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THE CENTRAL BANK OF BRAZIL AS AN AGENT OF INTERNATIONAL RELATIONS

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Introduction

The main reason for writing this article was a passage of Amado Cervo's book called "The International Challenge", which says that Central Bank's (CB) and Finance Ministry's technicians have taken the place of Itamaraty in international economic negotiations, referring to the dichotomy between political and technical treatment given to the issue of Brazilian external debt.

> "The Nation and with it nationalism were removed of debt negotiations, once the Congress and the Chancellery had nothing to say. The political treatment that was reclaimed internally and hyped by the diplomacy in Latin American forums was fake. The conduction of negotiations were trusted to CB and Finance Ministry economists and was always in their hands, even because one could not give to such an important issue two different treatments." (Cervo 1994, 49)

Having the above assertion as the starting point I decided to test the hypothesis that the CB is an agent of international relations. To achieve this aim, the article interweaves historical facts and theoretical inferences. Initially it approaches how economic themes had their space enlarged in international relations after World War II and even more after the end of the Cold War, in detriment of national security themes. Besides that, many relevant economic themes in contemporary world scenario are attributions of the national central banks.

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Central banks have been increasingly working in an international context and not only on bilateral bases. Central banks that act independently tend to develop their own positions, besides having constructed a consistent and autonomous network of relations. In this case, independence means non-interference from other domestic institutions in the fulfillment of CB's aims and missions. In recent years new groups, forums and organs have been created, in which CB have been strongly present (i.e. G20 and the Financial Stability Committee).

What are the pertinent questions to central banks in the international scene? It is possible that questions related to apparently small technical issues could cloak a fundamental debate hitherto not formulated, or be revealed by it. Important subjects do not necessarily generate differences of opinion; therefore they should be negotiated in order to achieve a consistent consensus, not avoiding blocking solutions due to excessively rigid principles. However, central banks that act without political guiding principles face the risk of not keeping coherence concerning their expressed points of view or positions assumed. Even operating independently, central banks should maintain coherency with the national general position, including the positions of several ministries and decentralized government bodies.

The Brazilian legislation (mainly the Federal Constitution and Act 4595/64) attributes to the CB the functions of managing the foreign exchange policy and Brazil's financial relations with the outside world. More specifically its functions consist of keeping gold and foreign currency assets for operation in foreign exchange markets in order to contribute to the maintenance of the currency's parity and induce performances in the country's international transactions according with the guidelines of the economic policy. As well as acting regulating the exchange market, aiming at the Balance of Payments equilibrium, managing the foreign reserves of Brazil, following and controlling capital flows, negotiating with financial institutions and with foreign and international financial organs (the IMF – International Monetary Fund, the BIS - Bank for International Settlements, etc.) and managing international reciprocal credits agreements (RCA). When there are difficulties in the balance of payments, it is up to the CB to arrange for foreign contracts of regularization operations: the compensatory loans.

Nevertheless, this article intends to go beyond legal evidence. It is intended to demonstrate that democratization, globalization, consciousness about the need to increase transparency in financial, economic and political relations, and the growth of international cooperation strengthened both international and domestic institutions or increased the need of countries that aim at a global insertion, for the development of strong institutions, including the CB.

The article will not follow a single stream of thought, neither regarding economic theory nor international relations theory. It seeks to aggregate contributions from different ideological views that are could help to sustain a coherent position which approximates itself as much as possible of a conclusion.

From Realism we will use the idea that the international system is essentially "anarchic", i.e., that there is no world government. In a wider sense, international relations are understood taking as the starting point the distribution of power among states. Despite the legal and formal equality, the distribution of unequal power indicates that the international relations arena presupposes a "power politics" (Griffiths 2004, 11).

Unlike Realists, Liberals consider international relations as a potential field for progress and advantageous changes. Liberals believe that even though there are difficulties in extending in international terms the restrictions given by the necessity of respect to the economic market and to the rules of law, the latter should be established to promote stability among states (Griffiths 2004, 83).

