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# BRAZIL ON THE RISE: IMPLICATIONS ON U.S. POLICIES

by

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## ***ABSTRACT***

Over the last decade, Brazil has systematically increased its international political stature through active participation in UN peacekeeping missions, international economic forums, and regional security cooperation agreements. Additionally, Brazil has fostered a reputation as a representative and role model for all developing countries, as it has risen to become the eighth largest economy in the world. Using a modified case study framework, this paper assesses whether the United States should expand its relationship with Brazil in an effort to establish Brazil as an equal bilateral partner in support of U.S. economic and security interests throughout the globe. The examples provided show how the United States and Brazil can benefit from mutually supportive programs in South America and Africa. These examples also outline the need for Brazil to increase its infrastructure and technology development programs and how the United States can profit from, and benefit Brazil, by investing in these programs. The author further suggests that the United States would benefit from supporting Brazil as a growing international leader by supporting Brazil's bid for a permanent seat on the United Nations Security Council and by establishing policies that treat Brazil as an equal economic and security partner.



## INTRODUCTION

Since 2003, the world has watched as Brazil has rapidly climbed toward the top of the international economic and political ladder. In the span of a little more than a decade, this South American country has changed from being exploited for its resources, to being in control of its own development and future, while also positioning itself to influence developed and developing countries alike. This research paper analyzes specific case studies to demonstrate the significant economic and political developments within Brazil that have enabled the country to expand its influence throughout South America and the globe.

As Brazil's economic and international political power continues to grow, there is greater chance for the country's national interests to come into direct contact with the national interests of the United States. This confluence of interests does not have to result in conflict, but instead could result in a mutually advantageous relationship. However, Brazil is going to have to solve a number of internal issues, and the United States is going to have to begin looking at Brazil as an equal partner in a mutual, not paternalistic relationship.

The steps necessary for the United States and Brazil to take in an effort to move toward joint programs has already begun to take place, but there are still historical and cultural difficulties that need to be addressed prior to either nation reaping the full benefit of any cooperative effort. It is assumed that the benefits of cooperation far exceed the benefits that either country would see from unilateral efforts. The key will be to develop programs that capitalize on Brazil's capability to identify with the desires of developing countries while still maintaining the pursuit of U.S. interests. In order for the United States to be successful at establishing joint programs with Brazil, there is a need to understand the developmental history of the country, as well as current areas that would benefit from greater U.S.–Brazilian cooperation.

Using a modified case study framework, this paper assesses whether the United States should expand its relationship with Brazil in an effort to establish Brazil as a greater bilateral partner in support of U.S. economic and security interests throughout the globe. Case studies explored here illustrate how Brazil is increasing its influence within South America (Bolivian counternarcotics case study), Africa (comparison of U.S. and Brazilian efforts), and globally (UN mission in Haiti). Additionally discussed are recent developments in U.S.–Brazilian economic relations and areas of significant growth and future expansion for Brazil. This research project determines if increasing economic, political and security cooperation with Brazil would enable the United States to benefit from Brazil’s continued political stability, economic growth, and global security initiatives.<sup>1</sup>

### **Background and Significance**

The historical relationship between Brazil and the United States has always been close, but at times tenuous. Prior to the end of the 19<sup>th</sup> century, the United States and Brazil began to establish strong economic and security relations. The establishment of the Treaty of Commercial Reciprocity in 1891 between the two countries began to pave the way for Brazil’s continued separation from long established Portuguese colonial influence and to increase Brazil’s relationship with the United States.<sup>2</sup> While other South American countries continued to consolidate themselves following mostly Spanish colonial rule, Brazil took the opportunity to ally itself with the perceived growing power in the Western Hemisphere, the United States. Additionally, the United States saw that stronger relations with a strategically located, resource-rich, developing Brazil would further increase U.S. legitimacy as a growing international player.<sup>3</sup> This relationship continued to flourish until the beginning of the 1930’s. During the buildup toward World War II, many South American countries, including Brazil, remained neutral in an

attempt to increase economic gains by providing supplies and resources to both Axis and Allied powers. As it became more evident that the United States would eventually enter the war, this policy of economic neutrality began to cause tensions between the United States and Brazil.

By 1939, the United States had begun industrial preparations to enter the war, thus increasing its requirements for natural resources and industrial materials. This presented an opportunity for the naturally resource-rich Brazil to not only provide resources to the United States, but also to capitalize on the opportunity to increase its growing steel manufacturing capacity. With the rising economic opportunities posed by the United States, and a mounting threat of being cut off from the German market due to the British naval blockade of Germany, Brazil made the decision to sever ties with the Axis powers and side with the Allies. The reward for such support would be over \$350 million in U.S. military assistance to Brazil via Lend-Lease aid.<sup>4</sup> By the end of WWII, over fifty percent of Brazil's exports were to the United States.

Brazil perceived their entrance into WWII as more than just an economic opportunity. This was Brazil's opportunity to enter the world stage. Brazil believed this was the path which would eventually lead to an equal partnership with Europe and the United States. Brazil's support to the United States during WWII gave the Allied powers a geographic location to establish a strategic supply staging area for troops and resources destined for the African campaign. This transportation route was the only significant way for Allied forces to maintain a constant flow of supplies into West Africa, and was pivotal to Allied victories in North Africa and would be instrumental in supporting the Allied invasions into Italy. United States Secretary of State Cordell Hall would later say, "without the air bases Brazil permitted us to construct on her territory, victory either in Europe or in Asia could not have come so soon."<sup>5</sup> Yet land and supplies were not the only contributions that Brazil provided during the war. Notably, Brazil

was the only South American country to allocate forces to the war effort. Some 25,000 Brazilians would serve in Italy and participate in the victory at Monte Castello, earning them the nickname the “smoking cobras.”<sup>6</sup> Thus, as the WWII drawdown began, Brazil saw itself as becoming a player in world politics. However, the impending struggle between the Western powers and the Soviet Union during the Cold War would overshadow any prior promises given to Brazil, since the United States perceived it as just another developing country with little global strategic significance. To this day, there is still a sense of resentment on the part of Brazilians because they believe their contributions to the war effort have never been fully recognized.<sup>7</sup>

Following WWII there was no stronger South American supporter of U.S. policy than Brazil. This support was not reciprocal. United States preoccupation with communism during the Eisenhower and Kennedy administrations frustrated Brazilian attempt to establish joint U.S.–Brazilian economic development programs. A number of attempts to establish economic development programs such as the Joint Brazil-U.S. Economic Development Commission (JBUSED) and Operation Pan America were given only slightly more than lip service support from the United States. This resulted in further frustration among Brazilians as they were attempting to stabilize their economy and maintain a low cost of living in order to avoid internal political instability. Ironically, this U.S. anti-communist stance pushed Brazilians closer to a nationalist movement that would fuel the fire for the 1964 military coup against the elected government.<sup>8</sup>

Following the 1964 coup and until 1969 was a period of relative political instability in Brazil. The United States initially viewed the 1964 coup as one in support of a democratic movement within Brazil; the result, however, was the establishment of a military rule in 1969. The ultimate fallout was a period of ambiguous relations between the United States. From this

point and until the early 1990s Brazil and the United States were often at odds regarding a number of policy issues.<sup>9</sup> However, with the end of the Cold War and the democratic movement within South America, many in the western hemisphere felt that a peace dividend would usher in a period of growth and development for everyone. While the 1990's did show growth throughout South America, the perception of most southern countries was that the U.S. did not live up to its leadership potential. The fundamental belief was that through the proposed U.S. policy of "engagement and enlargement," many would see a greater push for democratic ideals and increased free trade. While the United States, Canada, and Mexico did develop a free trade agreement such as NAFTA, South America as a whole was relatively excluded from such discussions. Actions such as these would leave an opening for future Brazilian leadership to exploit. Meanwhile, the South American perception of being relatively ignored would only increase as the United States directed the majority of its foreign policy efforts toward the Middle East following the events of September 11, 2001.

Despite Brazil's growing economic and political influence in South America, and its emergence as a global economic power, United States post 9/11 involvement in the Middle East has distracted policy makers from capitalizing on the growth of its South American partner. Whether or not this was the policy choice the United States should have made is not the issue. What is important to recognize is that the traditional leadership role the United States played in South America has been vacant. In an effort to continue the political and economic developmental achievements occurring in the majority of South American countries, Brazil has found itself in position to fill the leadership void left by the United States.

Now that the U.S. drawdown in Iraq is complete and as forces begin to withdraw from Afghanistan, there is an opportunity for the United States to refocus efforts on building economic

and security partnerships in the Western Hemisphere. As a regional power and budding global presence, Brazil presents itself as an excellent opportunity for the United States to join with as a partner country in an effort to expand mutual interests in the region. Unfortunately, if the United States does not begin to invest in the potential of Brazil, then it risks other competitors such as India and China reaping the benefits of a strong South American economic and political ally.<sup>10</sup> By next comparing and contrasting how the United States and Brazil have conducted security operations within South America, one can gain a better understanding of how the United States could begin to establish future cooperative security relations within the region. One such example is that of U.S. and Brazilian counternarcotics efforts in Bolivia.

### **REGIONAL LEADERSHIP: EXAMPLE OF U.S-BRAZILIAN JOINT COUNTERNARCOTICS OPPORTUNITY**

Following the fall of the Berlin Wall and the end of the Cold War, the United States shifted its attention to South America in an effort to win the “War on Drugs.” This campaign to stop the production and flow of narcotics into North America has had mixed success and the efforts within Bolivia are no exception. By analyzing U.S. counternarcotics efforts in Bolivia and comparing them to follow-on counternarcotics efforts Brazil has undertaken with Bolivia, one can see how a multilateral effort in the region yields better results to address the situation. Additionally, such a partnership underlines the importance of future Brazilian-U.S. relations if similar combined efforts are to be successful.

