

# Brazil rediscovers its 'African heritage'

BRAZIL is fast becoming a leading supplier of services and manufactured goods to the African continent. Its exports range from armoured personnel carriers to frozen chickens, while Brazilian construction firms are increasing their stake in African development programmes.

Brazil's rediscovery of its "African heritage" coincided with the oil price rise and the dismantling of the Portuguese colonial empire. The White officials at Brazil's Foreign Ministry (called *Itamaraty*) talk respectfully of their nation roots in Africa. *Itamaraty* dispatched a large delegation of samba musicians and other performers to the African Festival of Arts and Culture in Lagos last year, along with a briefing document explaining that: "The predominance of Whites (in Brazil) is evident, which is why even the mulatto, who has some Negro or Indian blood, whether a lot or a little, but does not present the physical appearance of these groups, is considered White. This testifies to the absence of any discrimination of a racial nature as to the ethnic origin of the person."

The convoluted style is explained by the policies of the previous decade during which Brazil assiduously cultivated its relationship with South Africa. Conservative forces in Brazil had their revenge in 1964, when the civilian President Joao Goulart was ousted by the military. With the coup, *Itamaraty* was purged of its "third world" diplomats who were seeking closer alignment with Africa and Asia, an idea which was thought to be communist. Brazil's exports to South Africa increased 25% in the first two years of military rule. Trade missions were exchanged, a shipping route was opened and, despite United Nations protests, both South African Airways and Brazil's Varig airline set up air links between the two countries, which were soon carrying a considerable volume of traffic.

Brazil's interest in South Africa was reciprocated. With the gold price pegged, South Africa saw a need to diversify its export markets. South Africa extended credit lines to finance Brazilian purchases of manufactured goods and official missions, at a ministerial level, were exchanged.

The coup also brought respectability to Brazil's pro-Portuguese lobby. Members of African liberation movements who had sought exile in Brazil were rounded up

after the coup and some of them tortured. After some vacillation, President Costa e Silva signed a new Luso-Brazilian Treaty of Friendship and Consultation in March 1968. This brought Brazil tariff-free access to the markets of Portugal's colonies, of which Angola and Mozambique were the most important, taking Brazilian manufactures, raw materials and investment.

The colonies and South Africa constituted an integrated region for Brazilian business interests, and it suited the scale of their overseas operations. In return, Brazil supported Portugal in attacks in the United Nations upon its colonial policy and it rebuffed requests from the Organisation of African Unity to mediate between the Portuguese Government and the liberation movements. There was a vague awareness in *Itamaraty* that this policy might prejudice its relations with Black Africa. In 1972 Foreign Minister Gibson Barbosa went on a tour of nine Black African countries. He was at pains to point out that Brazil's support of Portugal did not mean support of its colonial policy and, for the first time, Brazil offered to look into the possibility of mediation in the colonial wars.

The trip bore some fruit: Brazil and the Ivory Coast set up a joint commission on cocoa and coffee marketing and greater diplomatic and trade contacts followed. *Itamaraty* began to realise some of the potential of Black Africa and the army, which also sent missions, began to realise that the colonial wars would not be solved by military means.

It was not until the oil crisis, however, that Brazil saw the need to increase the distance between itself and the international pariahs. Brazil imports the bulk of its oil needs from the Middle East, Nigeria and Libya. The oil price rise, combined with a rapidly growing and import-hungry economy, pushed the current account US\$4bn into the red in 1974.

Brazil was completely unprepared for the oil crisis. In 1973, the state oil company, Petrobras was predicting that oil would remain a buyer's market for the medium term future. It was running down its domestic exploration effort, believing that its capital would be better employed in the marketing side of its operations. Brazil's generals pursued a close and amicable relationship with Israel.

Barbosa's visit to Black Africa did not make much impact upon Brazil's support for Portugal. It was still voting with Portugal in the United Nations in late 1973. The change began at the beginning of 1974. In January, Brazil issued its first public condemnation of colonialism, in a declaration signed in Rio de Janeiro between the Brazilian and Nigerian Foreign Ministers. The declaration repudiated "apartheid, colonialism and all forms of discrimination".

