

Hedging Between the U.S. and China: Brazil Protecting Itself to Survive

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Abstract: This policy paper argues that Brazil should carry out a hedging foreign policy in the face of growing Sino-American rivalry by simultaneously exercising bandwagoning (following the leader) and balancing (balancing against the leader) actions to create a cross-network of formal and informal protective agreements against the potential adverse effects of and to extract gains from that rivalry. Brazil can play a pivotal role in that bipolarization as a BRICS founder and an OECD prospective member. The U.S. and China see Brazil as a key ally in their dispute and seek to attract the country to their sphere of influence.


Keywords: bandwagoning; balancing; hedging; Brazilian foreign policy, hedging foreign policy.


In the words of the most influential Chinese scholar of International Relations, Yan Xuetong (2021, 40), “China believes that its rise to great-power status entitles it to a new role in world affairs—one that cannot be reconciled with unquestioned U.S. dominance.” U.S. political scientist John Mearsheimer (2021, 1) argues that “since a mightier China would surely challenge the U.S. position in Asia and possibly beyond, the logical choice for the United States was clear: slow China’s rise.” What choice do peripheral countries have in this environment of pressing rivalry? Choose sides or protect their autonomy? Gause (2011) argues that the behavior of middle and regional powers can stabilize the international system’s balance.

This paper begins with a question: can Brazil use an updated version of its hedging foreign policy of World War II in the current global power scenario? More specifically, can Brazil use a hedging foreign policy to obtain political gains and to avoid high costs in a newly bipolar international system? Indeed, the contemporary global order recalls the “Atlantic system” of the 1930s and 1940s in at least two aspects: first, there is growing rivalry between two major powers due to the rapid rise of one of them; second, the rise of the rival power increases the chances of military conflict between them by reinforcing the security dilemma. The rivalry between Washington and Beijing may reproduce the historical Thucydides trap pattern – fear of Athens’ rapid rise led Sparta to declare war.

But the current global order and that of the 1940s or the Cold War differ significantly. Today, the number of regional and middle powers is much higher. Several countries – Brazil, Japan, Germany, France, Indonesia, South Africa, India, Japan, etc. – have some capacity to impose constraints on superpowers, either in their regions or in their issues of preference. Moreover, none of the said countries is comfortable with the new bipolarization. Furthermore, hundreds of international organizations and multilevel coalitions bind countries – superpowers included – to international law. Taking decisions that go against international law will be more costly to China or the U.S. today than in the interwar period.

In any event, the key question for Brazil’s foreign policy to answer in the coming decades is: what should be Brazil’s long-term strategy for both scenarios, war

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or accommodation between the U.S. and China? Brazil must prepare for either circumstance by designing a foreign policy that simultaneously helps build a multipolar order and protects Brazil against any harmful effects of the growing rivalry. Brazil cannot afford to make the same strategic mistake Australia made when closely aligning itself with the U.S. (hard bandwagoning) by simultaneously joining the QUAD (Quadrilateral Security Dialogue) alliance in 2007 and the AUKUS (Australia, United Kingdom, and United States) military alliance in 2021 to contain China.

We propose here that Brazil reacts to the growing global rivalry with pendulum movements: simultaneous balancing actions (balancing against the leader – pro-China efforts) and bandwagoning (following the leader – pro-U.S. efforts) distributed across different international relations issues and fields with the dual objective of protecting itself against the potential adverse effects of said rivalry and building a beneficial multipolar order. Such a pendulum strategy is a hedging foreign policy mechanism that operates as an insurance strategy to protect Brazil against systemic crises due to bipolarization.

We specifically suggest that each time Brazil bandwagons with the U.S. on some political-strategic issue, the country simultaneously balances this action with China on a trade issue and across a full range of issues and scenarios. It will be a strategic mistake for Brazil's foreign policy to align itself with one side entirely. Such a pendulum will create a protective cross-commitment network that will increase the cost for Beijing and Washington to isolate or punish Brazil (economic sanctions, trade manipulations, investment controls, withholding vital military technology, etc.). In other words, pendulum hedging will seek to create a deterrent effect and contain any forceful action by one or both superpowers against Brazil's national interest.