#### **U.S. Efforts in Bolivia**

Throughout the 1990’s, the United States had reportedly established a significant counternarcotics effort within Bolivia. The primary focus was on the use of United States Drug Enforcement Agency (DEA) personnel to train and advise Bolivian authorities on how to

conduct counternarcotics missions. By the end of 1998, the DEA had initiated a unit-based program which resulted in the development of four Special Investigative Units (SIU) made up of 170 Bolivian officers at an initial startup cost of \$7.4 million to the United States. DEA's goal was to disrupt the trafficking of drugs out of the country and to arrest high-level drug traffickers in an effort to stem the flow of narcotics into the United States. According to the U.S. General Accounting Office, "DEA reported that the Bolivian SIUs' efforts through fiscal year 1998 resulted in 1,206 arrests and seizures of 3,201 kilograms of cocaine hydrochloride (HCL), 5,392 kilograms of cocaine base, and \$15.8 million in assets."<sup>11</sup>

In 1999, the United States published an update to its national strategic goals. One of the goals outlined in this guidance was to reduce the amount of foreign drug sources. DEA's stated objective on how to accomplish this goal was to "produce a net reduction in the worldwide cultivation of coca, opium, and marijuana and in the production of other illegal drugs, especially methamphetamine."<sup>12</sup> This redefined objective combined with the perceived successful crop eradication efforts already accomplished by the SIUs, and pressure for the DEA to establish a metric of effectiveness, pushed the Bolivian program to escalate efforts that success through eradication.

Since the 1999 redefined strategic goals presented to DEA, eradication efforts inside Bolivia have only slightly reduced the amount of coca crops within the country. Furthermore, it can be argued that any reductions have been negated due to increases in technology that allows for greater narcotics processing efficiency, thus allowing for more drug production from fewer coca supplies.<sup>13</sup> Additionally, the U.S. insistence on the criminalization of the coca plant itself has resulted in a direct conflict between Bolivian authorities and the local population whom have traditional non-narcotic uses for the plant. For example, tea from the coca plant leaf is served in

hotel lobbies and most restaurants throughout Bolivia and especially in high altitude areas such as La Paz because of its ability to assist with the body's ability to process oxygen. Many of the mineworkers and alpaca herders in the mountains use the leaf as a chew for its ability to counteract the symptoms of altitude sickness as they are often working at altitudes of more than 14,000 feet.<sup>14</sup> The eradication program has had mixed results due to these legal traditional uses of the plant prior to its processing into its illicit drug form.

To coincide with DEA-assisted eradication efforts in Bolivia, the United States Agency for International Development (USAID) spearheaded a program that offered farmers the opportunity to grow alternative crops. The idea of the program was to encourage local farmers to concentrate efforts on growing export-oriented crops, through monetary aid and assistance. While such a program has its merits, it must be planned and conducted in partnership with the local population; something that was generally not done in Bolivia. The biggest losers with the USAID program were perhaps those that needed help the most, the small farmers. Eradication efforts destroyed the coca crops of the small farmers who could not produce at the level necessary to benefit from the USAID programs. Instead, larger agriculture farmers received the aid, thus promoting medium to large farming programs while smothering those smaller farmers. Furthermore, a lack of infrastructure throughout the country resulted in problems transporting the alternative cultivated crops to markets. In many areas throughout Bolivia, farmers had previously loaded coca leaves into burlap sacks that they would carry on their backs, llamas or donkeys to market. However, USAID sponsored alternative crops such as bananas and pineapples, which require motorized transport that cannot access many areas. Smaller farmers often found transportation costs outweighed sales. As a result, "In 2008, coca growers in



Chapare announced that they would sign no more agreements for new USAID-funded alternative development projects in Chapare because of the poor design and failure of those efforts.”<sup>15</sup>

In a historical change of events, in 2004 the poor farmers and miners, comprised almost wholly of the Indian population within Bolivia, united under the leadership of Evo Morales and elected him as the first Indian president of the country.<sup>16</sup> Although Morales was the head of the union of coca farmers in the Chapare region, he still maintained the coca production limits for large crops set by his predecessor Carlos Mesa. Where Morales’ policies differed from his predecessor was in the definition of small family crops intended for sale at small local markets or for personal traditional uses. These crops have often been used by small farmers to subsidize their income, but are difficult for government and law enforcement agencies to monitor, which is why they had previously been targeted for eradication. Since the 2004 election, U.S.-Bolivian relations have been on a steady decline; a decline that arguably culminated with the 2008 expulsion of the U.S. Ambassador to Bolivia, Philip S. Goldberg, closely followed by the expulsion of all DEA personnel.<sup>17</sup> Since then, it appears that the United States and Bolivia have reached an impasse on a number of issues, to include how to handle counternarcotics efforts. However, as recently as January of 2012 a possible resolution to the impasse has presented itself. The result comes in the form of Brazil.

### **Brazil Fills the U.S. Counternarcotics Gap in Bolivia**

In 1998 there was reportedly little to no narcotics transiting Brazil, and local use was extremely low.<sup>18</sup> (See Figure 1 in the APPENDIX for 1998 estimated narcotic transit routes.) Most of the cocaine processed in the Andean region would pass through Central America or the Caribbean before entering North American and European markets. Yet by 2009, Brazil was the most prominent transit hub for illicit drugs flowing into Southern and Western Africa before

entering European markets. Additionally, it had seen a marked increase in the number of local Brazilian users. As of 2009, the United Nations Office on Drugs and Crime (UNODC) reported an estimated twelve metric tons of cocaine transiting Brazil in route to Southern and Western Africa.<sup>19</sup> (See Figure 2 in the APPENDIX for 2009 estimated narcotic transit routes.) The rate at which the narcotics trafficking program has grown over the past few years has alarmed not just Brazilian officials, but Europeans as well since Europe is the primary market for these drugs. As one example, “The number of seizure cases which involved Brazil as a transit country rose from 25 in 2005 (amounting to 339 kg of cocaine) to 260 in 2009 (amounting to 1.5 mt).”<sup>20</sup> (See Figure 3 in the APPENDIX to view the number of cocaine seizures into Europe from 2005-2009.)

Currently it appears that most of the cocaine entering into Brazil for either domestic use or international transport is of Bolivian origin. The result is that “Brazil is the largest drug consumer in South America and consumption is rising. It is reported by the UNODC World Drug Report to have 900,000 cocaine users.”<sup>21</sup> Brazil’s response to the situation has been on three fronts. The first deals with security and law enforcement. This includes a number of programs aimed to organize, train, and equip law enforcement and military to conduct coordinated operations and share information between themselves and international partners. Measures taken since 2010 in an effort to accomplish this include the creation of the Integrated Center to Combat Drug Trafficking (CICON) and the continued support for the Força Nacional (FN) that was established as a local police force to be used during local emergencies.<sup>22</sup> The second area of investment is in education aimed at prevention. Education measures “focus on schools, communities and communication with the population at large. 210,000 educators and 3,300 military police will be trained to operate in drug use prevention in 42,000 public schools.”<sup>23</sup>

Finally, the Brazilian government is supporting an effort to treat and rehabilitate addicts. Treatment alternatives are a significant departure from previous policy within a Brazil that has traditionally sought criminal prosecution and incarceration over treatment and rehabilitation. However, since domestic users continue to steadily increase, Brazilian courts are more apt to recommend treatment options as was indicated in 2010 when Brazil's Federal Supreme Court ruled that imposing treatment requirements vice incarcerations should be done on a case-by-case basis and not carry an automatic jail sentence.<sup>24</sup>

It is important to remember that narcotics problems are not merely a health problem or a drain on country resources as money is spent on counternarcotics programs. The problems brought on by narcotics also have a direct effect on the local community, as drug use and related crimes rise. It also affects the economic situation within the country as local and international investors shy away from drug related areas. For this reason, Brazil is treating the increasing drug problem as a security risk. Efforts to counter the increasing narcotics trade have led Brazil to enter into mutual support agreements with the United States and a number of its fellow South American countries, to include Bolivia.

Bolivian and Brazilian collaborative efforts have resulted in the sharing of intelligence information as well as Brazilian technology and training assistance to Bolivian areas which had degraded since the loss of the U.S. DEA presence within Bolivia. However, realizing that they could not match the resource capabilities that the United States had previously invested in Bolivia, Brazil began brokering an agreement calling for a trilateral effort within Bolivia. This effort would have the United States providing reconnaissance and intelligence information while Brazil provided security and training forces and Bolivia provided the manpower to conduct operations. As a precursor to increased partnerships between the three countries, in January

2012 Bolivia, Brazil, and the United States signed a trilateral agreement on the Integrated Monitoring System for Surplus Coca Cultivation Reduction Pilot Project.<sup>25</sup>

### **Future for Extended Partnership**

Multilateral projects such as the counternarcotics effort between the United States, Bolivia, and Brazil are exactly what both the United States and Brazil need to expand upon within the region as it serves both parties' national interests. By collaborating with Brazil in an effort to assist in areas throughout the region, the United States continues to pursue its interests without the perceived heavy-handed measures used in the past. Brazilian interests are maintained, too, as they are able to meet their security concerns and portray themselves as a regional power willing to utilize resources to assist neighboring countries without encroaching on national sovereignty.<sup>26</sup>

Notably, U.S. and Brazilian interests in Bolivia extend even further than a multilateral counternarcotics program. Bolivia hosts some of South America's largest oil and natural gas deposits, and the increasingly socialist government has nationalized the oil and gas industry. This has put a strain on Bolivia's relationship with both the United States and Brazil since both countries had companies affected by the nationalization program. However, Brazil has been more successful at managing the situation, as it is more willing than the United States to deal with a more socialist regime, and has maintained its import of Bolivian gas, which currently constitutes 25 percent of Brazil's total gas consumption.<sup>27</sup> Other shared U.S.-Brazilian interests include the increasingly tense relationship between Venezuela and the rest of South America, as well as the increased presence of Iran within the region. Brazil's interests in these areas will continue as it seeks to expand its economic reach throughout the region; an objective which requires a stable and secure region in which to operate. This in turn will open many more opportunities for joint ventures with the United States. Additionally, greater relations within

South America could lead to greater partnerships in other areas of the world that Brazil has become active. This is especially the case when looking at Brazilian developmental and agricultural programs established throughout parts of Africa.

### **GLOBAL ASSISTANCE THROUGH PARTNERSHIP: A COMPARISON OF U.S. AND BRAZILIAN EFFORTS IN AFRICA**

Drugs and trade routes have often converged with each other. One only has to look at the infamous opium trade routes of the 1800's centered in Asia to observe this. Thus, it should not be a surprise to find that during the same period in which Brazil has become a drug trafficking hub to Africa, it has also dramatically expanded its trade in the same area. While developing countries such as Brazil have seen a welcome increased involvement and influence within Africa, the United States has seen a corresponding decline. Brazil's presence in Africa affords greater opportunities for mutually beneficial U.S. and Brazilian programs, but it also brings the potential clash of national security and economic interests between the two countries. By analyzing why Brazilian programs have been successful versus similar U.S. programs and then exploring possible avenues of joint ventures, the United States may find that multilateral efforts in Africa, which involve Brazil, will be more favorable than any competitive efforts which may currently be under way.

