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The United States and Brazil

Two perspectives on dealing with partnership and rivalry

Kellie Meiman and David Rothkopf March 2009

Center for American Progress



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Forward

As President Barack Obama prepares to meet with his Brazilian counterpart, Luiz Inacio “Lula” da Silva, later this month among the key, yet underappreciated questions that lie before his administration is: How can the United States and Brazil pursue a deepening of bilateral relations while being partners and rivals in hemispheric and global affairs?

The answer is not a foregone conclusion. Nor is the question one that can be brushed aside as unimportant in a complex global environment in which the demand for attention may well outstrip supply in the United States. How the United States and Brazil go about addressing the underlying dynamics at the heart of their relationship will have significant impact on hemispheric and global relations.

Brazil often draws less attention in the United States than its fellow “BRIC” members—Russia, India and China—but with a population of nearly 200 million people, Brazil boasts considerable strengths. The country’s annual gross domestic product is more than a trillion dollars. A decade of strong industrial and agricultural export-led growth is now being matched by recent oil field discoveries that may catapult Brazil to one of the top ten oil producers in the world. Brazil already has the world’s leading bio fuel industry. In short, Brazil cannot be ignored.

Beyond the numbers, Brazil has established itself as an important voice on a myriad of global issues while expanding its regional footprint. The United States and Brazil, as the major continental powers in their respective parts of the Western hemisphere, have a mixed legacy of bilateral relations. Historically, a relatively insular Brazil attempted to work around the United States and the United States, wary of the potential of Brazil’s regional influence, sought to isolate Brazil when dealing with the Americas. More recently, and particularly in the later stages of the Bush administration, the United States and Brazil began to find common ground and common interests in the bilateral relationship, but did so without resolving many underlying tensions.

To examine the dynamics at the heart of U.S.-Brazil relations, including points of potential conflict and confluence, The Americas Project at the Center for American Progress commissioned the two authors of this report to examine in turn the possibility of bilateral cooperation amid competing tendencies toward partnership and rivalry. Kellie Meiman and David Rothkopf are both well-regarded experts in U.S.-Brazil and hemispheric rela-

tions. Meiman, who previously worked as a Foreign Service officer in Brazil, as the United States Trade Representative Office director for Mercosur and the Southern Cone and as a member of the Council on Foreign Relations' Task Force on Latin America, now leads the Brazil-Southern Cone practice of the international advisory firm McLarty Associates. Rothkopf, who served as deputy under secretary for international trade policy in the Department of Commerce and also as a member of the Council on Foreign Relations' Task Force on Latin America, is currently president and chief executive officer of Garten Rothkopf, an international advisory firm specializing in emerging markets, as well as a visiting scholar at the Carnegie Endowment for International Peace.

The challenge to the two authors was to identify the potential opportunities and pitfalls in the bilateral relationship, and point the way toward sensible U.S. policy approaches as the Obama administration considers how best to proceed in its relations with the proverbial "country of the future" at what appears to be future's dawn. The authors were asked to perhaps make starker assumptions about the direction in which Brazil may want to take relations than they may otherwise have done to highlight the potentially divergent paths that lie ahead in one of the most important bilateral relationships the United States has in the Americas today.

As readers will note, the authors largely concur on the challenges and opportunities that lie before U.S. policymakers and lay out similar recommendations for future policy direction. It is our hope that the readers will find the analysis provided in both papers insightful and informative.

—Rudy deLeon, Senior Vice President for National Security and International Policy, Center for American Progress, and Stephanie Miller, Research Associate for the Center's Americas Project

The possibility of partnership

By Kellie Meiman

The U.S.-Brazil relationship has always been complex—not surprising for two continental powers located in the same hemisphere. It has often been characterized by positive bilateral engagement, counterbalanced by efforts to isolate the other in regional and multilateral forums. This approach is no longer workable, and is in neither country’s best interest.

The combination of Brazil’s clear emergence on the world stage and the United States’ need to reassert itself as a multilateralist creates potential to forge a partnership born of overlapping interests. This is a moment when both Brazil and the United States need to prove themselves. Brazil needs to show that it is prepared to make hard decisions tied to the role of global stakeholder, as it has done in Haiti by maintaining a critical peacekeeping presence in the troubled Caribbean nation. And the United States must show that the era of U.S. unilateralism is over.

Today, Brazil is more outward looking from a diplomatic and business perspective than at any point in its history, and would make a beneficial partner for the United States as we confront the next four years. To bear fruit, however, the relationship must be built on a positive, well-coordinated agenda, not as a reaction to difficult regional and global circumstances. Active maintenance of this initiative must come from the highest levels of both governments, without sacrificing the autonomy of each country’s foreign policy.

Even though Brazil will not agree with the United States on every issue, it is in the United States’ interest to forge a cooperative, bilateral relationship. Brazil has much to contribute in regard to integrating emerging powers and technologies into international frameworks, as well as an active interest in growing its global stakeholder role. Brazil should be encouraged to seize this mantle in a meaningful way.

