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Rodrigo has been a management consultant and strategy advisor since 1998 in national and multinational companies in strategic planning processes, developing new businesses and markets, change management, among others, in North, Central and South America, and Europe.

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Abstract

This paper aims at better understanding bilateral trade between the United States and Brazil, and the possible impact it might have in the economic development of both countries. International commerce, existing since old times, underwent profound transformations throughout the centuries. In the second half of the twentieth century, it took a great impetus with the development of new technologies and the globalization of markets. This process of Globalization has been responsible for integrating national economies through trade and direct foreign investments, and it has had a significant impact on the economic development of nations, offering new challenges and opportunities. As a result, national states are urged to search for alternatives in order to better insert themselves in the process, by becoming more competitive. In this work, we will examine bilateral trade between the United States and Brazil, and will investigate how an increase in trade, if complimentary rather than competitive, could be beneficial for both countries.

Introduction

International Commerce and Globalization

International commerce exists since old times, but evolved rapidly with the difficulties faced by Europe at the end of the Middle Ages, with famine and pestilence, which led some countries to search for new suppliers of raw materials, labor and consumers for its products. Thus, the expansion of Europe to India and to the New World began.

The process of colonization and expansion intensified international commerce, especially with the "development" of the colonies, the increase of its cities and local markets and the development of industries. At the end of the 19th century, the development of new technologies increased commerce even more.

During the second half of the 20th century, capitalism acquired a new impetus with the development of new technologies, and the globalization of markets. In this scenario, a great industrial development occurred, culminating in what has been known during the 1970s and 1980s as the great technological revolution, or the 3rd Industrial Revolution. This has led to the development and cheapening of telecommunications and the deregulation of the banking industry. This process has been know as Globalization, and has significantly altered life at the end of the 20th Century, integrating communities and organizations, and promoting a more interconnected world.

As a result, companies were allowed to transpose national boundaries and produce goods that all markets could consume. Thus, companies grew and internationalized, becoming multinational. In some cases, they internationalized to such a degree that some started loosing their national identity, acquiring a global dimension, and became transnational, instead of multinational, with independent centers of decision-making. In addition, they became important forces in the global economy, and corporations and nation-states reached a stage of mutual respect, a scenario in which nations move in conformity with capital dynamics, operating on a global scale. Capital, technology, labor, market, marketing, lobbing and planning, for both businesses and governments, now act on a global scale. Therefore, to a certain extent, the state has lost its centralizing "character", its power as decision-maker and the capacity to unconditionally influence the countries' economy, and has become more like "another player" in the market, which manages the politics, defines strategies and provides the conditions for its companies to compete in the global markets.

However, as Brown (2001) points out, "states will remain the key actors in international relations, and, even if their influence is declining relative to other actors, the patterns of interactions the major states create will still be of central importance in the years to come (pp. 234-235)". The states present three necessary and exclusive elements - a delimited and sovereign territory, a stable population and power to police -, which turn the states unique and different from all other actors in the international scene.

Therefore, it is up to the states to take alternatives regarding how to insert themselves into a globalized world economy, by ensuring political and economic stability, and a qualified infrastructure, both physical and social.

However, it is no longer possible for the states to choose whether or not they want to be part of the process, since Globalization is a reality and seems an irreversible process; what they can do is to react positively or negatively to the "requirements" of transnational corporations.

To Rodrik (2007), "globalization–enhanced trade and financial integration–poses both opportunities and challenges to the mixed economy," and "governments today actively compete with each other by pursuing policies that they believe will earn them market confidence and attract trade and capital inflows: tight money, small government, low taxes, flexible labor legislation, deregulation, privatization, and openness all around (p. 212)".

If, on one hand, globalization offers opportunities and challenges from the inside out, on the other, it offers challenges from the outside. Thus, the major challenge for governments would be to turn opportunities and challenges into benefits. There is a window of opportunities opened, and it is up to countries to figure out how they want to take advantage of that. And one way countries can take advantage of that is through trade.

The U.S., Brazil and Latin America

In order to understand the current bilateral trade between the U.S. and Brazil, which has a much greater potential than its current levels show, it is important to understand U.S. foreign policy towards Brazil, which has traditionally looked at Brazil as a part of a bigger player, Latin America. However, Latin America is much less cohesive than most people think; in fact, it presents some irreconcilable, and sometimes increasing differences. Therefore, to negotiate trade agreements with Brazil through negotiations with Latin America, that is, through the Free Trade Agreement of the Americas (FTAA), has been, so far, a mistake, which has resulted in the current levels of bilateral trade between U.S. and Brazil.

The relationship between the U.S. and its Latin American neighbors has always been one of "ups and downs", with periods of closer and periods of looser ties.

The relationship between the U.S. and its Latin American neighbors has always been one of "ups and downs", with periods of closer and periods of looser ties. Since the end of the 19th Century, though, U.S. - Latin American relations have strengthened, especially when the Monroe doctrine was adopted, setting up a political relationship between the U.S. and Latin America, rather than a commercial one.

The Monroe doctrine (1823), according to Santibañes (2009), "did set a strategy that would transform the U.S. into the only state able to maintain control [over] its own continent (p. 17)". Since then, important events have marked the relationship between U.S. and Latin America, such as the Mexican American War (1835-1848), the Spanish American War (1898), and subsequent possession of Puerto Rico and Cuba, Cuba's independence (1902), Panama's independence (1903) and the construction of the Panama Canal (1903-1914), the Cuban Revolution (1959), the invasion of the Dominican Republic (1965), its covert operations in Chile (1973) and Guatemala (1954), among others.

More recently, though, still according to the author, the collapse of socialism created the conditions for reforms in the 1990s, following the policies suggested by the Washington Consensus, which included, according to Rodrik (2007, p. 17), fiscal discipline, reorientation of public expenditures, tax reforms, interest rate liberalization, unified and competitive exchange rates, trade liberalization, openness to direct foreign investment, privatization. deregulation and secure property rights.

In the end of the 1990s, however, the author adds, the list was augmented with a series of so-called second-generation reforms, which included corporate governance, anticorruption, flexible labor markets, adherence to WTO disciplines, adherence to international financial codes and standards, "prudent" capital-account opening, non-intermediate exchange rate regimes, independent central banks/inflation targeting, social safety nets and targeted poverty reduction.

It is interesting to notice the shift in recommendations. While the original Washington Consensus favored liberalization (of trade, rates and investments), deregulation and a lesser, but more responsible state, the second-generation reforms favored a more participative state, yet responsible (good governance, anticorruption, adherence to institutions), more geared toward social welfare (social safety nets, poverty reduction, inflation targeting) but still open.

In regards to trade, according to Bulmer Thomas (2003, p. 25), at the end of the colonial era, most countries in Latin America presented both extraregional and intraregional trade, what could somehow be explained due to "specialization" characteristic of the region at that time, and concentration of production in few commodities. According to the author, circa 1913, 78% of Brazilian exports were concentrated in coffee (62%) and rubber (16%); in Costa Rica, in bananas (50%) and coffee (35%); in Guatemala, in coffee (85%) and banana (6%); and so on (p. 58). And the U.S., in 1913, were already significant to Latin American trade (Bulmer Thomas, 2003, p. 74): it represented 32% of Brazil's exports, 75% of Mexico's, 94% of Panama's, 85% of Puerto Rico's, etc.; and 30% of total Latin America's exports, whereas the UK represented 21%, Germany 12% and France 8%. Regarding imports, U.S. represented 26% of total imports from the region (16% in Brazil), whereas UK represented 25% (25% in Brazil), Germany 17% (18% in Brazil) and France 8% (p. 76). The U.S., still according to Bulmer Thomas (2003, p. 102), was also representative in the region's public external debt (14%) and direct foreign investments (18%), although UK was still more significant (with 68% and 47%, respectively), especially in Brazil (where U.S. represented only 0.7% of its public external debt and 4.2% of its foreign direct investment, while UK represented 83.4% and 50.9%, respectively).

Although the region has suffered consequences following the crisis of 1929 and World War II (WWII), with huge impacts on trade, its relationship with the U.S., in regards with trade continued to increase. According to Bulmer Thomas (2003, p. 156), exports from Latin America to the U.S. went, on average, from 30% in 1913 to 34% in 1929 (from Brazil it went up from 32% to 46%); imports from the U.S. to Latin America went from 24% in 1913 to 39% in 1929 (to Brazil from 16% to 27%); and investments from the U.S. in Latin America went from USD 1,6 million (m) in 1914 to USD 5,4m in 1929 (p. 158).

According to the Council on Foreign relations, on a U.S.-Latin American relations report, from 1996 to 2006, total U.S. merchandise trade with Latin America grew by 139%, whilst 96% for Asia and 95% for the European Union. U.S. exports to Latin America were worth USD 223 bn in 2006 (compared with USD 55 bn to China). Latin America is the U.S. main source of oil, accounting for 30% of the total. Latinos now account for 15% of U.S. population and nearly 50% of the U.S. population growth (p. 6).

Therefore, in spite of periods of downturn in trade between Latin America and the world, especially following the crisis of 1929, the WWII and the "lost decade" (1980s), the region's trade tends to increase, especially with its major partner from the North, the U.S..

