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POLÍTICA EXTERNA

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March / April / May 2012

This is a reprint in English of an article published in *Política Externa* in its March / April / May 2012 issue, *Política Externa* is a Brazilian publication which, for the last twenty years, has been dedicated to discussing major issues in International Relations and Economics.

A TENTATIVE EMBRACE: BRAZIL'S FOREIGN AND TRADE RELATIONS WITH THE UNITED STATES

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March / April / May 2012

ABSTRACT

Brazil's economic performance, political stability and search for greatness ensure that Brazil will play a strong role on many global issues and will strengthen regional economic cooperation. U.S.-Brazil relations have evolved from an alliance during and after World War II into wary but crucial engagement today. The April meeting of President Rousseff and Obama will deepen cooperation on common interests. Brazil's foreign policy is set by economic factors more often than ideology and Brazil wants to advance its core interests. The U.S. seeks to encourage Brazil's rise. Nevertheless, differences between the U.S. and Brazil on trade and other issues will not be overcome easily. This paper examines how the shifting balance of power in the world has expanded Brazil's spheres of action while outdated concepts like formal trading blocs prevent Brazil from achieving the narrower goals it set for itself.

INTRODUCTION

Perusing a map of the entire North and South American continents, it is impressive to note that the United States now has Free-Trade Agreements with all of the countries (except Ecuador) that form the Western Boundary of both continents. This is the result as much of happenstance as design. Nevertheless, in the early 21st century the United States entered into Free-Trade Agreements with the Central American countries and the Dominican Republic (CAFTA-DR 2004), Chile (2004), Peru (2006) and Colombia and Panama (2011). Despite this impressive network of bilateral agreements, there has still been little progress in intra-regional trade among countries in the Western Hemisphere. Notably absent from this series of agreements is any such accord between the United States and Brazil. Despite a patchwork collection of bilateral agreements, why has trade in the Hemisphere lacked cohesion and real integration? Although there has been some interest in restructuring the intra-regional trade agreements (e.g., Venezuela's efforts since 2006 to join Mercosur and the Andean Community's reexamination of its trade agreements), progress has been halting. Moreover, the Hemisphere was victim of perhaps the biggest failure in the world trading system with the slow, agonizing death of the Free-Trade Area of the Americas (FTAA), an ambitious (though ultimately futile) attempt to create a hemisphere-wide free-trade area. Throughout this period, the two economic giants of the region, the United States and Brazil, have had a contentious trade relationship. While the United States was the driving force behind organizing and leading the FTAA, Brazil was the reluctant partner, focusing primarily on establishing Mercosur in 1991. The failure of the United States and Brazil to reach an approach to trade policy in the hemisphere has hurt both countries, and without a common strategy for moving forward, the region is likely to remain adrift.

This article first explores Brazil's role in global affairs, including its role in the creation of Mercosur and Unasur. Second, this article describes Brazil's trajectory in foreign trade policy. Finally, it concludes that the bilateral relationship is likely to remain conflicted in the short term, with neither country politically motivated or economically compelled to dramatically alter the status quo. Elevating and strengthening the formal bilateral consultation mechanism, and building on the March 2011 Presidential meeting may be the best way forward.

I. BRAZIL'S ROLE IN GLOBAL AFFAIRS

The bedrock of Brazilian foreign policy is economic, and is likely to remain so despite Brazil's increasing activity on a wide range of issues, such as energy, biodiversity, climate change, monetary policies, peace keeping, Africa, and the Middle East. Although it is active in a variety of regional and global institutions, including the United Nations (UN), its related agencies, the International Monetary Fund (IMF), and the World Trade Organization (WTO), in many ways Brazil remains a tentative and conflicted political and economic power.

Since declaring independence from Portugal in 1822, Brazil has viewed itself as destined for greatness. Brazil was a founding member of the League of Nations but walked away in 1926 when it became clear that Germany would be made a permanent member of the Council and Brazil would not. Brazil's global campaign for a seat on the UN Security Council is an expression of this historic pursuit of greatness. In the 1990's, new voices and leaders emerged in Brazil who considered that the developed nations sought to 'freeze' the international power order, thus barring Brazil's rise. This focus in foreign policy in the 1990's was preceded by an erosion of the sense of alliance with the United States that took place during the 1960's and 1970s.[1] President Cardoso (1995-2002) then began pushing for integration of Brazil with its immediate neighbors while asserting its autonomy. These sentiments fed the creation of Unasur as a mechanism for South-South Dialogue, along with the India-Brazil-South Africa (IBSA) and the Brazil, Russia, India, China (BRIC). All of "…these initiatives seemed accompanied by a certain anti-Americanism."[2]

[1] Luigi Einaudi, *Brazil and the United States: the Need for Strategic Engagement*, STRATEGIC FORUM, NATIONAL DEFENSE UNIVERSITY 9 (Mar. 2011) (stating, "The 1964 military coup, human rights issues, trade and nuclear concerns became sources of tension with successive U.S. administrations.") [hereinafter Enaudi].

[2] *Id.*

In June 1964, after the first session of the U.N. Conference on Trade and Development (UNCTAD) in Geneva, Brazil became a founding member of the Group of 77 (G-77). This coalition, designed to increase the joint negotiating capacity of developing countries on major international economic issues, is still active. Such coalitions are cornerstones of Brazil's foreign policy.

In 1985, 21 years of military dictatorship in Brazil ended. Under democratically elected civilian leadership, Brazil in the 1990's voluntarily ended its nuclear weapons program, began the process of playing a larger role in world affairs, and stabilized its economy. Abroad, Brazil did not hesitate to assert its interests and to voice its views about how global governance should change. At the same time, "Brazil has turned down a more nationalistic path in recent years. South-South interactions have moved up on its agenda, through membership in Unasur, IBSA, and the BRICS […]."[3] "This direction is a response to new economic realities. However, rhetoric still exceeds concrete gains, and there is a danger of excessive ambition."[4]

President Luiz Inacio Lula da Silva

Luiz Inacio Lula da Silva (2003-2010) was a very charismatic president, who remains extremely popular in Brazil. President Lula set three foreign policy goals: to conclude a substantive agreement in the Doha Round of negotiations in the WTO, to secure a permanent seat on the UN Security Council, and to consolidate a South American geopolitical space, led by Brazil. In January 2011 however, when power passed to his successor, President Dilma Rousseff, all three objectives "…remained unaccomplished."[5]

Despite these failures, his achievements were extraordinary. Initial fears in the international financial community were allayed as Lula's administration followed market-oriented economic policies which promoted Brazil's growth and encouraged foreign investment. Although Brazil had been involved in UN peacekeeping operations in Portuguese-speaking nations for many years, Brazil in 2004 accepted the command of the UN Stabilization Mission in Haiti (MINUSTAH). "This decision […] signaled that Brazil was ready to accept the responsibilities of leadership on difficult issues before the UN Security Council in a way not seen before.."[6]

Brazil also began a serious outreach effort to Africa and the Middle East, including opening many embassies with the long term goal of supporting trade, investment as well as a seat for Brazil on the UN Security Council. President

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[3] Albert Fishlow, *Starting over: Brazil since 1985,* Brookings Institution Press (2011), p. 191 [hereinafter Fishlow].