To not only take the bilateral relationship to the next level, but to cultivate an important ally at a difficult time in world affairs, the Obama administration needs to establish a progressive, proactive policy agenda focused on reforming multilateral institutions, deepening security cooperation, advancing cooperation on energy and the environment, and taking steps to enhance competitiveness.

Reforming multilateral institutions

The United States no longer has singular leverage in the world or in the Americas. In addition, the existing multilateral architecture of institutions is outmoded and insufficient to address today's challenges. Together, these two realities provide ample opportunity for the United States and Brazil to cooperate in the Western hemisphere and around the world. How? By reforming key global and regional structures from the World Trade Organization and the Group of 8 to the United Nations and the Organization of American States.

World Trade Organization

The WTO's failure thus far to deliver on its Doha Development Round of negotiations is a prime indicator of the institution's growing weakness and of the lack of alignment between Brazilian and other emerging markets' trade interests. Other WTO negotiating rounds have faced challenges regarding the substance of the deal to be reached, but in this case both structure and substance are at issue, complicating a productive resolution.

Now it's the time to discuss with the Brazilians on how best to move forward on both the substance and the structural reforms required to protect this important institution and to move the Doha Round forward. This is particularly true because never before has it been clearer to both sides that our interests are more aligned than opposed at the WTO. The current substantive divide hamstringing negotiations pits not North versus South, but rather export-competitive countries such as Brazil against India and other countries that are not yet internationally competitive in goods and agriculture trade. Budgetary limitations in the United States also will likely force a reevaluation of our agricultural subsidy dollar allocations, which could also improve opportunities for convergence with Brazil.

How to organize multilateral trade talks going forward is of critical importance. Even the most ardent free-trade supporters admit that the era of competitive liberalization has left us with a tangle of agreements that have facilitated commerce at the bilateral level but served to confuse multilateral exchange. Returning our focus to the WTO will increase both the challenge and the reward involved in trade talks. To do this, we must not only develop a strategy to address the current divide, but also should examine the pursuit of sectoral and plurilateral WTO agreements, as well as a focus on areas of obvious mutual interest like trade facilitation.

Group of Eight

G-8 reform is another potential avenue for U.S.-Brazil cooperation. The global financial crisis has sharpened the need to include top emerging leaders into the grouping, evidenced by the November meeting in Washington of an expanded Group of 20—led by Brazil and

South Korea—instead of the G-8 industrialized democracies and Russia. As currently defined, however, the G-20 is not an accurate reflection of the key stakeholders in the international financial system. To modernize the institution effectively, we should collaborate with both Brazil and others more directly in a new multilateral economic forum.

Even before the crisis, there was building, if not overwhelming, consensus on the need for G-8 reform. The new so called Group of Five—Brazil, China, India, Mexico and South Africa—have been included in recent G-8 meetings, and some G-8 members, such as recent-arrival Russia have consistently made conciliatory noises regarding a possible broadening of the G-8. According to a Brookings Institution poll from July 2008, 63 percent of authorities in 16 countries favor an expanded G-8 with the inclusion of Brazil, India, China, South Africa and Mexico.

French President Nicolas Sarkozy called for adding members to the G-8 at his 2008 UN General Assembly speech, a position which the United Kingdom and Germany also support. In short, the G-8 should be and will be reformed, ideally in conjunction with the G-20 process, and the United States should be a leader in this effort as part of our return to a strong multilateralist foreign policy. Allying with Brazil in this effort is important to both the success of G-8 reform and to our deeper bilateral collaboration on foreign policy.

United Nations

Bringing new emerging or established economic and political powers into the fold is a challenge not only facing the WTO and the G-8: The United Nations faces the same difficulty. At the same time, the United States must rebuild its reputation before the UN. The designation of Susan Rice as the U.S. Ambassador to the United Nations is an indicator of the seriousness with which the White House views this mission. Proactive engagement with Brazil could help the United States on both fronts.

Brazil has been focused on obtaining a permanent U.N. Security Council seat, particularly under the leadership of Foreign Minister Celso Amorim, and President Lula again highlighted the need for U.N. reform at the organization's 2008 General Assembly meeting. The assembly then unanimously approved the beginning of a broad dialogue regarding possible expansion of the U.N. Security Council starting in February 2009. Previous discussions of this nature have not led to a modification of the Security Council structure, and the United States should lead these discussions pragmatically to help lead to a meaningful result.

The United States should proactively reach out to Brazil and others to work together on U.N. reform as part of our effort to rebuild the U.S. credibility at the United Nations and restore it to previous levels of effectiveness. The institution needs to integrate new voices into the decision-making structure without letting the Security Council grow to an unwieldy size. It is in the U.S. interest that new voices be as balanced and reasonable as

possible, although new additions to the Security Council would not be afforded the veto powers of the original members. Even so, Brazil could help serve as a counterbalance to China and Russia in Security Council discussions, which should be in the United States' best interest as well.