Critical theory thinkers show how international relations among states enable the injustices of the global capitalism system. The scholars who deal with the international organization study how the relationship among states is regulated by organizations and practices of cooperation (Griffiths 2004, 161, 255).

In the domestic scenario, the problems faced by Brazil in the last decades, adding the ones mentioned above, have contributed to put into evidence the role and the importance of such a strong institution like the CB. It is worth mentioning that the CB promoted adjustments to its way of operating throughout these years in order to stay in line with the challenges imposed by international and national circumstance.

One should notice that the increasing importance of the CB as an agent of the economic relations of Brazil with the outside world was made possible by two ways: both passively, as an outcome of the evolution of international relations, and actively, as a consequence of its action.

The Increasing Power of Economics in International Relations

The Marxist theory says that the economy is the engine of history. However, International Relations Theory until the beginning of the 20th century had focused its explications about the international system on the issue of national security and consequently on aspects related to war and peace. Nevertheless, with the end of the Cold War, the increase in globalization and the consolidation of democracy in many countries, the economic interests of the transnational companies, as well as the pursue of a better life quality by democratic governments, reinforced the intention of maintaining world peace and directing investments to the production of consumer goods instead of war-related goods.

What would be the world configuration if three of Realism central assumptions were inverted? The assumptions are that states are the only important actors, military strength is the main tool, and security is the dominant end. Inverting that, we can postulate a very different type of world politics:

1) States are not the only important actors – transnational actors that operate beyond borders are equally important;
2) Force is not the only significant instrument – economic manipulation and the utilization of international institutions are the most important instruments;
3) Security is not the dominant end – welfare is the dominant end (Nye Jr. 2002a, 233).

Joseph Nye Jr., in his book called “The Paradox of American Power”, dissertates about economic power in international relations. In the book, Nye Jr. defines power as the capability of obtaining the aimed results and, if necessary, changing others’ behavior in order to obtain them. The capability of obtaining the aimed results comes frequently associated with the possession of certain resources, therefore is common to simplify the definition of power as the possession of a relatively high amount of resources as population, territory, natural resources, economic strength, military power and political stability (Nye Jr. 2002b, 30).

Traditionally, the test of a great power used to be its military strength. Nowadays, the foundations of power have moved away from military power and conquest. Economic power has become more important than it was in the past, not only due to the relative increase in the costs of power but also because the economic objectives started to receive more significance in the values of post-industrial societies (Nye Jr. 2002b, 35).

Both military and economic power are examples of the hard power of command that one can employ in order to induce others to change their position. Hard power relies on induction and threats, but there is an indirect way of exerting power. In world politics, it is possible that a country have the aimed results because others want to follow it, admiring its values, imitating its example, aspiring its levels of prosperity and freedom. In this sense, it is equally as important to establish the agenda in world politics and attract others as it is to force them to change by means of threat or actual use of military or economic weapons. To this aspect of power – to lead others into wanting what you want – Nye Jr. gives the name "soft power". It coopts people instead of coercing them (Nye Jr. 2002b, 36).

Economic growth provides not only the energy of hard power as well as polishes the prestige and the self-confidence of the country, contributing to soft power (idem, 206). Sustained and non-accelerating inflation economic growth generates the resources that will be invested in hard power, as well as an attractive economic model, able to accrue our soft power. Productivity can increase thanks to new investments in instruments or new forms of organization (Nye Jr. 2002b, 209). Economic capabilities can not be separated from other state capabilities. States use economic means for military and political targets; and military and political means to achieve economic interests. (Waltz 2002, 133-134). In the same line of reasoning, Brzezinski says the economic skill and its translation into technological innovation can also be key criteria in power determination (Brzezinski 1998, 46).