#### **Brazilian Investments in Africa and its People**

Since 2002, Brazil has aggressively pushed programs aimed at promoting diplomatic and economic expansion into developing countries. As of 2010, these programs have resulted in Brazil's world trade expanding by some 350%, with trade to Africa expanding almost 400%.<sup>28</sup> This boost in economic trade can be directly linked to Brazil's partnership in organizations such

as the India-Brazil-South Africa (IBSA) forum, along with the evolution of the idea of South-South Cooperation.

The term South-South Cooperation was coined in the late 1970's to early 1980's to describe the trade and economic efforts between developing countries. (The term South-South is used because traditionally many of the world's most underdeveloped countries are located in the southern hemisphere.) Under the World Trade Organization (WTO) and the G8<sup>29</sup>, most development within the southern hemisphere was influenced by U.S. and European economic policy. It was not until Brazil and other developing countries came together in an effort to spur economic growth outside of the traditional WTO guidelines that true South-South development occurred. Brazil's continued efforts to spur economic growth in developing countries, as well as its continued efforts to change traditional international economics and politics is understandably sometimes a point of contention with the United States. However, since Brazil continues to show success in Africa, where the United States is struggling, one could argue that it is worth taking a look at how Brazil is conducting business, versus the United States' approach.

Current U.S. national security objectives include expanding partnerships, promoting democracy and human rights abroad, promoting dignity by meeting basic needs, and promoting international order.<sup>30</sup> However, direct U.S. assistance to areas within Africa is often linked to strict concessions that require radical and sometimes unattainable rapid change within the respective countries' government, cultural, and economic sectors. If these conditions are not met, the U.S. aid is not disbursed and those countries needing investments and aid will look for support from others with less stringent requirements. A survey conducted by the organization African Economic Outlook (AEO) showed that Africans perceived emerging partners (Brazil, China, and India for example) and multilateral initiatives as being more effective in key

development areas such as special infrastructure, innovation, and transport/water/energy infrastructure. Traditional partners such as the United States and European countries were viewed as less effective in development programs and more effective in the areas of government, environment, and gender promotion.<sup>31</sup> (See Figure 4 in the APPENDIX for survey results on how Africa views development partners.) Based on these findings it would be logical for the United States to embark on a mutual program with a country such as Brazil which could concentrate efforts on economic development areas while the United States emphasized development of government and social programs.

One of the reasons that a country such as Brazil seems to be more effective in development areas is because even though it is an emerging major power, it still maintains the economic interests of a developing nation. For example, in an effort to target agricultural and infrastructure development programs, Brazil has adopted a process of expanding relations with coastal African countries based on gradual development and partnership, rather than instant compliance—which tends to be the U.S. approach. In fact, highlighted throughout Brazil's 2005 National Defense Strategy are specific goals such as “the intensification of cooperation and of trade with African countries,” “the consolidation of South Atlantic Peace and Co-Operation Zone,” “to intensify the exchange among the armed forces of friendly nations, particularly among those of South America and of Africa, bordering the South Atlantic.”<sup>32</sup> While the U.S. approach in Africa has been mostly unilateral, Brazil is utilizing its partnerships with other developing nations (IBSA for example) in order to expand its influence throughout the African continent. This places Brazil in a unique position as an emerging major power that has maintained its strong ties to other developing countries. This feature makes it an ideal candidate for the United States to utilize as a “go between” for U.S. activities in developing countries. To

do so effectively, the United States must first understand the complexities of how Brazil interacts with the culture of other developing countries and how IBSA contributes to its activities.

The Woodrow Wilson International Center for Scholars has outlined IBSA's activities as falling into three pillars or objectives. The first objective is to establish a forum to coordinate on political reform and to push for changes within the United Nations, the World Trade Organization and the G8.<sup>33</sup> Some of these reforms came to fruition with the creation of the G20 as well as the recent election of all IBSA countries as non-permanent members of the UN Security Council. The G20 grouping of countries represents approximately 80% of the world's economic power and all three IBSA members have achieved leadership roles in the form of committee chairs or summit chairpersons, thus at times setting the agenda for the organization. The second objective of the group is to ensure they maintain a trilateral consensus on programs and development efforts.<sup>34</sup> This is accomplished through sixteen working groups which cover areas such as "revenue administration, public administration, agriculture, tourism, human settlements, science and technology, trade, culture, defense, social development, education, energy, environment, health, information society and transport."<sup>35</sup> Lastly, the IBSA created a fund placed under the management of the United Nations Development Program (UNDP). This fund is used by UNDP on the behalf of IBSA to finance poverty reduction programs throughout developing countries. In addition to the humanitarian support this fund provides, it also supports increased regional stability and the opening of economic markets.<sup>36</sup> The result is that IBSA countries such as Brazil are viewed as partners in Africa, rather than being labeled as heavy-handed donor countries, such as often occurs with the United States.

Rather than looking toward the traditional large economic powers such as the United States for aid programs, Africa is looking toward countries willing to enter into mutually beneficial



development partnerships as equals, like Brazil. The idea of conducting joint ventures with equal partner nations is much more palatable than having former colonial powers dictate conditions of support. Much needed aid is still flowing into the region and groups such as IBSA are large contributors to those programs, especially those aimed at increasing human health services. However, countries like Brazil are utilizing multilateral regional programs and UN sponsored programs to administer the aid, and they do so with few strings attached. This has opened the door for a more cooperative environment with African countries when addressing other issues such as trade, human rights, and food security. Since this type of approach has been adopted by countries such as Brazil, the more traditional African trading partners, such as the United States, have seen their portion of the trade market in Africa decrease. (This is despite the relative success African markets have had surviving the recent world economic crisis.) In fact, a 2011 UNDP report showed that China had established itself as a main trading partner to Africa, ahead of the United States. Additionally, “Africa’s top five emerging trade partners are now China (38 percent), India (14 percent), Korea (7.2 percent), Brazil (7.1 percent), and Turkey (6.5 percent).”<sup>37</sup> These numbers are far from insignificant when considering that Africa had the fastest rate of growth (4.7%) in GDP from 2005-2010.<sup>38</sup>

### **U.S. Activities in Africa**

The success Brazil has had with connecting to the people of Africa and how they have been able to foster mutually beneficial programs is further highlighted when one looks at the relatively low amount of Brazilian aid being injected into Africa. Even though Brazil has significantly increased its support to Africa over the last few years, it still has not put the capital investment into Africa to the extent of the United States, yet Brazil seems to be on the path to greater success in the region. One would think that the more money a country such as the U.S. invests

into Africa, the more that country could expect in return for the investment. Yet the Brazilian example runs contrary to this idea, as Brazilians have seen much more success for a significantly smaller investment. This is most likely because Brazil is still in many ways a developing country itself; thus, it views economic and political policies differently than the United States and more like the developing countries within Africa. This is especially the case with the African countries that share a Portuguese colonial background with Brazil, such as Mozambique. Therefore, while Brazil does not spend as much money in the region--simply because it doesn't have the same amount of capital and capacity as the United States--it continues to see greater success throughout Africa. The United States, on the other hand, is seemingly viewed more and more as a repressive power, rather than a broker for development.

In apparent response to this very phenomenon, one of many USAID programs in Africa is the Feed the Future (FTF) initiative. This U.S. government initiative aims to increase food security in the region through investments into income-generating crop development, research and technology transfer, and increased nutritional education and development. One of the strengths of this program is that it strives to coordinate efforts between individual country FTF programs with efforts of other U.S. government agencies such as the United States Department of Agriculture, Millennium Challenge Corporation, Centers for Disease Control (CDC), Department of State (DoS), and the Peace Corps. These organizations have come together under the FTF program to create regional food security development initiatives meant to develop a locally grown sustainable agricultural program linking the individual countries throughout the area.<sup>39</sup>

Unlike past efforts in the region, the FTF program has taken the lessons learned from countries such as Brazil, and is matching its priorities to those of the locals. Rather than the past

practice of investing in programs that European and U.S. policy makers dictate, FTF invests in programs upon which both western policy makers and local inhabitants can agree. This idea has been a cornerstone of Brazilian investment in the area and is an area where the United States and Brazil are only just beginning to cooperate, as the United States has seen how successful these types of programs have been. One such cooperative effort is ongoing within Mozambique where USAID's FTF program and Brazil's national agricultural research enterprise (EMBRAPA) are working together in an effort to increase the country's overall agriculture production levels. Mozambique has been specifically selected for this multilateral effort because of its production potential, relative abundance of unused land and water resources, and traditional agricultural trade routes into countries like Tanzania, Zambia, and Zimbabwe.<sup>40</sup> (See Figure 5 in the APPENDIX for a graphical depiction showing the potential of this effort.) USAID's primary efforts will include coordinating with local farming associations and helping to establish more efficient processing methods. EMBRAPA will lead the effort to "provide leadership in improving seed systems (seed release policy, foundation seed capacity, quality control of certified seed), land use and soil fertility management, and dissemination of research findings through use of modern information communication technologies (including mobile phones, radio)."<sup>41</sup>

Not all efforts within Africa share the same level of cooperation between the United States and Brazil. For instance, the U.S. FTF program has identified maize<sup>42</sup> as an investment crop for Ghana. The program's objectives include increasing the production of maize in an effort to boost Ghana's local consumption and trade capacity. The varying seasons throughout the region allow maize crops to mature at different times thus making it an ideal crop for annual trade throughout the region. Additionally, maize is not just used for direct human consumption, but

also as poultry feed, flour and baby food production.<sup>43</sup> Brazil's activities within Ghana also deal with agribusiness but are mainly to support and promote biofuel crop production. Both the Brazilian and U.S. investment programs are potentially valuable to Ghana, but they are actually competing with one another. Thus, while Brazil and the U.S. have been able to link efforts in Mozambique, they have not done so in Ghana. The U.S. programs concentrates on food security and the Brazilian program concentrates on biofuel production as it attempts to establish a possible biofuel production site for European and African customers. The divergence of the two programs has yet to come into direct conflict with one another; however, the possibility exists as the two programs grow and potentially compete with one another for land and production resources, thus becoming mutually detrimental. Diverging programs such as these only underlines the importance of early collaboration and communication between the United States and Brazil so that they do not inadvertently hamper each other's efforts. Furthermore, early joint efforts within Africa have the potential for increased mutual benefits and a better chance of success in an increasingly competitive region.