Inter-American multilateral institutions

Existing inter-American institutions, beginning with the Organization of American States, are in need of modernization and adaptation to emerging realities. Reform efforts, in which the United States and Brazil can find common cause, must be cognizant of but undeterred by nascent efforts at multilateral dialogue outside traditional institutions.

The mission of the OAS—the world's oldest regional international institution—has become overly broad and diluted over the years, and the amount of OAS buy-in throughout the hemisphere greatly reduced. The United States should work together with Brazil and others to refocus the OAS. We should collaboratively encourage a tightening of the organization's goals and overall reform, in a way that is not skewed toward U.S. interests. If we do not recast the OAS to make relevant players feel like valuable stakeholders, then it will be unable to serve its purpose. Working with key hemispheric partners such as Brazil on reform will help do exactly that.

OAS reform, however, will by necessity be carried out in a context of the proliferation of nascent multilateral mechanisms in the region that often do not include the United States. These efforts in which Brazil has been and likely will remain a key player are not necessarily the threat to U.S. interests that some have contended.

Indeed, in some situations, it is actually more effective to have regional discussions without the United States at the table, provided other pragmatic countries exert leadership. Case in point: Venezuela's President Hugo Chavez's effort to hijack the September 2008 Union of South American Nations, or UNASUR meeting in Santiago de Chile, to address unrest in Bolivia was rebuffed by President Lula, who asked that UNASUR decide if it was for conflict or dialogue. Such a stark position likely would not have emanated from President Lula had the United States been present, and it led to a more pointed focus on a potential source of regional instability.

The jury, of course, is still out on UNASUR's effectiveness. The more recent UNASUR meeting in Bahia, Brazil in mid-December 2008 was a less encouraging indicator of the ability of UNASUR to become a pragmatic actor in hemispheric affairs. First, layering onto the UNASUR meeting the newly-announced Summit of Latin America and the Caribbean, or CALC, the Rio Group meeting—which included Cuba for the first time alongside other Latin American and Caribbean countries—and the bi-annual Mercosur Summit involving Brazil, Argentina, Chile, Paraguay and Uruguay, served to reinforce the

convening power of Brazil. But this multiplicity of meetings also muddled the objectives and weakened the content of the meetings. In fact, the key public messaging surrounding meetings was a throwback to the developmentalist rhetoric of the 1970s, with pro-Cuba missives and speeches against the “perversions” of the global economic system.

While this dynamic works itself out across Latin America, a meaningful U.S. dialogue with Brazil, cognizant of the country’s nuanced approach to regional diplomacy, is crucial. Brazil is not inclined to take an overtly confrontational approach in its regional diplomacy—particularly if the United States is at the table—and will not want to be viewed as a lackey of the United States. At the same time, however, Brazil has a growing appreciation of the value of regional stability given the exposure of its development bank and Brazilian multinational corporations to political risk throughout the Americas and around the globe.

Security

While the challenges of Afghanistan, India, Pakistan, the Middle East and the Korean peninsula will continue to monopolize center stage in U.S. national security policy, we have reentered a time where hemispheric security is global security. We last saw this reality during the Cold War, but the source of the current dynamic is different, with petrodollars fueling much of the divisive activity. Even with the declining price of oil, Venezuela stands out as a counterproductive force in regional affairs. Its interference in and funding of political movements beyond its borders has been a destabilizing force in countries from Honduras to Bolivia, with a relative U.S. leadership vacuum enhancing Venezuela’s ability to influence outcomes.

Beyond the rise of radical populism in Venezuela, Ecuador and elsewhere, Russia has enhanced its presence in the Americas through high-level visits, warming up relations with Cuba, and engaging in (modest) joint military and naval maneuvers with Venezuela. China and Iran are also more active in the region. As President Obama noted in the first presidential debate, the presence of other powers in Latin America “is made all the more notable by our absence.” The spread of populism and the re-emergence of Russia in South America are neither in the U.S. nor Brazilian national interests. China and Iran’s recent forays into Latin America are also not in our joint interests, and neither is a reprise of an arms race in Latin America.

The United States should collaborate with Brazil on security matters both bilaterally and multilaterally, particularly when they reinforce Brazilian interests as well, and our interests are more often in synch than is considered by either side. We need not be in perfect agreement on the desired solution to dialogue meaningfully on security threats. Brazil’s voluntary decision not to pursue nuclear weapons makes it a potential ally not only on regional, but global security questions, including those involving Iran and nuclear non-proliferation writ large.