Kindleberger (1970, 55-56) presented some concepts of economic power stressing that an economic approach to international politics should consider the economic aspects of national power. Then, he warns that economic power in international relations can exist without having been designed as ways to control other nations. Thus, it is important to distinguish economic strength and economic power. Economic strength is a medium that can be used or not as able to affect other countries; whereas economic power can be defined as the economic strength used to dominate or control. The ability to affect others decisions would be called influence and power would be the use of physical means to affect such decisions. Kindleberger presents its concept of domain as the condition of country A affect the decisions of B (one or several countries) without B affecting those of A.

In a world where the economy commands and the use of hard power is less and less accepted, grows the role of economic institutions and the consistency of their decisions. In the case of the CB, the recent years have confirmed the importance of an effective economic model. The persistence in the pursuit of macroeconomic stability (started with the creation of the Real Plan - 1993) and the management of the economic foreign policy have led Brazilian economy to an unprecedented condition. In these last fifteen years we controlled the inflationary process, accumulated international reserves, renegotiated the external debt, paid a portion of the debt with the IMF, reformed the financial system (PROER and PROES) and, thus, we won the confidence of the international financial market that was slowly recognizing the strength of Brazilian economy and increasing the inflow of funds into the country.

For the international market, the Central Bank of Brazil expanded its soft power, because it has proven its ability to deal with crises and to remain at the same level of monetary authorities of major economies. Internally, although it has improved its image, still faces resistance from some sectors, mainly by part of industry and the labor movement.

Governance without Government and Globalization

In two centuries of globalization, multinational corporations, nations, societies and economic regions have suffered and continue to be subject to changes inherent to the technological advances of more prosperous societies, but certainly the prerogatives of the past of dependency theory will not serve as a method of analysis, as the globalization of this century there will be an increasingly interdependent relationship between developed and developing countries (Lozardo 2007, 35).

There are new dimensions in globalization, which are causing political and economic transformations, especially among emerging nations. Without this understanding, it becomes difficult to understand the direction of trade policies, of international direct investment, of the references of the global consumer, of the role of multinational corporations, of the challenges of entrepreneurs and governments of each nation. In this sense, the international institutions of the West, such as the WTO, the World Bank and the IMF, as well as regional institutions and central banks, will be adopting policies with the character of co-responsibility with respect to growth with economic openness, with co-responsibility of each government concerning public policy, administrative transparency and international investment policies aimed at the welfare of all, the reduction of discrepancies and the increase of income between countries and inside them (Lozardo 2007, 35).

Globalization means that there is a growing recognition of arenas whose impacts are global. It is these arenas that it is required a global collective action – and global governance systems are essential (Stiglitz 2002, 272).

There is no world government, responsible for the peoples of all countries and for overseeing the process of globalization. Instead, we have a system that could be called global governance without global government, in which a few institutions - the World Bank, IMF, WTO - and some participants - the ministries of finance (and central banks) and trade, closely linked to certain financial and commercial interests - dominate the scene. It is time to change some of the rules that govern the world economic order, giving less emphasis to ideologies and paying more attention to what really works, to think again about the way decisions are made at the international level - and in whose interest (Stiglitz 2002, 49).

The issue raised by Stiglitz in the previous paragraph introduces the problem of coordination in global actions, especially in an environment of economic interdependence. This issue has gained importance on the international agenda when international finance became the central theme of international relations. When the main topic was national security, behaviors were more predictable, because we had fewer agents (primarily states), less variables and less interdependence. Although we also lived in an anarchic society, it was clearer leadership conditions, its allies and the threats, and there was a better chance to quantify gains and losses resulting from different agents movements. The coordination of the international system, although not formal, it was implied.

We continue in an anarchic society, however with the economy as the engine of international politics; other non-state actors, thus, have gained strength (companies, banks, emerging markets, NGOs, terrorist organizations etc.). Having more agents, there are more interests at stake, more variables, increases in difficulty of coordination, because the leadership role becomes diffuse, and decreases in predictability. Gains and losses (pay-offs) of interactions are unclear hindering the establishment of international cooperation.