[4] *Id.*

[5] Paulo Sotero, *Brazil's Rising Ambition in a Shifting Global Balance of Power*, 3 (S1) POLITICS 72(2010) [hereinafter Sotero].

[6] Einaudi, *supra* note 1, at p. 6.

Lula used "…foreign policy as a marketing tool to project Brazil's growing economic power."[7] Its presence in the Group of 20 (G-20), a new forum for international economic governance, and its participation in the Copenhagen Conference on Climate Change underscored how much Brazil's international standing had risen.[8]

In his first trip abroad, Lula announced that Brazil was "the region's 'natural leader', 'ready to assume its greatness."[9] He rejected the U.S. approach to regional trade integration by blocking further negotiation of the FTAA. Unasur, a Brazilian concept, was launched in 2008 in an illusory attempt to deny United States relevance in the region.

Brazil also joined the Community of Caribbean and Latin American States (CELAC) that was created in February 2010 at the Unity Summit of the Rio-Group-Caribbean Community. This grouping includes all the sovereign countries in the Americas except for the United States and Canada. On December 3, 2011, CELAC was formally launched in Caracas.

In 2009, Brazil objected to an agreement between the United States and Colombia formalizing the use of seven Colombian bases as springboards for interdicting narcotics shipments from South America to Central America, Mexico, the U.S. and Europe. Brazil interpreted this agreement as a challenge to Unasur's aspiration to exclude U.S. influence from South America. As such, it allowed Venezuela's President Chavez to lead the criticism by exaggerating and misconstruing U.S. intentions toward the region. President Lula did not criticize the Castro and Chavez regimes and was silent about human rights violation in Darfur. Another point of irritation between the U.S. and Brazil was the constitutional crisis in Honduras, which was precipitated by the coup d'etat against President Manuel Zelaya in June 2009.

"The negative reaction by the United States and other major powers to the initiatives taken with Iran by Brazil and Turkey show that global involvement for Brazil is not without costs. Brazilian policy was criticized at home and abroad for overreaching, hubris and inadequate preparation. U.S. views of Brazil as an unreliable partner unwilling to make the difficult choices necessary to sustain world order suddenly mirrored Brazilian views of the United States as dedicated to military adventurism by flaunting the UN Security Council on Iraq."[10] Nevertheless, at home, President Lula's popularity was not affected by his unsuccessful Iran initiative. Foreign policy has only a limited impact on Brazilian society.

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[7] Luiz Felipe Lampreia, Bloomberg News (Sept 21, 2011) [hereinafter Lampreia].

[8] Sotero, *supra* note 5, at p. 72 (stating, "Indeed, in the final year of President Lula's administration, Brazil took an active role in all major negotiations of global issues").

[9] *Id*, at p. 76.

[10] Einaudi, *supra* note 1, at p. 9.

While in office, President Lula's anti-Americanism was never deeply disguised. In August 2011, the former president headed a trade and investment mission to Colombia. While there, he told Colombia's newspaper of record that during the twentieth century the U.S. "commercially indoctrinated" South America to believe that Brazil was a danger to the region.

To buttress his point, he repeated an anecdote told to him by Venezuela's President Chavez about his days at Venezuela's military academy. Chavez alleged that visiting American lecturers told the Venezuelan cadets: "Watch out for Brazil, the danger in America is Brazil."[11]

Under President Lula, Brazil has demonstrated leadership at the global level, confronted the United States, and been active in regional affairs. An example of this was the support of Venezuela, Bolivia, Ecuador, Nicaragua, and Argentina to halt Washington's FTAA Initiative.

There has long been an anti-American strand among Brazilian elites. "This strand is likely to be manifest in the foreign policy of any government of an ascendant Brazil […]."[12] Matias Spektor, an international relations professor at the Getulio Vargas Foundation, agrees. He notes, "…the more powerful countries like Brazil become, the more tensions we'll see."[13]

Further, President Lula showed little disposition to settle disputes between neighbors. For example, the Lula administration did not get involved in a dispute between Argentina and Uruguay, both Brazil's partners in Mercosur, over the operation of a cellulose plant on the Uruguayan side of the Uruguay River."[14] Similarly, Brazil did little to help reduce tensions and avoid a possible military confrontation between Colombia and Venezuela. When Venezuela broke diplomatic relations with Colombia in August 2010, Lula's attempt to reduce tension "[…] had little impact and did not alter the mismatch between Brazil's assertions of leadership at the global level [...] and its modest interest in assuming the risks of leadership closer to home […]."[15]

Several reasons have been offered for this discrepancy. One reason is that such disputes generate little interest and no political dividends in Brazil. One Brazilian survey suggested that Brazilian elites generally perceive that South America and Latin America are not a suitable platform to project Brazil as a global power. It is too early to tell whether Brazil will be able to act as a global power. James Lockhart Smith of the International Institute for Strategic Studies suggests Brazil

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[11] Yamid Amat, "Lula da Silva se extrañó por la reacción del ex-presidente Uribe', *El Tiempo*, August 6, 2011.

[12] Sotero, *supra* note 5, at p. 77.

[13] Lampreia, *supra* note 7.

[14] Sotero, *supra* note 5, at p. 76.

[15] *Id.*

is not yet able to implement or bear the costs of regional predominance. "[...] intervention would not only risk failure but also threaten Brazil's diplomatic and economic ties with its neighbors."[16] Some analysts argue Brazil cannot achieve regional leadership but needs regional stability. This allows Brazil's regional economic influence to grow.

U.S. Expectations About Brazil Under President Lula

The United States has neither the willingness nor the capability to provide the level of global leadership it has provided for several decades following World War II. Consequently, other countries are increasingly less willing to follow America's lead. As American influence has waned in Latin America following the end of the Cold War, some U.S. analysts assumed that Brazil would exert increasing leadership in the region. This assumption was not borne out under President Lula. Brazil has influence in the region, particularly economic, but President Lula was unable, except in the case of blocking the FTAA, to provide leadership beyond suggesting that the United States is irrelevant in the Americas.

Trade Policy

In the 1930's and 1940's the Great Depression with its protectionism and World War II isolated Brazil. Import substitution gained sway because of the lack of foreign investment. In the 1950's, dependency theory, developed at the United Nations Economic Commission for Latin America headquartered in Chile, became the paradigm throughout Latin America. State intervention was considered superior to market forces. In the 1960's and 1970's, the Alliance for Progress and the Inter-American Development Bank (IDB) provided analysis and financing for agrarian and tax reform in the region. In the 1970's, governments and the private sector borrowed heavily and generated high but unsustainable economic growth, which led to a debt crisis in the 1980's, now known as the "lost decade," characterized by low growth and hyperinflation. At the end of that decade the Washington Consensus emerged, and the success of some Asian economies debunked the dependency theory. In the 1990's that Brazil began privatizations and trade liberalization:

> Since 1990, Brazil has improved international integration and opened markets via three routes:
>
> Unilateral liberalization (it substantially reduced tariff rates unilaterally, from an average of 51 percent to an average of 12 percent)
>
> Multilateral agreements (it participated in the Uruguay Round making substantial commitments to reduce import barriers and bind practically all tariff lines).

