bind.
2. Redirection of trade flows and concession of mutual preferences.
3. Relief on the debt payment terms sufficient to ease import restrictions.
4. Economic recuperation of both parties, and particularly Argentina.
5. Bilateral or subregional cooperation in energy matters, particularly natural gas and hydroelectric power.
6. Economic recession sufficient to encourage countertrade, a sharing of resources, and joint import substitution.
7. Cooperation between branches of multinationals located in both countries.
8. Major spillover of cooperative efforts into the private sector.
9. Effective industrial integration, in areas such as machinery, tools, and petrochemicals.

Minor Impact

1. A catalytic spirit of economic integration through ALADI or SELA (although more will be gained in this case through strictly bilateral or perhaps subregional means).
2. Exchange of natural and social scientists, with joint research projects.
3. Market or marketing (e.g., soybeans and beef) coordination in the Southern Cone vis-à-vis Western Europe and the U.S.
4. Brazilian ability and willingness to invest abroad.
5. Revitalization of the River Plate Basin group.
6. Joint services projects and trade cooperation in third countries, perhaps through binational trading companies.

Potential Economic Trends Straining the Linkage

Major Impact

1. Sluggish or recessive economies on either side.
2. Continued Argentine emphasis on the Soviet trade, or Brazilian emphasis on Western and Asian markets.

3. More onerous debt payment conditions.
4. Greater gap in economic competitiveness, provoking Argentine protectionism against Brazil and losses in Argentina's third markets.
5. A heavy Brazilian turn toward the internal market and internal sourcing and import substitution, particularly in food or natural gas.

III. SECURITY RELATIONS: CURRENT DYNAMICS AND FUTURE PROSPECTS

CURRENT SECURITY DYNAMICS

The Conventional Level

Mutual wariness between the two countries has traditionally been strongest in the military establishments. Troublesome security concerns were greatly lessened, but not completely alleviated, by the betterment in political relations and the shift from a territorial defense preoccupation toward a largely socio-economic concept of national security. (Brazilian doctrine has for some time emphasized the latter point, and the Alfonsín government represented a major change in this direction for Argentina.) In fact, during the late 1970s, Brazil became the distant third security concern of Argentina, after Great Britain (in the Falklands) and Chile. On several occasions, especially during the Itaipu controversy, "military diplomacy" between the two countries paralleled more overt diplomatic communication. A considerable body of military opinion in both countries successfully favored keeping channels open, rather than assuming a belligerant posture. Tacit bargaining prevented an arms race, even as Argentine military expenditures grew apace.

Various militant Argentine actions during the military regime, however, made it increasingly undesirable for Brazil, with its abertura under Figueiredo, to cooperate more closely in military exchange--a dwelling upon combative anti-communism and sub-regional ccoperation against "subversives," Argentine-Chilean tensions, interference in the 1980 coup in Bolivia, clandestine security aid in Central America, the "dirty war" against leftists, and the Falklands campaign. Even in a joint exercise, such as the yearly "Fraterno" naval

maneuvers, there is no alliance-type sharing. Military visits with exchanges of views have been fairly frequent, but longer-term training arrangements in the other country are few. Both security establishments turn a significant amount of their intelligence efforts toward each other and still run war contingency scenarios based on aggression from the other side. Yet the Argentine navy and air force have acquired Brazilian-built ground attack jet fighters, the Xavante EMB-326. Brazil stands ready to sell more weapons to Argentina, but has much less use for Argentine-produced weaponry because it prefers to develop its own through its much larger defense industry.

Both military and security establishments are reassessing their self-images and security missions with the return of civilian rule. Security tension levels in the Southern Cone have subsided greatly since 1978-82, so this redefinition will be a process of several years' duration and will depend upon the evolution of domestic politics and that in neighboring countries. The military and security establishments of Brazil and Argentina will be looking for new doctrines and models as they professionalize, and, with the intensification of cooperation, may be willing to initiate a more substantial mutual dialogue.

As the years pass, both will possess more sophisticated weaponry, with more advanced domestic production (among the Third World leaders) and international capability. Argentina has already rearmed to at least its pre-Falklands weapons levels, but is still low in deployment capabilities and readiness levels. Brazil may develop a rapid deployment force for its border areas. Yet because of past security concerns that were heavily internal and an East-West orientation imparted by American doctrine, ideas on avoidance of international war in South America have as yet been poorly developed, even after the Falklands conflict. "Muddling through" or tacit bargaining may no longer be good enough, especially since the United States is increasingly less likely to be able to

exert a restraining influence.[11] Likewise, each country will develop its own security doctrine and pursue its own choices, freer of American influence than in the past, more informed by national and continental theoreticians, and less caught up in East-West concerns.