Previously, the international game could be compared to a game of checkers with a single piece type (states) doing only one type of motion (defending the national interest). Currently the game more appropriate to describe international relations would be kings with many kinds of pieces (state and non-state actors) doing different movements (each in defense of their own interests).

Nowadays the foundation for international financial cooperation is weaker than in the 70s and 80s. If we are concerned with the stability of the IFS, it is important to understand what the weaknesses of its fundamentals are and why they happen. The pace of technological innovations in the world of finance has been greatly accelerated and the magnitude and importance has grown conspicuously in the economic field; nevertheless, the political capacity to adjust to these changes has been decreasing. The main problem of international finance is that it is driven by many hands (governments, international organizations and national authorities) (Strange 1999, 57).

In all these issues, the international political system, based on an outdated principle of sovereignty, is in a state of unfortunate delay regarding the global market economy, which has great power, but with little sense of social and moral responsibility (Strange 1999, 57-8).

In the book "Globalization", George Soros ponders on the advantages and disadvantages of globalization. To Soros, the international financial markets have built an unleveled playing field, which has become unsustainable in its current form (Soros 2003, 29).

There is no international equivalent to the political process that occurs within different states. As markets became global, the policy remained firmly rooted in State sovereignty. Although anachronistic, the concept of sovereignty remains the basis of support of international relations. We must accept it as a starting point for the creation of an open society (Soros, 2003, 50, 186).

So what is sovereignty? Say that a state is sovereign means that it decides for itself how it will meet its internal and external problems, including whether or not to seek assistance from others and, in doing that, limit their freedom, reaching commitments with them. States develop their own strategies, map their own paths, and make their own decisions about how to respond to any need or desires they develop. It is not more contradictory to say that sovereign states are always constrained, and, very often, very constrained, than to say that free individuals, very often, make decisions under the immense pressure of events (Waltz 2002, 136).

Reform in the International Financial System

In this section we consider only the reform of the international financial system, restricting what was treated in the previous section with respect to organizations such as the IMF and WB. However, one should not forget that the international economic and financial relations occur inside and outside these institutions, with or without governance or cooperation. Within this framework the CB has an important role. In the words of geographer Milton Santos: “Central Bank and Ministry of Finance are, in conjunction with the international financial institutions, the ones that guide major reforms now underway" (Santos 2001, 105).

José Antonio Ocampo in the book “La reforma del sistema financiero internacional: un debate en marcha” develops his arguments on the reform of the international financial system. The controversy that arises from the discussion on the reform of the international financial system lies in the possibility to challenge globally some of the domestic financial institutions, as well as the effects of international financial regulation on national policies. At this point, the national central banks and the measurement of forces in order to ensure greater space in the global economy emerge (Ocampo 1999 31).

Regarding reform of the international financial system, Ocampo stressed that to be relevant this should have four basic assumptions. Firstly, it should be recognized that the problems of information that determine financial volatility are difficult to resolve, considering that they are more associated to the volatility of opinions and expectations than to imperfections of information flows. Second, the reform should rely on the use of national measures aimed at reducing volatility in order not to run the risk of adopting mechanisms that deepen the recessionary effects of financial crises. Thirdly, should seek articulation, while respecting the sovereignty of national policies and institutions. Finally, one should bear in mind that solutions are not neutral in terms of balance in international economic relations, a fact of particular importance for small developing countries (Ocampo 1999, 33-39).

There is almost a consensus that the increasing frequency of international financial crises demonstrates the existence of flaws in the institutions that regulate the increasingly sophisticated but unstable financial world. In short these institutions need to be more suited to financial globalization (Ocampo 1999, 31).

