

## **BRAZILIAN EXPERT AT FIU: The Future of Economic Integration Depends on Strength of Economic Recovery**

On February 7, 2000, Prof. David Fleischer of the University of Brasília discussed Brazilian politics with students and professors at a seminar organized by Florida International University's Latin American and Caribbean Center. In his discussion of economic integration, Fleischer noted that plans to expand MERCOSUR to the Andean nations were set back several years by the 1999 economic crisis and the devaluation of the Brazilian currency. The crisis created tensions that have not yet abated among the South American trading partners, especially Argentina, which is preparing to bring a case before the WTO protesting Brazilian subsidies. According to Fleischer, however, the projected recuperation of the Brazilian economy this year should help lift the subregional impasse. As long as its economy grows 3% to 4% in the year 2000, Fleischer believes that Brazil will be able to diminish tensions with Argentina and facilitate the entrance of Chile into MERCOSUR.

### **Trade and Sovereignty**

Fleischer went on to explain that Brazil's interests go beyond its commercial conflicts with the US over steel, orange juice and shoes. Like the protesters in Seattle, Brazil is concerned with the issue of sovereignty. In the Amazon basin, for example, Brazil seeks to keep its considerable comparative advantage in the region's great untapped—and, in many cases, undiscovered—biodiversity. This natural resource is threatened by unregulated access to the forest's products by global pharmaceutical corporations, adding to perceptions that globalization is denationalizing the country. This issue contributes to the positions of those that reject the current process on the basis of sovereignty, and at some point it will affect the FTAA negotiations.

Brazil and Argentina are both experiencing intense public debate on the question of foreign ownership. These economies are much less vulnerable than little Ecuador, which already has seen two governments overthrown on issues of liberalization. Real denationalization is proceeding in Argentina, and there the culprit is Brazil. The loss of more than 145,000 Argentine jobs in the last five years is attributed to Brazilian pressures, and many Argentine businesses have relocated to or are sourcing from Brazil. In addition, new tensions have emerged between the US and Argentina over specific trade issues, including the open skies agreement, which Argentina has denounced as it attempts to save its national airline (now partially owned by the Spanish)!

In Brazil, the political debate over denationalization and dependency has intensified in recent weeks due to the upcoming sale of the São Paulo bank BANESPA. A broad coalition of right- and left-leaning congressmen are asking for a constitutional amendment to restrict further foreign ownership in the financial sector. In addition, the Cardoso government is holding discussions with key

members of Congress to find a way to keep afloat the Brazilian steel and petrochemical sectors. Brazilian firms need massive amounts of capital to compete in their own and foreign markets. The result is both statism and protectionism, as these firms lobby for soft loans and even government participation in their sectors. This appears to go against the spirit of liberalization, and indeed, during a recent visit to Brazil, US Commerce Secretary William Daley made a veiled reference to these questions. Brazilians see the massive presence of foreign investment as increased economic dependence, not liberalization. In reality, however, the level of foreign investment in Brazil is still far below China's or even Chile's numbers.

Many countries are in the process of redefining their views of the benefits of globalization. Recent events suggest that while executive branches may wish to continue to develop more open economies, legislative branches, as has been the case in the US, are beginning to take a more activist and nationalist view of the question. This column will continue to track this question in the future.