The Nuclear Issue

A tacit and worrisome nuclear technology development race has the potential for inadvertently precipitating a nuclear weapons race, given either a crisis or status drives as incentives to cross the threshold. Both countries pursue policies that keep open their options to build a nuclear device, while vehemently disavowing all intention to do so. Argentina is further along in nuclear technology and capability, which is seen nationally as a proud and successful measure of scientific maturity. Thus Argentina is the rapidly advancing "push" factor in a "push-pull" escalation or inadvertent drift toward the nuclear threshold as a spinoff of the two civilian programs. The fact that both programs are a function of scientific-technological development rather than a drive for weapons does not exclude security implications.

Because nuclear technology is one of the few areas in which Argentina surpasses Brazil, and because it has prestige and commercial applications, Argentina will not allow itself to fall behind. Should Argentina produce weapons-grade plutonium or announce ability to construct an explosive device in a short time frame (an ability it already has), Brazil will almost inevitably follow suit. The aggravation of this impending dilemma may be one of the most negative legacies of the Falklands war, and scientific, national pride, and North-South relations factors make it one of the most difficult to solve.

There has been some limited cooperation on peaceful uses of nuclear energy, through several treaties, which gave the Brazilians a feeling that they had a measure of the status of Argentine nuclear progress. The surprise announcement

by Argentina in November 1983 that they had mastered uranium enrichment technology through a secret program and were proceeding to build a production plant shocked the Brazilians, introduced a greater element of suspicion and distrust into the relationship, and put a damper on nuclear science cooperation. In retrospect, the 1980 treaty on nuclear cooperation, signed after Carter administration anti-proliferation pressure on both countries, probably served more as a public relations notice that the two were not nuclear rivals than as an indicator of close future collaboration.

Argentina has its own uranium deposits and is well on its way to mastering the complete nuclear fuel cycle. Brazil could be in a similar position in the 1990s. From an arms control standpoint, the political problem becomes one of managing near-nuclear-weapons capability through confidence-building and regional safeguards without precipitating an actual decision by either side to construct a bomb. This "pre-deterrence" situation will be difficult to manage, given the characteristic regional political uncertainties, and will persist whether regimes are civilian or military.

FUTURE SECURITY PROSPECTS

Security Conditions in the Short Run (1985-86)

The security facet of the relationship will increase in significance as time passes. A "window of opportunity" exists in this time frame for mutual confidence-building measures in the conventional and nuclear development areas, to lower the potential for both the reassertion of more problematic territorial or geopolitical security preoccupations and the initiation of a conventional or nuclear arms race. Argentina remains uncertain or distrustful about Brazil's ultimate goals in the continent. The original initiatives may have to rest with Brazil, as its security establishment, including the National Intelligence Service (SNI), takes on a more outward-looking or "national defense" mission.

If tension-management measures to establish trust are not undertaken now, a number of potential developments in the medium run could restart serious antagonisms, not only threatening the whole cooperative relationship but also escalating the conflict far beyond past practice. Yet, because of the recent record of the Argentine military and a Brazilian perception of them as still unpredictable, really close security cooperation is not likely in this time frame. There will be a tendency to try to match weapons developments by the national industry of the other side, with emphasis on higher technology items such as sea-skimmer and ballistic missiles and ship-defensive systems.

Military influence in foreign policy formulation will be reduced, so civilian leadership in encouraging the détente will be necessary. As Argentine military expenditure decreases greatly, the Brazilian will increase slightly in this period. Both sides will be pursuing higher levels of self-sufficiency. Brazil is not undertaking the task of becoming a world-class military power. Its military forces are still deployed for domestic purposes. A reorientation toward external defense deployment would require expenditure levels unlikely to be granted. Argentine forces have already shown international performance more than sufficient for localized hostilities, but at the same time demonstrated capabilities insufficient to score victory against a major power far from its own home base.

