

The Unsettled Nature of U.S.-Brazilian Relations

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This chapter will address Brazil's relations with the United States with special attention to the 2002-2014 period. During these years, the centrality of U.S.-Brazilian bilateral ties decreased notably, and the U.S. was no longer perceived as a core element in Brazil's international affairs, in contrast to previous decades.

Two important ideas must be emphasized from the start. The first addresses the long-term pattern of U.S.-Brazil bilateralism, in which periods of proximity and distance have rarely meant sudden, traumatic, and/or fervent shifts.¹ In other words, confrontation or automatic alignment with the United States have seldom been the dominant options of Brazilian foreign policy, as has been the case with other Latin American countries. Second, structural asymmetries between the two countries, both in the past and present, have meant that in most cases redefinitions in the bilateral relationship are observed more heavily on the side of Brazil than of the United States. While bilateralism can only be the product of two nations' actions, the changes observed in U.S.-Brazilian relations are more readily understood by examining Brazil's foreign policy preferences and decisions.

The United States' loss of centrality for Brazil is a result of a complex set of national, regional, and global dynamics. Brazilian foreign policy became a reflection of the country's stance between global transformations and positive domestic trajectories.² Brazil has expanded its involvement on different playing fields as it has incorporated new issues and areas of interest into its international agenda, which has sought to foster a multipolar world

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order anchored on a restructured multilateral system³. During the years of Luiz Inácio Lula da Silva (2002-2010), Brazil's foreign policy aspirations were also accompanied by an active regional presence, particularly with regards to South America. These new areas of action have had an inevitable impact on Brazil's relations with the United States

From an institutional standpoint, the Foreign Ministry remained the main state agency in charge of Brazil's international affairs, spanning the political, security, economic, bilateral, regional, and multilateral agendas. This structure imposes a statist dynamic on external negotiations as well as the available options in economic, political, and security policies. Yet, Brazil's diplomatic activity has also become more specialized, reflecting the diversity and complexity of the country's international agenda. It is also subject to greater societal and political pressures in a time of intense inter-bureaucratic competition and the deepening of democracy. Though in Brazil these years have coincided with governments in the same partisan coalition, led by the Partido dos Trabalhadores (PT), there are notable differences between the Lula Administration's and the Dilma Rousseff Administration's (2011-current) handling of foreign policy and relations with the United States.

In this chapter, we address these developments by examining the factors that influenced the relocation of actors, interests, and perceptions concerning the U.S.-Brazilian relationship. The following reviews the recent political and economic stances taken by the two countries in multilateral organizations as well as the most relevant issues that have an impact on U.S.-Brazilian bilateral relations.

1. U.S.-Brazilian Relations and Global Governance

Brazil has pursued a foreign policy with worldwide reach in order to promote change to consolidate a multipolar world order. It seeks changes in the conceptual toolkit of global governance organizations as well as their internal organization. Since the turn of the twenty-first century, Brazil has become an active global player to foster this transition to a multipolar world order secured by a restructured multilateral system. Consequently, Brazil has reshaped its foreign policy and utilized innovative diplomatic mechanisms with a particular concern for biased conceptions of the distribution of power and dominating security measures. This approach has been accompanied by a critical view of Western-led decisions and actions.

Brazil redefined relations with the United States and the European Union (EU); deepened ties with China, India, and South Africa; and renewed a South-South approach in various multilateral arenas. Intergovernmental coalitions—India, Brazil, and South Africa (IBAS) and Brazil, Russia, India, China, and South Africa (BRICS)—became crucial for coordinating political stances and sharing concerns regarding the conceptual, normative, and procedural frameworks put forward by multilateral organizations in the areas of economic governance, global peace, and security.

This global focus of Brazilian foreign affairs has influenced the contents of its relations with the United States. For many decades, bilateralism had directed the scope and level of Brazil's options in world politics and security; now this logic has been reversed. Brazil's interest and stances in global governance arenas now contribute to defining its relationship with the United States.

The developing world has long requested changes to the structure of multilateral bodies, which were created after the end of the Second World War in order to reconstruct the world economy. China's growing dominance in the world economy during 2002-2011 helped a

group of developing countries to rise in stature. This allowed BRICS to become an important channel for transmitting the developing world's demands for reform in the International Monetary Fund (IMF), the World Bank, and the World Trade Organization (WTO). A key theme of these proposed reforms is the enlargement of emerging and developing countries' power within multilateral organizations.

World Trade

The Fifth Ministerial Conference of the WTO in Cancun marked the end of the decision-making monopoly held by the so-called Quad group, formed by the United States, E.U., Canada, and Japan. The United States and the European Union's attempt to repeat the Blair Agreement on agriculture was rejected by the G-20 coalition, in which Brazil, India and China played a leading role.⁴ Negotiations were paralyzed. Brazil undertook new attempts to close a deal on agriculture, working with the United States, India, Australia, and the European Union. A new proposal on trade in agriculture was put forth during the Seventh Ministerial Meeting at Geneva in 2008 by Brazil, the United States, and the European Union, but it was discarded by India and China, triggering another wave of paralysis. In December 2013, the new Brazilian Director General of the WTO, Roberto Azevedo, led negotiations resulting in the approval of the Bali Accord on trade facilitation, which was interpreted as a positive signal for the conclusion of the Doha Round.

In spite of the alignment between the United States and Brazil at the WTO negotiations in 2008, the two countries often disagreed in the realm of international trade. One point of difference is the format of trade negotiations. Brazil rejects plurilateral and/or sectorial accords such as the Information Technology Agreement.⁵ Another area of discrepancy relates to the degree of flexibility granted to countries so that they may enforce their

national policies, beyond the defense of special and differentiated treatment given to developing countries. This subject unifies the BRICS countries in the debate on governance at the WTO, although these countries do not share common interests in all matters, as witnessed by the negotiations on agriculture.