It would be unrealistic to advocate major changes in the current structure of the international financial system. The relative power of different countries may change over time, but the U.S. will not let go his position nor will other countries be able to rebel against this situation. The periphery countries certainly feel the pain inflicted by the system, but the option of leaving may be even more painful. The current financial architecture is undoubtedly imperfect, and its improvement would benefit all members including the United States. It should be promoted greater balance between crisis prevention and crisis intervention and between incentives to countries that adopt healthy policies and punishments for countries that do not do the homework (Soros 2003, 155-156).

Another issue to address is how and why the balance of power between the market economy and political authority granted to these states changed so much during the second half of the twentieth century. Usually, this change was defined with the imprecise term globalization and is still a topic of debate, especially among specialists in international relations, international trade and international political economy. What are the key political relationships that can affect the international financial system, for better or for worse? It has changed in recent times? (Strange 1999, 58)

There are two reasons to regulate the behavior of operators and international financial markets: moderate and restrain greed and moderate and restrain fear. Or operators have greed and risk too much or are afraid of the risks taken in the past (Strange 1999, 163).

There are basically two schools of thought on what should be done to ensure greater stability and security in the international financial system. In general the idea prevalent in the Bank of International Settlements is that bankers and other financial players are sufficiently rational to moderate their own greed and master their fears, in a way that makes it possible to rely on the use of technical information and methods of risk assessment they have for self-control. The school more connected to the mainstream thought in the IMF believes in intergovernmental cooperation at the international level to reproduce the kind of regulatory mechanisms developed within states and previously used by them to regulate the banking and financial systems (Strange 1999, 163).

Once national regulators have been overcome by the forces of financial innovation and integration, which have gone out of their control, the center of attention shifts to the possibilities of establishing control systems internationally. Among other global problems, financial regulation is one of the most urgent and that is why international institutions like the IMF and the BIS have dealt with the issue for some years now (Strange 1999, 183).

Ethan Kapstein suggests that it could be created a two levels framework to govern international finance matching the national regulatory systems at a lower level with international cooperation in higher level through the IMF and BIS. Strange seems skeptical about the idea proposed by Kapstein, arguing that banks identify themselves with their states when they need support, but always avoid regulatory authorities when they have in mind some benefit. Financial innovation, deregulation and fierce competition between banks and other private companies have changed the delicate balance between national and interstate controls (Strange 1999, 203). However, the positioning of Strange, before countering, seems to reinforce Kapstein's proposition, considering that since both are weakened there is little alternative but cooperation between the two levels.

Strange summarizes his ideas in five conclusions about global financial volatility. For the purpose of this work we cite only two. The first is that all activities in the real economy follow the mood of the financial markets. The second is that governments have less control over their economies and societies than they had 10, 20 or 30 years ago (Strange 1999, 207-8).

Two Level Games: internal versus external arena

Any theory of international relations lacks a definition of the level of analysis (States or regions or even the international system), along with a ontological definition of the theory (which is the structure of international relations?). The first question refers to who are the agents of international relations and, the second one, to the structure of international relations. After the definition of who and what, one must define the relationship between the agent and the structure.

The internal and external policies became inextricably connected by a fine line. The interactions of domestic political groups may prove useful in the practice of diplomacy. Governments take advantage of these interactions to fix concessions limits they can make under penalty of popular rejection. The internal interactions become instruments of foreign policy that negotiators use to mark their positions. In parallel, international negotiations are leverages of domestic politics. They serve to justify unpopular reforms (Landau 1996, 169-170).

Each state gets to decide on policies and actions in accordance with their own internal processes, but their decisions are shaped by the presence of other states as well as by its interactions with them (Waltz 2002, 95).

States, or those who work for them, try, in more or less sensible ways, to use the means available to achieve the intended purposes. Waltz recognizes that the international political theory must be complemented by a domestic policy theory. The internal political configuration offers the filter to the understanding of structural constraints and to the international action decisions (Waltz 2002, 164).

