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Brazil and the 'Argentinean nuance' revisited

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After just a few months in office, much has already been written about Dilma Rousseff's performance as President of Brazil. Faced with intense public scrutiny, each and every declaration, interview or policy announcement has already been thoroughly dissected in the hopes of casting a greater light on the country's new intended path. Foreign policy priorities in particular have become the object of extensive interest since, as expected, any government shuffle was bound to imply, at some point, a mild reevaluation of the country's approach in the world at large. In other words, while a clean break with Lula's legacy was never a valid option *per se*, it was also not unconceivable that "new challenges, emphases and nuances" would begin to be incorporated in Brazil's 'new' foreign policy as soon as Dilma assumed the Presidency.¹ In that sense, as argued back in January,² Argentina appeared ripe enough to embody this nuanced refocus, at least on an official basis. Foreign Minister Antônio Patriota's own inauguration speech, for example, recognized the centrality of the Brazil-Argentina relationship, "which today experiences a moment of

plenitude and advances in a wide range of initiatives that include such areas as cooperation in space and the peaceful uses of nuclear energy".³ Additionally, the intense contacts between both countries' officials that soon followed and, more importantly, the choice of Buenos Aires as Dilma's first visit abroad clearly helped to sustain the claim that under a new government, Brazil was highly invested in reenergizing ties with its inescapable neighbor.

However, five months later it is safe to say that the bilateral honeymoon period is clearly over. The catalyst for such a turnaround hardly comes as a surprise: much like in the past, trade issues, once again take central stage. Indeed, the latest events replicate an all too familiar pattern in modern Brazilian-Argentinean relations and are therefore easily described. Following the creation of Mercosul, both countries' economies have gradually become significantly intertwined.⁴ An overwhelmingly expansion of bilateral trade soon followed and in this context, as of 2010, Argentina now

¹ Antônio Patriota interviewed by Paulo Celso Pereira, "Continuar não é repetir" (*Veja*, No. 2199, 12 January 2011).

² See Pedro Seabra, "Brazil's selective nuances: the Argentinean example" (*IPRIS Viewpoints*, No. 34, January 2011).

³ Inauguration speech by Foreign Minister Antônio Patriota (Brasília, 2 January 2011).

⁴ For a critical view of Mercosul's 20 year-old path, see Paulo Roberto de Almeida, "Uma história do Mercosul (1): do nascimento à crise" (*Revista Espaço Acadêmico*, No. 119, April 2011), pp. 106-114.



stands as Brazil's third largest trade partner with a total exchange of US\$33 billion. Still, these flows have clearly come to favor the latter with a surplus of US\$4 billion last year alone, demonstrating the weight of Brazilian exports in these regional dynamics. Painfully aware of this discrepancy, Argentina has sought throughout the years, and especially during Néstor and Cristina Kirchner's governments, to expand the exceptions accepted in the organization's Common External Tariff (CET) in order to obtain safeguards for some of the country's nascent industries, and to refrain its imports from Brazil, a measure which inevitably assumed a protectionist overtone, generally considered to be contradictory with Mercosul's own *raison d'être*.

Accordingly, as 2011 began, this trend was notoriously intensified when Buenos Aires applied 200 new non-automatic import licenses on several Brazilian products – including shoes, tires and agricultural machinery – as if seeking to 'test the waters' of the new leadership in Brasília. For its part, Brazil issued a number of warnings regarding the need to properly tackle these issues in a more balanced and proper manner but as they consistently failed to produce any positive outcome, the sheer intensity of the country's response inevitably surprised many.

Indeed, on May 12th Brazil announced that it would impose non-tariff trade barriers by specifically delaying import licenses of cars and cars parts, thus directly affecting auto producers from Japan, South Korea, Mexico and the United States. However, the foreseeable direct target was none other than Argentina, which happens to be the sole source of roughly half the vehicles imported into the country and whose local car manufactures were estimated to suffer an impact of nearly US\$5.2 billion with such measures. As expected, irked official reactions soon followed, but after a series of public diatribes, both countries finally engaged in lengthy negotiations that resulted in a consensual agreement to expedite import licenses for cars, food and appliances that had accumulated along the respective borders in the past few weeks.⁵

Almost as quickly as it appeared, the so-called 'brewing trade war' was then carefully laid to rest. Nevertheless, it is still possible to withdraw a number of significant considerations from this incident. For starters, it is notorious that Dilma and her staff opted for a strikingly different approach than the one that Lula adopted throughout his eight years in office. To be sure, not only did Brazil at that time constantly turn a blind eye on Argentinean restrictions to Brazilian exports, but it also self-imposed multiple limitations on national industrial production in order to cope with the official asymmetries over the border. Overall, these constraints were then understood as the "price for an imaginary leadership"

while helping to ensure future prospects over the validity of the Mercosul project.⁶ As such, when in comparison with Lula's lenience in these matters, Dilma's decisive and harsh retaliation appears to substantiate the image of a stricter governing style, with little patience for regional 'pats in the back' and more demand for concrete results.