It is not clear whether differences between the United States and Brazil would have escalated had the WTO Doha Round negotiations succeeded. Divergence between the two countries is usually a product of Brazil's resistance to attempts to reduce its autonomy over its domestic policies. Additionally, the 2014 U.S. Farm Bill, represents strong protectionist interests in the United States, became a source of concern for the Brazilian agricultural sector and resurrected a bilateral dispute on cotton.⁶ The Brazilian government interpreted the new American law as a blow and threatened to start retaliations against the United States using WTO standards, but in October 2014 a negotiated solution was found.⁷ The two countries also resolved a dispute over another embattled good, ethanol, when in 2012 Brazil terminated its import tariff on local production of the good. It is interesting to note that Brazil and the United States have historically advocated for the liberalization of the agricultural sector. Therefore, if protectionist measures in the U.S. agricultural sector do not hurt Brazilian interests, the two countries may reach new agreements in the WTO. This reflects the fact that Brazil's alignment with or opposition to U.S. interests in the WTO is dependent upon the specific issues at stake.

A major change in multilateral trade took place after 2008 as a result of the launching of negotiations for two mega-agreements: the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP).⁸ In these new era free trade agreements, the regulatory framework on matters such as investment, services, and

intellectual property is more important than negotiations on market access via the removal of traditional trade barriers.

TPP and TTIP are U.S. initiatives to define rules that advance the interests of its transnational firms in global value chains. The agreements are ambitious attempts to create multilateral frameworks that could serve to counter Chinese trade and industrial policies.⁹ Hence, the two agreements can be understood as the U.S. response to the reform of global governance and the rules of the multilateral trade system, implying a loss of relevance for WTO negotiations. Brazil is not part of the negotiations to form these agreements, preferring the WTO as its main resource for the regulation of international trade. The negotiations to form both agreements have proceeded slowly given their complex agendas; but if successful, the TPP and TTIP will become a new challenge for U.S.-Brazilian relations.¹⁰

The International Economy

The global crisis of 2008 differed from the international crises of the 1980s and 1990s, which had been associated with the poor management of economic policies in developing countries. In contrast, the 2008 crisis began in the United States and spread all over the world, requiring a global solution to address its fallout.

In this context, the G-20, which had kept a low profile since its creation in 1999, became the main arena for global economic negotiations. This sudden visibility was explained by the group's membership, which included the main economic powers of the developed and developing worlds.¹¹ The seriousness of the 2008 crisis indicated that any remodeling of the global financial system would only be effective if it were approved by the larger emerging economies.¹²

In 2009, the first BRIC summit took place in Russia. At this meeting, Brazil, China, India and Russia disseminated a joint declaration calling for the reform of the IMF, which involved the adjustment of its preventative procedures and a change to the distribution of power within the organization. The IMF's quota share system, which was reflected in the voting system of the organization, no longer corresponded with the participation of the member countries in the global economy. This reform has been proposed in every BRIC summit since, to which South Africa was added as a member (making the group BRICS) in 2011.

In 2010, the IMF approved a new quota share system to augment the participation of developing countries and enlarge the Fund's budget. However, passage of the reforms depends upon U.S. approval, which holds de facto veto power because of its 16.75% share of the IMF's votes.¹³ Concerned about losing this veto power, the U.S. Congress has systematically refused to approve an increase of funds for the IMF, thus prohibiting the organization's reform. The same sort of obstruction has impeded reforms in the World Bank.

Reflecting the developing world's frustration with this lack of reform, the BRICS countries announced two important initiatives at their 2014 summit. The first is the creation of the New Development Bank, which has the goal of supporting infrastructure projects within developing countries. The second is the Contingent Reserve Arrangement, which seeks to forestall short-term balance of payments pressures and contribute to the stability of the financial sector.¹⁴

The BRICS proposals should not be perceived as full-scope governance models capable of replacing the multilateral system that has been in place since the end of World War II. However, they underscore the importance of new actors in the international arena. We

expect the United States to take a defensive reaction, as the proposals represent a challenge to its longstanding hegemony.

The BRICS coalition has diminished its importance following the deceleration of the Chinese, Brazilian, South African, and Russian economies during 2013-2014, as well as domestic political problems in some of these countries. Nevertheless, the issues raised by this group address key structural questions in the multilateral regime and will not lose relevance anytime soon.

Peace and Security

Brazil and its BRICS partners have also pursued an alternative approach towards international security. This effort has led to the formulation of a critical appraisal of the post-Cold War liberal conceptions and new prescriptions of peace by Southern countries. Brasilia has been especially concerned with the attempt to legitimate 21st-century interventionism orchestrated by the United States, the United Nations (U.N), and the North Atlantic Treaty Organization (NATO). Although enacted in the name of the defense of democracy and the protection of human rights, such interventions often impose major costs on civilian populations, employ methods that destabilize domestic politics, and result in prolonged conflict.

While the United States and other Western powers sought to expand the U.N. Security Council's prerogatives to use coercion and intervention as an approach to political crises and civil strife, Brazil and other emerging countries advocated instead for the improvement of the U.N.'s institutional-juridical framework. As a non-permanent member of the Security Council in 2010-2011, Brazil underscored three concerns: (1) the inclusion of civil and political rights when addressing international crises, (2) a commitment to peacebuilding in

official peacekeeping operations, and (3) a close and permanent relationship between the Security Council and the High Commissioner for Human Rights.¹⁵ Brazil had strongly supported the creation of the U.N. Peacebuilding Commission in 2005 and the U.N. Human Rights Council in 2006. Brazil also advocated for the reform of the Security Council, for which it remains a candidate for a permanent seat.¹⁶ While the United States has not opposed Brazil's candidacy, it has also never stated that it would support Brazil as a permanent member if there were a successful reform of the Security Council.

Since the early days of the Lula Administration, Brazil was explicit in its refusal to support the U.S. war on terror. Brasilia and Washington were far from on the same page concerning the U.S.-led military intervention in Iraq. Yet the two countries had commonalities with respect to U.N. peace missions (particularly in Haiti), and both frequently coincided at the U.N. Security Council when Brazil occupied a non-permanent seat in 2004-2005 and 2010-2011. While Brazil's efforts to expand its influence over global security found limited support from the United States, allying with other emerging powers in the Security Council opened up new horizons for the country's multilateral strategies.¹⁷ One example of this took place in 2010, when Iran's Nuclear Program became a major source of concern and tension for the five permanent members of the Security Council. At the time, the Council's attention was focused on Iran's refusal to allow international inspection of its nuclear program. To de-escalate the rising tension, Brazil and Turkey, another non-permanent member, proposed an alternative to avoid sanctions that, once in place, would be followed by military intervention.¹⁸ Although not accepted at the time, the Obama Administration and European powers embraced this approach four years later once a friendlier government was elected in Iran.