Trade Between the U.S. and Brazil

Trade between U.S. and Brazil is not a recent event, but has increased significantly in recent years. According to the United States Census Bureau (2012), it has grown, from 1985 to 2011, at an average annual growth rate of 7.8%, as can be seen in Table 1. It is interesting to note the U.S. has presented deficit in its trade with Brazil from 1985 to 1994, when Brazil adopted the Real currency, and stabilized inflation, not to mention the fact that it opened its economy for imported goods, a move that started earlier in the decade but increased after the adoption of the Real as its currency. From 1995 to 1998, therefore, U.S. surplus in trade with Brazil increased significantly. In 1999, though, after Brazil devalued its currency earlier in the year (February, 1999), the surplus slowly turns into a deficit, which reaches its peak in 2005:

Table 1 - Bilateral Trade Between U.S. and Brazil, 1985-2012, USD m

Year	Exports	Imports	Balance	Total
1985	3,139.6	7,526.2	(4,386.6)	10,665.8
1990	5,047.7	7,898.1	(2,850.4)	12,945.8
1995	11,439.4	8,832.9	2,606.5	20,272.3
2000	15,320.8	13,852.6	1,468.2	29,173.4
2005	15,371.7	24,435.5	(9,063.8)	39,807.2
2010	35,425.1	23,957.9	11,467.2	59,383.0
2011	42,943.9	31,736.2	11,207.7	74,680.1

Note: Source: United States Census Bureau (2012).

Table 2 - Bilateral Trade Between U.S. and Brazil, 2011-2012, January-July, USD m

Year	Exports	Imports	Balance	Total
2011	24,012.4	17,390.5	6,621.9	41,402.9
2012	24,354.4	19,885.0	4,469.4	44,239.4

Note: Source: United States Census Bureau (2012).

Still, 2012, when compared to 2011 for the same period (January-July), has presented a growth of 6.9%, as can be seen in Table 2, with data from the same source.

Since 2005, though, the Real started to appreciate against the dollar (it went from R$ 3.0 per dollar late in 2004 to R$ 1.5 per dollar in 2008, and the deficit turned again into a surplus in favor of the U.S..

In addition to the above mentioned trade in goods, according to the Office of the United States Trade Representative (USTR), trade in services totaled USD 27 billion (bn) in 2011, being USD 20bn in exports and USD 7bn in imports, a surplus of USD 13bn in favor of the U.S. Therefore, in 2011, trade with Brazil totaled USD 101bn, being USD 63bn in exports and USD 38bn in imports, a surplus of USD 25bn in favor of the U.S.

Still according to the USTR, the stock of U.S. foreign direct investment (FDI) in Brazil amounted to USD 66bn in 2010, up 19.7% from 2009, led by the manufacturing and finance/insurance sectors; and the stock of Brazil FDI in the U.S. amounted to USD 1.1bn in 2010, led by the wholesale trade sector.

According to the U.S. Census Bureau (June 8, 2012), for the U.S., growth in trade for the period 1985-2011 was of 7.7%, on an annual average, although growth in imports (7.5%) was slightly slower than in exports (7.9%). In Brazil, for the same period, according to the Brazilian Ministry of Development, Industry and Foreign Trade - MDIC (2011), and Ministry of Foreign Affairs - MRE (2012), trade grew at 10.2% per year.

However, even with significant growth, trade between the two countries has not grown as it could. Still according to the U.S. Census Bureau (2011), in 2004 Brazil was U.S. 14th trading partner, representing 1.5% of U.S. total trade; in 2007, was the 11th, representing 1.6% of U.S. total trade. Still according to the same source, with 2.9% of exports, Brazil is ranked 8th, but with 2.0% of imports, Brazil is not even among the top 15 U.S. imports trading partner, behind countries such as Italy, Russia, Ireland, Taiwan and Venezuela. Data for U.S. major trading partners, as of 2011, are as follows.

Table 3 - Top Trading Partners of the US - Total Trade, Exports, Imports, 2011, USD bn

Rank	Country	Exports	% Exports	Imports	% Imports	Total	% Total
-	Total, All Countries	1,480.7	100.0%	2,207.0	100.0%	3,687.7	100.0%
-	Total, Top 10	893.7	60.4%	1,426.6	64.6%	2,320.3	62.9%
1	Canada	280.9	19.0%	316.5	14.3%	597.4	16.2%
2	China	103.9	7.0%	399.3	18.1%	503.2	13.6%
3	Mexico	197.5	13.3%	263.1	11.9%	460.6	12.5%
4	Japan	66.2	4.5%	128.8	5.8%	195.0	5.3%
5	Germany	49.1	3.3%	98.4	4.5%	147.5	4.0%
6	United Kingdom	56.0	3.8%	51.2	2.3%	107.2	2.9%
7	South Korea	43.5	2.9%	56.6	2.6%	100.1	2.7%
8	Brazil	42.9	2.9%	31.4	1.4%	74.3	2.0%

Note: Source: United States Census Bureau. Adapted from data retrieved on October 8, 2012, from http://www.census.gov/foreign-trade/statistics/highlights/top/top1112yr.html.

The top 5 trading partners of Brazil, according to the MRE, follow in Table 4.

Table 4 - Top Trading Partners of Brazil - Total Trade, Exports, Imports, 2011, USD bn

Rank	Country	Exports	% Exports	Imports	% Imports	Total	% Total
-	Total, All Countries	256.0	100.0%	226.2	100.0%	482.2	100.0%
-	Total, Top 10	144.7	56.5%	135.5	59.9%	280.2	58.1%
1	China	44.3	17.3%	32.8	14.5%	77.1	16.0%
2	USA	25.8	10.1%	34.0	15.0%	59.8	12.4%
3	Argentina	22.7	8.9%	16.9	7.5%	39.6	8.2%
4	Germany	9.0	3.5%	15.2	6.7%	24.2	5.0%
5	Japan	9.5	3.7%	7.9	3.5%	17.4	3.6%

Note: Source: Ministry of Foreign Affairs of Brazil (2012).

Therefore, while Brazil represents only 2.0% of total U.S. trade, U.S. represents 12.4% of total Brazilian trade. Yet, trade represents, according to GDP numbers registered by the Central Intelligence Agency - CIA, 24% of the American economy (with a GDP of USD 15.290tr, 2011 est.), and 21% of the Brazilian economy (with a GDP of USD 2.234tr, 2011 est.), while in China, still according to the CIA Factbook, it represents around 50% of its GDP, 97% in South Korea, 73% in Germany.

Thus, if we consider the representation of trade in other countries, and that trade is growing faster than GDP, both in Brazil and the U.S., we could expect trade to increase its representation in GDP in both countries, not to mention the fact that both countries have a diversified industrial base, with potential for growth, and still present potential to increase its agricultural production.

According to the World Trade Organization - WTO, from 2005 to 2011, growth of trade for both countries have increased even faster. For the U.S., exports grew at an average 9% per year, and imports at an average 5%, which is significant considering the base of imports; for Brazil, during the same period, exports grew at an annual average of 14%, and imports at an average of 20%. However, Brazil, although being currently the 7th world economy is still far from being a world leading exporter and importer - Brazil is currently the 22nd leading exporter, and the 21st leading importer -, which is not coherent with the size of its economy - major world economies are also both leading importers and exporters. This is the case of the six largest economies - U.S., China, Japan, Germany, France and U.K.. Therefore, Brazil presents a huge potential for increase in both imports and exports.

In short, the increase in international commerce, since old times, and the more recent process of globalization, both have stimulated trade. In addition to that, U.S. and Brazil have had trade relations for a long while, starting in the end of the 19th Century, and although these relations have decreased after the end of the World War II, and in a period during which the Brazilian economy has been closed, more recently they have been presenting a very positive grow. And both countries present potential for further increase in their trade balances both in imports and exports. Therefore, why does it not happen?

It is the intend of this paper to analyze the bilateral trade between the U.S. and Brazil in recent years, in order to better understand the reasons behind its slow growth, how globalization and the recent development of Brazil have helped its growth, and also how politics, and the relationship between Brazil and the other Latin American countries, have impeded it to grow even faster. Finally, it will address whether the main reason for slow growth in trade between the two countries is qualitative, that is, political, or quantitative, that is, competitive.

Challenges

U.S. Foreign Policy

U.S. Foreign policy has always been an output of internal political, social and psychological dynamics, and has traditionally been a combination of hard and soft policies. Whilst in regions such as Europe and the Middle East, hard power has been more present, in others, such as Latin America, soft power has been dominant.

In addition to that, the U.S. has, since its emergence as a world power, been accustomed to hegemony, order building and democracy promotion. However, after the end of the cold war, and a period of unilateralism, the world is becoming more multilateral. The relative [economic] power of the U.S. in relation to other growing economies is declining. This is not to say that its hegemonic power is being threatened but that the gap between the U.S. and other emerging powers is narrowing. Other nations are emerging and increasing their scope or region of influence. As examples, one can mention Russia (in Central Asia), China and India (in Asia), Germany (in Europe), South Africa (in sub-Saharan Africa), and Brazil (in Latin America).

Moreover, although the U.S. has played a leading role in the creation of institutions such as the United Nations (UN), the International Monetary Fund (IMF) and the World Bank, and has guaranteed its influence over these institutions, other economies are now challenging its relative influence in these institutions, and more and more countries are questioning the non-binding effect some of these institutions, such as World Trade Organization (WTO), have over the U.S., as U.S. trade policies have been questioned since they usually work in detriment to poorer nations (e.g. U.S. subsidies to agriculture which support strong lobbying - a self-interest practice - from particular groups, and usually end up in the hands of few large farmers).

However, to Zakaria (1999) "it is a truism that in the long run, increasingly wealthy nations will have increasing worldwide influence (p. 12)." What I believe will more likely happen is an increase in the regional influence of a few countries, but not on a global scale as great world powers. Therefore, we could have countries with regional influence. These "regional powers", however, will not be powerful enough to change the current world order, and may not want to, but will increase interconnection among states, increase movement of goods, services and people across the different countries in the world -, a process which favors a multi-polar world order.