The sheer growth of Brazil's vigorously export-oriented arms industry and its space program, fueled by a more dynamic and larger economy, and the planned gradual increase in armed forces size will in time far surpass Argentina's ability to keep conventional "parity" by stressing quality and training. This future gross imbalance, and a potential Argentine drive to "go nuclear" in compensation, is South America's most serious probable future security threat. Political measures to build mutual trust must be functioning reliably before a

mutual perception of Brazil's overwhelming hegemony in capabilities is apparent to both governments. It would be unrealistic and ultimately dangerous for both governments to ignore the approaching issue as a misplaced analogy from balance of power politics.

Security Conditions in the Medium Run (1987-89)

The chief problems in this time frame could involve:

1. Serious Argentine concern about a greatly more powerful Brazil which is expanding continental influence and outstripping it militarily and economically.
2. The introduction of a nuclear weapons status factor into the equation.
3. Reassertion of an internationally aggressive posture by the Argentine military.
4. Severe economic and political collapse in either or both countries.

At present, these conditions are less than probable, and Argentina seems more likely than Brazil to be the origin of such instability. The nature of the medium run will depend upon the quality of the political relationship and the success of any confidence-building measures taken in the short run. The following are those potential security trends which would tend to strengthen the relationship and those which would tend to strain it, ranked in rough descending order of probability within magnitude of significance.

Potential Security Trends Strengthening the Linkage

Major Impact

1. Joint military training programs and exchange of views and doctrine.
2. Sufficient resolution of debt payment terms to contribute to the political stability of both parties.
3. Compatibility of political regimes, particularly under civilian rule.
4. Lessening of the Argentine military's emphasis on geopolitical models.
5. Joint military exercises with closer sharing than currently.
6. Joint weapons production.
7. Solution of Argentina's border disputes with Chile and the Falklands dispute.
8. Reaching of conventional arms control agreements.
9. Parallel or joint security assistance to Southern Cone neighbors.
10. Nuclear cooperation, safeguards, and ratification by both parties of a regional or subregional nonproliferation agreement.

Minor Impact

1. Cooperation in Antarctica exploration.
2. A smooth political succession in Paraguay.
3. Concession of Chilean port facilities to Bolivia.
4. "Demilitarization" of the South Atlantic.

Potential Security Trends Straining the Linkage

Major Impact

1. Mutual perception of attainment of near-nuclear-weapons status by either side.
2. Growth of a largely autonomous and powerful Brazilian arms-manufacturing capability, including rocketry and long-range guided missiles.
3. A debt crisis affecting political stability in either country, but particularly Argentina.
4. Regime incompatibility.
5. Continued Argentine rearmament well beyond early 1982 levels.
6. Acquisition or construction by either side of a nuclear-powered submarine.
7. Argentine reversion to armed confrontation with Chile or Great Britain.
8. Considerably increased Brazilian military influence (beyond Argentina's) in Bolivia, Paraguay, and Uruguay, especially if extending into the political system.
9. Emergence of a Brazilian capability and will to project military power abroad..
10. Military intervention by either in a neighboring state.

Minor Impact

1. New and major Brazilian security arrangements with the United States or Chile.
2. Sharp rivalry in South American arms sales between the two countries.
3. Sharp disagreement over conflicting claims in Antarctica.
4. Construction of a Brazilian naval base in the South Atlantic.

IV. CONCLUSIONS AND IMPLICATIONS FOR U.S. POLICY

THE SPECTRUM OF RELATIONS

The range of present and future possibilities in the quality of Brazilian-Argentine relations can be expressed by the following scale, running from "good" or essentially cooperative relations through a mid-point of mixed cooperation and disagreement to a state of "strained" or largely conflictful

relations. (A sixth possibility, mutual avoidance, is no longer viable, given the stakes each has in the relationship.)

Quality Spectrum of the Brazilian-Argentine Relationship

Economic Integration	Economic Interdependence	Friendly Competition	Wary Rivalry	Tense Hostility

Cooperation — Conflict

"Good Relations" — "Strained Relations"

The current state of the relationship can be termed friendly competition, with a clear net tilt toward the cooperative side of the spectrum's midpoint. The governments and the educated publics of both states are conscious of past rivalries and grievances, real and imagined, but have concluded that sufficient common interests exist to create a spirit and framework of cooperation which can overcome occasional disagreements. Competition remains more implicit and low-key than explicit, especially for younger segments of private and public leadership.