[16] James Lockhart Smith, *Financial Times* (June 14, 2011).

And regional openings (it entered intra and extra-regional preferential trade agreements.[17]

Brazil and the BRICS

The term BRIC was coined by a Goldman Sachs executive Jim O'Neill in 2001 and it captured the media's imagination.[18] Brazil has used the catchy acronym to dramatize the desire and ability of emerging powers to change the way the world organizes itself and makes decisions. None of the BRICS member countries have much in common, but China seems to be their hub because of its size, global economic influence and importance in world trade. None rank high, either in competitiveness or in the ease of doing business. China and Brazil share the goal of taking world economic leadership away from the U.S., EU, and Japan. At the same time, Chinese involvement in Latin America threatens Brazil's goal of dominating the economies of Latin America.

Before analyzing the current state of trade relations between the United States and Brazil, it is instructive to briefly review the history of trade policy initiatives with specific reference to Brazil's foreign trade policy and the various multilateral and regional initiatives to provide greater openness and organization to trade in the region.

Mercosur

Over the last half century, there have been several attempts at economic integration, either encompassing all of Latin America and the Caribbean or focused on specific regions. In 1960, the Latin American Free Trade Association (ALALC) was formed. Frustration with ALALC led to the formation of several regional economic groupings. In the 1960's, what eventually became the Andean Community was born, as was the Caribbean Common Market (Caricom) and the Central American Common Market (CACM). In 1980, ALALC failed and was replaced by the Latin American Integration Agreement (ALADI), another attempt at integrating all of Latin America. In 1991, Brazil led the creation of a regional common market called Mercosur which included as full members Argentina, Paraguay, and Uruguay as well as several associate members. Venezuela asked to join in 2006.[19]

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[17] Eliana Cardoso, *A brief history of Trade Policies of Brazil: From ISI, export promotion and import liberalization to multilateral and regional Agreements*, p. 3. This is a paper prepared for the Conference on Political Economy of Trade Policy in the BRICS, (March 27-28, 2009) [hereinafter Cardoso].

[18] Recently, South Africa was included and the grouping is now called BRICS.

[19] Mercosur's origins can be traced back to 1985 when Presidents Raul Alfonsin of Argentina and Jose Sarney of Brazil signed the Argentina-Brazil Integration and Economics Cooperation Program (PICE), having been brought together by both countries' efforts at re-democratization. Both countries were moving away from protectionism and toward trade liberalization. In 1990, Argentina, Brazil, Paraguay, and Uruguay took the first step toward further integration when

Mercosur's purpose, as expressed in the 1991 Treaty of Asunción, is to allow free trade among member states, with the ultimate goal of full South American integration. Mercosur "…has a long history of advances and setbacks caused by diverse political agendas, economic asymmetries and the differing characters of each of these countries as regards external trade partnerships."[20] Mercosur is the fourth largest trading bloc in the world after the EU, NAFTA and the Association of South East Asian Nations (ASEAN).

Mercosur aims at eliminating all customs barriers and lifting non-tariff restrictions by promoting the free transit of produced goods, services and factors among member states. Additionally, Mercosur provides for a fixed common external tariff and a common trade policy with nonmember states.

> Mercosur's primary interest has been to eliminate obstacles to regional trade […] Yet experts say Mercosur has become somewhat paralyzed in recent years, with its members divided over the future of the organization. Some countries, like, Brazil, want to keep Mercosur focused on regional trade. Other countries, like Venezuela […] would like to expand the group's mandate to political affairs." Venezuela's entrance into Mercosur has caused tension within the trade bloc, since it is philosophically opposed to free trade. Instead, President Chavez has urged: "We need a Mercosur that prioritizes social concerns.[21]

Richard Lapper, the Latin America editor for the Financial Times, argues that Brazil and Argentina were attracted by access to Venezuela's energy supplies and the idea that they would have a Caribbean Coast. Brazil represents more than 70 percent of the territory of the four founding states, as well as of their population, gross domestic product (GDP), and foreign trade. Not surprisingly, Brazil is seen as its major beneficiary.

Latin American countries have relatively little trade among themselves. According to IDB data, intraregional trade accounts for only 20 percent of total trade in Latin America compared to 46 percent in Asia and almost 70 percent in

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they signed the Partial Scope Agreement to eliminate all tariffs and trade restriction by the end of 1994 and establish a common economic policy. A year later in March 1991, the common goals of the 1990 agreement were incorporated in the Treaty of Asunción. After several years of negotiation, Mercosur was finally created as a result of the Partial Scope Agreement in 1994; "Among the external factors that acted in favor of the formation of Mercosur, the following are worth noting: challenges created by the beginning of the free trade agreement between Canada and the US in 1989, and the perspective of its expansion to other countries in the Hemisphere, the Single European Act of 1986; and the non-conclusion of the Uruguay Round, in December 1990." Cardoso, *supra* note 17.

[20] *Id*, p. 25.

[21] Joanna Klonsky and Stephanie Harrison, Council on Foreign Relations, *Mercosur: South America's Fractious Trade Bloc*, (Aug. 20, 2009).

Europe. ECLAC compared the intra regional trade of four common markets in Latin America and the Caribbean in 2010, as a percentage of their total trade. The data shows intraregional trade as: 26.7 percent for the Central American Common Market; 16.7 percent for Caricom; 15.6 percent for Mercosur, and 8 percent for the Andean Community.

Mercosur is not a fully developed trade zone, with temporary exceptions to the Common External Tariff (CET) and the automobile sector remaining under a special regime.[22] Mercosur also has no enforcement mechanism for decisions adopted by its members. Brazil has used Mercosur as a mechanism to attract investment and promote its international leadership. However, these are not common goals under Mercosur and thus, the initiative has not been completely successful.[23] "Brazil sees Mercosur as a strategic platform to increase its international stature. The long term political-economic project would be a way of making the country more attractive to foreign investment, a way of not being left out of the international political process and a way of increasing its bargaining power in negotiations with the US and the EU. Argentina, on the other hand, is concerned with short term crises. Without common goals, Mercosur is destined to go nowhere."[24]

At its initial stages, Mercosur "showed great economic success."[25] However, progress within Mercosur has been slow and uncertain, and the organization's lack of a centralized source of enforcement makes it difficult for it to operate effectively.[26] To date, only Argentina and Brazil have fully adopted the competition-friendly policies provided within Mercosur.[27] Inter-Mercosur trade, which increased from $4 billion in 1990 to $20 billion in 1998, fell to $15 billion in 2001. Trade disputes multiplied and protectionist tendencies recurred.