We have opportunities to improve our communication on military matters as well. For instance, the decision in April 2008 to reinstate the Fourth Fleet of the U.S. Navy in the South Atlantic Ocean was publicly announced without prior formal diplomatic consultation with our regional allies, including Brazil. In the existing highly-charged hemispheric security environment, this surprise led to an exaggerated negative reaction from the Lula administration and the Brazilian Congress, and gave Chavez an easy rally cry. Had the United States consulted Brazil and other key allies first, explaining the focus of the policy change and highlighting the collateral benefits, the conflict created by the Fourth Fleet reinstatement could have been diminished. Efforts in this area have improved, and we should seek to maintain consistent communication with regional allies like Brazil on military and security matters.

Energy-environment

The United States relies on the Western hemisphere—including Canada—for nearly half of its oil. Canada, Mexico and Venezuela are top suppliers to the United States, making energy security a critical component of hemispheric foreign policy. This is particularly true after Brazil's new oil finds in 2008, which could make Brazil the eighth largest oil-producing nation, surpassing Russia. This development points to another area in which the United States and Brazil may be able to cooperate as we must shift our energy sources to within our circle of allies wherever possible—an approach not mutually exclusive to efforts toward eventual energy independence.

Before we can engage Brazil effectively, however, the United States has a serious need to rebuild its credibility on energy and environmental issues. Part of the United States reasserting itself on environmental issues is reintegrating itself into multilateral post-Kyoto climate change initiatives. This would be welcome in Brazil.

Further, we should deepen ongoing efforts between our respective non-government organization communities and seek to partner with the Brazilian government on international conservation efforts, while respecting national sovereignty. New U.S. leadership will surely challenge its local consumers to reduce energy consumption, as has been done successfully in times of energy shortages in Brazil. To creatively approach conservation in the United States, we should learn what we can from Brazil's experience.

Scientific and academic exchanges between the United States and Brazil on alternative energy should be encouraged. Current discussions between the United States and Brazil on biofuels have only scratched the surface without addressing other alternative fuel sources, such as wind and solar. Also, our bilateral ethanol dialogue is narrow, with discussions on bilateral trade non-existent and third-market initiatives covering only four countries. This limited dialogue is not broad enough to help address U.S. energy needs, climate change, or to build a global market for ethanol.

Although it should be pursued only in the context of an overall deepening of our bilateral collaboration and cooperation, reduction or elimination of the U.S. ethanol tariff would unleash the economic forces needed to diminish distortions in biofuel markets and encourage broader use of flex-fuel vehicles in the United States. There are policy solutions circulating in Brasilia and Washington that would allow for an elimination of the tariff, but only for ethanol bound for use in e-85 pumps. Corn ethanol would still have exclusive access to 10 percent ethanol blends. While there are distribution challenges surrounding this solution, we should explore creative ways to approach growing our use of ethanol in the United States and the region.

Meanwhile, efforts at hemispheric energy integration pursued in the 1990s have faltered. Despite previous agreements, Argentina has drastically reduced gas supplies to Chile, and Bolivia has yet to truly tap its potential gas reserves. Of course, we have our own energy challenges in the United States. A void remains where once there was a consistent, high-level regional energy dialogue. Regular meetings of hemispheric energy ministers should be re-established jointly under U.S. and Brazilian leadership with a broad ranging agenda designed to promote sustainable energy security and independence in the Americas. Deepening our bilateral energy-environment dialogue is an important first step, and we should take advantage of the current dip in oil prices to initiate this discussion.

Competitiveness

The U.S.-Brazil economic relationship historically has been viewed through the prism of International Monetary Fund packages, trade disputes and a failure to meaningfully engage in free trade negotiations. The bilateral trade dynamic has been exacerbated by an overarching Brazilian view that international economic engagement could threaten national industry, as well as by U.S. trade barriers and subsidies on some agricultural products where Brazil is particularly competitive.

On the finance side, Brazil has not needed IMF assistance for many years. The Brazilian banking system is strong and undergoing further consolidation, while the United States finds itself in the worst banking and market crisis since the Great Depression. Brazil, while also hit by the global economic turmoil, has emerged as an investment-grade creditor nation, with a diversified economy and a significant number of indigenous multinationals invested around the globe. This “new” Brazil has broader international economic interests than had previously been the case, as is natural when a country’s companies invest heavily overseas. As such, Brazil is learning to balance meaningful commercial diplomacy with political diplomacy in an unprecedented way.

The policy problems relating to rule of law, intellectual property rights protection and national treatment that have emerged for Brazilian companies with investments in complicated markets have tested Brazilian foreign policy, just as happened previously in

the United States. Brazil has now felt these pressures from Bolivia to China and Ecuador. Those common problems shared by U.S. and Brazilian companies provide an opportunity for the United States and Brazil to collaborate by significantly deepening our bilateral discourse on economic issues.

Whereas competitiveness-focused policy was once viewed as serving primarily U.S. interests, Brazilian companies and industries are now in a secure position internationally, having conquered markets globally. We need to cultivate an environment where Brazil and the United States can collaborate on international commercial policy in a pragmatic fashion, as in the U.S. relationship with Europe. This will not eliminate economic disputes; we still have many fights with our European friends. A pragmatic approach on trade and investment policy, however, will allow us to pursue our shared interests in a way that has the potential to be exceptionally effective, assuming both sides see this dialogue as mutually reinforcing our individual interests.