However, for a pendulum hedging strategy to succeed, Brazil must first acquire a position of regional leadership in South America. By assuming the role of regional power recognized by its neighbors and at the same time rebuilding regional political coordination mechanisms, Brazil will likely blunt any superpower pressure – Brazil must show it can stabilize the region and shield it from outside influences. Brazil's

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regional leadership will not only protect South America from harmful U.S. or Chinese pressure. It will also be a springboard for Brazil to operate a pendulum hedging strategy at the extra-regional level. Without a decisive regional foreign policy, the rear will be left unguarded, South America will become more open to pressure from Beijing and Washington and Brasília will be relegated to a peripheral role within the region.

Implementing a pendulum foreign policy can be done at a relatively low cost for three main reasons: first, Brazil is one of the few countries that can access the Organization for Economic Cooperation and Development (OECD) and Brazil, Russia, India, China and South Africa (BRICS) groups without strong inner political antagonisms; second, Brazil has no geopolitical problems with the U.S. and with China and may be the only significant pivotal player among OECD and BRICS countries. The superpowers in both alliances perceive Brazil as a relatively reliable and attractive member. The U.S.-China rivalry for power in all regions and international organizations puts Brazil in the privileged position of being sought by both superpowers as a preferred partner in the BRICS and OECD groups; third, Brazil is not involved in any regional dispute strong enough to dramatically weaken its international position. The cost to rebuild Brazil's leadership position in South America and after that engage in hedging actions is relatively low because all countries in the region already expect Brazil to assume said role. Although opposition to Brazil's regional leadership has always existed, it has never been as weak and ineffective as it is now.

To support our argument, we divided this text into five parts: in the first, we discuss the U.S.-China rivalry; in the second, we address Brazil's privileged position amid the antagonistic BRICS and OECD alliances; in the third, we explain what a hedging strategy is and why it serves Brazil's interests; in the fourth, we describe the

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pendulum mechanism and its possible configurations; finally, we explain why Brazil must regain regional leadership.

THE U.S.- CHINA RIVALRY

Scholars often mention two dilemmas regarding hegemonic transitions: the Thucydides trap and the Kindleberger trap. The U.S.-China rivalry is most often associated with Thucydides. Much publicized by Graham Allison's influential work *Destined for War - Can America and China Escape Thucydides's Trap?* (2017),¹ the trap is based on the idea that status quo powers often go to war with ascending and revisionist powers to maintain their supremacy. Allison draws on several historical examples to show that conflict propensity is greater than peaceful accommodation. The second trap took after economist Charles Kindleberger's book, *The World in Depression 1929-1939* (1973). Kindleberger argues that the political collapse of the 1930s was caused by the U.S. replacing the United Kingdom as hegemonic power and by Washington's inability to provide collective goods to stabilize the system. The key question to ask is: if China replaces the U.S. as the world's major power, will it be able to provide collective goods and security for the entire system?

Those views on hegemonic rivalries are far from dominant among scholars and decision-makers. Indeed, Frieberg (2005) reported at least four dominant interpretations of the U.S.-China global competition.

First, liberals believe that, despite the Thucydides dilemma, increasingly interdependent trade between countries and the pull of international organizations strongly dampen the possibility of open war. These thinkers feel the mutual dependence between the U.S. and China and the huge tangle of international agreements weigh on them to increase the costs of conflict, pushing decision-makers to seek accommodation (Lampton 2001, Economy and Oksenberg 1999, Johnston and Evans 1999, Paul 2016).