More importantly, Brazil essentially lost interest in Mercosur. The press of two presidential meetings a year become time consuming, and only broad macroeconomic principles, to be implemented in the future, could be agreed upon. Brazil turned its interests to other issues in the region, including resolving the Peru-Ecuadorian border dispute and embracing democratic initiatives in Paraguay.[28]

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[22] Cardoso, *supra* note 17, at p. 28.

[23] *Id*., p. 30.

[24] *Id.*

[25] Jackson Bennett, *The Union of South American Nations: The New(est) Regionalism in Latin America*, 32 SUFFOLK TRANSNAT'L L. REV. 103, 117 (2008) [hereinafter Bennett].

[26] *Id.*

[27] Stephen Siptroth, *Welcoming All to a Table of Plenty: The Free Trade Area and the Bolivarian Alternative as Competing Means of Economic Integration in the Americas*, 12 UCLA J. INT'L & FOREIGN AFFAIRS 359, 367 (2007) [hereinafter Siptroth].

[28] Fishlow, *supra* note 3, at p. 154.

Unasur

By 2000, Brazil was focusing on broader regional issues, including integration, transportation and finance. It hosted the first meeting of all South American countries on August 31, 2001, which eventually led to yet another forum for regional integration, Unasur.

Created in 2008, Unasur aims at propelling regional integration on issues such as democracy, education, energy, environment, infrastructure, and security. As noted by one observer, "The Unasur Constitutive Treaty is very ambitious in terms of thematic schedule, but vague as regards trade and economic integration."[29] It has also been described as "The brainchild of Brazilian diplomacy to counter Washington's predominance in the region."[30] The concept of Unasur was conceived with the Cusco Declaration, signed in 2004 to create the South American Community of Nations. Unasur's members are Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Perú, Suriname, Uruguay, and Venezuela.

Unasur is based on a misreading of European and South American history. Following two World Wars and the loss of millions of its citizens, the EU emerged because the Europeans wanted to live in peace and prosperity. To achieve those benefits they were willing to relinquish some measure of each country's sovereignty. South America has not experienced anything similar. Unasur ignores two hundred years of history in which each South American nation developed differently. Political differences are significant, and historic boundary issues and resentments remain. Their economic interests differ greatly and the asymmetries between their economies are enormous.

The key question is whether Brazil is "[…] able to reconcile its regional and global interests…" as well as "[…] its geopolitical and economic interests."[31] There is no clear answer. Further, whether Mercosur will encompass all of South America or become engulfed, along with the Andean Community, into Unasur, as part of a continent wide arrangement, is unclear. Brazil's having joined CELAC to include Mexico, Central America and the Caribbean and South America only adds to the uncertainty.

In August 2011, ECLAC highlighted the lack of "regional value chains" as impediments to intraregional trade in Latin America. A senior IDB official concurred:

> Trade policies are not the main impediments to trade anymore. After decades of deep liberalization, Latin American trade is now

[29] Cardoso, *supra* note 17, at p. 29.

[30] Merco-Press, *Brazil lawmakers comply with formality of approving Unasur charter* (June 1, 2011).

[31] Leslie Bethel, Brazil: regional power, global power, *Open Democracy* (June 8, 2010).

> constrained by microeconomic factors that affect firms' capacity to compete in global markets, in particular transport costs and other gray-area regulatory barriers, such as lengthy customs procedures. The IDB estimates that the region is trading at only 50 percent of its potential. This integration gap can be bridged with investments in the hardware and software components of a modern trade infrastructure. The former refers to the modernization of transport or broadband networks that contribute to reduce transport cost and deliver goods and services in time. The latter refers to the complex program of regulatory reforms and capacity-building activities that help firms to clear customs in time, comply with stringent sanitary regulations and to integrate modern secured logistic networks. The two components of the agenda are complements, not substitutes.[32]

Unasur, in excluding the United States, provides a natural leadership platform for Brazil. However, it also underscores the dilemma facing Brazil, particularly under the presidency of Dilma Rousseff – global economic superpower versus spokesman for the region:

> Tasked with guiding the future evolution of Unasur, which continues to hang in the balance, Rousseff will soon lead a continent in which nothing is for certain. She will have to balance Brazil's regional and global ambitions with the country's current limitations, keeping South American integration a priority even as Brazil surpasses its neighbors to become an integral part of the international system.[33]

Unasur's goals include economic development, defense policy, and infrastructure cooperation. Specifically, Unasur members would like to see the creation of a Bank of the South in Caracas. Brazil was also successful in convincing each Unasur state to join the South American Defense Council, designed to boost regional cooperation on security policies.[34] Additionally, with regard to infrastructure cooperation, Unasur has planned several projects, including an inter-oceanic highway, an Initiative for infrastructure integration of South America (IIRSA), and the so-called South American Energy Ring.[35] To achieve its goals, Unasur must be able to bridge wide political and ideological differences.[36]

> Both Mercosur and Unasur have provided opportunities for Brazil to assert leadership. Nonetheless, it is unclear if Brazil is willing to

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[32] Remarks by Antoni Estevadeordal, Latin America Adviser (Oct. 6, 2011).

[33] McCall Brevor, *Brazil and Unasur: Regional Security and the Nation's World Standing in the End of Rousseff's Rule*, COHA (Nov. 2, 2010).

[34] Peter Meyer, Brazil-U.S. Relations, Congressional Research Service, p. 12 (Feb. 9, 2011).

[35] *See* Bennett, *supra* note 25, at p. 132.

[36] Hemispheric Affairs, *Brazil and Unasur: Regional Security and the Nation's World Standing in the Era of Rousseff's Rule* (Nov. 2010).

accept the costs and responsibilities associated with regional leadership.

Indeed, given Unasur's inchoate objectives it is unclear what role falls to Brazil. It is certain that if it is to succeed, Unasur will require a "sizable Brazilian investment in terms of diplomatic, economic and meriting capital, which could temporarily distract Brazil's regional motivations from its larger global ambitions.[37]

II. BRAZIL'S FOREIGN TRADE POLICY

Since the 1990's, when Brazil adopted a favorable approach toward open trade, the country has been involved with various initiatives that have helped define its foreign trade policy.[38] Nevertheless, the country has not emerged as a leader either at the regional or global level.[39] Below we provide a brief history of these initiatives and explore Brazil's involvement in each.

Free Trade Area of the Americas (FTAA)

In 1994, during the First Summit of the Americas in Miami, Florida, the FTAA was envisioned as the most far-reaching trade agreement in history (extending also to NAFTA). The initiative aimed to eliminate or reduce the trade barriers among all countries in the Americas, excluding Cuba. The FTAA was introduced to create a new trade powerhouse with new authorities over the Americas.

During the Summit, the United States pushed for a single agreement to reduce trade barriers for goods, while increasing intellectual property protection. Unfortunately, many countries opposed this proposal as lacking provisions to alleviate social problems in the region.[40] The disagreements were such that during the Fourth Summit of the Americas in 2005, the members were unable to restart the negotiations for the creation of the FTAA.[41]

In retrospect, the FTAA seemed doomed from the start, as the United States and Brazil had markedly different strategies and priorities. Both Brazil and the United States served as co-chairs of the Trade Negotiations Committee (TNC). However, the United States' priorities were to negotiate agreements concerning investment, government procurement, services, and intellectual property, while Brazil restricted its support primarily to market access and would not engage with

[37] *Id.*

[38] *See* Mauricio Moreira, *Brazil's Trade Policy: Old and New Issues*, Inter-American Development Bank (Dec. 19, 2009).