Robert Putnam (1988) points out that often the decisions of domestic policy are intertwined with international negotiations. Putnam also emphasizes that the policies of many international negotiations can be designed as a two-level game. Domestically, groups pursue their interests by pressing the government to adopt favorable policies, and politicians seek power by building coalitions among those groups. At the international level, national governments seek to maximize their own ability to satisfy domestic pressures while minimizing the consequences of external developments. Neither game can be ignored by central decision maker, as well as their countries remain interdependent, even if sovereign.

Putnam described the political leaders as situated between two tables: 1) international negotiation, both in crisis situations and outside them, 2) pressures from internal political forces.

The diplomatic path has to be adapted to what the other states will find it acceptable, but also to what the various domestic actors can be persuaded to accept.

Stiglitz makes defense of international cooperation and multilateralism stating that, internationally, the theory identifies why individual governments may fail to serve the global economic well-being, and how the global collective action – a joint action of various governments working together, usually through international institutions – would improve the situation (Stiglitz 2002, 243).

Pflatzgraff and Dougherty (2003) report that many authors present common elements regarding the mental pictures they use to analyze the international systems. Firstly, most of them showed interest in the factors that contribute to the stability or instability of the international system. Secondly, there is a common concern about the coping mechanisms that allow the system to remain in balance and stability. Thirdly, there is a common interest in assessing the impact on the system of the presence of units with different capacities to mobilize resources and to use advanced technology. Fourth, there are many authors who agree on the fact that forces that move within the national political units exert a great influence in the international system. Fifthly, these authors show interest, even as part of their interest in the nature of balance, in the international community's ability to contain and treat effectively the disturbances that develop in its interior. This leads to a shared interest in the role of national and supranational actors as regulators of an international system characterized by dynamic change (Pfaltzgraff and Dougherty Jr. 2003, 154).

The dilemma of making decisions in two arenas – internal and external – is faced by the Central Bank when it regulates and supervises the banking and credit system, when it negotiates the external debt, when it manages international reserves, when it regulates and supervises the foreign exchange market, when it sets Brazilian interest rate. In all these decisions there is a pressure from the structure of the international financial system and from the demands of Brazilian society.

Domestic Institutional Reforms

A relevant debate, which can be analyzed from the two-level perspective, refers to the shape of domestic institutions. A country that does not choose isolationism should develop institutions that are in accordance not only with the means and the ends desired for their own country, but also be in line with what the country expects to obtain in the relations with the rest of the world. In other words, one cannot expect to take advantage of international relations if their domestic institutions are not prepared to do so.

Developing nations must themselves take responsibility for their own well-being. They can manage their budgets to live within their means, however meager they may be, and eliminate protectionist barriers that although can generate huge profits for a few, force consumers to pay higher prices. They can implement strict regulations to protect themselves both from foreign speculators and internal corporate misbehavior. More importantly, developing countries need effective governments, with strong and independent judiciary, democratic accountability, openness and transparency, as well as the ending corruption that chokes public sector effectiveness and private sector growth (Stiglitz 2002, 302).

Exactly which institutions will enter the package of "good governance" is something that varies from one to another recommendation, since we have failed to understand the relationship between certain institutions and economic development. In any case, this package of "good institutions" generally includes democracy, bureaucracy and judiciary clean and efficient, the strong protection of property rights (private), including intellectual property, good corporate governance institutions, especially the requirements of disclosure and bankruptcy law, and financial institutions well developed (Chang 2003 124).

Not every society shares the view that the inclusion in an economicly globalized world, integrated and interconnected, is the best way to accelerate the material progress of the nation. This insertion, particularly for developing countries, requires first, before the phase of integration into the global economy, the making of macro and microeconomic reforms to enact changes in the traditions of political and economic power of interest groups (Lozardo 2007, 42).

Sometimes, institutional development was delayed due to the interdependence of certain institutions in a way it was necessary that the related institutions developed themselves simultaneously (Chang 2003, 200).