Second, constructivists hold that rivalry or cooperation are social constructs, so State interaction is not the product of purely objective and material factors, such as the balance of military power, but of social identities. Concerning the U.S.-China relationship, constructivists generally emphasize the possibility that China's growing participation in various international organizations will lead Beijing to change its strategic culture, which governs what rules of international behavior its leaders are prepared to accept and, ultimately, its conception of national identity (Johnston 1995). Such a change would deflate China's propensity to challenge the liberal order

1. See the review written by Gelson Fonseca Jr. (2022) in the second issue of CEBRI-Journal.

and, therefore, its willingness to compete with the U.S. That said, repeated interactions do not necessarily erode old identities. They may, on the contrary, reinforce them in the long run and strengthen China's exceptionalist view of history and foreign policy, increasing the likelihood of conflict with the U.S.

Third, unipolarism realists argue that, despite China's rise, Beijing is far from challenging U.S. political and military supremacy within the international system. They see a huge difference between systemic incentives to balance out the U.S. (a China-Russia alliance, for example) and those countries' real ability to balance the system effectively. China will be a greater power than Russia, Germany, or Japan, but it will not have the same capacity as the sole global superpower – the U.S. (Brooks & Wohlforth 2016, Zhao 2021, Shambaugh 2018). Kindleberger's dilemma is linked to that interpretation insofar as his analysis focuses on the ability of a single hegemon to provide collective goods and stabilize the system. The cost of achieving such dominance is very high and China is not yet prepared to assume that responsibility.

Finally, bipolarism realists believe the international system is marked by a historical constant, to wit, hegemony creates strong incentives for challenging powers to seek domestic growth (internal balancing) and alliances (external balancing) to protect themselves from the threat posed by the hegemon. Those scholars think unipolar systems are transient and unstable because challenging powers are driven to ally with each other to contain the dominant power (Waltz 1979, 2002). The conclusion is that China inevitably will challenge the U.S. Even those realists less likely to defend the bipolarization of the system agree that the China-U.S. dispute for regional supremacy first and for global hegemony later will inevitably lead them to war (Mearsheimer 2021, Kaplan 2019). Graham Allison's model resembles the latter view.

Each model thus provides very different predictions for the outcome of the rivalry. While optimists see room for accommodation and change by the rival power, pessimists see a growing rivalry doomed to flare up in war. The descriptions above indicate that pessimism is more predominant than hope. Despite the relevant differences, Brazil cannot afford to wait and see how the U.S.-China power struggle will unfurl. Regional powers need to take precautions and to buy insurance policies for an uncertain future.

THE OECD AND BRICS ANTAGONISTIC ALLIANCES

One way peripheral States react to bipolarization is by forming and maintaining alliances. According to Stephen Walt (1997), the key element to creating and maintaining an alliance is a common commitment against a threat. Alliances stem from

threats from major powers whose search for supremacy triggers at least two types of rational behavior by weaker States – bandwagoning and balancing. Either States ally with the preponderant power and expect some protection against rivals, or they seek counter-hegemonic alliances to balance out the power concentrated in the hands of the decisive global player. In other words, when facing a significant external threat, peripheral States can either balance the leader out or follow the leader.

According to Chius (2002, 13), alliances tend to form when the relative power of States shifts, precisely when the level of development of major powers declines sharply or when rival powers grow vigorously. Those changes alter the perception of threats and, consequently, the motivations to form alliances. Those tipping points involve factors that are often cited as contributing to crises: changes in relative power (and, therefore, in the balance of power), changes in economic growth rates and heightened perception of threats. The opportunity cost of choosing goes up because decision-makers progressively lose their ability to see paths and trends and to calculate risks as critical transition moments include more and more of the factors mentioned above.

In our view, that is precisely the current arrangement of global power. The current polarity transition and the ensuing rejuggle of alliances put peripheral countries in the dilemma of positioning themselves in relation to the dominant alliances in the system – OECD and BRICS – both from a strategic and a values point of view. That is because the three transitional factors mentioned above – changes in the relative power of superpowers, economic growth rates and the perception of threats – occur simultaneously and make it difficult to read trends and risks. Peripheral countries have to choose between balancing and bandwagoning without the benefit of clarity on long-term trends.