To facilitate these efforts, we should build on the U.S.-Brazil CEO Forum to cultivate a culture of shared competitiveness and to grow links between our private sectors, particularly given the large number of Brazilian companies now invested in the United States. Beyond the transactional agenda items that have been pursued by the CEO Forum, such as the important Bilateral Tax Treaty initiative, the group could consider the pursuit of bigger-picture agenda items, such as checking protectionist impulses that may emerge from the economic crisis. Part of what is restricting its potential is the lack of institutionalized channels for dialogue at the working-level of the CEO Forum and of the U.S. and Brazilian governments, although highest-level government-to-CEO exchanges have consistently taken place at CEO Forum meetings.

Further, we should take advantage of our change in administration to renew participation in the group. This will add vitality to the dialogue and reflect the changed economic realities since the establishment of the Forum, as well as the deep commitment of President Obama to alternative energy and technology issues where our countries face similar challenges.

Overall, it would be helpful if the voice of the Brazilian private sector were more present in Washington, including through the strengthening of organizations such as the Brazil Information Center, which represents Brazilian multinationals present in the United States. Brazilian multinationals are generally supportive of competitive tax, customs and regulatory policies that engender growth and enhanced trade and investment ties between our countries.

Conclusion

The good news is that we have the opportunity to take advantage of this moment to build on a relationship that is strong overall and take it to a level that approaches its potential. We must embark on this path, however, with both a global—and not a purely bilateral—perspective and with our eyes wide open regarding the many international economic and security issues that will distract us in the coming year. Focus on broadening and deepening the relationship, while managing expectations, is important. Even more so, however, both sides must truly desire a maturing of the U.S.-Brazil relationship through deeds—not only words—for this endeavor to succeed.

The perils of rivalry

By David Rothkopf

Among the most profound changes likely to affect U.S. relations with the Americas during the first years of the Obama Administration will be the transformation of Brazil's international role. It is already clear that Brazil is in the process of ascending to a new position in the community of nations. In the past year, Brazil's collaboration with the other BRIC countries—Russia, India and China—has been one sign of this change as the countries' foreign ministers met in the spring of 2008 in Ekaterinburg, Russia, to coordinate a strategy to amplify their voices in the international community. Later in the year, the ministers met again on the edges of the U.N. General Assembly meeting and heads of state met on the edges of the emergency Group of 20 Summit on the global financial crisis late last year.

The choice of using the G-20 as the mechanism to coordinate the international response to the crisis rather than the G-8 was a signal of the growing centrality that leading emerging powers such as Brazil must play in effecting any meaningful international response to the global markets meltdown. In addition, Brazil also hosted in late 2008 a summit of Latin American heads of state that did not include the United States, a clear message concerning Brazil's sense of regional leadership as well as the growing desire among nations throughout the hemisphere to shake off what has been seen as the paternalistic embrace of the United States.

These international meetings are but a few indicators among many that have come during the past eight years that the Obama administration is inheriting a relationship with Brazil that will almost certainly be dramatically different from nearly a decade ago. As they assess the situation, U.S. policymakers will see that Brazil's rise is due to several key factors. First and foremost is Brazil's economic growth, which is the result of both sound economic management and stabilization of the currency, and of Brazil's emerging role as a leading commodity provider to many of the other fastest growing nations in the world, notably those in Asia. As one observer put it, referring to Brazil's agricultural exports, the country has built a massive industry “exporting rain to China.”

The reference is to the fact that Brazil's climate possesses many attributes that are in scarce supply in Asia's two BRICs — China and India— which has propelled Brazil to the top position in the export of many critical food products. The country's great mineral resources augmented by recent very promising and substantial petroleum and natural gas finds have amplified the agricultural boom.

So, too, has the country's pioneering efforts in the area of biofuels, the growth of its financial sector—the region's largest by far—and a host of other factors. But beyond economic factors, the administration of Brazilian President Luiz Ignacio “Lula” da Silva— thanks to the deft leadership and communications skills of the president himself and the tireless and enterprising efforts of his foreign minister Celso Amorim—has made itself a critical player in a host of international issues from leading the developing world position at critical intervals in the global trade round to playing a role as an effective mediator in critical regional disputes.

As a consequence of these changes, for the first time there is serious talk among policymakers worldwide about Brazil assuming a permanent place at the head table of the international community. Initially, this may come through continuing its role in the G-20, and having that group assume greater responsibilities, some of which were once the exclusive province of the G-8. But as the size of the G-20 is unwieldy and a number of its members clearly not of the same economic or political status as the largest developed and developing countries, there have been serious proposals—such as that of World Bank President Robert Zoellick—to shape a new alternative to the G-8, perhaps a G-12 or G-14, which could become the principal coordinating group on global economic matters.