Why the Central Bank has become an important actor in international relations

The international scenario of the last five decades both resulted and was resulted from of the solution of several conflicts in favor of a greater institutionalization. In general, conflicts such as democracy or power groups, transparency or fallacious discourse, technical or political solution, state or government, institutions or collusion, stability or growth were being decided in favor of the former. Thus, institutions that over time prioritized, or began to prioritized, technical, transparent and democratic solutions gained evidence. It was the case of the Central Bank.

Since it was created in 1964, the activities of the Central Bank of Brazil (CBB) were closely linked to Brazilian foreign policy and, thus, international relations. Briefly we can associate the creation of the Central Bank with the policy decision to develop the Brazilian economy and the need to break with the center-periphery relationship of international politics at the time.

In the economic field, the early 1960s was marked by a fall in investment and in the growth rate of the Brazilian income. It was practically a consensus at the time the need for institutional reforms that form a framework conducive to the resumption of investments. It was then released PAEG (Governmental Economic Plan of Action, acronym in Portuguese) whose main reforms were tax, monetary, financial and external sector.

Among the various measures adopted by PAEG stands out, for the purpose of this study, the reform of external sector that was designed to stimulate economic development, avoiding pressures on the balance of payments by improving foreign trade and attracting foreign capital. Concerning foreign trade, it was adopted a series of tax incentives for export and a crawling peg exchange rate system to maintain external competitiveness. As for the attraction of foreign capital, the plan sought a rapprochement with the U.S. foreign policy, called the Alliance for Progress[2]. Then, it was performed the renegotiation of the foreign debt and was established a Guarantee Agreement (1965) for foreign capital. Connections with the international financial system were made by two mechanisms, both in charge of the Central Bank: the Law No. 4131, which gave direct access of companies to the international financial system, and Resolution No. 63, which allowed the commercial banks external funding and investment to domestic transfer. The latter meant the collage of the national and the international financial system and the beginning of the process of financial internationalization in Brazil (Gremaud 1999, 250-1).

During the Costa e Silva (1967-69) government, the Chancery made public that the purpose was to put diplomatic action in the service of development through making the most of opportunities. The external sector is strategic in terms of trade, capital and technology, but one should not have illusions. The postwar international order corresponds to a mechanism of numbness of the development efforts of the least developed nations and the distention indicates the distribution of power in spheres of influence under the rule of the two superpowers (Cervo 1994, 44).

Sovereignty and development were proclaimed as the essence of the diplomatic orientation. Capture the global environment, the Minister of Foreign Affairs noted the tension zone dislocation from the center to the periphery, the nuclear balance and the resulting removal of the risk of world war. In economy, he watched the opposition between the developed North and the

[2] The Alliance for Progress was the main foreign policy program of the United States in the early 1960s. It represented the confrontation of the communist 'danger' who had settled in Latin America with the Cuban Revolution in 1959. Given its geopolitical importance, Brazil was the Latin American priority country for the implementation of the program.

underdeveloped South, a segmentation whose process was concomitant to the dissolution of the bipolar universe of postwar. The material interest and welfare of the populations of the respective states were the criteria prevailing in world politics. Awareness of this fact led to the rejection of any unconditional alignments or systematic oppositions (Bueno 1994, 92).

The 1980s was marked by the debt crisis with so negative consequences for the Brazilian economy that became known as "the lost decade". One can highlight a basic fact that characterizes the end of the military period: the condition of great debtor country assumed by Brazil. Due to industrialized countries protectionism, the problems arising from the fall in prices of commodities in previous years, and, especially, the increase in interest rates, grew so daunting the foreign debt of the Third World in general and Brazil in particular, who had promoted its development in the last decade based on a massive inflow of foreign capital. In the 1970s, the overall Brazilian economy became dependent of its external sector, as hitherto not observed. The influx of capital (in the form of loans from private banks, national banks and international financial institutions and private direct investment) and the volume of exports and imports contributed to raise the GNP of Brazil to the eighth position among West countries, but provoked, led along with the oil crisis, the accumulation of a huge foreign debt. The last military government ruled out the use of probation and referred the matter through traditional routes and modes and separated from other creditors. Although advocated through multilateral diplomatic channels, the need for a political decision in the negotiations, the country's policy regarding this problem was transferred to the Ministries of Planning and Finance (Bueno 1994, 94).