[39] *Id.* (noting that "it is up to Brazil, given its economic and political clout, to play a key role in the strategy of seizing the opportunities for economic cooperation and integration in mitigating the political risks associated with bilateral friction among various South America countries.").

[40] Siptroth, *supra* note 27, at p. 385.

[41] *Id.*

the United States on the other issues unless the U.S. agreed to discuss agricultural subsidies and trade remedies.[42] Still enjoying the glow of NAFTA's completion, the United States saw the FTAA as a logical extension of that initiative, with an even bolder mandate. At the Miami Summit of the Americas in December, 1999, President Clinton stated, "For the first time ever, we established an architecture for hemispheric relations from the Arctic Circle in the north to Argentina in the south. We created a work plan from which the democratic governments of the Americas could be judged by their people." Brazil for its part, preferred to focus on Mercosur and an essential South American Free Trade Area. After a series of inconclusive summits and Ministerial meetings, it was clear by the WTO Minister at Cancun Mexico in 2003, that Brazil had chosen to "opt out" of FTAA.[43]

Despite discussions of an "FTAA light" outcome and subsequent negotiating sessions in Miami, Puebla, Mexico and Mar del Plata, Argentina, the FTAA was moribund by the end of 2005. By that time, the United States had completely lost interest in the FTAA, while Brazil turned inward, focusing on the presidential election of 2006.[44]

World Trade Organization

The WTO, created in 1995, to supervise and liberalize international trade, succeeded the General Agreement of Tariffs and Trade (GATT) and provides a framework for negotiating and formalizing trade agreements as well as a dispute resolution process.[45] Its 153 members are currently consumed with the Doha Development Agenda (Doha Round), a follow-up to the failed Seattle Ministerial Conference of 1999, which was launched in Doha, Qatar in late 2001. Unfortunately, the Doha Round is currently at a standstill due to disagreements between the members specifically regarding agricultural subsidies.[46]

Historically, Brazil was not an active negotiator in the various rounds of multilateral trade negotiations. Instead, it largely focused on preserving trade preferences for developing countries, including the concept of "special and differential treatment."[47] Trade facilitation is also important for Brazil to improve its basic trade infrastructure. Beginning with the Tokyo Round in the 1970's and continuing through the Uruguay Round in the 1990's, the GATT's agenda

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[42] J. F. Hornbeck, *Brazilian Trade Policy and the United States*, Congressional Research Service, pp. 12, 13 (February 3, 2006) [hereinafter Hornbeck].

[43] Fishlow, *supra* note 3, at p. 161.

[44] *See* Jeffrey J. Schott, *Does the FTAA Have a Future?*, Institute for International Economics, (Nov. 2005) (detailing the history of FTAA negotiations).

[45] *World Trade Organization*, Business Week (Nov. 2005).

[46] *See* Chris Brummer, *The Ties that Bind? Regionalism, Commercial Treaties, and the Future of Global Economic Integration*, 60 VAND. L. REV. 1349, 1350-51 (2007).

[47] Pedro Da Motta Veiga and Sandra P. Rios, *Brazil in the WTO and the Multilateral System of Governance*, *breves cindes 12* (Jan. 2009) [hereinafter Motta Veiga].

became broader and more complex and Brazil became more adverse (along with India) in opposing specific initiatives of the United States, European Union and Japan.[48] The tariff cuts of the Uruguay Round are generally viewed as increasing real income for most developing countries.[49]

Brazil played an important role in the launch of the Doha Round,[50] but as many other rising economies, it would like to see the Doha Round move forward on agricultural issues, reducing trade-distorting domestic support for agriculture and liberalizing trade to improve the asymmetry that currently favors developed countries.[51]

In the past, Brazil has made effective use of international dispute resolution mechanisms. In 2010, eight years after Brazil challenged several provisions of the U.S. cotton program, Brazil announced that it intended to impose retaliatory measures against the United States worth $829 million. To avoid such measures, the United States reached an agreement with Brazil to make some short-term changes to its export credit guarantees and provide the Brazil Cotton Institute with $147 million annually for a fund to assist Brazilian cotton farmers with technical assistance, marketing, and market research. In exchange, Brazil agreed to temporarily suspend its retaliation with the intention of reaching a permanent agreement with the United States after Congress has an opportunity to adjust the subsidy program in the 2012 farm bill. More significantly, on December 31, 2011 the hefty U.S. 54 cent-per-gallon ethanol import tariff and 45 cent-per-gallon tax credit for ethanol blenders expired when the U.S. Congress adjourned without enacting any extending legislation. Thus, for the first time in more than three decades of U.S. government subsidies for the domestic ethanol industry, the U.S. market will be open to imported ethanol. The tariff was primarily aimed at keeping Brazilian ethanol out of the U.S. market. However, some Members of Congress are seeking to reinstate the 54 cent-per-gallon tariff in an effort to support Caribbean ethanol producers, who previously benefited from duty-free access to the U.S. market while Brazil did not.

In the Cancun Ministerial of 2003, Brazil undertook a pivotal role, organizing developing countries into a G-20 bloc that insisted on freer agricultural trade and significant concessions that blew up an agreement between the United States and the EU. The Cancun talks collapsed after only a few days when Members could not agree on a “framework” to continue negotiations. The collapse of Cancun is generally viewed as a victory for the developing countries, with the G-

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[48] *Id*., p. 3.

[49] Susan Epstein, *GATT: The Uruguay Road Agreement and Developing Countries*, Congressional Research Service Report (1998).

[50] Mariano Francisco Laplane, *Brazil in the WTO: Balance and Perspectives*, Dialogue on Globalization (May 2003).

[51] *Id.*

20 sufficiently empowered to reject the U.S.-EU agricultural proposal as not in their interest.

> In fact, the G-20 established itself as a response to the agricultural text drawn up jointly by the U.S. and the EU at Cancun. And, despite criticisms of the G-20 began to be perceived by public opinion, both in the North and the South as the result of a legitimate effort of developing countries to "push" their interests[…].[52]

At the subsequent Sixth Ministerial in Hong Kong in 2005, Brazil unsuccessfully tried to bridge differences between the United States and the EU. Indeed, in Hong Kong, Brazil's voice was prominent in becoming a member of the latest group of would-be brokers of a Doha Round agreement known as the "Group of Six" (EU, U.S., Japan, Australia, Brazil and India).[53] By the time of the Geneva negotiations in the summer of 2008, India took a more aggressive position on agricultural trade, losing Brazil's support in the process and the developed world was paralyzed by the global economic meltdown. By this point however, Brazil had formerly established itself as an emerging force in the WTO. Having viewed the prior Uruguay Round as detrimental to its interests, Brazil has taken an aggressive, almost obstructionist role as the leader of the G-20 bloc.[54]

However, in early 2011 Brazil's president called for major countries to renew the Doha talks, while WTO Director General Pascal Lamy assisted in the rescue efforts. Brazil also attempted to broaden the scope of the Doha talks by presenting a proposal in May 2011 to include discussion of the relationship between currency exchange rates and global trade patterns.