For Brazil, the simultaneous presence of IBSA (India, Brazil, and South Africa) and BRICS partners at the Security Council in 2011 set the stage for the development of coordinated stances on a number of political, security, and humanitarian crises. The conflicts in Libya, Syria, Ukraine, and Gaza since then have only furthered convergence among these countries regarding the use of military intervention and sanctions. On the other hand, the United States has taken opposing stances from Brazil concerning the Security Council decision to intervene in Libya in 2011 and the General Assembly Resolution to condemn Russia's actions in Ukraine in 2014.¹⁹

During President Rousseff's first term, foreign and defense policies formed a closer link, giving new lifeblood to Brazil's regional and global security strategy. The combination of diplomatic expertise with new military capabilities led Brazil to expand its presence in global defense matters along three pillars: an active participation in peacekeeping operations, a significant portfolio of bilateral cooperation agreements, and a growing presence in the global military equipment market.²⁰ Brazil has also renewed its military understandings with the United States in recent years. However, its bilateral Defense and international security initiatives have tended to be pragmatic and focused rather than reflecting either a conflicts, or shared strategic or political worldview, with the United States.

Since 2003, an important area of security cooperation between the United States and Brazil has been the presence of Brazilian troops in Haiti as part of MINUSTAH, the United Nations Stabilization Mission in Haiti.²¹ The joint participation of Argentina, Brazil, and Chile made the mission a flagship sub-regional cooperation initiative for post-conflict settings. From the perspective of Brazilian foreign policy, it was imperative to differentiate Brazil's actions in Haiti from other instances of foreign intervention driven by perceived

imperialist motivations.²² But the Lula government's intentions with respect to Brazil's presence in Haiti did not prevent Brazil from aiding the United States' military agenda, as Brazil's support in Haiti allowed the United States to withdraw the U.S. forces deployed to intervene in Haiti and devote more resources to the wars in Afghanistan and Iraq. This situation has led some to argue that the U.S. military's overextension has resulted in third countries serving U.S. s strategic interests.²³ In Brazil's view, however, its participation in MINUSTAH was a means to avoid other undesirable foreign intervention. Brazil has long voiced the urgent need for substantial U.S. economic and humanitarian assistance aid to Haiti, only increasing these appeals following the devastating earthquake suffered by the country in 2010. At that time, the Lula Administration furthered its military and economic commitments in Haiti through various means. Its presence on the island was coordinated with other large donors, chiefly among these the United States, Canada, France, Spain and the European Union.²⁴

The U.N. Security Council's 2014 decision to accelerate the withdrawal of MINUSTAH military and police forces forced Brazil to reassess the responsibilities it should assume in Haiti following the mission's conclusion. The understanding between Brazil and the United States had been crucial to furthering a stable transition to normality in Haiti during the final stages of MINUSTAH. This understanding was only made possible by the two countries deviating from their original positions. The United States had to accept that Brazil conducted the Haiti mission with the intent of differentiating its methods from those used in U.S.-led NATO interventions involving the use of force and that Brazil sought a more explicit commitment to policies promoting development in Haiti. For Brazil's part, the country was obliged to accept a more active role in peace keeping operations involving the use of force, such as the U.N. mission in the Republic of Congo.²⁵

In other words, Brazil's military presence in Haiti led the country to become a more integral part of U.N. peace keeping operations and to begrudgingly accept the peacekeeping norms established by Chapter VII of the U.N. Charter.

Climate Change

In 1992, the United Nations Framework Convention on Climate Change (UNFCCC) was signed in Rio de Janeiro. The Convention's aim was to promote international cooperation to limit the average rise in global temperature and to cope with the impacts of climate change. The Kyoto Protocol was announced five years later, committing the signatories to legally binding greenhouse gas (GHG) emissions targets. The Protocol follows the principle of "common but differentiated responsibility", which recognizes the differing contributions of developing and developed countries to global warming. The U.S. government during the George W. Bush Administration refused to sign the Protocol on the grounds that there was no consensus on climate change and that the targets could have a negative effect on U.S. economic growth²⁶.

The Kyoto Protocol was an expression of the North-South divide, as developing countries were not committed to GHG emissions reductions. However, this gap progressively closed as climate change has become a domestic issue for many developing countries. Additionally, under the Obama Administration, the United States changed its posture and ceased to be an obstructive force in climate change negotiations.²⁷ Moreover, a number of countries have begun to pursue bilateral cooperation concerning climate change, many even putting forth unilateral plans to limit GHG emissions. But the growing consensus on climate change does not signify that that differences amongst developed and developing countries have been resolved. In December 2015, a new global gathering on

climate change will take place at the 21st Conference of the Parties (COP 21) in Paris with the aim of reaching new GHG emissions targets for post 2020.²⁸

Brazil, South Africa, India, and China (known as the BASIC group) expressed their expectations for COP 21 in a statement during a UNFCCC meeting.²⁹ The statement urges developed countries to uphold their commitments and to significantly increase their goals both towards the reduction of GHG emissions as well as the provision of finance, technology, and capacity building support to developing countries' GHG reduction efforts. These requests are underpinned by the principle of "common but differentiated responsibility". The foreseeable areas of contention between developed and developing countries in COP 21 are the levels of GHG reduction commitments between the two groups of countries as well as the legally binding nature of the agreement. Brazil and the United States hold different positions on these matters. Brazil seeks a legally binding agreement that distinguishes between developed and developing countries with regards to emissions reductions.³⁰ On the other hand, it is likely that the U.S. will not be in favor of a legal binding agreement and that it will demand higher commitments from developing countries.³¹

In addition to divergence between developed and developing countries on climate change, there are additionally differences between developed countries and within the developing world. Any prospects for a closer relationship between Brazil and the U.S. in this arena will likely lie in bilateral cooperation. For example, in 2011, the two countries signed a Strategic Energy Dialogue outlining cooperation in the areas of oil and gas, biofuels, hydropower and wind energy, energy efficiency, smart grid, nuclear energy, and science. Although GHG emissions were not specifically addressed, these energy activities have unavoidable repercussions for climate change.