Worse, the balancing and bandwagoning strategies of peripheral States can spark conflict between major powers as they compete to influence the momentary strategic choices of those States to delay their decline or to consolidate their rise in relation to the rival power. By winning peripheral States to its cause, a major power may slow its decline or accelerate its rise.

Peripheral countries should see alliances not only as a form of protection but as a field of contention between major powers. Major powers seek to attract new members and/or keep the current ones by providing collective gains and protection to increase their relative power. When a certain member moves from one alliance to another or defects, the major power affected loses relative power to its rival. On the other hand, that arrangement makes room for peripheral countries to play the hegemonic dispute to their benefit.

A HEDGING FOREIGN POLICY

Hedging can be a very effective strategy for peripheral countries amid systemic disputes. It is a short- and medium-term course of action that simultaneously pursues several foreign policy options to reduce risks. Those options intend to produce mutually opposing effects in a high-uncertainty and high-stakes situation. Those conflicting actions aim to extract the most gains from major powers when diplomatic relations are positive and to balance out the long-term risks when relations are negative (Cheng-Chwee 2008, 163). More specifically, hedging involves a set of strategies aimed at avoiding a situation in which peripheral States cannot decide on direct alternatives such as balancing, bandwagoning, or neutrality (Foot 2006, 88).

Peripheral States may consider hedging as a third option, an intermediary strategy between balancing and bandwagoning. States use hedging as a counter-attack policy – sometimes balancing and other times bandwagoning – to strengthen economic and military cooperation with various partners while preparing for diplomatic and/or military encounters with potentially hostile powers (Koga 2018, 633). In other words, it is an insurance policy that gives the relevant country room for maneuver and weaves protection networks against potential tragedies.

Both the U.S. and China have great influence on Brazil's domestic policy. While China has become Brazil's largest trading partner and second largest investor, the U.S. has broad political and cultural influence. It is our second largest trading partner and largest direct investor. The interests of both superpowers resonate broadly across Brazilian society (Kalout & Costa 2022). Any hard balancing (pro-China) or bandwagoning (pro-U.S.) option will entail great economic losses to Brazil, not to mention the negative reaction the losing power may take to Brazil's choice. That is another element that leads us to believe that a hedging strategy is the best for Brazil's contemporary foreign policy. In other words, if the balancing and bandwagoning risk exceeds the hedging risk, then a hedging strategy will maximize Brazil's security and autonomy.

According to George Kennan's (1947) classic paper, the containment strategy the U.S. used against the Soviet Union (USSR) was based on the assumption that a challenger could be contained or constrained through different coercive mechanisms, including economic and political deprivation and military denial. A hedging strategy will similarly use dual strategies against major powers seeking to entice or weaken weaker countries in order to contain their rivalry's negative effects.

Several countries have recently pursued a hedging strategy. There is evidence that Iran uses this strategy with the atomic bomb (Bowen & Moran 2015); Malaysia and Singapore (Cheng-Chwee 2008) and India (Boon 2016) in relation to China's

rise in Asia; and Japan against pressure from North Korea (Fouse 2004) and China (Koga 2018). Despite heated debate about the different types of hedging (Ciorciari & Haacke 2019), the literature lacks a precise description of how a hedging mechanism would work for a country that is very far away from the loci of dispute. In our opinion, this mechanism will be a pendulum foreign policy inspired by Brazil's position during World War II.