The new broom began in earnest with the inauguration of General Ernesto Geisel as President in March 1974. As the former chairman of Petrobras, he was by then only too aware of the need to foster good relations with OPEC and of the need for new export markets. On taking office, he said: "We shall direct our diplomatic activities, always alert to the discovery of new opportunities, particularly towards the interests of foreign trade, in order to guarantee an adequate supply of raw materials and access to the most advanced technology. To do this, we shall undertake, with prudence and firmness, the necessary realignments". An official mission was dispatched to China to prove the point.

*Itamaraty* was briefed to beef up its commercial attaches in Africa and devise a trading strategy, in consultation with the Trade and Industry Ministry and the state *Banco do Brasil*. *Itamaraty*, however, still had to complete its about-face on the Portuguese colonies. The Brazilian regime was badly shaken when its Portuguese counterpart was overthrown. Its intelligence services had come up with the prediction that the military would do away with the "liberalism of Marcelo Caetano" and when Portugal veered sharply to the left, Brazilian generals began to fear that the same fate could befall them. When Brazil repeated its offer to mediate with the African liberation movements, a Portuguese officer replied:-

"A fascist dictatorship cannot serve as a mediator between two liberation movements, one hardline and the other Portuguese".

With Brazil's military hardline on the boil, Geisel's civilian Foreign Minister Antonio Azeredo da Silveira had difficulty obtaining political backing for a speedy *rapprochement* with the African liberation movements, though Brazil obviously stood to lose its privileged pos-

ition in the colonies and its hopes of access to oil in the Cabinda region.

Silveira endeavoured to appease military anger with Portugal and the liberation movements, recognising the independence of Guinea Bissau before it was even granted by Portugal, which was not consulted. This was in breach of the Treaty of Consultation and Friendship. He took a much more daring step recognising the MPLA as the sole legitimate government in Angola immediately independence was granted. This shocked not only the extreme right wing officers, but also the US which had, until a month or two earlier, been using Brazilian military advisers in the CIA's covert operations supporting the Unita movement.

The South African alliance slipped out of sight, as did the friendship with Israel. In the effort to appease OPEC, Brazil recognised the PLO voted along with the United Nations motion declaring Zionism to be a form of racism. Though these moves continued to provoke conflicts within the Brazilian military, they secured a political base for the country's economic advance in Africa, facilitating access for Brazilians to local ruling groups. Brazilian officials believe that they enjoy an advantage over European and United States competitors, aligning with Africa not only in the forum of the United Nations, but also in multilateral negotiations on raw materials prices.

The Brazilian economy is also sufficiently sophisticated to compete with the established industrialised countries. Both its products and its services are accustomed to tropical climates and its manufacturing industry is extremely diverse. This year, half Brazil's exports have been manufactured goods and an increasing proportion of these is made up of heavy equipment and capital goods. This contrasts, for instance, with some of the other developing countries with high manufactured exports which consist mostly of products such as steel and assembled electronics.

Brazil is able to offer attractive credit terms. The *Banco do Brasil* is the world's eighth largest bank (bigger than Barclays) and it has shown fewer qualms about lending to "high risk" countries than more staid financial centres. Brazil has jumped in with loans to countries like Mozambique and Ghana to seize trading opportunities where the major banks have held back.

This has helped Brazil to overcome a major obstacle to the advance of its manufactured exports: the reticence of transnationals to export from a subsidiary to a third country, unless this specifically forms part of its global strategy. Massey Ferguson, for instance, has sold tractors to Mozambique from its Brazilian subsidiary because the state is prepared to assume the risks of financing the deal. The government has also used blunter devices to push transnationals into join-

ing the export drive. Volkswagen was threatened with retaliation by the Brazilian Government when it endeavoured to switch a large export contract to Algeria from its Brazilian subsidiary to the parent company in Germany. The Brazilians won the day.