Should cooperation deepen to key areas of the economic life of both countries, economic interdependence may occur. This condition would be characterized by such measures as major joint research and investment projects, significant increase in the mutual trade as a percentage of the total trade of each, greater reliance on the partner as a key supplier and market, and increased flow of persons and information between the two states. Limited nuclear science cooperation could occur in this climate. Effective institutional mechanisms to handle disputes brought about by intensified interaction would have to be created, particularly in view of Brazil's greater and probably growing comparative advantage. This degree of advantage remains the greatest, but not the only, obstacle to such a degree of cooperation. The most intense form of cooperation would be economic integration, a process to

remove trade barriers and to pursue such activities as joint import substitution, market pooling, and common policies toward third parties and in multilateral issues.

Should the relationship, to the contrary, become more strained, a period of wary rivalry could reappear, as in the early 1970s. This would be characterized by negative press campaigns, revival of now subdued negative stereotypes, attribution of ulterior motives to the other side, a sharpening of mutual security concerns, overt and covert sphere of influence competition, and greatly reduced levels of economic cooperation. Further deterioration would produce a tense hostility characterized by military readiness in border areas, mutual alerts, increased levels of defense spending, focusing of intelligence activities on the other party, and higher levels of tension throughout the Southern Cone.

RELATIVE LIKELIHOODS IN THE SHORT AND MEDIUM RUNS

The Short Run (1985-86)

The most likely probability for the short run is a continuation of friendly competition tilting toward some mild signs of economic interdependence. Real interdependence is unlikely, and would require more time and a diligent searching for and following up on complementarities. Economic integration, in the best of circumstances, would require several years of confidence-building and stability, with much higher attention levels and mutual responsiveness, beyond the fact that such a degree of cooperation lacks precedent in South America. On the other hand, in the short run, indicators are weak for a deterioration toward either resumption of wary rivalry or an escalation to tense hostility. A speculative ranking of the short-term probabilities would be:

Friendly Competition	75% (roughly 80% cooperative, 20% competitive)
Economic Interdependence	10%
Wary Rivalry	10%
Economic Integration	under 5%
Tense Hostility	under 5%

The Medium Run (1987-89)

Beyond 1986, the quality of relations will depend most heavily upon the degree of economic benefit both parties have reaped in the short run. Major formative factors will include the condition of foreign debt repayment terms, economic health, viability of countertrade, degree of inward or outward orientation, internal stability, regime compatibility, changing comparative economic advantage, political status of neighboring states, and status of nuclear development programs. For hypothetical purposes, developments could be covered under the following three scenarios, each with its formative circumstances and approximate probability.

Scenario 1: Continuation of an essentially cooperative tone with subdued competition (65% probability). Furthered chiefly by the establishment of reliable measures of conflict resolution and confidence-building, regime compatibility, resumption of economic growth, debt payment relief, and sufficient short-term payoffs to keep both sides interested.

Scenario 2: Upsurge of wariness edging toward hostility (25% probability). Most likely induced by the greatest threat to the relationship, poor management of the pre-deterrence or pre-nuclear arms race dangers which have not yet been directly addressed. Continuation of inattention to this issue in the short run will increase the probability of this scenario as the decade continues.

Scenario 3: Acceleration of cooperation toward economic integration (10% probability). A major qualitative change judged least likely because of obstacles posed by political instability, insufficiently high levels of economic complementarity, preferences for unilateral action, and habitually greater attention paid to other partners.

RELEVANCE FOR AMERICAN POLICY

Political

1. Greater autonomy vis-a-vis the major powers would be a prime motivator for closer cooperation. Success in an atmosphere of "Latinamericanization" could present the United States with broader and more effective opposition on issues such as debt, trade, and nuclear proliferation. Brazilian-Argentine

agreement would be a major impetus toward the formation of a more effective Latin American consensus on multilateral issues.

2. Stable and effective democratic government in Brazil and Argentina also holds the constructive potential for encouraging stability, cooperation, and evolutionary change in the Southern Cone as American influence there wanes or is exercised elsewhere in Latin America.

3. Joint Brazilian-Argentine hegemony over the continent in a calculated way is very unlikely, but their influence would expand there if exercised jointly in a discreet way.

4. Closer cooperation with Argentina would tend to facilitate the growth of Brazil's continental role and relieve it of a principal security concern.

Economic

1. Conditions of debt payment are important to the economic and political well-being of both parties and to their mutual cooperation. A serious deterioration of their economies or their ability to pay would threaten their vulnerable democracies and tend to align them against the creditors. The biggest downside risk is that, should Argentina and Brazil succeed together in dictating repayment terms, other debtors would probably follow suit.