A PENDULUM FOREIGN POLICY FOR THE 21ST CENTURY

In his classic interpretation of Brazil's foreign policy of the 1930s, Stanley Hilton coined the term "pendulum diplomacy" to describe Brazil's position at that time. According to Hilton (1975), Brazil played the great powers – the U.S. and Germany – against each other, using pressure or supposed pressure as a lever to obtain concessions." Later, Gerson Moura in a seminal work coined the term "pragmatic equidistance" to describe Brazil's position in relation to the U.S. and to Germany. According to Moura (2012, 255), "during the process of relative democratization of the 1930s, Brazil played a game of equidistance or pragmatic balance in relation to the major powers (...) On the other hand, those countries soon became aware of Brazil's importance for the war effort (...), a circumstance that clearly magnified Brazil's negotiation capacity in its international relations."

Indeed, the idea of a Brazilian pendulum foreign policy was associated with the existence of two antagonistic powers within a highly combustible and competitive environment – different from today's scenario. There is nothing to indicate that an open and global conflict akin to World War II will ignite, but, as discussed above, there are many reasons to believe that the China-U.S. relationship tends to worsen. That will inevitably have negative consequences for Brazil's foreign policy and will require Brazil to find the ability to deal with and to operate simultaneously in multiple fragmented, complex and competitive arenas. To a large extent, the maximization of the national interest will depend on how well Brazil can decipher individual gains and losses in each geostrategic arena.

In her classic study on Brazil's main foreign policy strategies, Maria Regina

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Soares de Lima (2005, 07) argues that “the pendulum character of Brazilian diplomacy (...) is achieved by multilateral means and not by show of military force. Mediation between the strong and the weak is the only path available for Brazil to be recognized as a significant power (our translation).” In other words, the pendulum strategy is not just some historical quirk in our foreign policy but an almost structural practice that impels Brazilian governments to choose bandwagoning or balancing. Different Brazilian administrations always choose only one option. While Fernando Collor’s administration favored alignment with the U.S., Lula’s went for soft balancing. In other words, governments choose either alignment or autonomy.

In contrast, this paper proposes using both strategies concomitantly. The pendulum should achieve the ultimate goal of the hedging strategy, namely dual, proportional and simultaneous engagement with both superpowers for deterrence and profit. Brazil’s pivotal position vis-à-vis the BRICS and OECD groups allows for the dual strategy option. Brasília can use pendulum movements between balancing and bandwagoning to anticipate potential negative scenarios. By making no hard choice for this or that side, Brazil will have more room for maneuvering to retreat or advance according to the circumstances and implement a strategy that avoids exaggerated risks or losses.

We have identified five types of pendulums that are likely to become prevalent in the coming years:

1. **Political-strategic pendulum:** the political-strategic arena is the key locus for a pendulum hedging policy because it concentrates the attention of China and the U.S. It requires well-thought-through decisions, planned and calibrated. By simultaneously becoming a BRICS and an OECD member, Brazil already uses a pendulum strategy in political-strategic issues. Brasília signals it is willing to use its privileged position as a BRICS and OECD member to negotiate secondary agreements on a wide array of issues, thereby making China and the U.S. seek to win Brazil over to their respective sides. Brazil will also have to use a sophisticated pendulum strategy in relation to the United Nations (UN) Security Council decisions and discussions when holding a non-permanent seat.
2. **Defense and security pendulum:** the second most important arena is preponderant in Brazil’s relationship with the U.S. and with Europe because the U.S. and Western European countries (France, Germany, Sweden, Italy, and the United Kingdom) concentrate the defense industrial base and the source of our armed forces’ arsenal, as well as their technical

and educational cooperation agreements and their joint military exercises. The BRICS platform may incrementally expand the scope of defense and security cooperation with China to balance out the current bandwagoning with the U.S. The U.S. will automatically respond to such an action either to entice or pressure Brazil into reviewing its strategic preference. Brazil can exploit that opportunity to its benefit.