To Friedman and Mandelbaum (2011), the U.S. is now "a country with enormous potential falling into disrepair, political disarray, and palpable discomfort about its present condition and future prospects (p. 8)." And that might be related to the fact that globalization has demanded responses from the different countries, as well as changes, and adaptation. In this process, some countries succeeded, such as Singapore, South Korea and Taiwan, and, more recently, some Latin American countries, China and India. Thus it seems that what Friedman and Mandelbaum (2011) refer to is that the U.S., besides its incredible capacity to adapt and respond to world challenges, in this case somehow lost *momentum* and fell behind.

To these authors, it is necessary for the U.S. to reduce its deficit, to invest in education, infrastructure, and research and development, and to open U.S. society to talented immigrants. Yet, the main challenge, according to the authors, is how to adapt to globalization, a process the U.S. themselves led. Other issues Friedman and Mandelbaum (2011) raise are: income inequality, political polarization, lobbying and tourism. Income inequality has increased dramatically in the U.S., to a point some estimate that the U.S. will be, in the near future, a more unequal society than that of Brazil, who is heavily investing in reducing inequality through cash transfer programs. Political polarization has also increased lately - the parties rarely agree on an issue, what makes it almost impossible for new legislation to pass in the house of representatives and/or senate, with the exception of regulations on trade, which, according to Destler (2005), democrats and republicans are still able to agree upon. Lobbying may be harmful in the way it protects interest groups, and not necessarily the interests of the country as a whole (e.g. lobbyists defend the oil industries and not the environment). And tourism has suffered hard since 9/11, and still needs to recover - it creates jobs and brings money into the country.

Therefore, it appears that the world is bringing new challenges to the United States, forcing it to adapt and somehow change its foreign policy, especially in regards to trade. The good news is that, according to Destler (2005), "foreign trade was not a major partisan issue (p. 169)." Still according to Destler (2005), "macroeconomic policy can help the United States balance its global trade account and thereby reduce pressures on trade policy (...) [And] microeconomic policy measures can improve the quality and profitability of economic activity in the United States. These policies include measures to enhance the quality of the workforce, strengthen the U.S. economic infrastructure, increase private saving and investment, rationalize regulation of business, and encourage technological innovation and the efficient application of new ideas to the production process. The aim of such measures is to make the economy both more productive and more flexible. The result, if successful, is greater gains from trade and a higher living standard for Americans (...) The positive but mixed impacts of globalization make it necessary (p. 330)."

It does not seem that the American hegemony is being threatened, but, rather, that the current world order, in which countries compete with one another, brings increasing challenges to the United States. Brazil is a potential regional power, and the U.S. could look at Brazil as a close ally, since the increasing trade and partnership between U.S. and Brazil can help tackle important issues, such as the ones the Council on Foreign Relations recommended the U.S. in a report entitled *U.S. Trade and Investment Policy,* (CFR, Report n. 67, p. 66-7): an ambitious trade negotiations agenda, a national investment agenda, more trade enforcement effort, promotion of U.S. exports through financing and a more active government role, use of trade to foster development in world's poorest countries, a comprehensive worker adjustment and retraining policy and a new deal with Congress to give the President authority to negotiate trade agreements.

In regards to U.S. Foreign Policy towards Latin America, and Brazil, in particular, a report released in 2011 by the Council on Foreign Relations (Global Brazil and U.S.-Brazil Relations, 2011) states that "it is time that the foreign policy of the United States reflects the new regional reality and adjusts to advance U.S. interests, given what has changed and the changes likely to come (p. 4)". The report recommends that "U.S. policymakers recognize Brazil's standing as a global actor, treat its emergence as an opportunity for the United States, and work with Brazil to develop complementary policies" (p. 4). After all, still according to the report from CFR, "it is in the interest of the United States to welcome Brazil's regional leadership and encourage Brazil's promotion of inclusiveness, development, and democracy" (p. 5).

Brazil and Latin America

In his book, *Forgotten continent: the battle for Latin America's soul*, Reid (2007) considers Latin America to be the Spanish speaking countries, from Mexico to Argentina, and Brazil, occasionally. He also considers Haiti to be part of it. However, to the author (p. 22), "the Andean countries are culturally very different from the southern cone. While Bolivia and Ecuador retain large Indian populations, Colombia is mainly *mestizo*; Peru is somewhere in between. Venezuela, like Brazil and Cuba, has a large black and *mulato* population". Still according to this author, "even within Central America there are differences. Relatively equitable landholding, European migration and a strong democratic tradition mark Costa Rica out from the others. Guatemala, with a large Indian population, suffers from a racist and backward political elite and an over-mighty army, but is showing timid signs of democratic progress" (Reid, 2007, p. 26). On the other hand, though, Reid (2007) points out that "so great are the similarities among the Latin American countries, and so great their differences with other parts of the world, that the region constitutes a distinct civilization (p. 29).

The region might not be as cohesive as many people believe. Some of the Andean countries (Peru, Bolivia and Ecuador) have a huge indigenous population, and the Indian culture is very present in these countries. The same occurs with Mexico. Brazil, on the other hand, likewise the United States, has decimated its indigenous population, and has a large black population, the same holding true for some Caribbean countries such as Cuba, Haiti and Jamaica, which the author does not include in his definition of Latin America, but other authors would. Argentina and Uruguay, on the other hand, like Costa Rica, have a mostly white, European like population. In addition to that, whilst in countries like Brazil, Argentina and Chile, people are very nationalistic, in others, such as Bolivia and Peru, social grievances, among different social groups, are common.

In regards to integration among Latin American countries, it does not seem to occur in practice the way it seems to occur in theory. In *Mercosul*[1], for example, disagreements are common, especially among the larger economies, Brazil and Argentina. Bolivia still argues with Chile over the access to the Pacific Ocean, lost during the War of the Pacific (1879-1883). And, since Evo Morales took office, Bolivia has nationalized many assets, including some of Petrobras,

1 Mercosul - Mercado Comum do Sul (in Portuguese), or Southern Cone Market, is an economic and political agreement which includes Argentina, Brazil, Paraguay and Uruguay, and, more recently, Venezuela.

the Brazilian oil company, to the disagreement of the Brazilian government.

Besides that, it is worth mentioning the fact that each country negotiates trade agreements individually, to the discontent of other countries. Chile has done that, Colombia has done that. Also, the trade agreement of the Americas (ALCA or FTAA) is not viable due to disagreements among its potential members. According to Stiglitz (2006), "the era of multilateral trade liberalization seems to be nearing an end (at least for a while), as well-founded disillusionment in the developing countries combines with growing protectionist sentiment in the developed world" (p. 81).

In short, and according to Sweig (November/December 2010), "most Americans still cling to the visceral but incorrect notion that Brazil should behave primarily as a Latin American country. Washington needs to understand that Brazilians think of themselves less as Latin Americans and more as Brazilians: a hodgepodge of African, European, Middle Eastern, Asian, and indigenous cultures. Brazil's strategic thinkers recognize that the nature and quality of its relations with its neighbors will define Brazil in the twenty-first century as much, if not more, than the bilateral relationship with the United States."

Therefore, the best would be to put the FTAA on hold, as it is now, and increase bilateral dialogue, as it seems to be happening now, to the benefit of both the U.S. and Brazil. The will of Brazil to negotiate a joint agreement through *Mercosul* and the U.S. attempt to sign the FTAA will lead nowhere. And, worse than that, the idea of negotiating all "issues" together, such as drug trafficking and Cuba, among others, is also something that will not help.

Trade and Development

According to Stiglitz (2006), "advocates of trade liberalization believe it will bring unprecedented prosperity (...) But trade liberalization is also among the most controversial aspects of globalization" (p. 62). To the author, free trade has not worked, because "trade agreements of the past have been neither free nor fair. They have been asymmetric, opening up markets in the developing countries to goods from the advanced industrial countries without full reciprocation. A host of subtle but effective trade barriers has been kept in place" (p. 62). As examples, Stiglitz (2006, pp. 90-6) mentions *Safeguards* (temporary tariffs which provide the industry needed time to adjust to imports), *Dumping Duties* (measure which deters entry of goods to stop unfair trade practice of selling goods below cost), *Technical Barriers* (as I mentioned above), and *Rules of Origin* (a rule that defines where the product is from, depending on the percentage of its raw materials coming from third countries), and which, if not a tariff *per se*, have a similar effect.

Still according to the author (Stiglitz, 2006), "even if trade agreements had been truly free and fair, not all countries would have benefited (...) not everyone is in a position to take advantage of the new opportunities (...) There are many impediments facing those [especially] in the developing world. There is often a lack of infrastructure to bring their goods to market, and it may take years for the goods they produce to meet the standards demanded by the advanced industrial countries (pp. 62-3)." This is the case of Brazil, for example, who could increase its agricultural production even further, but does not do so due to a poor infrastructure, especially regarding ports and railroads.

However, still according to Stiglitz (2006), "this is not the world as it has to be. Trade liberalization can, when done fairly, when accompanied by the right measures and the right policies, help development (...) the most successful developing countries in the world have achieved their success through trade - through exports" (p. 63). To the author, this is a question, therefore, of getting the balance right. He believes, for example, that some trade protection is desirable, but to him, trade should be "based not on the absolute strengths of a country but on its relative strengths, on its *comparative advantage* (p. 73)", as in the economic "theory of comparative advantage"[2]. Frieden (2006) also believes that trade protection is a justifiable means to an industrial end. According to him, "the best-known early theoretician of industrialization by protection was Friedrich List, a nineteenth-century German political economist and activist. List regarded free trade as an ultimate goal but argued that temporary trade protection was needed to equalize relations among the major powers: 'In order to allow freedom of trade to operate naturally, the less advanced nations must first be raised by artificial means' (p. 64)."