2. An Argentine raw materials for Brazilian manufactures arrangement would cut into the U.S. sales of low and middle technology goods to Argentina, but open up possibilities for U.S. firms in Brazil to expand sales to Argentina. Bilateral cooperation in third markets in Latin America would spread the same effect to those countries, giving greater advantage to American firms in Brazil.

3. Marketing coordination in soybeans and beef is possible if cooperation progresses further toward interdependence.

4. Should Argentina shift large wheat sales toward Brazil instead of the Soviet Union, U.S. wheat sales would suffer more competition in Brazil but find some openings in the Soviet Union.

Security

1. The quality of Brazilian-Argentine security relations, conventional and later nuclear, will be the tone-setter for South American international politics. The chief security concern for American policy will be management of the nuclear proliferation issue. Some form of nuclear rivalry between these two regional powers is more likely than really close collaboration, and is the major danger to local security by decade's end. Inadvertent crossing of the nuclear threshold is a real possibility. Better political relations now can be extended to the establishment of confidence-building measures and regional nuclear safeguards in future years.

2. Deemphasis on local geopolitical issues, democratic governments, revision of security doctrines, more independent foreign policies, and growing tensions in South Africa and in Central America will pose greater obstacles to

the cooperation of either party with the United States on South Atlantic security issues.

3. Both governments, whether civilian or military, will view with concern an expansion of subversive activity into neighboring countries, such as Bolivia, and would be open to tacit cooperation with the United States against such a threat.

Endnotes

[1]Elements of cooperation and conflict through this history and into the future are analyzed in Hélio Jaguaribe, "Brasil-Argentina: Breve análisis de las relaciones de conflicto y cooperación," Estudios Internacionales, Ano XV, No. 57 (January-March 1982), pp. 9-27.

[2]Stanley Hilton, "Las relaciones argentino-brasileñas: El punto de vista del Brasil," in Carlos J. Moneta, ed. Geopolítica y política del poder en el Atlántico Sur (Buenos Aires: Pleamar, 1983), p. 29.

[3]Nuances of positive and negative Argentine images of Brazil are explored in Carlos J. Moneta and Rolf Wichmann, "Brazil and the Southern Cone," in Wayne A. Selcher, ed., Brazil in the International System: The Rise of a Middle Power (Boulder, CO: Westview Press, 1981), pp. 148-158.

[4]See, for example, Carlos Pérez Llana, Reinserción argentina en el mundo: entre la política exterior esquizofrénica y la política exterior independiente (Buenos Aires: El Cid Editor, 1983).

[5]Wayne A. Selcher, "Brazil's Foreign Policy: More Actors and Expanding Agendas," in Jennie K. Lincoln and Elizabeth G. Ferris, eds., The Dynamics of Latin American Foreign Policies: Challenges for the 1980s (Boulder, CO: Westview Press, 1984), p. 117.

[6]Felix Peña, "Perspectivas de las relaciones entre la Argentina y el Brasil: Algunos apuntes," Estudios Internacionales, Ano XV, No. 57 (January-March 1982), p. 31.

[7]See the comments of Brazilian PMDB Senator Severo Gomes (SP), a former Minister of Industry and Commerce under Geisel, in Monica Hirst, "Las relaciones Argentina-Brasil frente a la crisis," América Latina/Internacional (FLACSO, Programa Buenos Aires), Vol. 1, No. 2 (October-December 1984), p. 46.

[8]International Monetary Fund, Direction of Trade Statistics yearbooks for 1980 and 1984.

[9]Economic and Social Progress in Latin America, 1984 Report: Economic Integration (Washington, D.C.: Inter-American Development Bank, 1984), p. 424.

[10]"Intra-Regional Trade," Economic and Social Progress in Latin America, 1984 Report: Economic Integration (Washington,DC: Inter-American Development Bank, 1984), pp. 112-116.

[11]On the need for confidence-building measures in South America now, see Alexandre de S. C. Barros, "Confidence-building and Mutual Trust," Paper prepared for presentation at the 25th Annual Meeting of the International Studies Association, Atlanta, Georgia, March 27-31, 1984, especially pp. 11-18.