### **Brazil Counters Chinese Competition by Appealing to the African People**

As trade and development efforts continue in Africa, the continent is increasingly becoming more difficult for major powers such as the United States to maintain their footholds on the area's natural resource supplies. One such mutual threat to U.S. and Brazilian interests in Africa is that of China, which has increased its presence in Africa in an effort to expand business opportunities and its own access to the continent's natural resources. While Brazil's investment in Africa is not altruistic in nature, Africans perceive it as being less one-sided than the continent's experiences with both the United States and China. Thus, United States may do well to collaborate with Brazil on certain efforts in Africa in order to mitigate the influence China is

having in the region. Brazil's economic and humanitarian aid programs are designed to be mutually beneficial by promoting profitable opportunities for Brazil and providing much needed support to Africa. As Africa develops greater capabilities, Brazil expects, and has obtained, greater trade opportunities. The Brazilian government's approach to Africa is one that provides support and hope to African people and the benefits returned are enhanced Brazilian business opportunities. An example of the types of mutually advantageous programs Brazil has offered to African countries can be seen in Liberia, where the Brazilian company Odebrecht has been contracted to rebuild Liberia's decrepit railroad system. This system links iron ore mines to processing and distribution centers that will allow the country to capitalize on its large natural deposits. What sets Odebrecht apart from other companies is that it has been creating a partnership with the local communities expected to be most affected by the project.<sup>44</sup>

Hiring local workers for labor is not a new practice, but the way Odebrecht goes about its hiring and treatment of workers is getting much recognition throughout Africa. Rather than bringing in its own labor, or simply paying local government official to obtain local labor, Odebrecht is negotiating individual contracts with the leaders of each village the railway will pass through. This allows Odebrecht to pay workers directly, thus bypassing any corrupt government official, and ensuring work is evenly distributed along the route. This not only creates local revenue, but also provides access to training for those who might not otherwise have access. On the other hand, China has adopted the practice of bringing in Chinese workers to conduct large construction projects. By doing so, Chinese companies not only limit the amount of revenue flowing into the local economy, they often cause increased hardships on local Africans, as scarce resources such as food and water are redirected to support the influx of Chinese workers. Additionally, once construction projects reach completion, many Chinese

workers do not return home, but instead remain in Africa, looking to be utilized on other projects, thus further limiting the opportunities for Africans. This is leading many African countries to rethink offering contracts to Chinese companies if alternatives such as those provided by Brazil are available.<sup>45</sup>

Actions by Brazilian companies such as Odebrecht are important for the United States to acknowledge, as African countries turn away from the traditional regulated aid packages, as offered by the United States, and unequal labor contracts, as offered by the Chinese. If the United States were to adjust its African policies so that it operated as a multilateral partner with Brazil, it may find that greater economic opportunities present themselves while simultaneously diminishing the Chinese influence in the area. Additionally, multilateral efforts that place Brazil as an equal partner will only benefit the United States as both countries will develop a greater trust relationship and mutual interests that are necessary for increased future cooperation. This type of cooperation will be critical if the United States hopes to maintain Brazil as a global partner while the country continues to increase its stature throughout the world.

### **BRAZIL AS AN EMERGING WORLD LEADER**

Brazil's efforts are not just limited to becoming a quality global partner with other nations. They intend to become a leader within the global community in their own right. Involvement in informal and formal organizations such as IBSA is a significant achievement, but Brazil is looking toward increasing its involvement in world affairs, especially via the UN, to establish itself as a world leader. As the world becomes more multipolar, Brazil's activities show that its national interests are not limited to regional security or economic benefits. Rather, Brazil expects to be considered an equal among the leaders of a multipolar world. This is something

important for the United States to take into account, as it is the fundamental premise that drives the foreign policy decisions made by Brazil.

Brazil's historical involvement in the UN is one that goes back to the very beginning of the organization, as it was one of the founding nations. Unlike the majority of South American countries which have until recently provided mostly small manpower contributions to UN peacekeeping missions, Brazil has traditionally provided a comparatively larger proportion of forces since their initial involvement with the first UN Emergency Force (UNEF I)<sup>46</sup> from 1956-1967.<sup>47</sup> This involvement has only increased over the last decade, as Brazil has been vocal about its desire to provide leadership as a permanent member of a newly reorganized UN Security Council. Additionally, Brazil has used its growing influence throughout the world to engage in debates regarding international security issues such as the Israeli-Palestinian conflict, Iranian nuclear development programs, and recent actions in Libya.<sup>48</sup> However, the most significant security involvement in the international arena by Brazil within the last 10 years has been in Haiti. In April of 2004 as Haiti faced a governmental transition following a coup, Brazil voluntarily took a leadership role in the effort to provide a stable transition of government. Then in 2010, following a devastating earthquake, Brazil transitioned their forces in Haiti from political advisors and peacekeepers and quickly began rescue and reconstruction efforts.<sup>49</sup>

### **The Haiti Mission**

On 4 April 2004, UN Resolution 1542 established the United Nations Stabilization Mission in Haiti (MINUSTAH). This mission consisted of 6,700 troops, 1,622 civilian police and additional staff as needed. Despite previous objections to peacekeeping operations in Haiti, Brazil supported the new UN resolution and volunteered to lead the mission. The main goals set for the mission included: securing and stabilizing the environment; supporting the political

process to include government transition and presidential elections; promoting and protecting human rights.<sup>50</sup>

MINUSTAH under Brazil's leadership seemed to be making significant progress in accomplishing its goals as set by the UN, but the severe hurricane season of 2008 combined with the world financial crises and an already weak local economy, resulted in Haiti beginning to show increased signs of instability. In response to the deteriorating situation and civil uprisings, the UN commissioned a team to provide a full report and recommendation. This report outlined the progress of the MINUSTAH mission in the areas of security and political reformation. Additionally it noted that prior to the 2008 severe weather events, Haiti had seen significant improvements in its economy: "Inflation was brought down from over 40 per cent to less than 10 percent. During the same period, Haiti's GDP grew from -3.4 percent in 2003 to 3.4 percent in 2007, exceeding population growth for the first time in several years."<sup>51</sup> Although the report outlined general success leading up to 2008, it also highlighted how the natural disasters of that year showed there was still much required before internal Haitian security and government agencies would have the capability to operate without international assistance. Further emphasizing this point was the 2010 earthquake which completely devastated the country and showed the inadequacies of Haitian internal security and government services.

Brazil lost 22 personnel serving in Haiti during the 2010 earthquake. The successful efforts in the country, which had become a point of Brazilian pride, were virtually destroyed. In response, the Brazilian government increased the number of deployed troops to 2,200<sup>52</sup> and provided almost \$28 million additional funds for relief and reconstruction efforts.<sup>53</sup> Brazil's efforts in Haiti have now been ongoing for almost a decade. The continued food and clean water shortages, lack of dependable infrastructure, and the increased spread of disease suggest



that Brazil will continue to be involved in Haiti for a long time to come. Despite the setbacks because of the 2010 earthquake, the international community views Brazil's leadership during the overall Haiti crises as one of success.

This emergence of Brazil as a viable leader within the international community is something that the United States is going to have to come to terms with as U.S. and Brazilian national security objectives become increasingly intertwined. The United States should view Brazil's actions in Haiti as a logical consequence of Brazil's desire to assert itself as a global equal among the rising powers. Additionally, the United States should expect that Brazil would support similar UN missions as it continues to push its bid for a permanent seat in the UN Security Council. Brazil becoming a formidable leader within the UN is something which could be beneficial to the United States as it may find Brazil to be an amicable partner in security issues occurring in South America as well as an ally against Chinese aspirations. While Brazil would not likely support U.S. unilateral efforts in the region, unless they also directly support Brazilian interests, it could be a significant U.S. partner in the region because Brazil has become a significant regional entity. Brazil's burgeoning leadership and influence thus warrants the United States making an increased effort to understand and appreciate Brazil's foreign policy concerns. This understanding is imperative as the United States continues to increase its security and economic ties with Brazil.

### **THE U.S.-BRAZILIAN ECONOMIC RELATIONSHIP**

Since Brazil has taken a more active role throughout the world, its interests are increasingly overlapping and at times colliding with those of the United States, especially on the economic front. Brazil currently hosts the eighth largest economy in the world and is on a path to be the fifth largest by 2016.<sup>54</sup> The relatively rapid growth of the Brazilian economy has placed it in a

position to increase its international investments, which has led to it becoming the fifth largest holder of U.S. national debt.<sup>55</sup> This growth has also been responsible for a surge in economic trade between the United States and Brazil. Trade between Brazil and the United States totaled \$28.2 billion in 2002 but rose to \$60.7 billion by the end of 2008. Due to the international financial crises, trade declined because of a drop in U.S. imports from Brazil; however, 2011 trade projections place trade back to levels comparable to those of 2008.<sup>56</sup> Even so, U.S.-Brazilian economic partnerships are perhaps not as strong as they could be. U.S. cotton and ethanol subsidies have been at the center of trade disputes, as has the lack of a bilateral tax treaty between the two nations.<sup>57</sup> These are just some of the major obstacles to greater economic relations. However, recent developments such as the expiration of the U.S. corn-based ethanol tax rebates,<sup>58</sup> increasing calls for U.S.-Brazilian tax agreements<sup>59</sup> and the signing of the “Protocol of Intent to enhance our current activities and expand our technical cooperation in Africa, Latin America, and the Caribbean,”<sup>60</sup> all point to increasing relations, especially in the areas of energy production, and agriculture.