To Rodrik (2007), "very few countries have grown over long periods of time without experiencing an increase in the share of foreign trade in their national product. (...) But it is equally true that no country has developed simply by opening itself up to foreign trade and investment. The trick in the successful cases has been to combine the opportunities offered by world markets with a domestic investment and institution-building strategy to stimulate the animal spirits of domestic entrepreneurs" (p. 219). Considering trade as "a means to an end, not an end in itself" (Rodrik, 2007, p. 227), and combining it with what the author calls "unorthodox policies" (Rodrik, 2007, p. 226), such as export subsidies, domestic-content requirement, import-export linkages, patent and copyright infringements, restrictions on capital flows (including FDI), directed credit, among others, helps us explain the case of China, that is, the fact that "what stands out in the cases of real success (...) is not gradualism *per se* but an unconventional mix of standard and nonstandard policies well attuned to the reality on the ground" (Rodrik, 2007, p. 35).

China is just one example, but there are others, such as Taiwan and South Korea, where the government played a crucial role in guaranteeing social justice and competitiveness, by providing education for all and an efficient institutional framework and legal system, besides promoting the development of technology and trade, and they have been successful. It is, thus, a responsibility of governments to make use of the positive examples of those countries which succeeded in the process of development. Governments can, for example, reduce interest rates and stimulate investments, reduce government expenditures, reduce taxes and make it easier for doing business, invest more in education and training, health and security, research and development (R&D), among other things. However, it is also necessary to properly regulate the market, neither too much nor too little, in a way that attracts investments but avoids troubles in the future.

According to Frieden (2006), "the challenge of global capitalism in the twenty-first century is to combine international integration with politically and socially responsible government. Contemporary ideologues of many stripes - pro- and antiglobalization, progressives and conservatives, marketeers and pamphleteers - argue

2 According to Encyclopedia Britannica, the economic theory of comparative advantage was first developed by 19th Century economist David Ricardo, and provides a strong argument in favor of free trade and specialization among countries.

that this combination is impossible or undesirable. But theory and history indicate that it is possible for globalization to coexist with policies committed to social advance. It remains for governments and people to put the possible into practice" (p. 476).

The above mentioned policy is what Gilpin (2001) calls *Strategic Trade Theory*. To the author, "the theory of strategic trade provides a rationale for nations to use protectionist measures, for subsidies to particular industries, and for other forms of industrial policy to provide domestic firms with a decisive advantage in both home and world markets. Favored and protected firms can take advantage of increasing returns, cumulative processes, and the positive feedbacks associated with path dependence to increase their competitiveness in global markets" (p. 123). Still, according to Gilpin (2001), "various strategic trade tactics have become important in the efforts of national governments to influence the location of industry worldwide (...) A governments decision to support a domestic firm's plans to increase its productive capabilities (preemption) or to signal an intention to build excess productive capacity is an example of a strategic trade policy. By using a direct subsidy to a firm or by giving outright protection to a domestic industry, the government might deter foreign firms from entering a particular industrial sector. Since a minimum scale of production is necessary to achieve efficiency, especially in many high-tech industries, the advantage of being first (first-mover advantage) encourages a strategy of preemptive investment. Thus, government intervention through 'preemption' or first strike becomes especially important in certain industrial sectors (p. 125)." In short, trade should be pursued, but with responsibility. That would be what Destler (2005) calls "competitive liberalization" (p. 319).

Development in Brazil

In Bulmer-Thomas' book (2003), the author highlights some of the strategies adopted by Latin American countries since the end of World War II. He makes remarks on the positive and negative effects the strategies adopted have had over the Latin American economies. Some of the strategies he discusses are Import-Substituting Industrialization (ISI), Export Promotion (EP), Primary-export Development, and Debt-led growth. What is important to stress here is not whether these strategies have worked well or not when adopted, but to discuss the current effects of these strategies in Brazilian economy, and the burden and/or benefits the country now enjoys as a consequence of these strategies.

The ISI strategy was adopted in Brazil through high increases on taxes - taxes on industrialized goods, circulation of goods and services, social security, among others. But somehow it worked. Through high barriers to trade[3] Brazil was able to develop a broad industrial base[4] - mining, steel, aluminum, automotive and auto-parts, chemicals and petrochemicals, oil, consumer durables (or "white goods"), agribusiness, cellulose and pulp & paper, electric equipment, plastic, textiles, shoes, computers, livestock, consumer durables (TVs, etc.), aircraft, heavy machinery, among others. Brazil has also been able to diversify its services industry, which includes telecommunications, banking, energy, commerce, transportation, and computing, among others.

According to Halperín Donghi (1993), most economies from Latin America were export-led economies. Mexico and Bolivia were major exporters of silver, Colombia was a major exporter of gold, Venezuela of cacao, etc., and Brazil, in the 18th century, still according to the author, went from being a sugar-producing area to also being an exporter of gold and diamond, coffee and, later, rubber. After the crisis of 1929, however, according to Halperín-Dongui (1993), the decline in trade affected the countries in the region, and a shift of resources to the manufacturing sector occurred. However, not all countries in the region had enough market size (e.g. Brazil, Argentina and Mexico) to support industrialization. Therefore, in the longer term, results from the import-substitution industrialization of the 1930s varied across the region. Instead, according to the author, "this process of partial industrialization further accentuated the regional inequalities that had appeared during the earlier period of export expansion" (p. 212). Countries with larger markets, higher skilled labor and larger urban areas,

3 According to Frieden (2006, p. 304), in the early 1960s tariffs on manufactured imports averaged 184 percent in Brazil.

4 Still according to Frieden (2006, p. 305), from 1945 to 1973, industrial production increased eightfold in Brazil. Still according to the author, "by the early 1960s Brazil's industries were supplying 99 percent of the country's consumer goods, 91 percent of its intermediate inputs (such as steel and chemicals), and 87 percent of its capital goods (machinery and equipment). At that point, the Brazilian economy, which was roughly the size of the Dutch economy, was close to self-sufficient in manufactured goods.

thus, benefited more from the process than the ones with lower skilled, rural population.

According to Halperín-Donghi (1993), World War II further boosted the process of ISI, as trade with European countries and the U.S., after its engagement in the conflict, was further restricted, as efforts were being directed to the war. Therefore, the economies in Latin America were somehow "isolated". The impact, though, was harder on imports than on exports, which rose buying power in the region, further stimulating local factories, which enjoyed a period of "dizzying growth" (p. 213). The *bonanza*, however, was not equal within the region. Countries "that barely produced supplies of food sufficient to feed their populations (and there were a number of these, from Mexico to Chile) suffered with particular intensity " (p. 212), while "the industries of the larger Latin American countries were able not only to dominate their domestic markets but also to initiate exportation of manufactured good. Brazilian industrial production soon reached markets in Spanish America and Africa" (p. 213). And it was that increasing importance of Brazil in the region that was able to attract more investments to the country. To the author, "the strategic importance of Brazil convinced U.S. policymakers to subsidize the creation of a state-owned steel industry at Volta Redonda [in 1941] in the state of Rio de Janeiro despite their long-standing hostility to such enterprises" (Halperín-Donghi, 1993, p. 234).

After the end of the war, though, the impetus on industrialization slowed, the Soviet Union gained importance, the Cuban revolution occurred, and several Latin American countries "appeared" to be moving to the left, as some achievements in Cuba rose in the imaginary of many in Latin America. Thus, the U.S. increased its activism in the region, which can be exemplified by its "cooperation" in the 1964 military coup in Brazil, and following participations on later struggles in Honduras (late 1980s), Nicaragua ("Contras", after 1981), Guatemala (1982) and Panama (1984-1987), just to name a few.

U.S. activism, though, lowered again in the 1970s due to changes in the international context - suspension of the parity of dollar to gold (1971), and the oil shocks of 1973 and 1979. A long period of difficulties followed in Latin America, with high levels of debt and inflation, currency crisis, fiscal profligacy, instability, and difficult transitions from dictatorship to democracy in the 1970s and 1980s. In addition to that, violence and drug trafficking escalated during what many call the "lost decade", the 1980s. Therefore, in the 1990s, a new, neoliberal, "set of reforms", know as the *Washington Consensus*, was implemented in the region. As examples of such policies, one can mention fiscal austerity, privatization and liberation of markets. However, once more its effects were felt unequally in the region. For example, countries that have committed to fiscal prudence, trade openness and market orientation have been able to attract increasing foreign investments and be granted "investment grade" classification.

These days, according to Edwards (2010), countries in the region "group" themselves in a few clusters. Those comprise, to the author, a populist category (p. 232), which includes Venezuela, Ecuador, Bolivia and Nicaragua, and a second group of countries "formed by those that will neither fall for the populist temptation nor move forward in the implementation of the pro-competition policies and institutional reforms needed to spur productivity growth" (p. 233). He includes in this group Brazil and most of the Central America countries. Argentina, according to the author, "raises several important questions" (p. 234),

especially regarding whether or not the support for the populist measures of President Cristina Kirchner will increase or decrease. The third group, according to him, embraces "the innovative, productivity-based path to development and prosperity" (p. 234). Chile is the leader of this group, and might be followed by Peru, Colombia and Costa Rica, and, eventually, Brazil - which might actually be included in this group -, and Mexico. One might add another group, that would include Paraguay and Uruguay, which seems to have an unknown future, as their small size makes them more "dependent" on larger close economies rather than autonomous.

Following the ISI strategy, and the Washington Consensus, and under the government of President Lula (2003-2010), Brazil turns more into a model of nationalism and development, preserving the state while keeping social stability, but without jeopardizing any of the achievements of his predecessor, such as austerity, macroeconomic stability, low inflation and a stable currency. Brazil moves closer to a model of state capitalism, in which state keeps control of the economy but also stimulates businesses. And this is generating extraordinary results.