The Warming of Chilly Bilateral Relations

Relations between Brazil and the United States have been characterized by “constrained discrepancy”, an approach that has effectively avoided open confrontation but that has nonetheless resulted in frustrations on both sides. Erroneous calculations have caused a cycle of mistaken expectations throughout the second half of the twentieth century.³² Although the declining importance of the U.S.-Brazil bilateral relationship for Brazilian foreign policy in recent years has diminished the costs of this mismatch, it has not stopped the repetitive pattern of reciprocal disappointments.

In the first years of the twenty-first century, concrete developments facilitated a pragmatic and realistic approach between Presidents George W. Bush and Lula, despite their differing ideological platforms. As a result, the two governments were able to build a limited agenda of common interests. However, this positive direction was reversed following the return of a Democratic administration to the White House, even though the two governments were closer on the political spectrum. After a brief period of friendliness between Obama and Lula, Brasilia and Washington regressed to the two countries’ historical patterns.

Unmet Expectations

The first years of the Lula da Silva Administration saw a positive agenda with the United States, reflecting the framework of affirmative principles that oriented Brazilian foreign policy.³³ Labeled an “affirmative bilateralism”, the Brazilian Foreign Ministry interpreted this approach as a sign of maturity in U.S.-Brazilian relations. The approach was associated with the limits to concessions and unrealistic expectations set by the Lula government with

regards to relations with the United States and other Western powers. During the Lula-Bush period, interactions between Brasilia and Washington reflected efforts to reach specific agreements based on mutual interests, revealing a reciprocal acknowledgement of international responsibilities and political preferences.³⁴

The arrival of the Obama Administration marked the emergence of a new scenario. . The 2008 international financial crisis offered opportunities for bilateral understanding. At the G20 meeting convened to address the international financial crisis and the V Summit of the Americas, Obama was open and generous towards Brazil in the recognition of its impact both regionally and globally. As the first Latin American head of state to visit the Obama White House, Lula reaffirmed the importance of the two countries' common interests in biofuels and clean energy issues. For the United States, expectations arose for greater bilateral cooperation on organized crime, an issue of great concern for Washington.

During this period, the most important bilateral initiative between the United States and Brazil was the Military Cooperation Agreement signed in the final year of the Lula government. Since Brazil's denouncement in 1977 of the 1952 military agreement with the United States, the two countries had not reestablished any formal or wide-ranging commitments to cooperate on defense issues. Among the motivations behind the renewed military accord was U.S. interest in purchasing Brazilian Embraer airplanes, especially the Super Tucano. For Brazil, a key difference between the past and the present was the much greater number of cooperation agreements (28) and bilateral protocols (29) it already had in force with other countries. In fact, although the symbolic meaning of a military agreement with the United States should be ignored, for Brazilian strategic interests the military understanding reached with France in 2010 was more significant.

The early days of the Lula-Obama relationship suggested that it would be possible to establish a productive nexus between Brazil's status as an emerging power and a progressive U.S. foreign policy. This realization of this expectation would involve a reconfiguration of U.S. policy vis-à-vis the global South, particularly given the damage to U.S. goodwill produced during the Bush years when anti-Americanism spread throughout the developing world. Yet U.S. foreign policy decisions soon signaled that global security would remain a top priority, leading to more international interventionism and a growing divide between Western powers and developing countries.

The first Rousseff Administration (2011-2014) was a time of low expectations regarding meaningful collaboration with Washington. In contrast to Lula, Rousseff kept the regional and global agendas to a minimum; presidential diplomacy was almost completely abandoned. This shift was in large part a consequence of the president's disdain for the Foreign Ministry as well as the priority accorded to domestic economic concerns. Given the reduced international agenda, fewer differences arose between the U.S. and Brazil as compared to the Lula years. However, tensions did arise in conjunction with a planned meeting between Rousseff and Obama scheduled for October 2013 at the White House. Both sides shared expectations of a renewed partnership leading to cooperation in the areas of education, health infrastructure, trade, monetary policy, environment, civil aviation, space, innovation, science and technology, and biofuels.³⁵ However, these expectations were brusquely dashed when Rousseff cancelled her state visit in response to revelations that the U.S. National Security Agency had been spying both on her and the Brazilian government. In contrast to apologies made to certain European governments for similar behavior, the White House did not apologize to Rousseff.³⁶ The forsaken relationship with

the U.S. was quickly embraced as a point of contention by the domestic opposition throughout the remainder of Rousseff's first term and the 2014 presidential campaign.

Prospects of recovering a positive bilateral dialogue with the United States were reignited when Rousseff's visit to the U.S. was re-scheduled following her 2015 re-election.³⁷ The circumstances in 2015 were quite different from 2013. On the Brazilian side, the beginning of Rousseff's second term was marked by falling domestic support and a significant slowdown in the Brazilian economy.³⁸ On the U.S. side, the restoration of relations with Cuba signaled a desire to reconfigure relations with Latin America. These new realities focused expectations for U.S.-Brazilian ties on the economic agenda.³⁹

Despite the renewed effort to improve relations between the United States and Brazil, the differences between the two countries would not be easily overcome because the basic tenets of Brazilian foreign policy had not changed. The two countries' negotiations concerning visa concessions are an interesting example of the political constraints at play. Rousseff sought Brazil's inclusion in the U.S. Global Entry program as a means to facilitate Brazilian business travel to the United States. However, Brazilian authorities have no intention of seeking U.S. visa waivers for Brazilian citizens. Such an arrangement would imply acceptance of the U.S. Department of Homeland Security's procedures concerning terrorism, a term that is not even used in Brazilian legislation.

President Rousseff's state visit to the United States took place in late June of 2015. While Obama expressed hopes for a re-energized bilateral agenda, Rousseff's thoughts were on her overwhelming disapproval numbers at home.⁴⁰ In addition to a meeting between the two presidents, the visit included meetings with U.S. agencies, funds, banks, and companies concerned with investment in Brazil; attendance at the Third Brazil-U.S. Entrepreneurship Summit; and meetings with chief executives from the IT,

communications, aerospace, biotechnology, and biomedical sectors to promote partnerships in innovation amongst relevant institutions in the two countries. These meetings included visits to SRI International, a NASA research center, and Google's headquarters. A final highlight of the state visit was defense agreements making effective previous plans concerning military information, the promotion of joint military training and exercises, cooperation in research and development, mutual logistic support, and the acquisition of defense equipment. From a political standpoint, this has been one of the major highlights of the renewed bilateral relationship.