### **Energy Production**

Brazil’s robust and diverse energy matrix rivals that of most developed countries. With renewable energy sources accounting for almost 50 percent of its clean energy production, Brazil is a world leader in energy production and environmental protection. Hydroelectricity and ethanol account for the majority of the country’s energy, while oil is used both domestically and as an export product.<sup>61</sup>

One of the most significant events for the Brazilian oil industry in the last decade is the discovery of pre-salt layer oil fields off the coast. Brazil’s largest oil company, Petrobras, is looking to significantly increase its production levels from the already 2.6 million barrels a day,<sup>62</sup>

over the next five years as it accesses the estimated 50 billion barrels of oil the new deposit is expected to contain. Some believe that this type of production capacity, combined with the recent 2010 influx of some \$70 billion in revenue as the first public offerings of the state backed oil company was offered, sets Petrobras at the same level as oil giants Exxon Mobil and Chevron. However, before Brazil will be in a position to fully capitalize on these newly discovered resources and establish significant oil reserves and distribution network, there will have to be significant increases to the production and distribution centers throughout the country.<sup>63</sup>

Oil distribution and shipment networks are not the only infrastructure issues with which Brazil has to contend. Now that 90% of the light vehicle driven in the country can operate on a combination of ethanol or gasoline, Brazil is finding it hard to keep up with internal demand. This resulted in Brazil importing corn-based ethanol from the United States. While this is somewhat related to poor sugarcane crop seasons, it is fundamentally related to the infrastructures lack of refinement and distribution capacity. This is not to say that Brazil's ethanol industry is in any kind of jeopardy; in fact, just the opposite. Not only is Brazil expecting to approach 400 million barrels of ethanol annually by 2019, it is also already working with U.S. and European organizations to further promote the establishment of ethanol production programs in Africa.<sup>64</sup>

Brazil's emergence as a top tier energy producer for the world is of profound significance for its internal development as well as its international relations. The United States has already brokered an agreement for sustained bioenergy cooperation with Brazil. This 2007 Memorandum of Understanding has brought together organizations such as the Brazilian Sugarcane Industry Association, and APEX-Brazil with U.S. policy makers and private industry

leaders at forums such as the Washington International Renewable Energy Conference. Activities such as these directly contribute to increased cooperative efforts to expand biofuel production around the world, as has been seen in African countries like Mozambique and the initiation of the Partnership for the Development of Biofuels for Aviation program.<sup>65</sup>

With the increased chances for cooperation also comes an increased chance of conflict. Not all South American countries appreciate Brazil's emergence as a regional leader, nor do countries like Venezuela see greater competition in the oil industry as a good thing. Any sparring which has occurred between the two countries has been limited thus far to the diplomatic and economic arenas, but as neighbors such as Venezuela (or even Columbia for that matter) continue to increase their military capabilities, Brazil has little choice but to respond accordingly. In fact, they are doing so through purchases such as a nuclear-powered submarine and advanced fighter jets. Physical threats from neighboring countries such as Venezuela are not the only conflicts that Brazil's may have to deal with in the future. Economic threats may also be on the horizon as both the U.S. and Brazilian bio-energy efforts have come under scrutiny since they are often linked to increasing food prices as traditional food grains are diverted for use as bio-energy and cropland is converted from food production to energy production. While this criticism has some merit, Marcos Jank, president of the Brazilian Sugarcane Industry Association, has pointed out that Brazilian sugarcane crops destined for bio-fuel use often utilize land unsuitable for consumable agricultural products.<sup>66</sup>

## **Agriculture**

While fuels-related technologies and resources like bio-fuel and pre-salt layer oil finds have been getting most of the attention in the international press regarding the future of Brazil's economic growth, the country is still highly dependent on its strong agricultural base.

Agriculture makes up approximately 25% of Brazil's GDP and just under half of its export-generated revenue.<sup>67</sup> Brazil is a world leader in the export of sugarcane, soybeans, cotton and orange juice. Of Brazil's highest export revenue generating agricultural commodities, four (soybeans, cotton, tobacco, and poultry) are also among the United States' highest generating commodities. In fact, these four products make up over 30% of the agricultural export markets of both the United States and Brazil.<sup>68</sup> In addition to the two countries being linked through these competing export crops, they also maintain a strong agricultural trade relationship. Yet this relationship is sometimes tenuous as Brazil is becoming more willing to exercise its right to leverage international organizations such as the WTO if Brazil believes it is being treated as an unequal partner. Cases such as the 2002 U.S. cotton subsidy and 2008 orange juice anti-dumping measures described below are two examples of Brazil employing this capability.

From 2002-2009 the WTO arbitrated a trade dispute initiated by Brazil due to the level of cotton subsidies the United States had been granting to domestic cotton farmers. After numerous rounds of rebuttals by the United States, the WTO finalized its findings in 2009 and authorized Brazil to impose over \$2.5 billion in retaliatory sanctions.<sup>69</sup> However, in early 2010 the U. S. Secretary of State Hilary Clinton met with Brazilian officials and brokered an amicable alternative to the WTO sanctions. This "Framework for a Mutually Agreed Solution to the Cotton Dispute" calls for the United States to adjust an export loan program to include an assistance fund for the Brazilian cotton industry. The framework also calls for the United States to adjust its proposed 2012 farm bill so that it is in full compliance with WTO agricultural subsidy standards.<sup>70</sup>

In 2008, Brazil filed a formal complaint with the WTO regarding U.S. anti-dumping measures placed on Brazilian orange juice. The claim stated that the U.S. tariffs placed on

Brazilian orange juice imported to the country were not in accordance with those outlined under WTO agreements. While Brazil's case was specific to orange juice, the procedure the United States uses in calculating any tariffs under anti-dumping laws is one that has been brought under scrutiny by many foreign countries. The decision by the WTO to find in Brazil's favor is a benchmark as it is the second major international trade dispute against the United States where Brazil has been the victor.<sup>71</sup> It is also a huge economic victory for Brazil, as almost 20% of its orange juice exports go to the United States. In 2010 this amounted to approximately \$2 billion in trade.<sup>72</sup> The final agreement calls for the United States to implement changes to the method used to calculate anti-dumping tariffs by 17 March 2012.

Brazil's willingness to bring these types of complaints against the United States to an international forum such as the WTO should be regarded as part of their determination to act as a leader among developing countries. The United States had been criticized in the international arena for both their cotton subsidies and their anti-dumping measures, but it was Brazil that was able to gain ground in these matters. Brazil also acted as a unifying figure during the procedures as many other developing countries signed on as third party complainants. Additionally, the United States can expect any similar issues in the future rising to the level of the WTO unless there is a concerted effort to establish Brazil as an equitable trading partner.

### **CONCLUSIONS AND RECOMMENDATIONS**

Brazil's emergence as a strong regional leader and world player coincides with its robust economic growth. Brazil's ability to relate, on a more personal level, to the cultures of the developing countries with whom they interact has led to successful dealings in those areas where the United States and Europe have found it difficult to operate due to their seeming inability to relate to the local populace. As a former colony itself, Brazil has a cultural kinship with a

number of other developing countries, and they have used this to promote their economic expansion with great success. Thus, countries like Mozambique have been specifically targeted because of the Portuguese colonial background the countries share. While Brazil continues to foster its relationships in Africa and South America, they are able to establish themselves in areas that are rich with natural resources and which show strong economic potential. Yet despite the relative successes Brazil has had with breaking into the markets of the developing world, there are still a number of areas for improvement, especially internal to the country itself. In this regard, the most prominent areas where Brazil needs to concentrate its development include: infrastructure, foreign direct investment, and technology. These areas of concern are a direct result of Brazil's continuing status as a developing country itself. U.S. partnership and investment in the vital areas required by Brazil for development, will not only provide the United States and Brazil with economic and security opportunities, it will also foster relations to support future bilateral efforts around the globe.

### **Infrastructure**

Brazil's investment in its own infrastructure is severely lacking, even when compared to other South American countries. Before Brazil's selection to host the 2014 World Cup for soccer and the 2016 Olympic Games, Brazil spent half of what countries such as Chile, Colombia, Mexico, Peru, and Uruguay have spent on infrastructure development. Since the selection for these two worldwide sporting events, Brazil has increased its efforts to rectify some of its problems, but the pace is slow and often hindered by the Brazilian political process.<sup>73</sup>

Fortunately, this problem is not insurmountable. In fact, Brazil has access to many of the resources required to develop its infrastructure within its own boundaries. Core building materials such as steel alloys, iron ore, and copper are plentiful throughout the country and have

been a major source of revenue.<sup>74</sup> Labor is also in abundance as Brazil's lower middle class continues to grow and search out greater opportunities. The crucial problems lie in the implementation and financing of the programs themselves. Since Brazil is still a developing country, it has yet to adopt a fully capitalistic society. Measures still exist which call for greater government oversight and regulations as opposed to many companies within areas such as the European Union and the United States which are not so constricted. This has resulted in the requirement for many infrastructure programs to be limited to Brazilian owned companies and funded through Brazilian national banks. While this process does ensure that the monetary benefits from such programs remain internal to Brazil, it also significantly slows down the development process by excluding international investment companies as well as program and development experts who could increase the number of infrastructure programs operating simultaneously.

The ramifications from a lacking infrastructure goes well beyond simple economics. In its current state, the infrastructure of Brazil is impeding the social development of the country as well. Brazil's large landmass and the development of a few mega cities like São Paulo and Rio de Janeiro has resulted in many large rural areas with little access to the overall market system internal to Brazil, let alone the regional and world economy. Reportedly, almost forty-three percent of Brazilians have inadequate housing and access to regular basic services.<sup>75</sup> This is causing an increased division of wealth within the country as a greater minority becomes the wealthy elite and the majority sees little improvement in their basic lives. The risks associated with an ever-increasing divergence of the people could jeopardize the future prosperity of the country and the opportunities of increasingly favorable U.S.–Brazilian partnerships.



U.S. direct investment in construction projects within Brazil would greatly increase the country's ability to shrink the growing gap between the poorer, lower middle class and the wealthy elite. Through foreign investment and management, Brazil would be able to run multiple projects such as road, rail and port improvements, thus significantly increasing the connectivity of rural farmers to the greater regional and global markets. While the U.S. Export-Import Bank Board approval of \$1 billion in investment capital for Rio de Janeiro infrastructure projects is a significant step toward U.S. investment in that area, it will only be effective if Brazilian approved U.S. exports are found to support the projects.<sup>76</sup>

### **Investment Capital**

Future U.S.–Brazilian economic relations will be greatly dependent on whether or not both countries can adjust their economic policies in an effort to remove the current investment obstacles. Already the U.S. has begun taking certain steps to promote a greater partnership in the development and production of ethanol based fuels by eliminating the corn-based ethanol tax rebate.<sup>77</sup> While along with the settlement agreements fostered under the WTO disputes outlined above this is a step in the right direction, the measures have so far only affected targeted areas of the economic relationship between the two countries. If true mutual growth is to occur, then greater wide-ranging changes in how the United States and Brazil conduct business have to occur. The establishment of a formal tax treaty between the two countries is the type of reform needed to achieve results which are more tangible.