Not surprisingly, such discussions have also led to a reassessment of the leadership and ownership structures of other multilateral institutions. There is an ongoing debate about who the permanent members of the U.N. Security Council will be, who should own the largest shares in multilateral financial institutions and how those voting structures should change, and what the structures might be of new organizations such as the institution likely to emerge from global climate talks. While change is likely to be slow and impeded by self-interests and the usual issues “horse-trading” among key players, what is clear is that the geopolitical league tables are undergoing significant shifts and Brazil has every reason to expect to be a beneficiary.

Indeed, according to senior sources within the Brazilian Foreign Ministry, crafting and institutionalizing a new global leadership role for Brazil is an accepted objective of the government and a key goal—perhaps the most important goal—for Amorim. Brazil is a nation that no longer wants to be viewed simply as the largest country in Latin America. There are a number of unspoken subtexts to this objective that have important implications for U.S. policy in the region and may be among the potential sore spots in a relationship that is only going to grow more important for the United States.

One such subtext is that Brazil does not want to be lumped in with other large Latin countries, considering itself to be at a different level than either Mexico or Argentina, to pick the two most prominent examples. Another such subtext is that Brazil will be ever more sensitive to the old U.S. technique of working around them to undercut their regional leadership and establish separate relationships in the hemisphere that might, in fact, isolate or contain Brazilian influence. Another, of course, is that Brazil will not only have its own agenda that will be different from that of the United States, but it will also want to assert the differences.

Consequently, the way the Obama Administration chooses to respond to Brazil's agenda will be critical to the future of bilateral relations. If the administration adopts old school approaches and simply tries to quash Brazil's ambitions, or if it does what is even more likely and only pays lip service to Brazil but slow walks the most important issues while seeking disproportionate payment in turn from the Brazilians—such as support on difficult issues like the terms of a potential deal over the agricultural trade provisions as part of the Doha Development Round of World Trade Organization talks—then tension and distrust are likely to manifest themselves.

Indeed, one way they may manifest themselves is likely to happen and create other tensions in any case. Brazil will continue to strengthen and deepen its relations with other major powers such as the European Union China, India, Japan, other Asian countries and even the Russians as a way of underscoring its new role and reducing dependencies or appearances of dependencies that may exist vis-à-vis the United States. These ties may come in the form of diplomatic meetings, trade agreements, investment deals, and coalitions formed on a variety of international issues where the interests of Brazil coincide with large blocks of countries, but not with those of the United States.

Key dynamics

The answer for the United States will be to recognize that a massive geopolitical shift is taking place, that it is irreversible and that we need to develop new strategies to cope with the rise of new powers rather than try to postpone it. The Obama team should very early on establish a deep dialogue with the Brazilians, acknowledge the changes and seek to develop a partnership with the Brazilians to help shape the new global architecture that needs to emerge in virtually every field if the United States—as well as Brazil—is to achieve our primary international goals.

International architecture

The coming years will require a massive reinvention or renovation of existing institutions, the elimination of others and their replacement with a new cadre of 21st century multilateral mechanisms. These will be critical in every area: regulating the new global financial order to managing international trade; controlling the proliferation of weapons of mass destruction to managing multilateral responses to security threats; funding rebuilding to containing disease; and combating global warming to establishing international standards for new technologies.

Managing this process will require building new coalitions. While it is unreasonable to expect U.S. interests to align with those of the Brazilians on all these issues, on many they can become partners in effective coalitions. We must at least explore where that is pos-

sible; furthermore, we must recognize that given the grave financial straits in which the United States finds itself that we should welcome regional powers such as Brazil assuming more of the burden for resolution of key disputes and funding major economic initiatives. A new, more broad-minded multilateralism is not only in the interests of the United States; it is the only choice we can afford.

It should be quickly added, of course, that each of these institutional rebuilding processes contains not just the seeds for cooperation, but also the potential for fomenting greater division between the United States and Brazil. As a developed and a developing country, it is only natural that the natural countries' self-interests are at odds on certain key issues. Similarly, as economic competitors—with regard to the production of agricultural products for example—divisions are natural. The United States helped establish the status quo and is served by it. Brazil must change that status quo in order to grow and evolve.

The United States wants to limit the nuclear club, while Brazil has among the most advanced peaceful nuclear programs in Latin America, even though it has chafed at international inspections of its facilities in the past, and its president has scoffed at what he perceives as the unfairness of the international nuclear regime. Security Council permanent members want to protect their prerogatives, outsiders want to share them. The United States has a special role within organizations such as the World Bank or the Inter-American Development Bank, Brazil wants a greater role commensurate with its changing stature. Consequently, each of these issues is likely to create new tensions—or exacerbate old ones in the relationship. The answer in the long run and the answer for diplomats seeking to minimize tension is the same; deals will be cut and trade-offs will be made. The question for Brazil will be—is the United States acting in good faith to help us advance our interests wherever it is not in direct conflict with theirs?