A Loose Regional Convergence

The regional agenda gradually lost importance in U.S.-Brazil relations, however. Differences between the two countries grew with the divergent positions taken by each party with regards to the 2009 coup in Honduras and Washington's growing disappointment with the lack of Brazilian leadership in South America, e.g., Brazil's tiptoeing around the ideological impact of *chavismo* in Venezuela under Hugo Chávez and Nicolás Maduro. Yet for Brazil and its neighbors, the assumption that being a regional economic power equates to being a regional leader has not necessarily held. For example, neither Brazil's political involvement in regional political crises (Bolivia in 2003 and 2006, Ecuador in 2004, and Paraguay in 2012) nor its growing involvement in commerce and investments in South America have led to the automatic acceptance of Brazil's leadership by its regional partners. Most of the countries in the region, regardless of the size of their territory, population, or economy, feel fatigued from U.S. preeminence and lack the desire to search for a new leader. For these countries, relations with Brazil occur within a

framework of sovereign options and opportunities, not a search for new asymmetric power dynamics.

While Brazil's diplomatic, political, economic, and military impulses have focused largely on South America, with a special emphasis on UNASUR (the Union of South American Nations), Brazil has also expanded its presence across Latin America and the Caribbean. Brazil actively supported the creation of CELAC (the Community of Latin American and Caribbean States), which promotes regionalism through the strengthening of regional institutionalism. Brazilian business interests have also seen unprecedented activity in Central America and the Caribbean, including in Cuba. Close relations between Cuba and Brazil have yielded tangible impacts in investment and credit, as well as cooperation in the areas of bio-fuels, health, education, culture, agriculture, and infrastructure. Brazil's strategy has allowed it to take advantage of Cuba's economic reform to partner with the Cuban government. Construction of the Mariel Port by the Brazilian firm Oderbrecht is currently the most important infrastructure project underway in Cuba.⁴¹ Oderbrecht has additionally built an industrial zone next to the port, and it seeks in the future to become a key investor in the modernization and expansion of Cuban airports.

Brazilian investment in Cuban infrastructure reflects ambitions beyond the island nation. There is a direct connection between investments in Caribbean port facilities and the enlargement of the Panama Canal. Once the U.S. trade embargo is suspended, the Mariel Port will connect to the transit of commerce from Florida and other U.S. southern states. However, the current developments between Brazil and Cuba are independent from the Obama's Administration's reestablishment of ties with the Cuban regime.

Bilateral Trade and the Revived Preferential Trade Agreements Debate

Brazilian trade greatly benefited from the commodity boom triggered by China during the decade of the 2000s. The distribution of Brazil's trade was reshaped towards China, with China becoming Brazil's main trade partner in 2009. **Figure 5.1** shows Asia's rising importance as a destination for Brazilian exports. This trend has been accompanied by the declining importance of the U.S. market for Brazil exports—the U.S. share of Brazilian exports dropped from 25% to 12% between 2002-2014, resulting in a trade deficit vis-à-vis the United States. Additionally, the sharp increase in Brazilian exports to China corresponded with commodities overtaking manufactured goods in terms of the share of total exports; the last time this had occurred was 1978.

The reduced importance of the U.S. market for Brazil did not concern the country's international trade policymakers. From 2002-2011, Brazilian exports grew faster than average world rates, and the country accumulated international reserves to help it through the 2008 financial crisis.⁴² Moreover, Brazil's reduced involvement in the U.S. economy was perceived as a positive development because it lessened the adverse impacts of the U.S. crisis on Brazilian exports. This perception was reinforced by the growth in Brazilian exports between 2010 and 2012 as a result of Chinese demand.

This rosy picture faded in 2014-2015, as the worldwide drop in commodity prices did away with Brazil's trade surplus. By 2014, Brazil had a deficit in its overall balance of trade. **Table 5.1** shows Brazil's trade balance with different countries and regions from 2002 to 2014. Because the commodity price boom is not expected to repeat itself in the near future and because global economic recovery is likely to be led by the United States, expanded commerce with the United States has re-emerged in Brazil as a topic for debate. However, this prospect is threatened by the recent boom in oil and gas in the United States

due to the proliferation of hydraulic fracturing, which has created challenges for the export of Brazilian crude oil.

Given these circumstances, Brazilian business interests have pressed for the opening of talks with the United States for two main reasons. The first is the losses suffered by Brazil as a result of the new wave of regional and global trade agreements. With regards to the Trans-Pacific Partnership (TPP) and the Transatlantic and Trade Investment Partnership (TTIP), the concern is more a function of the normative repercussions of these agreements than concrete economic losses. Negotiations with the United States have focused on Brazil's loss of market share in South America. Although Brazil has existing free trade agreements with Chile, Peru, and Colombia, these countries have negotiated deals with the United States, China, and the European Union that have generated new competitive barriers for Brazilian products. Additionally, the new general agreements that countries have signed with the United States are broader than those signed between Brazil and the same countries because the trade agreements with the United States also cover services and investments. The second reason that Brazilian business interests would like negotiations with the United States is related to global value chains and the belief that Brazil's participation in the new generation of trade agreements would provide a boost to its manufactured exports.

The following three scenarios are all potential outcomes concerning Brazil's trade negotiations.

Scenario A: Deepening South American Integration. Under this scenario, Brazil will pursue a trade policy that privileges the South American arenas such as UNASUR and Mercosur. The entry of Bolivia to Mercosur (still pending congressional approval in Brazil and Paraguay) would tend towards this direction. Yet, the fulfillment of South American trade integration would still face some key obstacles. First, true free trade across South

America would require the broadening of negotiations to include services, investments, and government procurements. This would be a challenging endeavor given the tendency of regulatory issues to result in stalled negotiations in Mercosur. The involvement of Pacific Alliance countries (Chile, Colombia, Mexico, and Peru) could inject added complexity as those countries have already negotiated regulatory frameworks with the United States and the European Union. While progress is feasible in other important areas, such as infrastructure, the path towards South American integration entails a high risk for paralysis.