As outlined in a 2011 report to the U.S. Congress, U.S. business activities within Brazil are limited due to “complex regulatory, tax, and protectionist regimes [that] hamper foreign investment and slow the conditions for even more robust and equitable growth.”<sup>78</sup> If the United States is going to capitalize on the growing economic potential within Brazil there will need to

be greater free enterprise relations established. Brazil's economy is currently the eighth largest in the world and second largest in the western hemisphere, yet it remains the largest global economy which currently does not have any form of tax treaty with the United States.<sup>79</sup> This is significant when one considers that as of 2007, the United States was the largest direct investor in Brazil with over \$44 billion in trade revenue. A bilateral tax treaty would establish formal procedures on how companies can operate in each other's countries, thus eliminating the ambiguous nature of the relationship which currently exists. Such a tax treaty would open both countries to more direct investment in critical developmental programs. Additionally, the treaty would pave the way for more formal investment treaties which would offer a greater level of protection for investors of both countries, thus offering better competitive pricing and strengthening economic growth.<sup>80</sup>

Investment in Brazilian projects does not have to be limited to Brazil itself. Africa poses a great opportunity for the United States to invest in Brazilian activities that match U.S. national interests as well as increasing the development of African countries. As mentioned above, the cultural and historical ties Brazil holds with a number of African countries has allowed Brazil to develop a modus operandi that has led to the successful and profitable integration of Brazilian projects within the African continent. What Brazil currently lacks is the ability to increase its investment capacity within Africa; thus, it has been limited to select areas of investment. If the United States were to shift its priority of effort to include more multilateral endeavors with Brazil in Africa, such as seen by the FTF program in Mozambique, then the United States would be in a better position to leverage the growing African market and establish a healthier rapport with resource-laden African countries.

## **Technology**

Monetary investment in Brazilian infrastructure and development projects will benefit both the United States and Brazil; however, this type of investment is limited if the two countries cannot capitalize on each other's technological advances. Current limitations on technology transfers between the two countries are restricting future developments in areas such as agriculture, aerospace and security. The Joint Protocol of Intent on Trilateral Activities signed by both the United States and Brazil calls for expanding technical cooperation in the areas of food security, economic development, and health programs and it has spurred some interest in multilateral efforts. However, since this is not a formal treaty agreement, the protocol is confined in its scope and authority. Policy changes can do a lot to improve the situation, but the problem first has to be addressed by Brazil itself, as it has historically only had insufficient internal investment in the areas of technology and innovation.

The economic boom that Brazil has seen over the last decade is largely due to the increased demand for hard commodities rather than manufactured goods. This has led Brazil to concentrate more on agricultural developments than on research and development in other technological areas. The up side has been that Brazil is among a world leader in agricultural sciences aimed at creating hardier and more productive cultivation methods and crop strains. The down side has been that their industrial and manufacturing capacity has seen little reinvestment and this accounts for the meager internal development of the country. Further complicating the problem is the historic involvement of the government in closely directing what Brazilian industry produces. Brazilian policies also make it much more difficult to start up a new business dealing in a new technology. An entrepreneur is more likely to expand a current business than they are to invest in a new start-up within Brazil as it often "takes 120 days to

register a business in Brazil compared with twenty-two in Chile and just six in the United States.”<sup>81</sup>

State involvement in the Brazilian economy is not going to end anytime soon, as it is an extensive part of the culture. However, there are opportunities for the United States to operate and profit within the current Brazilian regulatory environment, while pushing for a more open and innovative environment. An inroad to accomplish this has already presented itself. The United States is in the process of establishing intelligence and surveillance technology assistance agreements with the Brazilian government. These agreements will directly support the trilateral counternarcotics agreement between the United States, Brazil and Bolivia. Additional agreements are being implemented in support of the upcoming 2014 World Cup and 2016 Olympics to be hosted by Brazil.

The United States should use these agreements in an effort to support technology transfer to Brazil through the purchase of U.S. military-related systems. U.S. defense equipment and service providers are facing a number of cutbacks due to the shrinking U.S. defense budget. The ability to expand into the Brazilian market is thus a welcome opportunity. The influx of revenue into the U.S. defense industry would ensure that even while U.S. direct investment in the industry is decreasing, there is still sufficient revenue to foster continued growth and sustainment. At the same time, Brazil would benefit by ingesting new technology and being able to establish possible production agreements with U.S. defense contractors. This would help Brazil foster innovation within the country, support future growth, and meet their security objectives in the region.<sup>82</sup>

Yet it must be noted that these types of defense agreements are easy to promote, but often hard to execute. Any dealings with this type of program will require a strong commitment and

continued open communications from national policy makers on both sides. Most policy makers understand that deals such as these are often cancelled due to a number of uncontrollable factors, but without clear and open communications, a cancellation of a contracted agreement can be misconstrued and have even greater political ramifications. The U.S. cancellation regarding the purchase of Brazilian Super Tucano aircraft is one such example. Internal legal issues and defense program budget cuts within the United States led to the cancellation of the purchase. However, the timing of the announcement came just after Brazil made the decision not to purchase U.S. F-18 aircraft. Since the U.S. only gave vague reasons as to why the Super Tucano was cancelled, Brazilian officials have assumed this was in retaliation for not purchasing U.S. F-18s. This is just one example of why communication between partner nations is so imperative, as such a perception could cause difficulty in coming to future agreements.

### **International Relations**

Finally, the United States needs to accept Brazil as a rising power and take necessary measures to ensure a strong foundation for a lasting partnership between the two nations. One primary way of doing this would be to assist Brazil's bid for permanent membership to the United Nations Security Council. This type of assistance would show Brazil that the United States is willing to recognize Brazil's importance to global security.

While support for Brazil's greater involvement in international politics will likely open many avenues for increased multilateral programs, there is a level of risk which will need to be addressed. The United States will have to come to terms with the fact that while Brazil shares a number of the same concerns as the U.S., it will not be a country that has its foreign policy directed by another country. Naturally, Brazil does not always agree with U.S. policy. These disagreements are not only limited to the economic policies like those outlined above, but they

also include fundamental differences in security policy, like how to deal with the Iranian nuclear issue. However, even though significant differences will arise, the risks are much greater from a Brazil which feels ostracized rather than supported by the United States.

## **CONCLUSION**

Without a doubt, Brazil is going to continue to play a major role in global development and politics. Over the last decade, Brazil has systematically increased its international political stature through active participation in UN peacekeeping missions as seen in Haiti. Additionally, Brazil has fostered a reputation as a representative and role model for all developing countries. Its actions in the UN and WTO have placed Brazil in direct contention with the United States and former European colonial powers as Brazil has pushed for developing countries to have greater equitable relationships. Brazil's actions when dealing with the "Western powers" are perceived by many developing countries as that of a big brother standing up to the neighborhood bully. This places Brazil in a unique position as many developing countries in South America and Africa look for alternatives to dealing with the traditional colonial powers or extractive<sup>83</sup> countries such as China.

As Brazil's expansion continues, it seeks to secure the country's national interests, not through unilateral efforts, but through multilateral organizations like IBSA and Mercosul.<sup>84</sup> When proposing the development of these types of organizations, Brazil creates an environment of increased power for the member nations. At the same time, Brazil realizes that its economy and stature in Africa and South America often put it in leadership positions, thus significantly influencing these organizations to support those objectives that meet Brazilian national interests.

While multilateral organizations offer up some form of protection and unity to an emerging power such as Brazil, they also offer the United States an opportunity to deal with a single entity,

capable of affecting an entire region. The more the United States can merge its national interests with those of Brazil, the better the chance of achieving a success rate in reshaping the region into a viable political and economic power which is advantageous to both countries. As such, it is within the U.S. national interests to invest in Brazil and to assist its continued development as a South American stabilizing force and economic partner in Africa.

A partnership between the United States and Brazil should translate into greater economic development and security throughout South America and lead to increased opportunity of growth and development within Africa. While disagreements on certain foreign policy issues will need to be worked out, these issues are not insurmountable, nor are they of the type that would preclude continued advancement in other areas of development. Furthermore, while other developing countries may balk at a Brazil with greater U.S. ties, these fears are mitigated by allowing Brazil to maintain its leadership role while the U.S. acts as an investor and advisor. By following these policies, the United States places Brazil in the position of an anchor country within South America and Africa, while simultaneously gaining a significant ally in the global arena.

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<sup>1</sup> Unless otherwise noted, economic data contained in this paper was obtained through online databases offered by Trading Economics. "Trading Economics provides its users with accurate information for 232 countries including historical data for more than 300,000 economic indicators, exchange rates, stock market indexes, government bond yields and commodity prices. Data is regularly checked for inconsistencies and based on official sources; with the World Bank, the International Monetary Fund, central banks and national statistics bureaus being the most important." Data is accessible at [www.tradingeconomics.com](http://www.tradingeconomics.com).

<sup>2</sup> This paper does not go into detail regarding the time Brazil spent under the colonial rule of Portugal however, it is important for the reader to understand that the relationship between Portugal and Brazil was much different from many other colonies. One unique historical note is that Brazil actually hosted the Portuguese monarchy at one point. This may explain why even though Brazil was a colony, many inside Brazil viewed themselves as Portuguese. It also may explain the success that Brazil has had with establishing relations with other former Portuguese colonies.

<sup>3</sup> Monica Hirst, *The United States and Brazil: A Long Road of Unmet Expectations*, (New York: Routledge, 2005), 1-5.



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<sup>4</sup> The amount the U.S. provided in Lend-Lease aid to Brazil constituted 70% of this type of aid provided to all of Latin America during WWII. Joseph Smith, *Brazil and the United States: Convergence and Divergence*, (Athens: University of Georgia Press, 2010), 121.

<sup>5</sup> Joseph Smith, *Brazil and the United States: Convergence and Divergence*, (Athens: University of Georgia Press, 2010), 121.

<sup>6</sup> Ibid., 125.

<sup>7</sup> Ibid., 118-127.

<sup>8</sup> Ibid., 141-162.

<sup>9</sup> This paper does not go into any detail of U.S.–Brazilian relations during the period from 1969 until the late 1980s and early 1990s as it is a period of significant ambiguity and is the topic of many published books and articles. The United States supported the military leadership within Brazil due to fears of increased socialist and communist movements. At the same time, the U.S. condemned the repressive tactics of the military regime. Meanwhile, Brazilian leadership was dependent on the economic support it received from the United States so it was necessary for Brazil to appease the U.S. while not being seen as a puppet regime. See either Joseph Smith's book *Brazil and the United States: Convergence and Divergence* or Monica Hirst's *The United States and Brazil: A Long Road of Unmet Expectations* for a quality historical political perspective on relations during this period. Full references for these books can be found in the Bibliography of this paper.

<sup>10</sup> Smith, *Brazil and the United States*, 130-162.

<sup>11</sup> U.S. General Accounting Office, *Drug Control: DEA's Strategies and Operations in the 1990s*. (Report to Congressional Requesters, 21 July 1999), 57.

<sup>12</sup> Ibid., 63.