In regards to foreign policy, however, and according to Almeida (2009), the Lula administration "brought new emphasis and preferential alliances" (p. 171). To the author, "besides a strong emphasis on political multilateralism traditional to Brazilian diplomacy[5] (but now with an evident 'anti-hegemonic' leaning, i.e., against American unilateralism), the focus fell sharply onto South-South diplomacy, as well as in a great effort to see Mercosur reinforced and broadened as the basis for political integration and of consolidation of a unified economic space in South America" (p. 171). In that process, still according to the author, "Lula's administration put in motion all kinds of tools and all forms of foreign policy - multilateralism, bilateral relations, and informal mechanisms of cooperation - in order to promote its new diplomatic priorities" (p. 175). During his administration, President Lula has tried to increase trade with its partners of Mercosur and other South American countries, with Africa, Asia, the BRICS countries and Europe.

According to *The Economist* (2011 Edition), Brazil[6], in 2008, was ranked 10th in industrial output (USD 440bn), 9th in services (USD 1,029bn), and 4th in agriculture (USD 106bn). Three years later, Brazil had increased its industrial output by 55%, services by 61%, and agricultural by 28%, and is now ranked 6th in industrial output, 7th in services and 4th in agriculture, and was the 6th world's largest economy, with a GDP of USD 2.5tr.

Therefore, to Rohter (2010), "today, Brazil has one of the most balanced and diversified economies in the world. As in most countries that have attained some degree of development, commerce and services account for the bulk of economic activity" (p. 141). Still, according to the CIA (2012), in 2011, the industrial sector was estimated to represent 28% of its GDP, while agriculture was estimated to represent 6% and services 67%.

In addition to that, today, all major multinational corporations are present in Brazil - from food chains (Mc Donald's), to supermarkets (Casino), beverages (Coca-Cola) and oil companies (Shell) to IT industries (Cisco)

5 The Brazilian Ministry of Foreign Affairs, known popularly as Itamaraty, traditionally maintains a multilateral approach, and has diplomatic relations with every UN member.

6 The world's 5th largest country by area (larger than the continental U.S.), with the world's 5th population (191 million people).

and software (Facebook), among others. And, in some cases, their operations in Brazil are more important than in their original countries. Brazil is, for example, the second largest market for Facebook, and among the main markets for Santander, Citibank, and Coca-Cola, just to mention some of them.

Not only that. Brazilian companies such as Vale, Votorantim, InBev, Itaú-Unibanco, Camargo Correa, Gerdau, Perdigão, WEG, and Marcopolo, among others, not only benefited from the strategies adopted by the country, but became huge corporations, some being world leaders in their industries and now making acquisitions abroad. Just to mention a few examples, InBev purchased Anheuser Busch (Budweiser), 3G Capital purchased Burger King, Gerdau bought Ameristeel, Marfrig bought Keystone, Vale (a former state owned enterprise, or SOE) has acquired Inco, Braskem bought Sunoco, Votorantim bought Cimpor, JBS has bought Swift & Company and Pilgrim's Pride, etc.

Other good examples worth mentioning are Petrobras and Embraer. Petrobras has been financed through taxes and high prices of gasoline, but is now among the largest oil companies in the world, and has more oil reserves than Chevron Texaco or Royal Dutch Shell. It has also helped Brazil become a leading player in deep-sea oil exploration. Likewise, Embraer, after privatization (1994), became the 3rd largest producer of aircraft in the world and their planes are responsible for about 70% of the U.S. regional flights.

Brazil is now the largest exporter of beef (Brazilian JBS Friboi is the largest meat-packing company in the world) and chicken and the 3rd exporter of pork; it is the largest producer and exporter of coffee (40% of world's production), orange and orange juice (Tropicana bottles used to refer to Brazilian oranges), sugar, tropical fruits, ethanol and tobacco; and it is among the largest producers of cotton, wheat, corn, rice, soybeans, tobacco, cocoa, oilseeds, corn, among other products, not to mention the fact that it is the largest exporter of iron ore, and has substantial reserves of manganese, bauxite, copper, lead, zinc, nickel, tungsten, tin, uranium, among others.

Some of the country's success is also due to government investments in research and development. The creation of ITA (the Technological Institute of Aeronautics) made possible the development of aircraft manufacturing technology and the creation of Embraer, above mentioned. The creation of Embrapa (the Brazilian Agricultural Research Corporation), for example, also made possible the production of crops never imagined to be produced in large amounts in Brazil, such as wheat. It also allowed the development of better cattle, of breeds of hogs with lower fat and cholesterol, and higher yield of loin and ham; and the development of better producing technology (e.g. in Brazil, eucalyptus, for cellulose, grows to be cut in 5 years, a world record), etc..

In regards to energy, the oil crisis of 1973 and 1979, together with the deficit imbalance of the 1970s motivated the development of the ethanol technology in Brazil, through University research centers supported by the Federal government. Today, 80% of the cars sold in Brazil work with either gasoline or ethanol, in any proportion at any time (they are FFV, or full flex vehicles). Yet ethanol from sugarcane, according to Rohter (2010), "is by far the most attractive: for every unit of energy that is expended to produce sugarcane ethanol, the final product generates more than eight units of energy. In contrast, the energy ratio of ethanol made from corn, the favored source in the United States, is less than two to one" (p. 183). Still, ethanol is described by its advocates as a wonder fuel – it is renewable, cheaper to produce, and more environmentally friendly than gasoline. And ethanol has been a topic of increasing talks between Brazil and the U.S. Boeing, for example, has recently signed an agreement with Embraer to develop ethanol technology for airplanes – in fact, Embraer already has a small plane, for agricultural aviation, which uses ethanol, the *Ipanema*, a market leader, with 75% of Brazil's fleet in this segment. It also worth mentioning here that the increasing use of ethanol as a fuel reduces the dependence on fossil fuels, such as oil.

Besides, Brazil has an enormous hydropower capacity, and barely a quarter of it has been tapped (though it represents around 75% of the electricity consumed in Brazil). Water in the country is not only abundant but it is also renewable. According to Rohter (2010), "Brazil's energy system today is one of the least carbon-intensive in the world, with nearly half of total consumption provided by less-polluting renewable fuels. That is a situation that many other countries aspire to achieve but cannot, and it has allowed Brazil to adopt a stance in world climate change negotiations, at Copenhagen and elsewhere, that is more flexible than in the past" (p. 199). Brazil leads biofuels technology and was the first country to achieve sustainable use of biofuels.

Therefore, Brazil presents the U.S. with several opportunities, which include agribusiness, infrastructure, energy, real estate, health and education, retail, among others, as the country develops and moves people out of poverty. Some estimate Brazil has lifted more than 35 million people out of poverty in the last few years through its conditional cash transfer program, *Bolsa Família*. And as these people consume more, they may become an increasing market for U.S. products[7]. Regarding infrastructure, just to give an example, according to *Americas Quarterly* (Winter 2012, p. 37), Brazil has 0.35 km per 100 sq km of rail lines, while the average in South America is 0.51; and although it has more roads (21 km per 100 sq km) than the South America average (15 km), only 6% of its roads are paved, against an average of 22% for South America. Still according to the magazine (p. 41), the average increase in GDP from 2000 to 2010 was of 3.7% per year, but its investment/GDP average is still very low, at 17.6%, while in countries such as Indonesia, Malaysia, Singapore, Thailand and Vietnam it is close to 30%. Trade, though, is increasing at a faster rate - exports grew at an average 7.2% in the period and imports grew at an average 9.4% in the same period.

In short, it seems that the ISI strategy did work in the case of Brazil, somehow. Brazil, at whatever costs, was able to create and develop a diversified industry, which now helps the country to grow, and increasing trade tends only to add more growth. According to a report released in 2011 by the Council on Foreign Relations (Global Brazil and U.S.- Brazil Relations), Brazil "has undertaken a peaceful economic and social transformation to become the cornerstone of South American growth and stability and a significant power and presence on the world stage" (p. 3). The report recognizes Brazil as an integral force in the evolution of a multi-polar world, in a leadership position in Latin America and in the world and mentions similarities with the U.S. regarding ethnicity, the respect for democratic values and rule of law, individual rights, religious freedom, diversity and equality. Therefore, the report recommends the U.S. to

7 Brazil's GDP per capita is around USD 11-12k, whereas in China it is around USD 3-4k, and in India USD 1-2k. It is closer to Chile's and Argentina's in the region, but significantly higher than that of the other countries in the region.

recognize Brazil as a global actor, to treat its emergence as an opportunity and to work together with Brazil to develop complementary policies.

The report recommends a more mature relationship with what they call the "new Brazil", which should include more (open and regular) communication, through a more comprehensive U.S. policy toward Brazil. It also "encourages both governments to maintain and expand channels of communication on trade and monetary policy, especially with respect to China. Brazil and the United States each approach China carefully, balancing relationships that are both complementary and competitive. But both Brazil and the United States have concerns about China's undervalued Yuan, and though a joint approach is unrealistic, the report suggests that Brazil and the U.S. agree on common language to describe the currency challenges presented by China in order to encourage China to allow its Yuan to appreciate" (p. 6). The same report also recommends the U.S. to lift tariffs on ethanol, which it did in 2013, that U.S. endorse Brazil as a permanent member of the UN Security Council – something regarded by many as improbable –, that they deepen bilateral understanding and cooperation in issues such as education, innovation, health care and infrastructure – something that might be already happening –, and that they communicate more openly in sensitive issues, such as trade, market access, and subsidies. In short, the report indicates U.S. and Brazil could have a mature relationship on bilateral and global issues without complete alignment across the board.