Brazilian-owned construction firms have been keen to expand beyond their own frontiers, as Brazil's own development plans have been cut back by the government in an attempt to cool the economy, which has had inflation rates of around 40% for the last three years. Agribusiness firms have seen opportunities in exporting technology and expertise built up in tropical climates. Brazil recognises the importance of technology sales in tying companies to a particular supplier and it has been keenly encouraging greater technology collaboration with Africa. Brazil has signed nine bilateral technology co-operation treaties with African states this year.

The government is aware that the growing protectionism in Europe and the US will limit the growth of its traditional market and is determined to establish a secure base in Africa, even if it involves

doing business at a loss in the early stages. Brazil has even air-freighted textiles to Libya to ensure that contracts are met. The government has provided stimulus for the opening of air, shipping and telecommunications links to provide the basic infrastructure for its economic penetration of Africa.

Nigeria was selected as the platform for Brazil's African interests. Brazilian firms are being encouraged to open their first subsidiaries there and to use them as a base for further expansion. Nigeria was selected because its development programme is ambitious and it is more accessible, both geographically and culturally, than the North African and Middle Eastern countries. About 50 Brazilian companies are now doing business with Nigeria, mostly in joint ventures with local companies. According to the Afro-Brazilian Chamber of Commerce, a further 250 have shown an interest in following their footsteps.

Brazil's exports to Nigeria have grown from US\$20m. to more than US\$100m. this year. This is still fairly modest compared to Brazil's total exports of over US\$12bn. The growth of "invisible" exports has been more striking. Accord-

ing to the Brazilian financial daily, *Gazeta Mercantil*, services receipts from Nigeria are expected to top US\$40m this year.

Among the projects undertaken by Brazilians in Nigeria are a 520km highway, part of a 540km railway running inland from Port Harcourt and a US\$127m renovation of the Lagos telephone network. About 60% of the parts used in assembling Volkswagens in Nigeria come from Brazil. Leading construction firms are also keeping a close watch on plans to construct a new capital city. A money-losing air route has been instituted between Rio de Janeiro and Lagos.

Brazil has also made Angola a high priority. Having taken the plunge in recognising the MPLA, *Itamaraty* officials are now quite sanguine about the Cuban presence in the country. They say that Brazil is a counterbalance to the Cuban influence and one that is welcomed by the Angolan Government. The *Banco do Brasil* is now Angola's largest creditor. Sales of agricultural and transport equipment have helped push Brazil's exports to Angola to over US\$200m from a mere US\$600,000 in 1972. Mozambique is also climbing up the list of Brazilian export markets.

Even the most luddite of military hardliners began to see some sense in *Itamaraty's* Africa policy when, early last year, Brazil concluded a contract for the sale of 4,000 armoured cars to Libya. The armaments industry in Brazil is only just getting underway but with the enthusiastic support of the army, it is expected to grow rapidly in the next few years. Africa is its prime market. The army high command ordered *Itamaraty* earlier this year to investigate markets for Brazilian arms in third world posts. The Brazilian intention is to steer clear of the high technology end of the market, concentrating on moderately priced weapons that can be used by inexperienced soldiers without breaking down. US specialists believe that this is well within Brazil's capabilities, though they warn that Brazil will have to fight competition from the Nato and Soviet blocks disposing of obsolete equipment.

Brazil has not found its Africa venture all plain sailing. Cynicism remains about the sincerity of Brazil's new-found identification with Black Africa. Though Brazil went so far last year as to suggest that the UN should adopt sanctions against South Africa, Brazil's business relationship with that country remains cordial to say the least. Many South African companies have been stepping up their investments in Brazil, including the ubiquitous Anglo-American. Brazil is also trying to break into a market that has long been controlled by the former colonial powers and ones in which it has little experience. This, however, it is rapidly gaining and there seems little to stop Brazil's further expansion in the continent. ●