TABLE 1

The Growing Gap in Output Between Brazil and Argentina, 1960-1980

Population
(Millions)

	1960	1970	1980
Brazil	72.3	93.3	119.0
Argentina	20.3	23.2	27.9
RATIO	3.6:1	4.0:1	4.3:1

Gross Domestic Product
(Billions of 1982 Dollars)

	1960	1970	1980
Brazil	$ 55.0	$100.0	$229.0
Argentina	32.7	49.0	62.6
RATIO	1.7:1	2.0:1	3.7:1

Per Capita Domestic Product
(1982 Dollars)

	1960	1970	1980
Brazil	$ 761	$1078	$1924
Argentina	1586	2065	2240
RATIO	1:2.1	1:1.9	1:1.2

Value Added to Economy by Manufacturing
(Billions of 1982 Dollars)

	1960	1970	1980
Brazil	$ 13.7	$ 26.7	$ 63.0
Argentina	8.0	13.2	15.5
RATIO	1.7:1	2.0:1	4.1:1

Gross Domestic Investment
(Billions of 1982 Dollars)

	1960	1970	1980
Brazil	$ 10.5	$ 22.7	$ 52.7
Argentina	6.5	10.4	14.9
RATIO	1.6:1	2.2:1	3.5:1

Exports of Goods and Services
(Billions of 1982 Dollars)

	1960	1970	1980
Brazil	$ 3.7	$ 6.5	$ 12.8
Argentina	2.6	4.5	6.9
RATIO	1.4:1	1.4:1	1.9:1

Source: Inter-American Development Bank. Economic and Social Progress in Latin America, 1984 Report: Economic Integration (Washington, DC: IADB, 1984), Statistical Appendix.

TABLE 2

International Cooperation Preferences of Publics in Argentina and Brazil, May 1981

Question: "Our country as a nation has certain interests. With which countries of the world should we work most closely to advance and improve ourselves?"

Hierarchy of Preferences of Argentine Respondents		Hierarchy of Preferences of Brazilian Respondents	
United States	62%	United States	42%
Japan	52	Japan	13
West Germany	37	West Germany	13
Arab Countries	31	USSR	12
USSR	28	France	10
United Kingdom	28	ARGENTINA	9
BRAZIL	27	United Kingdom	7
Venezuela	27	Arab Countries	6
France	26	Venezuela	6
Mexico	22	Cuba	3
Cuba	19	Mexico	2

Source: Foreign Opinion Note of June 26, 1981, Office of Research, United States Information Agency, Washington, DC.

Observations: This pre-Falklands conflict sample of public opinion, commissioned from Gallup Sud by USIA, casts some rare survey research light on Brazilian-Argentine mutual images, at least in urban areas. It is interesting to note that three times the proportion of Argentines saw Brazil as a worthwhile partner for progress than the other way around. In each, slightly more preferred cooperation with the USSR to cooperation with their neighbor. Yet the two saw each other about on a par with France and the United Kingdom as partners. The greater relative isolationism of Brazilian opinion, expressed in lower percentages advocating cooperation with any partner, is perhaps reflective of a "big country" mindset.

In the same survey, when asked which are the most conflictful countries in South America, only 6% of the Argentines polled cited Brazil as first choice, while 27% cited Chile, and 9% cited Argentina itself. Of Brazilians polled, 11% cited Argentina as first choice, followed by Peru (10%). These statistics do not show negative mutual public opinion climates.

TABLE 3

Absolute Value of Brazilian-Argentine Trade Turnover, 1973-83
(Expressed in Millions of Current U.S. Dollars)

Direction of Trade yearbooks, International Monetary Fund, 1980 and 1984. (Taken from totals for Brazil.)

TABLE 4

The Relative Prominence of Brazilian-Argentine Trade in the Total Trade of Each Partner, 1973-83
(Expressed in Percentages)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
FOR ARGENTINA:											
Exports to Brazil / All Exports	9.5%	8.7%	7.2%	10.8%	8.2%	9.0%	11.3%	9.5%	6.5%	7.4%	4.2%
Imports from Brazil / All Imports	9.2	8.2	9.1	12.2	4.2	3.7	9.8	2.4	3.6	7.4	8.3
FOR BRAZIL:											
Exports to Argentina / All Exports	3.2%	3.8%	4.4%	3.3%	3.1%	2.8%	4.7%	5.4%	3.7%	3.2%	3.0%
Imports from Argentina / All Imports	4.9	2.7	1.9	3.4	3.8	3.9	5.0	3.4	2.6	2.8	2.2

Source: Direction of Trade yearbooks, International Monetary Fund, 1980 and 1984.