By mid-2011, attention shifted to reaching a year-end Doha "package" that would be unveiled at the December Ministerial meeting. Once again, Brazil and the U.S. squared off over what constitutes a "balanced approach," with the U.S. seeking additional concessions from developed countries. For its part, Brazil insisted on a package more responsive to developing countries.

By the fall, with the December deadline approaching, the U.S. floated the idea of WTO members pursuing "plurilateral initiatives," rather than advancing the entire Doha "single undertaking." In response, Brazil proposed a "pause" in the market access negotiations through 2012, suggesting a Ministerial in early 2012 to launch a new WTO work program. As the year end approached, there was no consensus on how to proceed in the Doha Round in 2012 or under what terms. However, a draft 8th Ministerial Chairman's text contains the possible elements for political guidance "on the multilateral trading system, trade and development,

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[52] Motta Veiga, *supra* note 47, at p. 5.

[53] Hornbeck, *supra* note 42, at p. 15.

[54] *See* Klaus Deutsch, *Doha or Dada: the World Trade Regime at an Historic Crossroads*, Deutsche Bank Research (June 28, 2011).

and the Doha Round."[55] The eighth WTO Ministerial Conference was held in Geneva from 15-17 December, 2011. A Plenary Session and several working sessions took place, and Ministers had a platform for discussing three main themes: "Importance of the Multilateral Trading System and the WTO," "Trade and Development," and the "Doha Development Agenda."

In the Chairman's Concluding Statement of the conference, Mr. Oluscgun Aganja acknowledged that the "Ministers deeply regret that, despite full engagement and intensified efforts to conclude the Doha Development Agenda single undertaking since the last Ministerial Conference, the negotiations are at an impasse." Pascal Lamy, speaking at his last regular Ministerial in which he served as Director General, could only find solace in the Minister's acknowledgement of an "impasse" and urged them to start "exploring different negotiating approaches." Hardly an auspicious beginning for 2012.

At the end of the day, there was nothing of significance accomplished. Going forward, the United States continues to express interest in a plurilateral services agreement (which is also supported by Australia and could eventually be supported by Japan, Canada and the European Union), while Brazil remains firmly opposed to this approach. Brazilian Foreign Affairs Minister Patriota publicly questioned this approach, since it would not demonstrably promote development in poor countries. The BRICS Ministers issued a statement in December that emphasized the need for any "early outcome" of the Doha Round to deliver meaningful benefits for developing countries.

President Dilma Rousseff

President Dilma Rousseff assumed office on January 1, 2011. She is the first woman to become President of Brazil. Following years of intermittent tension and disappointment with President Lula, the U.S. was ready to "reset" relations and, so it seemed, was Brazil's new President. Her inaugural speech was closely studied and contained some points that U.S. analysts welcomed. Brazilian analysts expected her to concentrate on domestic policy rather than foreign policy.

> Our foreign policy will be based on the classic values of Brazilian diplomatic tradition: promoting peace; respect for the principle of non-intervention; defense of Human Rights, and strengthening multilateralism […] We will continue deepening our relationship with our South American neighbors […] We will preserve and deepen our relationship with the United States and the European Union […] We shall give ever greater consistency to Mercosur and Unasur.
>
> We shall continue arguing for "[…] reform of the organisms of world governance, especially the United Nations and its Security Council."

[55] Washington Trade Daily, *A Ministerial Text Emerging* (Nov. 30, 2011).

> "I reaffirm that I prefer the noise of our free press to the silence of dictatorships…the most complete democracy and […] the uncompromising defense of human rights."[56]

President Rousseff gave a second major address on foreign policy in April 2011 repeating much of what she said in her inaugural address but adding a pointed reference to the "Arab Spring:"

> The most recent events in the Arab countries in North Africa are evidence of a healthy wave of democracy which we supported from the beginning, but they reflect also the complexity of the challenges of the century in which we live. We are dealing with challenges that no longer accept the usual warlike responses.[57]

Brazil's opposition to western efforts to support democratic change in the Arab world could be ascribed not only to its desire for a seat on the U N Security Council but also to commercial considerations. Brazil's exports to the Middle East, consisting primarily of commodities and foodstuffs, are rising. Between 2000 and 2010 Brazilian exports to Iran surged to $ 2.12 billion. In August 2011, according to the Association of Brazilian Beef Exporters (ABIEC) Iran became the biggest market for Brazilian beef exports in the world.

At the end of President Rousseff's first year in office, it is clear that former President Lula still has influence over Brazilian foreign policy.

Brazil's Place in the Americas

Today, South America is excited about the opportunities that China, India, and other economies in the Pacific represent. Concerns about sovereignty have been heightened and economic cooperation structures are being reimagined. Sensitivity about hegemony is high. Historic grudges and boundary disputes have not disappeared. Uncertainty and historic differences drain momentum from the regional longing for greater integration, energy cooperation and infrastructure development. Peru's new President is a former military officer. Will he kindle historic grudges with Chile? President Chavez's health may profoundly affect Venezuela's role within Mercosur. Former President Lula's illness may alter Brazil's relations with South America since the expectation has been that he might be elected president again in 2014.

Intraregional trade has been declining over the past several years, both among Mercosur countries and in the Andean Community. Andean Community members are considering what changes they might make to improve the structure and functioning of their common market. The recent approval of two free trade agreements linking the U.S. with Colombia and Panama has created

[56] Remarks by President Rousseff (Jan. 1, 2011).

[57] Remarks by President Rousseff (April 2011).

an unbroken zone of free trade agreements from North America, through Central America and along the west coast of South America, except for Ecuador. The ongoing Trans-Pacific Partnership (TPP) talks will further expand this network. While the United States has taken a visible, leading role in the TPP negotiations, Brazil has not been a participant. All of this uncertainty affects Brazil's desire for economic influence in Latin America and the Caribbean.

Concerns about hegemony lie just below the surface in South America. The example of what has happened to the interests of Uruguay and Paraguay within Mercosur is not lost on the region. "for a country that claims its leadership role is benevolent, the fact that Brazil has for years sustained trade surpluses with every South American nation except Bolivia may be seen by neighboring leaders as a sign of political insensitivity, if not thoughtless hypocrisy."[58]

In South America, there is suspicion about Brazil's "imperialism." This has intensified as Brazil's influence increases in the region, as demonstrated by the two following examples. In the spring of 2011 on the outskirts of Lima, a Brazilian company, as a good will gesture, installed a large plastic copy of the statue of Christ the Redeemer that dominates Rio de Janeiro's skyline. The Peruvian press quickly complained about Brazilian imperialism. After months of demonstrations by the inhabitants of a preserve in Bolivia protesting against a road being built through their land to connect Brazil with ports on the Pacific Ocean, Bolivia's President Morales in October 2011 forbade any highway construction traversing an indigenous preserve. The road was being built by a Brazilian private company and financed by the Brazilian Development Bank (BNDES). Accusations of Brazilian "imperialism" were hurled and President Morales was called a Brazilian "lackey."