<sup>13</sup> Socorra Ramírez and Coletta Youngers, "Drug Policy in the Andes: Seeking Humane and Effective Alternatives" (The Carter Center and International Institute for Democracy and Electoral Assistance. Lima, Peru, 2011), 27.

<sup>14</sup> Personal travels throughout Bolivia's Altiplano to include La Paz, El Alto, Tiahuanacu and Chacaltaya would often bring the author in contact with Bolivians using coca leaves in this fashion.

<sup>15</sup> Ramírez and Youngers, "Drug Policy in the Andes," 32.

<sup>16</sup> The population of Bolivia consists of local Indians (majority) which consist mainly of poor farmers and miners, and the mestizos (minority) which make up most of the land and business owners. Traditionally, the mestizos have dominated the political landscape within Bolivia. Evo Morales was the first Indian elected and is known to be a staunch supporter of unions and socialist government policies.

<sup>17</sup> U.S. House of Representatives, *U.S.-Bolivian Relations: Looking Ahead*, Hearing before the Subcommittee on the Western Hemisphere of the Committee on Foreign Affairs, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., Serial No. 111-3, 2009, 2.

<sup>18</sup> United Nations Office on Drugs and Crime, "World Drug Report: 2011," (Vienna: Division of Policy Analysis and Public Affairs United Nations Office on Drugs and Crime, 2011), 122. See Figure 1 in APPENDIX.

<sup>19</sup> Ibid., 123. See Figure 2 in APPENDIX. This figure is an estimate of how much has transited to the area.

<sup>20</sup> Ibid., 109. See Figure 3 in APPENDIX. This figure is the amount actually captured in transit.

<sup>21</sup> U.S. Department of State, 2011 International Narcotics Control Strategy Report (INCSR), (Washington, DC: Bureau of International Narcotics and Law Enforcement Affairs, 3 March 2011), Brazil.

<sup>22</sup> Ibid.

<sup>23</sup> "Brazil Government Launches an Initiative to Fight Crack Cocaine." Invest In Brazil, 8 December 2011.

<sup>24</sup> Ramírez and Youngers, "Drug Policy in the Andes," 61.

<sup>25</sup> U.S. Department of State press release, Joint Communiqué: *Signing of Trilateral Agreement on the Integrated Monitoring System for Surplus Coca Cultivation Reduction Pilot Project* (La Paz, Bolivia, 20 Jan 2012).



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<sup>26</sup> Samuel Bodman, James Wolfensohn and Julia E. Sweig, *Global Brazil and U.S. – Brazil Relations*, Independent Task Force Report No. 66, (New York: Council on Foreign Relations, 2011), 70.

<sup>27</sup> *Ibid.*, 34.

<sup>28</sup> Peter Meyer, *Brazil-U.S. Relations*, Congressional Research Service Report RL33456. (Washington, D.C., 8 Feb 2011), 14.

<sup>29</sup> The G8, or Group of Eight, is an forum where the eight largest economic countries discuss global economic issues

<sup>30</sup> U.S. National Security Strategy, May 2010.

<sup>31</sup> “New and old partners help Africa in complementary ways.” African Economic Outlook, 22 Jul 2011. See Figure 4 in APPENDIX.

<sup>32</sup> The National Defense Policy, Brazil, 2005, 4.

<sup>33</sup> “Emerging Powers: India, Brazil and South Africa (IBSA) and the Future of South-South Cooperation,” Special Report. (Washington, DC: Woodrow Wilson International Center for Scholars, August 2009), 2.

<sup>34</sup> *Ibid.*, 2.

<sup>35</sup> Thalif Deen, “Brazil Revs Up South-South Cooperation,” (IPS News Agency. 19 Aug 2011).

<sup>36</sup> “Emerging Powers,” 2.

<sup>37</sup> “Africa should embrace new economic giants and boost social inclusion,” (Lisbon: United Nations Development Program, 6 Jun 2011).

<sup>38</sup> World Trade Organization, “World Trade Report 2011: The WTO and preferential trade agreements; From Co-existence to Coherence,” (Switzerland: WTO Publications, 2011), 22.

<sup>39</sup> All FTF specific information is available in electronic format at <http://www.feedthefuture.gov/>

<sup>40</sup> U.S. Agency for International Development, “Feed the Future: Mozambique FY2011-2015 Multi-Year Strategy” (Washington, DC: USAID, 30 June 2011), 7. See Figure 5 in APPENDIX for graphical information on importance and potential of this effort.

<sup>41</sup> *Ibid.*, 31.

<sup>42</sup> Maize is also known as corn in the U.S.

<sup>43</sup> “Feed the Future: Mozambique FY2011-2015 Multi-Year Strategy,” 12-13.

<sup>44</sup> David Lewis, “Special Report: In Africa, can Brazil be the anti-China?” Reuters, 23 February 2011, 1-11.

<sup>45</sup> *Ibid.*

<sup>46</sup> UNEF-I was mandated with monitoring the withdrawal French, U.K., and Israeli forces from Egypt and the continued Egyptian-Israeli cessation of hostilities.  
<http://www.un.org/en/peacekeeping/missions/past/unefi.htm>

<sup>47</sup> Kai Michael Kenkel, “Stepping out of the Shadow: South America and Peace Operations,” *International Peacekeeping*, Vol. 17, No 5 (November 2010): 588.

<sup>48</sup> *Global Brazil and U.S.–Brazil relations*, 45.

<sup>49</sup> W. Alejandro Sánchez Nieto, “Brazil's Grand Design for Combining Global South Solidarity and National Interests: A Discussion of Peacekeeping Operations in Haiti and Timor,” *Globalizations*, Vol. 9, No 1 (February 2012): 161-162.

<sup>50</sup> United Nations Security Council, *Security Council Establishes UN Stabilization Mission in Haiti for Initial Six-Month Period*, Press Release SC/8083, New York, 4 April 2004.

<sup>51</sup> United Nations Security Council, *Report of the Security Council mission to Haiti* (11 to 14 March 2009), S/2009/175, 3 April 2009, 10.

<sup>52</sup> Nieto, “Brazil's Grand Design for Combining Global South Solidarity and National Interests,” 172.

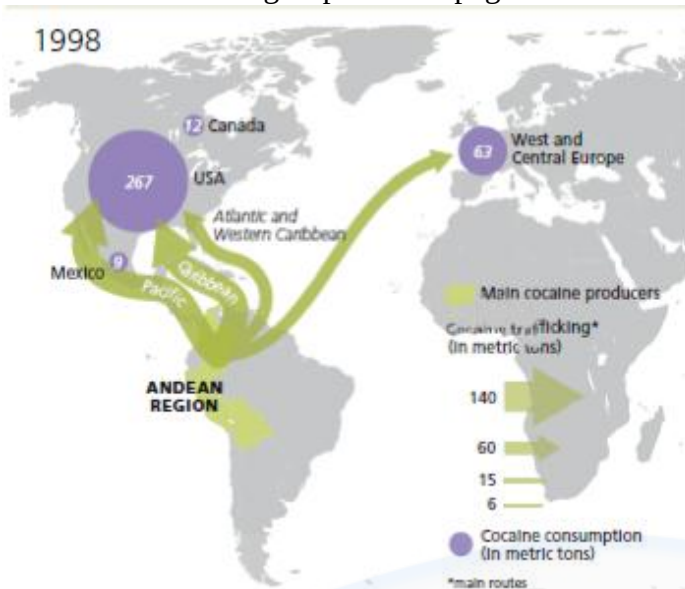
<sup>53</sup> Inter-Agency Standing Committee (IASC), “Response to the Humanitarian Crisis in Haiti: Following the 12 January 2010 Earthquake,” June 2010, 30.

<sup>54</sup> The size of a country's economy can be computed using a number of factors. Some estimates published in economic journals rate Brazil as already having the 6<sup>th</sup> largest economy in the world. The numbers used here are from the U.S. Congressional mandated report, *Global Brazil and U.S. – Brazil relations*, pg 3.