However, what remains to be seen is how such a stern posture might be combined with the professed wish to reengage with Argentina on a bilateral basis. Right before leaving for Buenos Aires, Dilma declared that she intended to have "a very close relationship with President Kirchner" in the name of the shared responsibility that both countries hold before the rest of South America.⁷ Likewise, when speaking during Brazil's Diplomat Day, Dilma clearly stated that, regarding Argentina, "there is no room for discord and rivalries that have separated us in the past".⁸ What can one then make of these latest developments? Are they susceptible of influencing the general bilateral mood or even jeopardizing specific regional initiatives?

An initial tentative answer might lie with the official venue that Brazil chose to follow when dealing with this situation. Indeed, although Brazilian leadership during negotiations with Argentina essentially fell on the shoulders of Minister for Development, Industry and Foreign Trade Fernando Pimentel, when tempers began to flare and a deadlock loomed ahead, Itamaraty officials discreetly joined the ongoing discussions with the primary intention of preventing a harmful spillover effect on the political relationship between the two countries.⁹ For all purposes, it demonstrated the wariness among certain governing sectors in avoiding excessive fallout from this altercation, while trying to keep the big picture in mind. It thus provided some measure of assurance that these disputes – and their likely sequels – would not escalate to a point of no return. However, it is interesting to notice that, in the midst of this controversy, reports surfaced around remarks made by Argentinean Foreign Minister Héctor Timerman, allegedly expressing his country's renewed opposition to Brazil's aspirations in a reformed-UN Security Council.¹⁰ Even if one set aside Timerman's personal considerations on this matter and the country's long-established opposition to such a degree of Brazilian influence in the world, it is impossible not to consider these declarations as a preemptive attempt to enhance Argentina's leverage in any tense negotiations that it might engage in with Brazil. By raising this issue, Argentinean officials sought to send a warning to their

5 "Argentina and Brazil agree on terms to unlock the bilateral trade conflict" (*MercoPress*, 3 June 2011).

6 "Impasse com a Argentina" (*O Estado de S. Paulo*, 29 May 2011).

7 Collective interview by President Dilma Rousseff to La Nación, Clarín and Página 12 (Brasília, 26 January 2011).

8 Speech by President Dilma Rousseff during the graduation ceremony of the 2009-2011 class, at the Rio Branco Institute (Brasília, 20 April 2011).

9 Raquel Landim e Ariel Palacios, "Itamaraty vai buscar acordo com a Argentina" (*O Estado de S. Paulo*, 31 May 2011).

10 Guido Nejamkis, "Argentina eleva ação contra Brasil na ONU após impasse comercial" (*Reuters*, 13 May 2011).



counterparts over precisely the kind of fallout that, as mentioned above, Itamaraty diplomats were extremely keen to avoid.

On the other hand, the fact that both countries seemingly and perhaps purposely ignored Mercosul's own internal contingencies should not be disregarded, when the hindrance in question dealt precisely with its core principles. Due to the 2002 Olivos Protocol, Mercosul already possesses arbitration procedures and a permanent review body to settle disputes within its ranks, even if these mechanisms are by far largely underused.¹¹ The mere fact that Brazil chose to respond unilaterally – or even that Argentina took upon itself to block Brazilian goods without further coordination with its peers, as it has grown accustomed to doing over the years – instead of working through the institutionalized mechanisms, speaks volumes on how both countries mutually perceive the reduced effectiveness of this particular intergovernmental regional project regarding daily bilateral affairs. But on the other hand, it is equally illustrative that Brazil and Argentina managed to officially resolve this dispute prior to the upcoming Mercosul Heads of State and Government Summit at the end of June, where this uncomfortable issue would certainly have figured high on the working agenda. Therefore, even though neither country wants to lean excessively on a multilateral approach to tackle these matters, one can also easily deduce that both governments wish to maintain the regional gatherings free from excessive and petty trade squabbling. In that case, the only recurring victim will continue to be Mercosul whose structural fate and future will remain inevitably tied to any eventual outcome that can satisfy not only Brazilian but also Argentinean claims.

That said, one must still bear in mind the larger context. Admittedly, this entire ordeal did not exactly amount

to a novelty in Brazilian-Argentinean contemporary relations and it did not, by all means, permanently damage communications between well-established official channels. However, it did serve as a stark reminder of how far both countries are still required to go within the present bilateral dynamics in order to appease local constituencies. Not only from Argentina's end, where Cristina Kirchner is gearing up to present her candidacy for a second term, needing to look tough on regional trade, but also from Brazil's, whose own São Paulo-based industrial elites have increasingly pushed for a more confrontational approach to its neighbor's disguised protectionism. Accordingly, at the end of the day, Dilma's envisioned "nuances" are bound to face more challenges than she had probably hoped for. How she juggles this foreign policy refocus on Argentina with a self-internalized need for more immediate dividends will inevitably dictate the success or failure of this endeavor, and probably mold in a substantial manner any common regional prospects that both countries might hold in a near future.

¹¹ See Eliane Martins, "Sistemática de Solução de Controvérsias d Mercosul: o Protocolo de Brasília e o Protocolo de Olivos" [*Cadernos PROLAM/USP*, Vol. 1, 2006], pp. 79-93.

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