Brazil and China

Throughout recent developments in the Western Hemisphere, the presence of China must be mentioned, particularly given their appetite for raw materials, which helped grow Brazil's trade with China eighteen times between 2000 and 2008, making China the leading trade partner of Brazil by 2009.[59] While China has advanced near super-power economic status, it remains a country with low economic, social, and institutional development, "and as such shares a series of weaknesses with Latin American countries."[60] China's policy on currency valuation has also been a controversial factor in trade policy, although WTO

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[58] Joao Augusto De Castro Neves, *Rousseff's Foreign Policy has Limited Room for Change*, The Brazilian Economy (Sept. 2011).

[59] Benedicte Bull and Yuri Kasahara, NorLARNet Analyses, *Brazil and China: Partners or Competitors* (Feb. 22, 2011).

[60] Eduardo Lora, *Should Latin America Fear China?*, Inter-American Development Bank Working Paper 531, at 17 (Feb. 2007).

votes have not yet been invoked to address this issue.[61] While the Brazil-China economic relationship is symbiotic largely due to China's consistent growth of industrialization and Brazil's abundance of raw materials, frictions are already appearing. The latest manifestation is Brazil's new policy of "Bigger Brazil," which is designed to grow Brazil's domestic manufacturing sector while increasing enforcement of its trade laws to restrict Chinese imports that are deemed to circumvent existing trade remedies or infringe Brazilian intellectual property.[62] The policy, which also includes subsidized financing for select industries via Brazil's BNDES, has been criticized as "reminiscent of the import substitution policies that were employed by Brazil in the 1970's and 1980's."[63]

While many argue that China has the advantage in the Brazil-China relationship, a closer look reveals the crucial connection between good governance and investment in the long run. This link is clearly more favorable to democratic Brazil. Carlos Pereira and Joao Augusto de Castro Neves from the Brookings Institute believe that "this disparity [between China and Brazil's way of governing] may suggest a different approach in terms of foreign economic policy."[64] Both countries are racing to increase their foreign direct investment (FDI) abroad, particularly in Latin America, Africa, and Asia. How Brazil and China will deal with governance indicators in host countries may give rise to an escalated competition between the two countries in developing markets.

The disparities between the two countries may continue to grow due to their differing domestic institutional structures. Brazil's market-friendly and democratic environment will be more attractive to foreign investors in the future. How these different governing institutions will affect Brazil's and China's bilateral differences is debated. Many believe that these disparities will have a spill-over effect on multilateral cooperation.

It is clear that Brazil today is far different from Brazil two decades ago. Brazil has taken great strides in improving its regulatory practices and building its local institutions to be more attractive to foreign investors. However, Brazil has a long way to go in the direction of good governance in order to become a global player capable of attracting FDI in amounts similar to China. "Gusto Brasil" refers to the unusually high cost of domestic goods in Brazil. The causes are: Brazil's structural and endemic problems such as poor infrastructure; one of the developing world's highest tax rates and expensive labor costs. Undertaking

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[61] *See* Vera Thougtonsen et al., *The Effects of Exchange Rates on Trade in the WTO: The Case of Brazil, USA and China* (September 2011).

[62] Inside U.S. Trade, *Experts Criticize New Brazilian Policy Aimed at Curbing Chinese Imports*, (Aug. 24, 2011).

[63] *Id.*

[64] Carlos Pereira and Joao Augusto De Castro Neves, *Brazil and China: South-South Partnership or North-South Competition?*, Brookings Institution Press at 16 (Mar. 2011).

reforms to reduce these costs would attract more investment. However, successive governments have lacked the creativity to carry them out.

Coda: Looking Ahead

The State visit of President Barack Obama to Brazil from March 19 to March 21 of 2011 provided opportunity for Presidents Obama and Rousseff to develop a new path forward. However, the package of agreements reached was by no means a breakthrough in bilateral relations.

Brazil's economy has grown phenomenally since the 1990's. At the end of 2011, it is the seventh largest economy in the world, having surpassed Italy in 2010.[65] Goldman Sachs has predicted it will be the fifth largest by 2050. Brazil plays an active role on environmental issues such as climate change and biodiversity, trade, food security, and in supporting the need for change in the architecture of global governance. It plays a confident and innovative role on public health. It has the credentials to play a more effective role on nuclear non-proliferation. Brazil's national interest should also encourage greater protection of intellectual property. Interestingly, President Rousseff's rhetoric gives the impression that Brazil wants to play a more assertive role on human rights and on the strengthening of democracy. However, more needs to be done in Brazil. Human rights violations persist and press freedom is being eroded by judicial and court action.[66]

Brazil also aspires to a seat on the U.N. Security Council but its capacity to play that role has not been universally accepted. Its selective application of the policy of not interfering in the internal affairs of other countries is particularly evident in the Middle East. Further, whether this is the result of: hoping to increase Brazilian exports to those countries; encouraging greater support there for Brazil's aspiration to the Security Council; or the desire to avoid Islamic terrorism in Brazil, is not clear. WikiLeaks released an August 2009 cable from the American Embassy in Brasilia which pointed out that "Officially, Brazil does not have terrorism inside its borders." The cable then states, "In reality, several Islamic groups with known or suspected ties to extremist organizations have branches in Brazil and are suspected of carrying out financing activities." On November 17, 2011, the Federal Police Chief in Sao Paulo said that terrorists might take advantage of the 2014 World Cup games to attack foreign delegations rather than Brazilian targets. Presumably, this concern would include the summer Olympics in 2016. The Brazilian government's position on terrorism is unclear, but suggests it believes that Brazil and Brazilians do not represent a target for terrorism.

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[65] According to an article in the Financial Times of January 11, 2012, Brazil is believed to have overtaken the UK last year as the world's sixth largest economy, Financial Times, A High-Flyer now Flags at 7 (Jan. 11, 2012).

[66] *See* U.S. Dept. of State, 2010 Human Rights Report: Brazil and the Committee to Protect Journalists, Global Report for 2010.

For the U.S., strategic engagement with Brazil is crucial, especially concerning trade, global governance, the environment, biofuels, renewable energy, and its interest in reducing U.S. dependence on Middle East oil. The Western Hemisphere already supplies one-fourth of the world's crude oil, one-third of the world's natural gas, nearly one-fourth of its coal, over a third of global electricity, and is a leader in renewable energy. Last year, the U.S. imported nearly half of the oil and petroleum products it used, 49 percent of those imports came from the Western Hemisphere and only 18 percent from the Persian Gulf. Canada and Mexico are already the top two foreign sources of oil to the U.S. and big deposits in Brazil are becoming accessible. Energy expert Daniel Yergin wrote recently that the world's new oil map is no longer centered on the Middle East, but on the Western Hemisphere. He predicts that by 2020, the Western Hemisphere will import only half as much oil from outside the region as it does today.