- 3. Technological pendulum:** the technological arena undoubtedly is a major locus of U.S.-China rivalry. Both governments' huge Research & Development (R&D) investments will increasingly affect topics such as artificial intelligence, communications, and cybersecurity. Brazil has already seen this in the dispute regarding its 5G network. Even so, the relationship between Brazilian businesses and universities with their Chinese counterparts is far below potential. Brazil and the U.S. have a denser relationship and a broader partnership track record in R&D. A closer relationship between Brazil and China in cybersecurity and artificial intelligence could give Brazil greater autonomy and balance Brazilian dependence on the U.S.
- 4. Trade pendulum:** the trade arena has dramatically changed in recent decades. China has become Brazil's largest trading partner, and there is almost nothing the U.S. can do to change that given the complementarity between the Brazilian and Chinese economies. In any event, it is possible to balance out Brazil's over-reliance on Chinese purchases of agricultural and mineral commodities through denser trade agreements with the European Union (EU) – ratification of the MERCOSUR-EU agreement, with the Association of Southeast Asian Nations (ASEAN) or even with India – the current preferential agreement between Mercosur and India needs to be expanded. Brazil should diversify its trade and market access alternatives. In addition, the completion of agreements between MERCOSUR and Singapore, South Korea, Canada, and Indonesia may reduce the share of Brazilian exports that now go to China. As the U.S. has not indicated any interest in a bilateral trade agreement with MERCOSUR, Brazil must look elsewhere to reduce its dependence on Beijing.
- 5. Financial pendulum:** this arena symbolizes the post-2008 crisis of Western economies, and Brazil has enhanced its participation through its G-20 and BRICS membership, notably with the creation of the New Development Bank and the Contingent Reserve Arrangement (NDB/CRA) and the Asian Infrastructure Investment Bank (AIIB). At the same time, Brazil shares historical ties with the U.S. in the Inter-American Bank, in addition

to its participation in the International Monetary Fund (IMF) and in the World Bank, organizations where U.S. preponderance is paramount. The advent of the NDB/CRA and AIIB helped Brazil balance its position in global financial discussions. Brazil's history of balance of payments crises and dependence on the U.S. are a thing of the past so that Brazil now has more room to swing its strategic pendulum as circumstances dictate. Brasília must, in no circumstance, renege on its commitments to the NDB/CRA and the AIIB or Brazil may lose its financial mobilization capacity and once again fully retreat into the U.S. financial sphere of influence.

A relatively simple illustration can best exemplify the interactions in a pendulum hedging strategy. Figure 1 (positive interaction) shows a four-phase interaction in which China and the U.S. seek to attract Brazil to their side in reaction to pendulum actions.

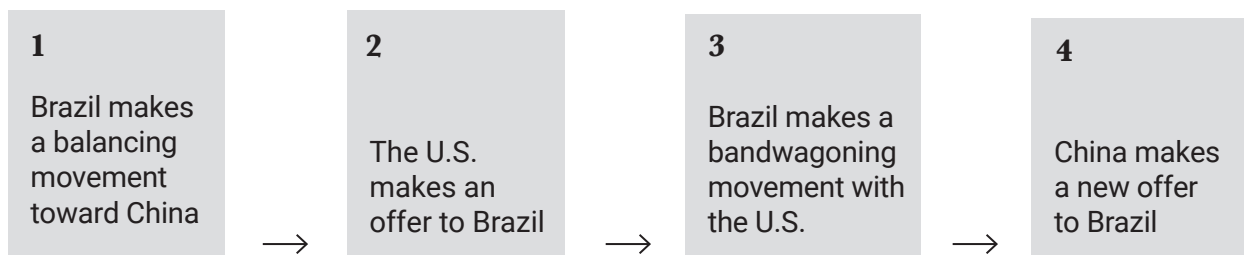


Figure 1. Positive interaction.

China and the U.S. make attraction efforts (offers) in response to Brazil's almost simultaneous balancing and bandwagoning movements so Brazil gets two profitable offers without ceasing to be pivotal. The cost of attracting Brazil is relatively low for superpowers, especially in comparison with the next scenario.

