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Recommendations for a New Administration: Building a Dynamic U.S.-Brazil Partnership

By Johanna Mendelson Forman, with Alek Suni | December 19, 2012

The United States and Brazil have worked hard to deepen their bilateral relationship in spite of some recent growing pains. Areas of agreement and possible cooperation outnumber discords and merit stronger efforts to exploit them. In brief, the next administration should

- Strengthen U.S.-Brazil energy cooperation,
- Enhance defense cooperation and set terms for technology transfer,
- Lower trade barriers,
- Cooperate on critical infrastructure,
- Create a U.S.-Brazil counternarcotics commission, and
- Cultivate similar multilateral goals.

Two incidents stand out. In 2009 Brazil was thrust into the middle of a crisis in Honduras when deposed president Mel Zelaya took refuge in the Brazilian embassy in Tegucigalpa. Ensuing events tested Brazil's growing regional influence as a counterweight to the United States. In 2010 Brazil and Turkey tried and failed to broker a deal with Iran on a nuclear fuel swap, running afoul of the UN Security Council's own negotiations. What is notable about both events, however, is that the United States and Brazil have been able to move beyond the incidents to deepen ties between the largest and the sixth-largest economies in the world. What drives it is a mutual recognition that in this dynamic, multipolar international environment, more unites us than divides us. For the

United States, our greatest challenge may be how we manage expectations of what Brazil can deliver in terms of strategic engaging on difficult geopolitical issues. If we expect too much too soon, we may be disappointed in the short run.

All of this is set in the context of Brazil's present economic slump, as growth predictions for 2012 have repeatedly dipped, most recently to 1.5 percent by the International Monetary Fund. President Dilma Rousseff's response through the *Plano Brasil Maior* set of business incentives, as well as the Brazilian Central Bank's steady reduction of key interest rates, suggests a rebound in 2013. The current downturn could affect Brazil's immediate willingness to act in the short term on trade issues. Aside from the present, U.S.-Brazil engagement could lead to greater cooperation on multiple fronts that could help both countries emerge from current economic doldrums. Here is a sampling of what might be done:

Energy Security. The new energy strategy with Brazil that started in 2007 and expanded in 2011 with the Global Energy Security Partnership should serve as a point for further development. The partnership has been an important mechanism for both countries, giant producers of ethanol, to launch an even more robust conversation about the region's future energy needs. It has also helped to break down trade barriers. In January 2012, Washington allowed a three-decade old subsidy for U.S. ethanol producers to expire and ended a steep tariff on foreign biofuels that had poisoned diplomatic relations between the two countries for years. Now, a window for collaboration in ethanol production has led to joint ventures in the Americas and Africa. Looking forward, the conversation must focus on Brazil's newfound oil reserves. President Obama noted that having a reliable and democratic partner in the Americas as a supplier of petroleum would not only help those countries in need of new sources of fossil fuel, but would also shift the global axis of energy to the Western Hemisphere.

Defense, Security Cooperation and Technology Transfer.

In addition to the ongoing dialogue on defense cooperation, Brazil's growing defense industrial base can contribute to our own interests in expanding industry partnerships. It is time for serious discussions on what U.S. and Brazilian firms will need to pursue cooperative ventures in defense production. This is especially true in the area of aviation technology for a planned upgrade to Brazil's fighter inventory and deep-sea guidance systems to be incorporated into Brazil's new nuclear submarine fleet. Bilateral defense trade not only strengthens cooperation, but also supports Brazil's capacity to be a more effective partner in a sector where Brazil has advantages. In a region where our military footprint remains light, a partnership in the defense sector helps extend U.S. influence in an unobtrusive way. Questions over what technology can be shared need a careful review and updating in light of our respective security needs.

Work toward agreements that lower trade barriers.

As the eighth-largest buyer of American goods, Brazil represents an important export market for the United States. The real-dollar exchange rate remains favorable for U.S. exporters, though this is seen as unfair in the Brazilian view and remains a point of contention in negotiating tariff reductions. A return to more positive growth on Brazil's side would help, but Brazil faces some constraints. It dominates Mercosur, a protection-oriented customs union whose members share few common goals and which has no enforcement mechanisms. Amid protectionist responses to the current Brazilian slump, the United States should continue to promote dialogue on free trade through the Agreement on Trade and Economic Cooperation, which was signed by President Obama and President Rousseff in March 2011. It should also encourage Brazil to advance its own privatization schemes and growth in manufacturing, which will help ensure continued expansion of the middle class—essential to continued U.S. export growth, as a rising middle class will boost Brazilian demand for American goods.

Create a U.S.-Brazil Counter-Narcotics Commission. According to the UN Office on Drugs and Crime, “In 2009, Brazil was the most prominent transit country in the Americas—in terms of number of seizures—for cocaine consignments seized in Europe.” Moreover, with regard to cocaine reaching Africa, it was the only South American country mentioned as a departure country for cocaine seizures made in Africa that year.¹ Brazil is also the number two global destination for cocaine, all of which requires a new level of cooperation that can build on the lessons learned working with other countries. With many of the region’s leaders calling for a new focus on narcotics trafficking and transnational crime, Brazil and the United States could lead an international discussion on what must happen to address an issue that has gone from being hemispheric to global in scope.

Offer cooperation on critical infrastructure. U.S. corporate and governmental experience in managing major athletic events, including the security dimension of global games, could help as Brazil prepares to host two world-class sporting events—the 2014 World Soccer Cup and the 2016 Summer Olympics. Brazil admittedly has an infrastructure deficit and has started a national effort to remedy the situation. It must move quickly to ensure it has the capacity to handle huge crowds.

Start a dialogue on Brazil’s multilateral agenda. Within our own hemisphere, Brazil’s creation of Unasur and its participation in the newly formed Community of Latin American and Caribbean States (CELAC) symbolize the growing independence of the region’s leaders to find alternative voices to resolve problems without either the United States or Canada. The United States should encourage Brazil to press for stronger mechanisms within both groups to live up to global commitments to democracy and human rights. Currently, such organizations

serve more as forums for sub-regional dispute resolution. The United States might also engage Brazil in a conversation over its future role in the United Nations, where it has already made a major commitment to peacekeeping in Haiti. Brazil’s embrace of multilateralism has been the core of its foreign policy. It was a founder of the Group of 77, with India, among the original leaders of the Third World. Today, Brazil and India are middle-income countries with large economies that have their future in the G-20. In addition, Brazil has also been involved in an effort to stand up an India-Brazil-South Africa dialogue.

Back in 2010, President Obama started Global Partnership Dialogues with Brazil. They were intended as government and business-to-business forums to cover broad areas of possible cooperation. The dialogue proliferated into some 26 discussion areas. With that much going on, it is hard to focus on priorities. In Obama’s second act, he should nudge these talks back toward a simpler agenda with priorities like those discussed above.

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¹ United Nations Office on Drugs and Crime, *World Drug Report 2012* (New York: United Nations, June 27, 2012), p. 11.