Opportunities

As one could see in table 1, trade between Brazil and the U.S. has been constantly increasing. From 1985 to 2011, it grew at an average yearly rate of 7.8%. However, if we consider only the period after Brazil opened its economy, in 1992, it grew at an average yearly rate of 9.5%. And, if we consider from 2006 to 2011, it grew at an average yearly rate of 10.5%. More than that, in the first year of President Dilma in office, 2011, it went from USD 59.4bn in 2010 to USD 74.7bn in 2011, a growth of 25.8%.

However, as it was also seen, while the U.S. is Brazil's second largest trade partner, following China, Brazil is U.S.'s 8th trade partner, in part as a result of Brazil not yet being a leading trader - Brazil is the world's 22nd major exporter and the 21st major importer -, but also because Brazil and the U.S. do not explore trade as they could, or, perhaps, as they should. Thus, the aim of this section is to look at trade between Brazil and the U.S. in more detail, so as to better understand what each country imports and exports from and to the other, and what they trade with other nations, in order to identify potentials for further trade.

General Trade - Brazil and the U.S.

According to the Brazilian Ministry of Development, Industry and Foreign Trade, in 2011, trade between Brazil and the U.S. amounted to USD 25.8 bn in exports and USD 34.0 bn in imports, as follows.

The value above does not match with the value registered by the U.S. Census Bureau, shown in Table 1, and which amounts to USD 31.7 bn in exports and USD 42.9 bn in imports. The difference might be due to the exchange rate used, as the Brazilian Real has considerably valued in 2012. However, the Table above shows us an interesting picture of the kinds of goods imported and exported between both countries. According to the Table, 90% of Brazilian imports from the U.S. are of manufactured goods, while 45% of its exports to the U.S. are of manufactured goods and 20% of semi-manufactured goods (a combined 65%), and only 34% of basic products, which contradicts the general knowledge, according to which Brazil is an exporter of basic goods.

It is interesting to note here that, when compared to Brazil's total trade, the imports of goods from the U.S. are in line with Brazil's total imports; however, the exports of goods are not. On average, Brazil exports much more semi-manufactured and manufactured goods to the U.S. than its average, as can be seen in Table 6.

The data for exports and imports are not consolidated the same way, but it is possible to note that Brazilian exports of semi-manufactured and manufactured goods account for 50% of its total exports, and basic goods account for 48% of its total exports.

Table 5 - Trade Between Brazil and the U.S., 2011, USD m

Exports				Imports			
Rank	Country	Value	Share	Rank	Country	Value	Share
1	Manufactured Goods	11,685	45%	1	Manufactured Goods	30,474	90%
2	Basic Products	8,724	34%	2	Basic Products	2,867	8%
3	Semi-manufactured Goods	5,256	20%	3	Semi-manufactured Goods	622	2%
4	Special Operations	139	1%	4	Special Operations	-	0%

Note: Source: MDIC, Secretaria de Comércio Exterior (SECEX). January/December - 2011.

Table 6 - Total Trade, Brazil, 2011, USD m

Exports				Imports			
Rank	Country	Value	Share	Rank	Country	Value	Share
-	Total, All Countries	256,039	100%	-	Total, All Countries	226,243	100%
1	Basic Goods	122,457	48%	1	Industrial Supplies	102,107	45%
2	Semi-manufactured	36,026	14%	2	Consumer Goods	12,203	5%
3	Manufactured goods	92,304	36%	3	Capital Goods	47,888	21%
4	Special Operations	5,254	2%	4	Aut. Vehicles, etc.	11,892	5%
5			0%	5	Foods, Feeds & Beverages	15,988	7%
6			0%	6	Other Goods	36,173	16%

Note: Source: MDIC, Secretaria de Comércio Exterior (SECEX). January/December - 2011.

Trade Specifics - Brazil and the U.S.

The main U.S. imports and exports, from and to Brazil, in 2011, can be seen in Table 7, in descending order according to total trade. And, total trade of main goods for the U.S., in 2011, is in Table 8, also in descending order according to total trade (exports + imports).

Table 7 - U.S. Imports and Exports from/to Brazil, 2011, USD thousands

Commodity	Exports	%	Imports	%
Crude	-	0%	9,271,625	29%
Civilian aircraft, engines, equipment, and parts	5,181,207	12%	-	0%
Chemicals-organic	2,974,173	7%	-	0%
Fuel oil	1,828,684	4%	1,012,558	3%
Petroleum products, other	2,562,263	6%	-	0%
Iron and steel mill products	142,498	0%	2,025,742	6%
Green coffee	-	0%	1,918,411	6%
Plastic materials	1,672,499	4%	137,247	0%
Chemicals-fertilizers	1,708,717	4%	-	0%
Metallurgical grade coal	1,668,589	4%	-	0%
Computer accessories	1,643,669	4%	20,836	0%
Steelmaking materials	43,019	0%	1,531,496	5%
Telecommunications equipment	1,436,624	3%	26,339	0%
Semiconductors	1,423,167	3%	4,989	0%
Industrial engines	856,199	2%	412,930	1%
Total[9]	42,945,955	100%	31,736,202	100%

Note: Source: US Census Bureau. Country and Product Trade Data.

[9] Total refers to total exports of all goods, not only the selected items.

Table 8 - Total Trade, U.S., 2011, USD m

Commodity	Exports	%	Imports	%
Crude oil	1,678	0%	331,582	15%
Passenger cars, new and used	47,361	3%	122,423	6%
Other parts and accessories of vehicles	47,753	3%	76,821	3%
Medicinal equipment	32,033	2%	91,737	4%
Fuel oil	52,913	4%	46,879	2%
Computer accessories	31,556	2%	54,796	2%
Telecommunications equipment	35,873	2%	48,474	2%
Computers	16,845	1%	64,899	3%
Semiconductors	43,788	3%	37,949	2%
Civilian aircraft, engines, equipment, and parts	80,177	5%	-	0%
Other (clocks, port typewriters, oth household gds	-	0%	77,686	4%
Electric apparatus	35,270	2%	41,542	2%
Other industrial supplies	23,061	2%	45,085	2%
Apparel, household goods - textile	6,022	0%	50,385	2%
Petroleum products, other	54,581	4%	-	0%
Total[10]	1,480,432	100%	2,207,824	100%

Note: Source: US Census Bureau. Country and Product Trade Data.

[10] Total refers to total exports of all goods, not only the selected items.

Although Tables 7 and 8 are not very conclusive, one might observe in Table 7 that trade between Brazil and the U.S. is very comprehensive, ranging from crude oil to civilian aircraft, chemicals, coffee, among other goods. It is also possible to identify potential for growth in trade. For example, Brazil supplies the U.S. with only 27% of its green coffee, while the country is responsible for almost 40% of the world's production of coffee. Another example is civilian aircraft, an industry growing at a 10-20% yearly ratio in Brazil, and which is a major exporting industry for the U.S. Other examples of growing industries in Brazil that could be further explored by the U.S. are medicinal equipment, computer and computer accessories, pharmaceutical preparations, chemicals and military, just to name a few. And Brazil could further explore the markets of crude oil (following the recent massive discoveries of oil in Brazil), passenger cars (most car manufacturers currently have factories in Brazil), toys, TV's, iron and steel products, bauxite and aluminum, footwear, cosmetics, nuclear fuel materials (Brazil has vast reserves of uranium), just to name a few.

In addition to that, as one can see in Tables 9 and 10, which follow, with data from the WTO, Brazil's exports to the U.S. are 10% of its total exports, while U.S. exports to Brazil are less than 3% of its total exports.

Table 9 - Exports per Category to each other, Brazil and U.S., 2011, USD m

		Country		
Country	Category	Brazil	U.S.	World
Brazil	Agricultural products	-	5,331	86,443
	Fuels and mining products	-	6,668	77,797
	Manufactures	-	13,513	84,092
	Total merchandise	-	25,514	256,040
United States	Agricultural products	1,314	-	168,275
	Fuels and mining products	6,851	-	185,333
	Manufactures	33,914	-	1,047,703
	Total merchandise	42,944	-	1,480,432
World	Agricultural products	13,327	130,691	1,659,524
	Fuels and mining products	49,174	505,532	4,007,825
	Manufactures	166,925	1,496,765	11,510,949
	Total merchandise	231,796	2,139,431	17,816,372

Note: Source: WTO.

Table 10 - Imports per Category Brazil and U.S., Total and from Each Other, 2011, USD m

	Brazil		U.S.	
Commodity	Total	From U.S.	Total	From Brazil
Agricultural products	13,582	9.7%	137,160	3.9%
Fuels and mining products	49,671	13.8%	523,026	1.3%
Manufactures	162,886	20.8%	1,523,270	0.9%
Grand Total	226,140	19.0%	2,183,456	1.2%

Note: Source: WTO.

Still, as it can be noted in Table 10, if on the one hand, the U.S. represents 19% of Brazil's imports, on the other, Brazil represents a mere 1.2% of U.S. imports. Therefore, not only Brazil could increase its exports to the U.S., but also the U.S. has a good opportunity to increase its exports to Brazil, whose imports have been increasing fast.

Selected Opportunities

One area in which both countries could largely benefit from an increase in trade is agriculture. Both the U.S. and Brazil are agricultural powerhouses (world's 3rd and 4th, respectively). Besides, both still present huge potential to increase its production. Brazil not only has plenty of spare lands, but also, in some places, land is so fertile that farmers can manage three harvests a year. According to The Economist (August 26th, 2010), Brazilian crops were of USD 23bn in 1996, and reached, in 2011, USD 136bn, an increase of almost 500% in the period. Still according to The Economist, Brazil can increase its arable land by almost at least six fold (data from 2010), and the U.S. could almost double it. Still according to the same source, between 2005 and 2007, state support accounted for only 5% of total farm income in Brazil, compared to 12% in America and 29% in the European Union. In short, in agriculture there is a huge potential for increased bilateral cooperation. Brazil needs more capital and equipments, and the U.S. could absorb some of the advances Brazil has achieved. It might just be the case of focusing more on what brings both countries together than in what separates them, such as the disputes involving orange juice, ethanol (recently resolved) and cotton.