Figure 2 (negative interaction) shows a punishment scenario. In other words, a negative U.S. reaction to Brazil's balancing action forces Brazil to make a hard balancing movement toward China in the next phase.

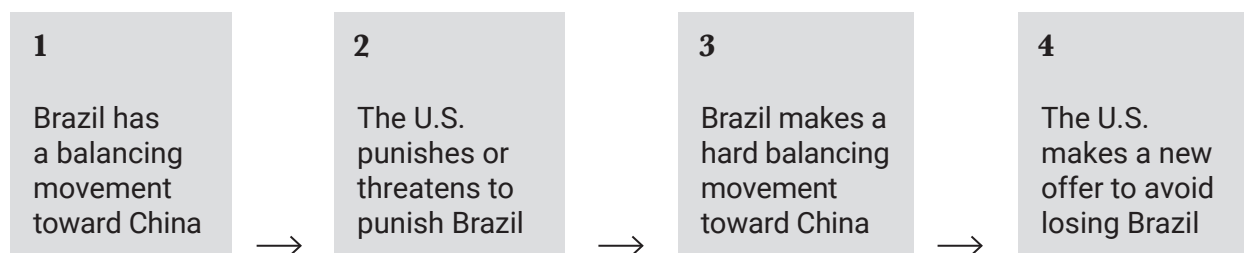


Figure 2. Negative interaction.

Brazil's pivotal position gives it the option to move toward any side and a pendulum hedging strategy raises the cost for a superpower to punish Brazil because of the risk that it will lose Brazil to the rival superpower. The high cost of punishing Brazil as opposed to the low cost of the offer makes superpowers think twice before punishing Brazil and, most often than not, choose to make an offer.

Implementing and operating a pendulum hedging strategy will be neither an easy nor a short-term task. Poorly executed tactical movements here may cause losses there. Three core strategic principles must be clear to avoid this outcome. Brazil must:

1. use simultaneous and proportional bandwagging and balancing strategies;
2. create cross-commitments with the U.S. and with China at several levels; and
3. use its pivotal position between the BRICS and OECD groups in its favor.

A pendulum hedging strategy plays out in transversal, segmented and multilevel fashion. Although the political-strategic level is predominant, this is not a two-dimension game. Somebody who plays two-dimensional chess on a multidimensional board will inevitably lose. China and the U.S. command great weight in military or strategic matters but other powers that feel threatened by bipolarization have a say in issues such as technology, trade and finance. Those variable geometries work in our favor.

BRAZIL'S REGIONAL LEADERSHIP AND THE U.S.-CHINA RIVALRY

The last aspect of Brazil's potential pendulum hedging strategy to discuss is the South American context. That strategy will be most effective if operated from a springboard and China's growing clout and the U.S.'s traditional influence in the region are significant challenges. There is nothing new in major powers scrambling for South America. Brazil growing apart from its regional surroundings may very well have been the most unusual aspect of recent years. Brazil must regain its position of regional leader not only for economic reasons or for the sake of Latin American solidarity but because it is a necessity for survival amid a systemic and multidimensional rivalry.

In politics, power vacuums last but an instant so that the U.S. and especially China have expanded their political influence in the region without much effort. Brazil risks becoming a regional power instead of a middle power at the international level. Increased U.S. influence has squeezed Brazil out of the Northern portion of South America so our influence is now restricted to the River Plate area. The integration of the subcontinent's most dynamic economies into China's production

chains has degraded Brazil's ability to spearhead the development process (hence Argentina's and Uruguay's growing dependence on Beijing). In the absence of any other regional power capable of standing up to Brazil, Brazil's current diffidence has opened the door for Beijing to, similarly to the U.S., become a major extra-regional reference for most South American countries.