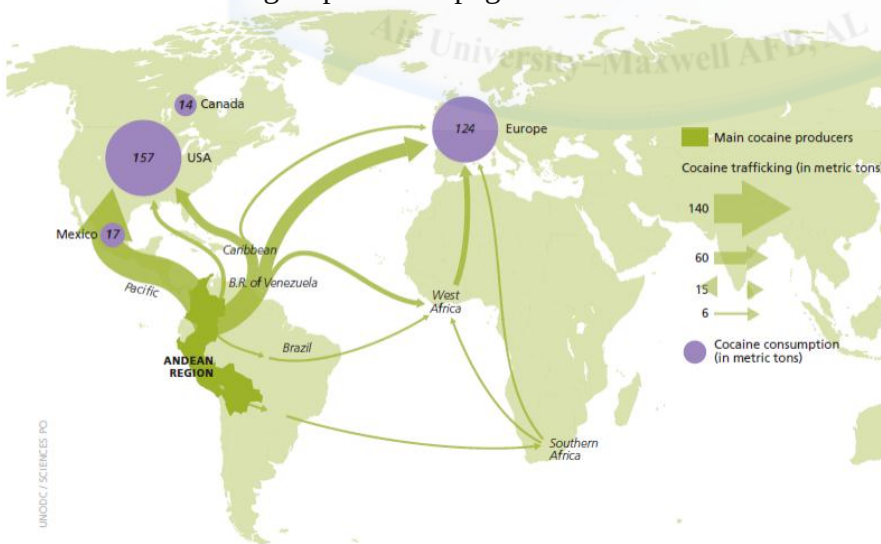
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- <sup>55</sup> U.S. Department of Treasury, *Major Foreign Holders of Treasury Securities Report*, (Dec 2011), <http://www.treasury.gov/resource-center/data-chart-center/tic/Documents/mfh.txt>
- <sup>56</sup> *Global Brazil and U.S.-Brazil relations*, 68.
- <sup>57</sup> “Brazil is the only country with a GNP greater than \$1 trillion that does not have a [bilateral tax treaty (BTT)] with the United States.” Gabrielle Trebat, “Calling For a Brazil-U.S. Tax Treaty.” *Free Enterprise*, 13 March 2009.
- <sup>58</sup> “U.S. Ethanol Subsidies End as Brazilian Production Shrinks.” Stratfor Global Intelligence, 1 December 2011.
- <sup>59</sup> Gabrielle Trebat, “Calling For a Brazil-U.S. Tax Treaty.” *Free Enterprise*, 13 March 2009.
- <sup>60</sup> The White House: Office of the Press Secretary, “Strengthening the U.S.-Brazil Economic Relationship,” (Press Release, 19 March 2011), 2.
- <sup>61</sup> *Global Brazil and U.S.-Brazil relations*, 10.
- <sup>62</sup> Jeff Flick, “Brazil Oil Industry, Investors Cheer New Petrobras CEO Choice,” *Dow Jones Newswires*, 23 January 2012.
- <sup>63</sup> *Global Brazil and U.S.-Brazil relations*, 30.
- <sup>64</sup> *Ibid.*
- <sup>65</sup> Alan Wright, “Brazil-U.S. Biofuels Cooperation: One Year Later,” *Brazil Institute Special Report*, (Washington, DC: Woodrow Wilson International Center for Scholars, June 2008), 1.
- <sup>66</sup> *Ibid.*, 2-4.
- <sup>67</sup> “Strengthening the U.S.-Brazil Economic Relationship,” 19.
- <sup>68</sup> Information was derived from data compiled by U.S. Department of Agriculture using data from the Census Bureau and U.S. Department of Commerce. Raw data reports can be accessed at <http://www.ers.usda.gov/data/FATUS/#fiscal>
- <sup>69</sup> Randy Schnepf, *Brazil’s WTO Case Against the U.S. Cotton Program: A Brief Overview*, Congressional Research Service Report RS22187, (Washington, D.C., 17 March 2009).
- <sup>70</sup> World Trade Organization, *United States – Subsidies on Upland Cotton*, WTO Dispute Settlement DS267, 21 September 2010.
- <sup>71</sup> World Trade Organization, *United States - Anti-Dumping Administrative Reviews and Other Measures Related to Imports of Certain Orange Juice from Brazil*, WTO Dispute Settlement DS382, 25 March 2011.
- <sup>72</sup> Frank Tang, “NY Juice ends up after FDA move, posts weekly gain” *Reuters*, 17 Feb 2012.
- <sup>73</sup> *Global Brazil and U.S.-Brazil relations*, 15.
- <sup>74</sup> *Ibid.*, 20.
- <sup>75</sup> *Ibid.*, 20-24.
- <sup>76</sup> U.S. Department of State press release, *U.S.-Brazil Global Partnership Dialogue*, (Washington, DC, 2 June 2011).
- <sup>77</sup> “U.S. Ethanol Subsidies End as Brazilian Production Shrinks.” Stratfor Global Intelligence, 1 December 2011.
- <sup>78</sup> *Global Brazil and U.S.-Brazil relations*, 15.
- <sup>79</sup> Peter J. Meyer, *Brazil-U.S. Relations*. (Washington, DC: Congressional Research Service, Report RL33456, 8 Feb 2011), 2.
- <sup>80</sup> Gabrielle Trebat, “Calling For a Brazil-U.S. Tax Treaty.” *Free Enterprise*, 13 March 2009.
- <sup>81</sup> *Global Brazil and U.S.-Brazil relations*, 27.
- <sup>82</sup> *Ibid.*, 28.
- <sup>83</sup> The term “extractive” describes a country or organization that operates in a foreign location for the sole purpose of exploiting the natural resources and/or labor force of the host country. An extractor country places itself in a position to reap virtually all the reward, giving only little or nothing in return to the host country.
- <sup>84</sup> Mercosul is an organization established by Brazil, Argentina, Paraguay and Uruguay in an effort to promote free trade in the South American region. More information can be found at [www.mercosul.com](http://www.mercosul.com)

## APPENDIX: FIGURES 1-5

**FIGURE 1: Global Cocaine Flows, 1998**  
UNODC World Drug Report 2011 page 122



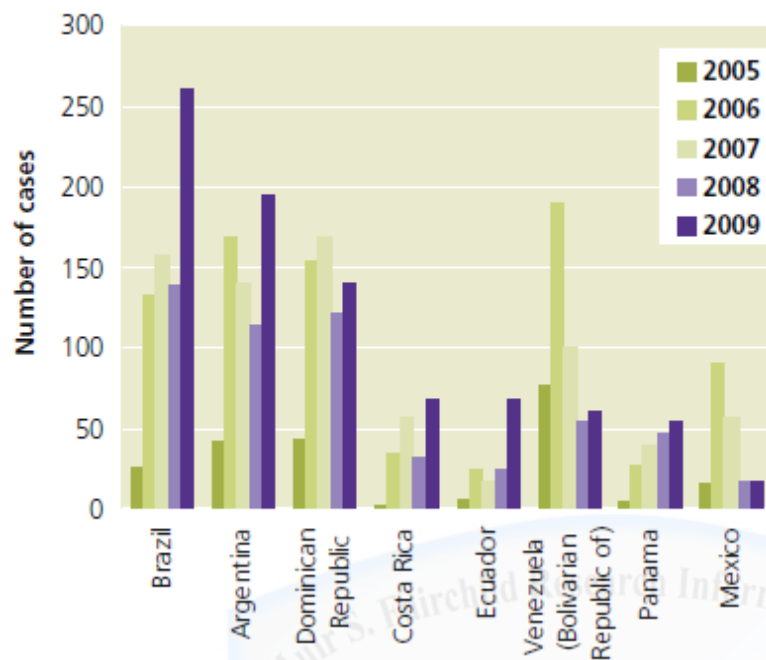
**FIGURE 2: Main Global Cocaine Flows, 2009**  
UNODC World Drug Report 2011 page 123



**FIGURE 3: Cocaine Seizures in Europe Transiting Selected Countries in the Americas, By Number of Cases, 2005-2009**

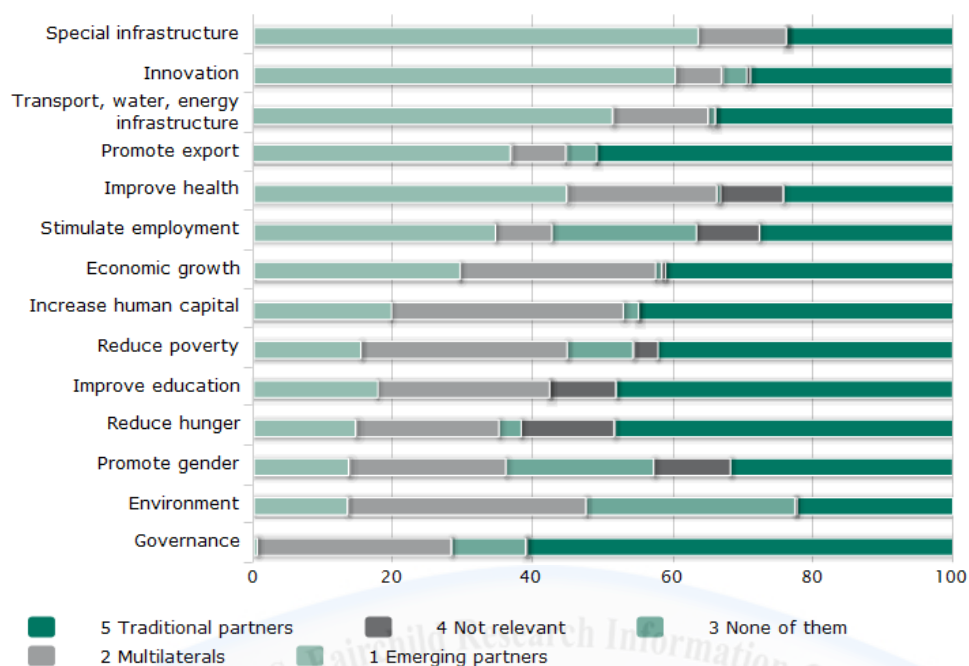
UNODC World Drug Report 2011 page 109

Source: UNODC IDS.

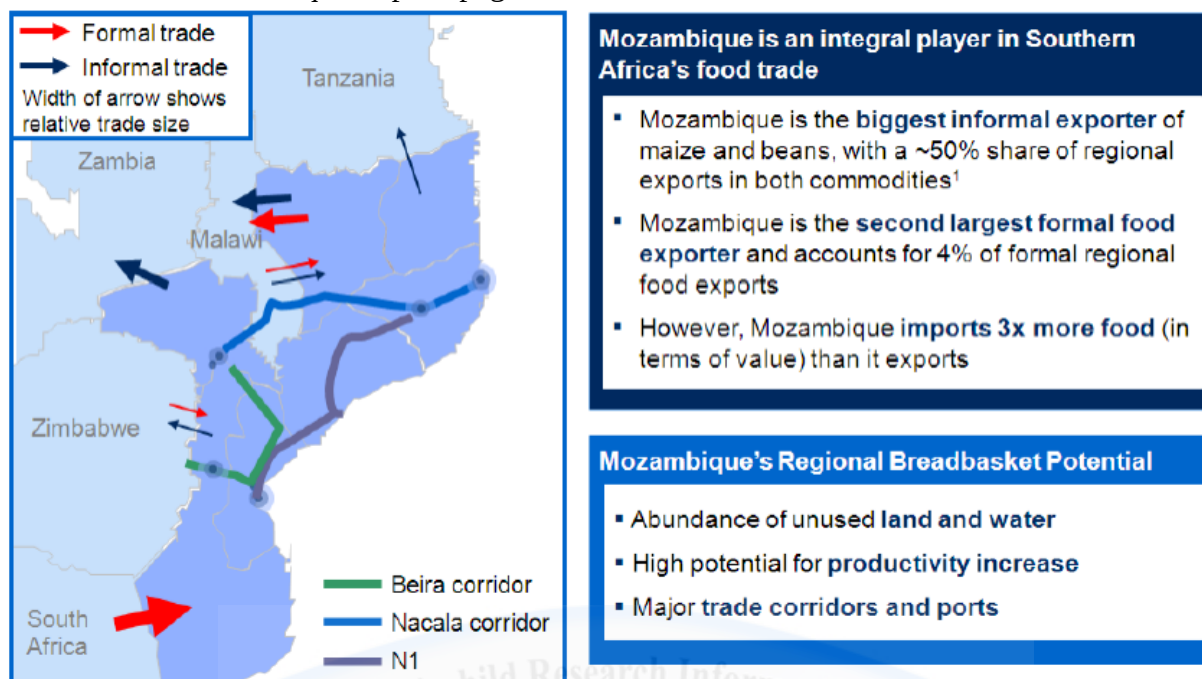


**FIGURE 4: Perceived Competitive Advantage of Various Types of Development Partners in Africa**

[www.africaneconomicoutlook.org](http://www.africaneconomicoutlook.org)



**FIGURE 5: Mozambique's Regional Food Security Importance and Potential**  
 USAID FTF: Mozambique Report, page 7.



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