Scenario B: South American Integration + Extra-Regional Trade Agreements. This scenario involves the incorporation of additional topics into Mercosur's trade agenda as well as the negotiation of extra-regional trade agreements. Under such a scenario, broad regional negotiations would not paralyze Brazil's trade policy, and the country would be free to pursue accords outside of Mercosur. This does not imply the abandonment of the bloc, but it would place a permanent or temporary hold on the development of a common external tariff. According to the 1994 Ouro Preto Protocol, Mercosur was to become a customs union once a common external tariff was fully enforced, which had been scheduled for 2006. However, this timetable has been extended on more than one occasion, and it remains unclear whether the customs union will come into fruition. Additionally, the requirement that Mercosur members must always conduct trade negotiations as a bloc has been contested.⁴³ Thus, Brazil could potentially move forward with trade negotiations with the European Union in addition to laying the groundwork for a future agreement with the United States

Scenario C: A Focus on Extra-Regional Trade Agreements. In this scenario, Brazil's commitments to South American integration have prevented it from further integration with other large economies. Brazil's priority here is to assure access to the industrial countries

and participate in negotiations covering new regulatory frameworks. Thus, under this scenario Brazil will seek closer relationships with the Pacific Alliance countries and the European Union.

China plays a part in all three of the above scenarios. Although the prospect of a Brazil-China free trade agreement is still far in the future, deals with the Chinese concerning investment in infrastructure have become more and more frequent.⁴⁴

Given the importance of multilateralism for Brazilian trade, scenario B is the most probable of the three possibilities. Extra-regional negotiations do not entail the end of Mercosur. Additionally, regional integration should not be limited to trade practices. Assuring a favorable horizon for the internationalization of Brazilian firms can enable trade by way of investment expansion.

Finally, although Brazil is far from negotiating a free trade agreement with the United States, Rousseff's June 2015 visit to the United States yielded positive developments in the area of trade, including trade facilitation measures and an end to the U.S. ban on importing Brazilian meat products.

Conclusion

The prospects for U.S.-Brazilian relations going forward depend on two developments: (1) the domestic effects of economic policies implemented during the Rousseff Administration and (2) the political will on the part of both countries to use Rousseff's 2015 visit to Washington as a launch pad for renewed cooperation.

Brazilian foreign policy has drawn back from its previous activism, initiating a phase characterized more by pragmatism than ideals. The growing tensions between the executive and legislative powers have resulted in political constraints with great consequences for the

Foreign Ministry.⁴⁵ The Foreign Ministry has also suffered as a result of significant budget cuts compelled by economic austerity policies. The government has insinuated that Brazilian trade policies will be redefined in light of the country's current economic circumstances.

Earlier in this chapter we explained how Brazil's response to the 2008 financial crisis did not lead to a closer relationship with the United States. At the time, trade relations with China and strategic coordination on issues of global governance through BRICS had taken higher priority than negotiations with the United States. This explains in part Brazil's perception of the low cost to cancelling Rousseff's 2013 visit to the United States

At present, a debate is underway on Brazil's domestic stage as to the need for enhanced relations with the United States. Arguments in favor are based on three factors: (1) the effects of the new wave of U.S.-led trade agreements, (2) Brazil's loss of market share in South America, and (3) a growing perception of the U.S. market's importance as a destination for Brazilian manufactured exports.

Since 2013, the international context has undergone numerous changes. China's growth rate has slowed, with adverse repercussions for emerging markets, while the U.S. economy has climbed into recovery. In 2014, Brazil experienced a trade deficit for the first time in 14 years. These developments have generated a need to expand manufactured exports and consider new trade agreements.

The new government brought in for Rousseff's second term starting in January 2015 signaled that change may be coming to Brazil's international economic policies. The new Minister of Finance has announced that Brazil could reconsider previous invitations to join the OECD, while the President has insinuated that Mercosur could abandon the restrictions imposed by its structure as a customs union. Additionally, the new Minister of

Development, Industry, and Trade was previously President of the National Industrial Council (CNI), an organization that in 2014 launched a program to defend negotiations with the United States to strengthen Brazilian industrial exports.⁴⁶

Brazil's acknowledgement of the importance of the U.S. market does not entail that the private sector and the government have a clear notion of the kind of agreement they would like to enter into with the United States. During the negotiations of the Free Trade Area of the Americas, which fell apart in 2005, even the sectors in favor of signing had doubts about the benefits of the agenda proposed by the United States. Additionally, negotiations with the United States cannot ignore Mercosur or the positions of key partners such as Argentina and Venezuela. Nonetheless, prospects are currently high for the gradual negotiation of sectorial agreements and cooperation in other areas between Brasilia and Washington.

Besides bilateral trade, talks with the United States have picked up in areas such as energy and defense. The negotiation of a defense agreement with the Obama Administration spurred immediate reaction from South American neighbors, who worried about the possibility of the U.S. establishing a military base in the area. The explanations offered at UNASUR by the Brazilian government reduced but did not dispel suspicions that the strengthening of ties between Brazil and the United States could become a source of intra-regional imbalance. This issue is still a source of uncertainty for some of Brazil's neighbors—in particular Argentina—further complicating Brazil's ability to consolidate its leadership in South America. Although South America's importance on the global stage has declined since the first years of the Rousseff government, Brazil still seeks to be acknowledged as a regional power. Neighboring countries continue to play a crucial role in the internationalization of major Brazilian firms, while Brazil represents a source of

political stability for the region. Brazil's presence in Cuba and its recent attempt to press the reset button on its long-neglected relations with Mexico are examples of Brazil's assertiveness beyond South America.⁴⁷ Despite this regional activism, Brazil and the United States have worked together only infrequently on regional matters.

Strengthened ties with the United States would never entail wholesale alignment on matters of world politics and security. Coalitions have been easier to form on peacekeeping, such as the two countries' partnership in Haiti, than on the war against international terrorism. Nevertheless, recent bilateral understandings on defense matters have moved the countries closer together in that arena. The conciliation of those developments with Brazil's obligations under the Defense Council of UNASUR will have to be undertaken at some point in the future. It will be interesting to see whether closer ties with the United States will ultimately require loosening commitments to Mercosur and UNASUR collaborators.