China would certainly have increased its power in the region even if Brazil had not been so diffident. Brazil will not regain its regional leadership by pushing China or the U.S. out – not least because Brazil does not hold or has not created effective means to exercise containment power. Brazil has limited resources to mitigate the effects of the hegemonic dispute in South America. Robert Russel and Fabián Calle (2022) show that the waxing and waning of U.S. interest in Latin America is closely associated with the activities and presence of extra-regional powers in the region. It was so in the 1960s-1970s with the USSR and may be so again with China. In other words, the new strategy to regain regional leadership ought to exploit the current competition between the U.S. and China.

The regional leader will be expected to engage in political coordination and to provide collective goods for the region in similarity to the hegemon, albeit to a lesser extent. Brazil did have relative success in political coordination but found it difficult to provide collective goods even at the zenith of its influence in the 2010s. Competition with the U.S. or with China in the provision of collective goods is a recipe for failure but greater emphasis on political coordination, whether by revamping the Union of South American Nations (UNASUR) or by creating a new organization for the Amazon region, may help Brazil regain its leadership position in South America. That will show our neighbors that Chinese or U.S. supremacy in the region – or the prison of a binary choice between the two superpowers – harms each country's interests and collective interest of all. Preserving the region from dependence or the pervading influence of both sides will be more beneficial in the long run, especially for regional security and stability.

CONCLUSIONS

The key lesson of hegemonic disputes is that peripheral countries should avoid the exaggerations of cataclysmic analyses, which typically lead to miscalculations. Countries located far away from the flash points of the conflict will benefit more from a rational and careful review of viable strategies than from accurate predictions on whether the U.S. and China will slide into war or find some accommodation. The risk of war and the collapse of the international system may be considerable, yet that outcome remains unlikely. Unlike the Cold War, when the

U.S. and the USSR were economically isolated and the containment strategy was viable, the China-U.S. interdependence impedes a hard containment strategy because the costs for its implementation are simply too high. Any mutual containment the superpowers may seek will unfold very differently from its Cold War equivalent.

Our challenge is to decide what to do in this vexing environment. Brazil's political forces undoubtedly disagree on what foreign policy strategies are best suited in relation to the rivalry. While Brazil's Labor Party (PT) administrations used a soft-balancing approach through alliances with countries seeking to review the global order (BRICS), the Bolsonaro administration preferred – especially in its first two years – a strong bandwagoning strategy through alliances with status quo powers (OECD). It is extremely unlikely that any administration will completely abandon the OECD and the BRICS alliances or fully align with the U.S.A or with China. The question is: what strategic choice supports approaching both superpowers simultaneously?

As we said earlier, if the balancing and bandwagoning risk exceeds the hedging risk, a hedging strategy will maximize Brazil's security and autonomy. Choosing between alignment and autonomy is no longer possible: we must seek both. By remaining a partial or full member of both alliances – OECD and BRICS – Brazil may use a pendulum strategy to exploit the China-U.S. rivalry to its benefit and avoid punishment. That will require great skill and diplomatic sophistication supported by short-, medium- and long-term planning.

At the end of the day, the pendulum hedging strategy seeks to avoid what Thomas Schelling (1960) defined as the “reciprocal fear of a surprise attack.” That is, it seeks to prevent China and the U.S. from punishing Brazil for fear that the other side will punish Brazil first and thereby anchor Brasília in its sphere of influence.

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By increasing the cost for China and the U.S. to punish Brazil, pendulum hedging operates as a deterrent that alone can ensure Brazil's autonomous survival in a novel and increasingly complex, competitive and fragmented international order. 🇧🇷

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- To cite this work:** Kalout, Hussein & Feliciano de Sá Guimarães. 2022. "Hedging Between the U.S. and China: Brazil Protecting Itself to Survive." *CEBRI-Journal* Year 1, No. 4 (Oct-Nov): 18-34.
- DOI:** <https://doi.org/10.54827/issn2764-7897.cebri2022.04.02.01.18-34.en>

Submitted: October 26, 2022

Accepted for publication: November 11, 2022

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