Global economic crisis

The changing role of Brazil in the world and the conflicts and opportunities contained within that idea, is of course just one among many potential areas of tension in the U.S.-Brazil relationship. It is one associated with a long-term trend and a fundamental shift in the global power structure. But there are near-term factors that may inject tension into the relationship, not the least of which is the current and still unfolding global economic crisis.

If the crisis were to deepen in 2009, as seems likely, and in particular if the slowdown in China and other rapidly growing markets continues to depress global commodity prices, then countries such as Brazil would see export revenues hammered and hard currency reserves and investment fall. Throughout the Americas, economic crises could produce social and political unrest.

While the poorest countries in the region are most likely to feel this pain, or the large countries that are in precarious shape—Argentina and Mexico—Brazil could feel the squeeze in substantial ways that could be quite uncomfortable, particularly in the run up to a presidential election in 2010. This could in turn produce an impulse to create stimulus packages that play to the needs and concerns of the left, in anticipation of the candidacy of Dilma Rouseff or someone else from the Worker’s Party to succeed President Lula da Silva.

A prolonged global recession or one that deepens much further than the current case could also lead Brazil to seek outside aid and multilateral funding at a time when many other such demands are being made on big donor nations such as the United States, which it will be feeling a financial squeeze unprecedented in the post World War II era. While it is hard to pinpoint exactly where tension may come, it is not hard to imagine that severe economic pressures could produce many and diverse such tensions.

They might involve conditions set on lending terms or just what prescriptions for stimulus in the region were deemed acceptable by the multilateral institutions. They might as well involve growing tensions associated with a shift in the tenor of the Brazilian political discourse and mounting pressure from Brazilian businesses— for example, agribusinesses— to achieve a breakthrough on trade talks that would be harder than ever in an economically shell-shocked United States. They might involve, as an extension of that idea, growing U.S. protectionism as a result of the backlash to globalization that might be associated with a protracted downturn.

They might also entail rising concerns in the United States about deepening economic ties between the Brazilians and, say, the Chinese, should they be the ones who step in and help maintain investment or assistance flows to Brazil. The point is that next year is going to create a lot of possibilities for fraying diplomatic nerves between Washington and Brasilia. One element of it will be related to the fact that the United States is going to have a hard time maintaining its historical views on what constitutes “sound” economic policies when it has violated so many of its cardinal rules about government involvement in the economy in the past several months. This could boil over into a bigger region-wide debate on the issue.

Additional tensions

There are other areas in which tension could enter the relationship. How the United States interacts with the Americas writ large under President Obama will shape relations and create potential pitfalls, and so will domestic political considerations both in the United States and Brazil.

U.S. regional intervention

Any real or perceived interference in the region by the United States would greatly upset Brazil. If the United States decided that heavy-handed political pressure or intervention were required in regard, for example, to Venezuela, Bolivia, or Ecuador, this could put Brazil in an uncomfortable position where it has to choose between the United States and its neighbors. Since Brazil has spent years arguing for South American unity, it would likely choose its neighbors or—even more likely—choose to interject itself as a third party with a third point of view.

If economic pressures forced President Chavez to play the old populist card of going after the regional bogeyman the United States, then perhaps through a series of ever-increasing provocations—including expanding his on-going flirtations with the Syrians, the Iranians, the Russians—this could get out of hand and be seen as a test for the Obama administration that it could not shy away from.

This hypothetical situation could become a reality sooner than later. The recent referendum eliminating term limits for elected officials in Venezuela is a development that could eventually trigger some form of U.S. intervention—direct or indirect—in the country. Though Venezuela is a key supplier of oil to the United States, putting the latter in a delicate position with regard to carrying out a more interventionist foreign policy, further consolidation of power in the hands of Hugo Chavez could eventually lead the United States to adopt different tactics.

U.S. ethanol tariff

A seemingly narrow issue that could have significant consequences is the disposition of the U.S. ethanol tariff, which is a key issue on the Brazilian agenda. Brazil has been patiently waiting for the ethanol tariff to expire, but if a more protectionist Congress and White House extend this tariff, then this will definitely lead to friction between both countries—friction that could well spill over into other areas of cooperation.

Reflecting Brazil's growing impatience with the tariff, the Brazilian government has already threatened to file a complaint at the World Trade Organization if the tariff is not reassessed. Nonetheless, a massive U.S. lobby is preparing for the legislative battle regarding this issue, led by groups such as the National Corn Growers Association and the Renewable Fuels Association. They will spend millions to preserve the tariff.

If these U.S. organizations are successful, then it could be a big setback for U.S.-Brazilian relations. President Obama is known to be a supporter of the ethanol tariff, stating in 2007 on the Senate floor that “it does not serve our national and economic security to replace imported oil with Brazilian ethanol.” Prominent figures in his administration, however, are

known to be against the contentious tariff, such as Secretary of Agriculture Tom Vilsak and Secretary of Energy Stephen Chu.