In the 80s there were several episodes that required the action of CBB in the international arena. The debt crisis and the start of its renegotiation, the resurgence of inflation and deployment of various stabilization plans, the onset of globalization and the Basel I. The Central Banks that joined the agreement pledged to adopt the practices of financial regulation internationally accepted as the best. Although there is no power to force countries to join the agreement, or even to effectively practice the laid down principles, the signing and implementation of it actually gives the local financial system an implied warranty seal that helps the receiving of external resources.

In the 1990s the process of globalization expands with the end of the cold war, the agreement on debt, the cooling of inflation, Basel II. In the 2000s there were the adoption of the inflation targeting system, the combat of money laundering and the discussion about whether or not adopt capital controls. As can be seen the Central Bank has been active in economic issues of greatest importance both internally and externally (if it is possible to separate them this way).

The table below shows the evolution of some streams that show the growing internationalization of the Brazilian economy and therefore of the Central Bank of Brazil. These numbers on some occasions were impacted by the action of the Central Bank and on others they demanded its reaction as a regulator.

Table 1: Evolution of specific flows in the previous decades

Description of Flows	1980	1990	2000	2010
Exports of Goods	20,132.40	31,413.76	55,085.59	201,915.29
Imports of Goods	22,955.17	20,661.36	55,783.34	181,768.43
Commerce Flows	43,087.57	52,075.12	110,868.94	383,683.71
Direct Brazilian Investment	366,50	624,60	2,281.59	11,587.57
Direct Foreign Investment	1,910.20	988,80	32,779.24	48,506.49
Brazilian investment in portfolio	------------	106,60	1,695.72	4,783.92
Foreign investment in portfolio	350,80	578,87	8,650.78	67,794.86
International Reserves (stock)	6,913.00	9,973.00	33,011.00	288,575.00
Loans and financing - Entrance	12,049.00	2,797.20	15,925.96	34,556.11

Source: Central Bank of Brazil

In all data presented in the table above one may notice an exponential growth from the 90s. It can be inferred that such behavior is the result of the insertion of the Brazilian economy in a more international environment through institutional changes.

Final Thoughts

Considering the national states as the key actors in international relations, despite recognizing that they are no longer unique and exclusive, and being the Central Bank part of the State, one cannot deny the CB influence on Brazilian foreign policy.

In addition, the Central Bank acts in the external sphere, representing the country as a whole within international organizations, in business foreign companies, both financial and non-financial, and as a consultant to the Ministry of Foreign Affairs, as a voice and an influence in the decisions of the Brazilian state.

Therefore, it is difficult to refute the hypothesis that the Central Bank is an actor of Brazilian International Relations. Likewise, it is difficult, perhaps impossible, to mention another institution that is more embedded in the country's foreign issues. Furthermore, there is no state institution active in the international arena that is disconnected from the reality of their country of origin, so it will always act on both the internal and the external levels. There can be merely domestic institutions, but it is hard to imagine an exclusively international institution.

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ABSTRACT

The paper has as its objective to characterize the Central Bank of Brazil as an agent of the International Relations and to state that its actions, both internal and external, have some political connotation due to the impossibility to disconnect the economic from the political. The paper intends to demonstrate that democratization, globalization and the awareness about the necessity to increase the transparency of the financial, economic, and political relations, besides the growth of the international cooperation, have strengthened both the international and domestic institutions or increased the urge for countries that wish to insert themselves globally to develop strong institutions, among them their respective central banks.

KEYWORDS

Central Bank; Economic Power; International Relations.

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