A more certain area of Brazil's foreign policy is the country's ambitions to consolidate its presence in global governance institutions and the importance of a fluid dialogue with other emerging powers. Brazil has also maintained its efforts to reform core global governance organizations. At least under a Democratic Administration in the United States, such pursuit of global governance reform does not seem to be a problem for bilateral relations. Moreover, China retains a prominent place in Brazilian foreign policy. The Brazilian government's efforts to create areas of cooperation with China in strategic fields—such as satellite construction, in which China has been more flexible than the United States—denotes this link's important political meaning. For Brazil, strengthened ties with China and its BRICS partners reflect the country's desires to position itself well within a future multipolar world order in which the United States will hold less weight in world politics and economics. However, this does not imply foregoing a more positive

bilateralism with the United States, particularly if pragmatism continues to be the dominant approach of Brazilian foreign policy.

¹ Monica Hirst “Brazil-U.S. Relations: Getting better all the time”” in Jorge I Dominguez & Rafael Fernandez de Castro (eds.) *Contemporary U.S.-Latin America Relations: Cooperation or Conflict in the 21st Century?* Routledge, New York and London (2010); Pecequillo, Cristina Soreanu *As Relações Brasil:Estados Unidos*. Belo Horizonte, Brasil: Fino Traço Editora.(2012)

² Monica Hirst & Maria Regina Soares de Lima “Rethinking Global and Domestic Challenges in Brazilian Foreign Policy” in Jorge I Dominguez, Jorge I. & Ana Covarrubias *Handbook of Latin America in the World*, Routledge, New York, p. 139-152 (2015); Amorin, Celso. *Conversas com Jovens Diplomatas*. São Paulo: Benvirá; Editora Saraiva (2011); Maringoni, Gilberto, Giorgio Romano Schutte, Gonzalo Berron (org.), *2003-2013 Uma Nova Política Externa*, Copiart, Sta. Catarina (2014)

³ Milani, Carlos R.S. and Leiticia Pinheiro (2013) “Política externa Brasileira: os desafios de sua Caracterização como Política Pública” *Contexto Internacional* 35, no 1:11-41 (2013)

⁴ During the Uruguay Round (1986/1994), agricultural negotiations were the main source of U.S.-Brazil divergences for the wrapping up of negotiations. In 1992, the United States and the European Union (Blair Agreement) designed an agricultural package that would be presented as the most achievable deal. Subsequently, in 1993, the QUAD group prepared a proposal with the aim of concluding the Round.

⁵ The ITA was set up under the auspices of WTO in 1996 to address computer goods import tariffs of the member countries that signed it (80 by 2014). See CINDES “Força

Tarefa: O Brasil, o multilateralismo comercial e a OMC- uma perspectiva de médio prazo”, Rio de Janeiro (2012)

⁶ In 2002, Brazil filed a claim at the Dispute Settlement Mechanism of the WTO questioning U.S. subsidies for cotton. Brazil won the case, but the United States did not make the changes recommended by the WTO. In 2009, WTO granted Brazil the right to retaliate against the United States at \$829 million dollars. Both, then, came to an agreement that the United States would make monthly payments, but in September 2013 the United States suspended payment, which led to frequent protests by Brazil.

⁷ The Brazilian Institute for Cotton should receive U.S. \$300 million in a single tranche from the United States. Brasilia in exchange agreed not to challenge until 2018 the subsidies that were included in the American farm bill concerning cotton.

⁸ The TPP was launched in November 2011 and is currently being negotiated by Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore, Vietnam, United States and Japan. South Korea is considering its entry. The negotiating agenda is broad and covers traditional issues of market access and topics from the new generation of agreements (investment, intellectual property, labor, environment, government procurement, etc.). The TTIP proposes a comprehensive free trade agreement (includes topics that go beyond trade liberalization) between the United States and the European Union.

⁹ Lia Baker Valls Pereira “A nova onda de regionalismo: uma reflexão sobre a agenda brasileira”, *Mural Internacional*, v.4, n.1. UERJ, Rio de Janeiro (2013)

¹⁰ This issue is addressed in the section on U.S.-Brazil trade relations.

¹¹ The following countries are part of the G-20: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia,

South Africa, South Korea, Turkey, United Kingdom, United States and the European Union, represented by the European Commission and the European Central.

¹² Lia Baker Valls Pereira “O Brasil e a agenda de reformas do Fundo Monetário Internacional”, *Breves CINDES 19*, CINDES, Rio de Janeiro (2009)

¹³ To change decision-making norms in the IMF, 85 percent approval is required.

¹⁴ The initial total committed resources of U.S. \$100 billion came from China’s \$41 billion; Brazil Russia and India at \$ 18billion each; and South Africa’s \$5 billion.

¹⁵ Brazil has been a non-permanent member of the UN Security Council ten times between 1946 and 2011. Since the end of the Cold War Brazil sat at UNSC in the years of: 1988; 1989; 1993-1994, 2004-2005 and 2010-2011.

¹⁶ In 2000 Brazil became the 11th largest contributor to UN Peace Keeping Operations, participating in nine peace missions. In Haiti, since 2004 Brazil holds the military command of the United Nations Stabilization Mission in Haiti (MINUSTAH), and in 2013 it assumed command of the United Nations Organization Mission in the Democratic Republic of the Congo (MONUSCO). Brazilian troops have also been deployed to East Timor, Lebanon and Cyprus; police cooperation has expanded in Guinea Bissau.

¹⁷ See Monica Hirst Monica “Emerging Brazil: The Challenges of Liberal Peace and Global Governance“, *Global Society*, Volume 29, Issue 3 (2015)

¹⁸ See Asli U. Bâli “Negotiating non-proliferation: international law and delegation in the Iranian nuclear crisis”, *UCLA Law Review*, vol. 61, n. 2 (2013)

¹⁹ In 2011, Brazil abstained on Resolution 1973 concerning Libya while the United States voted in favor. In March 2014 during the vote of resolution 68/262 on the issue of the

territorial integrity of Ukraine in the General Assembly, the United States voted in favor while Brazil abstained again.

²⁰ The MFA-MD articulation has been addressed by Hirst and Mattar Nasser in: Monica Hirst Monica & Reginaldo Mattar Nasser “Brazil’s involvement in Peacekeeping operations: the new defence-security-foreign policy nexus”, *NOREF Report* (September 2014)

²¹ The MINUSTAH is the UN’s fifth mission in Haiti with the objective of re-establishing institutional order and democracy in the country. Three elements guide its mandate: the maintenance of order and security, the encouragement of political dialogue with the aim of a national reconciliation, and the promotion of economic and social development. Besides its military command of the mission, Brazil has sent an annual average of 1,200 troops to Haiti since 2004.