A separate, yet crucial development that could influence the political debate in the United States would be the collapse of the corn-based fuel industry, which is currently suffering under plummeting oil prices. This development could further feed protectionist pressures, while further highlighting the need for imports to maintain the Renewable Fuels Standard, while the country works to develop competitive next generation fuels.

Brazilian domestic politics

As the global economic crisis negatively impacts Brazil's economy, this could shatter the foundations of Lula's popularity. Opposition parties would have political ammunition against Lula, and a growing discontent with the current economic situation. This in turn could lead to relations with the United States being a more important issue in the campaign, with candidates being forced to run on a platform of continued or enhanced independence from U.S. influence.

This could be a contributing factor to growing tension on all the issues cited here. Recent developments indicate that Lula's hold on power is not certain, despite his high popularity ratings. With presidential elections in 2010, Lula's Worker's Party could be at risk of losing control of power if economic conditions deteriorate significantly.

Local and congressional elections have already reflected deterioration in the electoral position of the Worker's Party. São Paulo's mayoral elections were closely watched as a referendum for the Lula government. His party lost the election to the center-right Democrats Party, despite Lula's strong support for his party's candidate, Marta Suplicy.

This victory consolidated the position of the Democrats Party in Brazil's major city, as Jose Serra—the leading opposition presidential contender—also won the city's governorship over the Worker's Party candidate. Recently, Lula's party experienced another round of defeat after losing its control of Congress to the Democratic Movement Party.

These developments indicate that Lula's popularity ratings are not sufficient to maintain his party's hold on power. If economic conditions deteriorate further, this could lead to the election of a leader and party espousing different macroeconomic platforms. Though Jose Serra is considered more pro-business than Lula, he may be forced to adopt a more protectionist economic platform to differentiate himself and his party from Lula, possibly leading to complications in the bilateral relationship between Brazil and the United States

U.S. distraction

Of all the likely causes of tension in the U.S.-Brazil relationship, the one that looms as the most threatening is also the one that is the most likely. The United States will be heavily distracted by its own economic problems and the two wars it is currently conducting in the Middle East. President Obama and his cabinet will be severely distracted by an extraordinarily challenging agenda and all will have very little available bandwidth for Brazil or Latin America.

Despite distaste for many of the policies of former President George W. Bush, Brazilians felt that the relationship between their country and the United States had significantly improved during the past several years thanks, in large part, to the initiatives of the Amorim team being met by a receptive, competent and dedicated U.S. State Department team led by Assistant Secretary Tom Shannon. Consequently, perceived disinterest—even when it is only the consequence of distractions elsewhere—particularly coming as it might at a crucial time in Brazil’s transformational agenda regarding its role in the world, may breed the kind of subtle sense of slight that will make conversations harder and agreements tougher to hammer out when attention is turned to them.

Overcoming tensions

The best way to avoid these problems is to seek a new special relationship with Brazil, akin to the relationship the United States has with other vital nations worldwide. No two nations will play a more vital role in the future of the Americas, and no two nations from the Americas will play a more prominent role on the world stage. President Obama should meet early and often with Brazil’s president. Indeed, President Obama should travel to the country in his first year in office. It would make a great deal of sense for him to go to Brazil for even just a day or two after the Summit of the Americas, perhaps meeting with President Lula in the Northeast of Brazil, which would have enormous cultural significance given that it is the home of Brazil’s enormous Afro-Brazilian population and, of course, given that Obama is America’s first African American president.

However, symbolism will not be enough. The United States should support concrete steps to assist Brazil with its transformational mission on the international stage. This should include the United States supporting a move away from the G-8 structure toward an alternative group that includes the BRICs among its members. It should include a willingness to give Brazil a bigger role in multilateral institutions, even if that means a first step such as helping to structure a massive recapitalization of the Inter-American Development Bank, which is needed as a precaution given the likely consequences of the global economic downturn. This would result in Brazil having a bigger ownership share in the bank.

The United States should also indicate a willingness to embrace Brazil's candidacy for permanent membership on the U.N. Security Council, even if that means creating a new class of permanent members that do not have veto power. Washington should also pick one or two key issues—agricultural trade and the ethanol tariff come to mind—where the United States can show a commitment to some progress. Cooperation on energy and climate issues also offers real potential for positive collaboration that produces meaningful results for both countries.

What planning should not do for this next chapter in U.S.-Brazil relations is to expect too much. They have an agenda and interests that do not always coincide with ours; instead, this relationship will be one of a new class of key international strategic partnerships into which the United States must enter to advance its objectives worldwide in which our partners are also sometimes rivals. Such relationship requires special discipline and clarity about our objectives. It is my hope that this paper helps contribute in a small way to provoke the discussion that would provide some of that needed clarity.

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