Some analysts suggest that China will soon supplant the U.S. in trade with the region. But China's share of Latin American trade went from 2 percent in 2000 to 10 percent in 2011. Eight percent of Latin America's exports went to China, but 41 percent went to the U.S. Further, Latin American trade with China is largely limited to commodities. This prevents countries from diversifying and moving up the production ladder. In reality, 60 percent of Latin America's exports to the U.S. are manufactured goods, 87 percent of Latin America's exports to China are raw materials. The numbers are even starker when it comes to China's trade with Brazil. It is clear Latin American economies want to modernize, diversify, and move up the value chain, and the U.S. is likely to be their partner of choice for many years to come. The U.S. and Latin America have broader, healthier, and more balanced relationships. Their economies are more complementary and their ties are stronger.

Turning from trade to investment, the U.S. is still the largest investor in Latin America and the Caribbean. In Brazil, the Central Bank recently published data on foreign direct investment (FDI) as of December 31, 2010. The U.S., with $105 billion, was first. This is 13 times greater than the $8 billion of Chinese investment. In fact, China ranked 16th, after Canada and Mexico.

There are many topics that require dialogue between the U.S. and Brazil. The U.S. is engaged in twenty different dialogues with Brazil. Three are at the Presidential level, eight are at the Cabinet or Undersecretary level, and another eight are at the Assistant Secretary level. Most of these dialogues are chaired by the State Department, but the Departments of Commerce, Treasury, Defense, Agriculture, and Energy also chair at least one. Another dialogue involves race relations, which also includes non-government experts. Several dialogues also involve economic financial and business issues, while others concern the environment, nuclear energy, and consular issues. This degree of intensity and interest by the U.S. signal that the U.S. welcomes Brazil's economic growth and leadership in the region. But, more fundamentally, it demonstrates that the U.S. seeks collaboration with Brazil whenever possible. Brazil alone defines its own national interest and hence, its foreign policy. There will be differences on many issues between the two governments, but strategic engagement is crucial.

Brazil is a country of over 200 million with a vast agricultural sector and developed industries that are competitive in the region and internationally. Its global competitiveness is expanding both in engineering and financial services. It is heavily engaged in improving infrastructure in the region. The U.S. on the other hand, is helping Latin America and the Caribbean to strengthen democracy, the rule of law, judicial systems and citizen security. The U.S. also helps to improve the competitiveness of economies, by assisting them to improve education, strengthen supply chains, fight corruption, protect intellectual property, and address all sorts of barriers that prevent economies from realizing their full potential to reduce poverty. But these programs are not Hemispheric "one size fits all" ideas like the Alliance for Progress. Instead, they have to be individually designed to fit each country's reality and conditions, and, of course, require political will from the receiving government.

In 2011, Brazil has continued to act as a leader of the G-20 within the WTO. Led by Brazil, members of the G-20 advocate for trade liberalization. Brazil, as one of the largest producers of agriculture products, continues to fight for sanctions against agriculture export subsidies – specifically those provided by developed nations.[67] In 2011, Brazil also advocated for Russia's membership in the WTO, which [will] provide greater bargaining power to the fast-developing BRICS within the WTO.[68] At the Eighth Ministerial Conference of the WTO (December 15 to 17 of 2011), the Chairman of the General Council directed the members "to see what is realistically achievable in a pragmatic and realistic spirit." He also asked members to focus on achieving both deliverables from the Doha Round and to also examine issues outside of the Doha directives.[69] One proposal would increase the punishments for agricultural export subsidies – this proposal is not supported by Brazil, China, India, or the United States. Other topics include Trade for Aid and e-commerce.[70]

Finally, the ongoing impasse in the WTO Doha Round is in large part a reflection of continued tension and conflicting priorities between Brazil and the United States. The most recent reflection of this stand-off is Brazil's opposition to the U.S. interest in pursuing a plurilateral service agreement, largely on the basis of Brazil's commitment to promotion of development for poor countries as a first priority. Behind this altruistic stance is a more pragmatic interest of Brazil: protecting its market until meaningful concessions are achieved.

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[67] Motta Veiga, *supra* note 47.

[68] David Jolly,*Russia Clears Last Hurdle for W.T.O. Membership*, New York Times (Nov. 10, 2011).

[69] World Trade Organization, *Chairman outlines preparations for the December Ministerial* (July 27, 2011).

[70] Agritrade, *WTO members square up for December Ministerial* (Nov. 28, 2011).

With 2012 as a U.S. Presidential election year, and given the meager results of the WTO December Ministerial, the outlook for a bold breakthrough in U.S.-Brazil trade relations is dim. However, "business as usual" is not necessarily a failed result – the U.S. and Brazil will continue to engage as necessary. Both sides publicly put the best face on the current state of play: U.S. Trade Representative Ron Kirk may have been joking during a December 18, 2011 interview with the Brazilian newspaper *O Estado de Sao Paulo*, when he hinted at a free trade agreement with South America.

In short, life goes on for both nations. The United States is placing increased emphasis on the Trans Pacific Partnership (TPP), now referred to as "WTO-Plus," but in reality a clever replacement for the FTAA, picking off the interested countries in Latin America, uniting them with like-minded Asian partners, and leaving Brazil to fend for itself. All of which might be just fine from Brazil's perspective, which for the time being may be happy to focus on its status as the aspiring spokesman for the much publicized BRICS alliance.

But a more fundamental question must be addressed: Why does Brazil continue to cling to ineffective and outmoded concepts like Unasur and Mercosur? Why does it continue to maintain old import substitution policies (now dressed up as "import substitution industrialization 2.0") and protectionist local content rules? For whatever reason, Brazil remains, to a large degree, wedded to old policies and failed relationships, often to its own detriment.

The U.S. political climate in the short term will not tolerate a major change in trade policy, particularly in an election year. Most analysts believe that a Congressional vote on any TPP Agreement will not take place in 2012, and it is simply unrealistic to expect any major initiative from Brazil. Perhaps, in advance of the April 2012 Summit of the Americas, a U.S. visit by President Rousseff may pave the way for a more productive dialogue, strengthening the bilateral consultations by creating a Joint Commission on Commerce and Trade-type mechanism, such as exists for U.S.-China economic relations, may be one step forward.

Building on the upcoming Obama-Rousseff meetings on April 9, 2012 is the best that can be hoped for, which given the current international political and economic climate, is not necessarily a bad result. It merely reflects current practicalities and the continued conflicted relationship of two great nations. The tentative embrace continues.

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Acknowledgements

The authors wish to thank many generous colleagues, particularly Mara Giorgio, Rebecca Riddell, Melanie Goggins, James Ferrer, Eric Farnsworth, Ana Janaina Nelson, Robert Trisciuzzi, Jeffrey Schott, Jon Huenemann, Laura Randall, Vivian Morgan Mendez, and Jeff Hornbeck for their encouragement, support and criticism, but the views expressed are their own.