²² See “Embaixador Celso Amorim, na sessão de abertura da Reunião Internacional de Alto Nível sobre o Haiti”, 23/05/2006.

²³ Juan Gabriel Tokatlian, “Haití: una intervención equivocada”, *Observatório Político Sul-Americano*, no. 8, (July 2005).

²⁴ Early in 2010 Lula government committed 350 million dollars to humanitarian assistance and doubled to 2,000 the presence of Brazilian blue helmets in Haiti.

²⁵ This has been the case of the Military Command of the MONUSC assumed by General Santos Cruz in 2014. See Monica Hirst Monica & Reginaldo Mattar Nasser “Brazil’s involvement in Peacekeeping operations: the new defence-security-foreign policy nexus”, *NOREF Report* (September 2014)

²⁶ Helena Margarido Moreira “A Formação da Nova Geopolítica das Mudanças Climáticas” *Sustentabilidade em Debate*, Brasília, vol.4, n 1, p. 275-292 (January-June 2013)

²⁷ Eduardo Viola “A Política Climática Global e o Brasil: 2005-2010”, *Revista Tempo de Mundo*, Brasília, v.2, n.2, p. 81-117 (2010)

²⁸ The first commitment of the Kyoto Protocol established targets for the period between 2008 and 2012 and the second for the period of 2013 and 2020.

²⁹ BASIC group was formed in 2009 to act jointly at the Copenhagen climate summit. See BASIC; 0 “Statement by Brazil on Behalf of BASIC to the Opening Session Of Adp2-8” Geneva, February (2015)

³⁰ India and China do not want legal commitments.

³¹ See Council on Foreign Relations “Global Brazil and U.S.-Brazil Relations”, Independent Task Force Report No. 66 (2011)

³² See Monica Hirst Monica *The United States and Brazil: A long road of unmet expectations*, Routledge, New York (2005)

³³ See Monica Hirst “Brazil-U.S. Relations: Getting better all the time” in Jorge I Dominguez & Rafael Fernandez de Castro (eds.) *Contemporary U.S.-Latin America Relations: Cooperation or Conflict in the 21st Century?*, Routledge, New York and London (2010); Antonio Da Aguiar Patriota “O Brasil e a política externa dos EUA”, *Política Externa*, vol. 17, no. 1 (June-July-August 2008)

³⁴ See Monica Hirst “Brazil-U.S. Relations: Getting better all the time” in Jorge I Dominguez & Rafael Fernandez de Castro (eds.) *Contemporary U.S.-Latin America Relations: Cooperation or Conflict in the 21st Century?*, Routledge, New York and London (2010)

³⁵ See Council on Foreign Relations “Global Brazil and U.S.-Brazil Relations”, Independent Task Force Report No. 66 (2011)

³⁶ Dilma Rousseff canceled a state visit to Washington DC after whistleblower Edward Snowden’s leaked documents that suggested that the NSA had monitored her telephone calls and e-mails and spied on her communications with her aides. Brazil insisted that a timely investigation and a formal apology from the U.S. government would be needed to reconfirm the visit.

³⁷ President Rousseff state visit to the United States took place between June 28th and July 1st 2015. Besides talks with president Obama the visit involved an economic-oriented agenda in New York with banks, companies and investors, as well as meetings with chief executives from the IT, communications, aerospace, biotechnology and biomedicine sectors.

³⁸ Dilma Rousseff has faced an extremely adverse domestic scenario, which damaged the image of her administration at home and abroad. A poor economic performance has led to unpopular adjustment measures; the government was also hurt by a salient corruption scandal at Petrobras, the state-controlled oil, under investigation by the Brazilian Federal Police. Irregularities linked to money-laundering activities took place during the Lula and Rousseff governments, engaging Brazil’s six largest construction firms and the arrest of high-ranking executives involved in suspicious payments, which added to \$3.7 billion dollars.

³⁹ See Ministério das Relações Exteriores, “Discurso do Ministro das Relações Exteriores, Embaixador Mauro Vieira, por ocasião da cerimônia de transmissão do cargo de Ministro

de Estado das Relações Exteriores”, Ministro de Estado das Relações Exteriores – Discursos, 2/01/2015

⁴⁰ The Datafolha institute released polls at the same period of Rousseff’s visit to the United States indicating that government approval rating had fell from 12% to 9%.
Rogerio Jelmayer "Brazil President's Approval Rating Hits Record Low" *The Wall Street Journal* (21/06/2015)

⁴¹ The Mariel port was concluded in 2014 with a pier of 700 meters to give access to ships with more than 45 feet draft and a terminal with an annual capacity of approximately 1 million containers. This port includes the logistics necessary for offshore oil perforations.

⁴² In 2002, Brazil had U.S. \$40 billion of international reserves. In 2008, it had U.S. \$200 billion and, in 2013, U.S. \$370 billion. Since then it has not changed very much.

⁴³ Laviola argues that member countries do not have a common foreign trade policy except for the common external tariff with many exceptions) and may soon negotiate separately.
See Mauro Laviola “Hora de revisão no Mercosul” *O GLOBO* (24/5/2015)

⁴⁴ The Chinese Prime Minister Li Keqiang visited Brazil in May 2015 and deals worth U.S. \$53 billion were signed in infrastructure, agricultural, banking and oil areas, among others. However, many agreements involve projects that still require prior economic viability studies.

⁴⁵ In May 2015, Brazilian Congress vetoed the appointment of an ambassador to a foreign post. This unprecedented episode took place when the Senate refused to approve the designation of Guilherme Patriota as the new Brazilian representative at the OAS.

⁴⁶ Confederação Nacional da Indústria “Acordos comerciais: uma agenda para a indústria Brasileira. Propostas da indústria eleições 2014”; v. 30, Brasília, CNI, p.16 (2014)

⁴⁷ In May 2015 Dilma Rousseff made her first official visit to Mexico since becoming president in 2011. The bilateral agenda included the signing of accords in the areas of agriculture, tourism and energy.