In short, in agriculture there is a huge potential for increased bilateral cooperation. Brazil needs more capital and equipments, and the U.S. could absorb some of the advances Brazil has achieved.

Another area in which, it seems, there is potential for increased cooperation is defense. Embraer and Boeing are developing together a military transport and refueling plane for Embraer, and are jointly developing, as mentioned earlier, ethanol powered airplanes. Besides, Boeing just opened an office in Brazil, whose CEO is Donna Hrinak, former U.S. Ambassador to Brazil, at a time the current Minister of Defense, Celso Amorim, was the Minister of Foreign Relations. Besides, the two companies can also cooperate in commercial aviation, as Embraer and Boeing do not compete in that segment. Embraer, for example, has about 70% of the U.S. market for regional jets, and the Brazilian aviation industry is rapidly growing, and the market for large planes is disputed between Boeing and Airbus in Brazil.

Another industry that might present a large potential for increasing trade is automotive - motor vehicles and parts. It makes sense that Canada and Mexico be among the top trading partners of the U.S. in motor vehicles, due to NAFTA. It also makes sense that countries with recognized car brands be among the top U.S. trading partners, being this the case of Germany, Korea, Japan, the UK and Sweden. However, Brazil is a major producer of motor vehicles, and a host country to most recognized car manufacturers - Peugeot, Renault, VW, Fiat, GM, Ford, Mercedes Benz, Toyota, Honda, Kia, Hyundai, among others. And, according to CNBC, in *World's 10 Largest Auto Markets*, Brazil is currently the third auto market, following China and the U.S.

In regards to auto parts, Brazil is currently, according to the US Census Bureau (June 8, 2012) the 7th U.S. trading partner, representing 1% of U.S. trade of Auto Parts, while Mexico represents 32% of U.S. trade of Auto Parts, despite having a production of Motor Vehicles which is 79% that of Brazil, according to the International Organization of Motor Vehicle Manufactures. It seems, then, that there is potential for improvement in trade between the U.S. and Brazil in regards to auto parts.

Another area that could be further explored is Advanced Technology. According to the U.S. Census Bureau, in 2011, most trade in advanced technology, for the U.S., is in Information and Communication (45%), Aerospace (18%), Electronics (11%) and Life Science (11%), which added up for 85% of total U.S. trade of Advanced Technology. Still, not surprisingly, most U.S. trade of Advanced Technology with China, Canada and Mexico. However, small countries also top the list, being that the case of Taiwan, Korea, Ireland, Malaysia and Singapore. Brazil follows all these, with a mere 2% of total U.S. trade of Advanced Technology. It seems, then, possible to forecast a potential for improvement, especially in industries Brazil has been investing heavily recently, such as Aerospace (both civil and military), Biotechnology (largely due to Brazil's biodiversity and biomass technology - ethanol), Electronics (Brazil is constantly trying to attract investments of this sort to the country, such as that of Foxconn, which recently opened two factories in the country to produce iPads and iPhones), Information and Communications, Life Science and Nuclear Technology (Brazil has vast reserves of uranium and is currently building two nuclear power plants, to be added to two existing ones, and has project for additional plants to be built in the near future).

Trade in services

As it was pointed out in the introduction, trade in services between the U.S. and Brazil amounted to USD 27 bn in 2011, being USD 20bn in exports (from the U.S.) and USD 7bn in imports (to the U.S.), and it seems that there is growth potential for increasing trade in services between the two countries. Some industries are developing fast in Brazil, and there is a lack of specialized labor, due to a gap in education. Some examples of them are the oil and gas industries, the naval industry, agribusiness, just to mention a few of them. As a result of that, Brazil is rapidly increasing the issuance of business VISA for foreign workers.

Tourism is another industry that is not only growing fast but that has even higher potential to grow, influenced by the *World Cup 2014*, and *Summer Olympics 2016*, to be held in Rio de Janeiro. The country has thousands of miles of beautiful beaches, the Amazon forest and the Pantanal, whose potential for tourism is far from being fully explored. And the U.S. is a major destination for Brazilian tourists who spend in the U.S., on a daily basis, an average significantly higher than any other tourist in the world. Whereas, on the one hand, the U.S. has a fantastic know-how on how to explore and attract tourism, on the other hand, the quality of service in Brazil is significantly better than that in the U.S. Therefore, a higher exchange of professionals between the two countries could benefit both. This is one of the reasons why President Obama has announced measures to ease VISA issuances for foreign tourists in 2012, at the Disney World, and has mentioned Brazil as the first example of nation from which the U.S. should attract more tourists. That is also one of the reasons why Hillary Clinton, also in 2012, has announced the opening of more consulates in Brazil, and an increase in personnel in the existing ones.

In regards to education, the U.S. is a major, and preferred, destination for Brazilian students, not only pursuing English courses, but principally pursuing graduate degrees, such as MBA, MS, MA and PhDs. President Dilma, for example, in her last visit to the U.S., in 2012, announced, while visiting Harvard and the MIT (Massachusetts Institute of Technology), a government program, called *Ciência sem Fronteiras* (or Science Without Borders, in English), which aims at supporting 100,000 Brazilian graduate students to study at the world's top 50 universities, who, after completion, would help to improve the knowledge of advanced technology in Brazil. That seems to be an opportunity for both countries, especially because most of the world's best 50 Universities are in the U.S.

The above mentioned examples are just a few in a much broader category, which includes banking, telecommunications, infrastructure - Brazil is privatizing the operation of ports and airports, roads and railroads -, consulting (all major U.S. consulting firms, such as McKinsey and the BCG, have offices in Brazil), accounting (the same), among others.

Final remarks

Increasing Bilateral Trade: Why?

According to Reid (2007), "Brazil has more 'environmental capital' than any other country in the world: it has the most biodiversity and its river systems contain more fresh water than those of any other country[12] (almost three times more than those of the United States). Latin America has the world's largest reserves of arable land, and is a storehouse of many important commodities, from oil to metals and foodstuffs" (p. 3). Still, according to him, "in 2004, the region had 8.5% of the world's proven oil reserves (...) [and] accounted for almost a third of oil imports by the United States (p. 3)". And subsequent reserves have been discovered since then. Yet, according to Reid (2007), "it has long been true that the further south you go in the Americas, the less powerful is U.S. influence. For Brazil and Argentina, the European Union is a more important trade partner and source of investment than the United States. Many Latin Americans still yearn for Europe to act more generally as a counterweight to the United States in the region" (p. 300).

In addition to that, over the last few years, China has been having increasing influence in Latin America, through investments, trade agreements, trade *per se,* as well as politically and military. Still according to Reid (2007), "more recently, some Latin Americans have seen salvation in the rise of Asia, and of China in particular. China fever reached a peak in the region in November 2004 when the country's president, Hu Jintao visited Argentina, Brazil and Chile, promising to lay out billions of dollars in investment in infrastructure to facilitate the import of the commodities that his country craves. (...) Partnership with China, the assumption seemed to be, was a liberating alternative to depending on the United States" (p. 300-301). According to *Americas Quarterly* (Winter 2012, p. 70), China, in 2009, became Brazil's number 1 importer (from #12 in 2000) and number 2 exporter (from # 11 in 2000). And some argue that this increasing "influence" may harm U.S. influence over the region, and also harm local industries.

12 According to the Department of State, Brazil has 14% of the world's renewable fresh water). Retrieved from http://www.state.gov/outofdate/bgn/brazil/80949.htm.

China, however, as Reid (2007) pointed out, has contributed to the better economic outlook in the region since its increasing imports increased commodity prices, benefiting the region, in particular Chile and Peru, Ecuador and Venezuela, and Brazil! On the other hand, though, the increasing exports of low cost industrialized goods poses threats to countries with *maquiladoras,* such as Mexico, the Dominican Republic and other Central American countries. But it also poses opportunities for the increasing number of multilatinas from the region, such as Embraer, Telmex, Vale, among others. The author (Reid, 2007) also argues that "what is important is not what countries produce but how", that "farming, mining and forestry all have high-tech elements that can generate spillover effects elsewhere in the economy", and that "if China was becoming the world's workshop and India its back office, Brazil is its farm - and potentially its centre of environmental services" (p. 303). The main question, thus, is how to add value to its natural resources.

Still, Brazil is much larger than the other countries currently more attractive to foreign investors in Latin America, such as Costa Rica, Colombia, Peru and Chile. And, when compared to the other BRICS countries, Brazil, unlike China, is a democracy, unlike India, it has neither ethnic and religious conflicts nor hostile neighborhoods, and, unlike Russia, it exports more than oil and gas, and has a fair business environment. Besides, it is much larger than South Africa.

According to Collier (2007), four traps may condemn countries to an endless stage of underdevelopment: *conflicts,* that is, violence, conflict situations or the verge of, and especially civil war; *natural resources,* or the fact that a country depends on a single natural resource, such as oil, which can cause the so-called "Dutch disease", a situation in which the exports of a natural resource pressures exchange rates and prevents the development of other industries; *landlocked (*bad neighbors), which is the case of countries in the midst of regions wrapped by underdeveloped countries, in conflict situations, or without access to the sea, that, as a consequence, may have their development condemned, as, for example, they may not have access to foreign trade; and *bad governance,* that is, countries without good governance may not reach development.

To Sachs (2005), countries fail to achieve economic growth because of: the poverty trap, which can cause economic stagnation, that is, no savings, no investment, no consumption; fiscal traps, that, with constant deficits, impede investments and growth, since the government is always financing its deficits and, therefore, there are not enough resources left for investments; the lack of innovation, which obstructs development of new technologies, and, hence, there are no investments and growth; and government failures, that may lead to the non-development of policies towards development.

In addition to the other arguments provided here, an increasing trade between the U.S. and Brazil may also present an opportunity to counter balance the increasing influence of China, both in Brazil, and the U.S., which has an increasing trade deficit with China. Brazil, for example, is implementing tighter quality requirements for Chinese products, and is constantly complaining about the Chinese currency, as is the U.S.

Brazil has been very successful in diversifying its markets, away from U.S, and Europe, and towards Latin America, Africa, the Middle East and Asia Pacific. Brazilian diplomacy has largely focused in South America and relations South-South, and FTAA (Free Trade Area of the Americas) has been clearly set aside. Brazil not only fostered IBAS (India, Brazil and South Africa) Forum but also the relations among the BRIC nations. Brazil has also been somehow successful in becoming more relevant in forums such as the G-20, or the UNASUR (Unión de Naciones Suramericanas), which encompasses 12 of the 13 South American countries (and Mexico and Panama as observers), and has a natural Brazilian leadership. The country is also trying to integrate South America further, financing the construction of roads in the region to link the Atlantic and the Pacific oceans.

However, an engagement on the part of both the Brazilian and U.S. governments seems to be imperative. After all, according to Rodrik (2007), "markets can malfunction both when governments interfere too much and when they interfere too little. (...) Recently [due to mistakes of both over and under regulation] governments around the world have begun to seek a more balanced strategy as liberalization and privatization have failed to deliver the expected performance. (...) properly formulated industrial policies have an important role to play in such strategies" (p. 150). More than that, it seems that, in some cases, joint-developed industrial policies could be beneficial for the two parties, that is, for both governments involved, and this might be the case going on between Embraer and Boeing.

Threats for Increasing Trade

According to a recent Inter-American Dialogue Report (2012), however, the U.S. position on some troublesome issues (what the report calls "dysfunctional" U.S. politics) - immigration, drug policy, and Cuba - has set Washington against the consensus view of the hemisphere's other 34 countries. But, according to this Report, "with a rapidly expanding U.S. Hispanic population of more than 50 million, the cultural and demographic integration of the United States and Latin America is proceeding at an accelerating pace, setting a firmer basis for hemispheric partnership" (p. 3).

The Inter-American Dialogue Report points to seven changes that have shaped hemispheric relations in the past several years, and most relate to U.S.-Brazil relations:

1. *Brazil's Rise:* the country is now Latin America's dominant economic power, with increasing influence in regional affairs, effective political leadership and assertive and skilled diplomacy;

2. *Mexico's Challenge:* uncertainty regarding future role and economic performance, and increased violence;

3. *Overall Progress:* economic and social advances, improved fiscal management and social policies, increasing trade and decreasing inequality and poverty;

4. *Pragmatic Politics:* centrist, pragmatic politics, directed at economic growth, social progress and democratic governance;

5. *New Forms of Regionalism:* UNASUR and CELAC (Community of Latin American and Caribbean Nations), which don't curtail U.S. influence;

6. *Citizen Insecurity:* criminal violence, arms trafficking and illegal cash flows;

7. *U.S. Reversals:* important setbacks in its regional and global standing, ongoing wars, financial crisis, increased inequality, dysfunctional politics.

The report also points to a few issues that should be considered further on "looking ahead": expanded trade, investment and energy cooperation. The U.S., according to the report, buys about 40% of the region's exports and provides 40% of the region's FDI. In regards to U.S. exports, though, the region accounted for 55% a decade ago, but less than 33% today. A "critical step" appointed by the report would be for the U.S. to ease protection of agriculture through tariffs, subsidies and quotas. This is particularly important in the case of U.S. - Brazil relations. The report also recommends the U.S. to seed greater cooperation and consultation with Brazil, Mexico and other countries of the region in world forums addressing shared interests.

In regards to Brazil, in particular, Rohter (2010) points out that there is a large pattern of indifference and lack of awareness between Brazil and the U.S. According to him, "if Brazilians tend to be obsessed with the United States, the opposite is true of Americans: for many, Brazil barely registers on their radar screen. For Brazilians, the relationship with the United States is all-important; for Washington, it is merely one of many and only gets concentrated attention from the president in times of crisis, when Brazil's cooperation or help suddenly becomes useful or its perceived obduracy a hindrance" (p. 230).

An important reason U.S. and Brazil could both benefit from a closer relationship is that Brazil, as well as the U.S., somehow compete with China. Brazil and China compete in the production of manufactured goods to the U.S., and, more recently, even to the Brazilian market. U.S. trade deficit with China is gigantic, and its surplus with Brazil is increasing. Besides, both Brazil and the U.S. produce agricultural goods, although not necessarily the same ones, as data presented earlier showed. In addition to that, both are democratic countries, and share cultural values, not to mention the fact that they are geographically close to each other.

According to Hakim (2012), "the U.S. and Brazil clearly have an array of common economic interests (p. 1)". However, "neither country has done much in recent years to advance the development of deeper, more cooperative ties (p.1)". Still, according to Hakim (2012), "the U.S. has seemed comfortable with the leadership that Brazil has assumed in South America, even when the two countries disagree (p. 3)".

Prospects

Finally, some of the recent events seem to be in the direction of closer ties between the U.S. and Brazil. But it has yet to prove if it improves from good intentions to practice. After all, according to the Inter-American Dialogue Report (2012), "what is at stake is the future of inter-American relations, which today are generally cordial but lack vigor and purpose" (p. 1).

President Obama has paid a visit to the region in 2011. The trip aimed at fostering more trade within the South America region, and his visit started in Brazil, where on march 18, 2011, President Obama and President Roussef signed an *Agreement on Trade and Economic Cooperation Between the Government of the United States of America and the Government of the Federative Republic of Brazil*. According to O'Neill (April 13, 2012), in a recent article published by the Council on Foreign Relations, "Trade with Latin America has grown faster than virtually any other region in the world, reaching nearly a trillion dollars. U.S. shipments to its southern neighbors now total some $350bn annually, roughly a quarter of all exports. With somewhat complementary industries and economies, expanding these sales further can benefit all sides".

Still according to O'Neill (April 13, 2012), "energy too provides a promising opening, not just for the economies in the region but also for shifting the fraught geopolitical balance for the better. Brazil's huge oil finds, Colombia's rising output, and the possibility of renewed exploration and production in Mexico, would all benefit the United States. The hemisphere is also a renewable energy leader, with wind, solar, hydroelectric, and ethanol. If integrated, these alternative sources could further the quest for a cleaner and more competitive energy matrix worldwide."

A recent article by the Council on Foreign Relations (April 11, 2012), written during President Obama's visit to Brazil, pointed out that "we now export more than three times as much to Latin America as we do to China, and our exports to the region will soon support more than two million jobs here in the United States". The same article, mentioning an earlier CFR Task Force report, pointed out that "Latin America has never mattered more for the United States", although the status quo "focus on trade, democracy, and drugs, while still relevant, is inadequate," and "a shift to energy security, public security, poverty, and migration" is recommended.

Collier (2007) states that the effects of globalization "on the economies of developing countries come from three distinct processes. One is trade in goods, the second is flows of capital, and the third is the migration of people" (p. 80). All three seem to go in line with the interests of the two countries. Both are working in increasing trade, flows of capital also tend to increase through bilateral agreements, and migration of people also tends to happen.

According to Diamond (2008), there is a "consensus emerging–namely, that strong, efficient, and lean states are just as important as sound policies to ensure properly functioning and free markets", and states, Brazil and U.S. included, "must actively invest in infrastructure, education, health, research and development, the environment, and the quality of life–not only to address social needs but also to foster national competitiveness" (p. xv). This is a major opportunity for both the U.S. and Brazil.

There are, however, sensitive issues and disagreements, not only between Brazil and the U.S., who disagree on several issues, from Iran to Turkey and Honduras, among others, but also between U.S. and the region as a whole. Drug trafficking and organized crime networks is a sensitive issue; illegal immigration is still a sensitive issue, although no longer as critical with Brazil. Cuba, Venezuela's *Chavismo*, Bolivia's Evo Morales are other sensitive topics. In regards to trade, from the U.S. perspective, intellectual property is an issue, and from Latin America's perspective subsidies are an issue. But it might be the time to put the differences aside and work together on a closer partnership that would benefit both.

After all, according to Ellis (2011), "although the U.S. has many sincerely stated objectives with respect to Latin America - such as democracy, development, and respect for human rights - the core U.S. interests in the region may be understood in terms of three imperatives, in roughly the following order of importance: 1. The region does not represent a security threat to the United States; 2. The region supports commercial interactions consistent with the health of the U.S. economy; and 3. The conditions in the region are consistent with U.S. values concerning democracy, respect for human rights, and a decent standard of living for all" (p. 106).

In short, a greater partnership between U.S. and Brazil, focused in trade, seems to be positive for both countries. After all, as previously discussed in this work, globalization is an irreversible process, and there is a direct relationship between trade and development. And Brazil is now a much more developed economy than it used to be two decades ago. It has developed its industry and agriculture, reduced inequality and lifted million out of poverty. It is not only a large supplier of goods, but also has a large consumer base. In addition to that, trade between the two countries is more complimentary rather than competitive. Therefore, the potential for increasing trade in goods and services is enormous. It might be the time for the two countries to put political differences aside and start working closer together, for the benefit of both.

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Instructions to authors

Articles submitted for consideration must contain from 15 to 30 pages and be drafted in Times New Roman, size 12, spacing 1,5, as well as include abstract, introduction and bibliography.

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