In the 1990s and early 2000s, there was debate about such major economic blocs as the Free Trade Area of the Americas (FTAA), the Southern Common Market (Mercosur), the Andean Community, and the European Union (EU). Yet for the past 15 years, Brazil has made little progress in signing trade agreements. Did Brazil take the best path?

Chile has signed 20 agreements involving 57 countries. But Chile’s economic activity is concentrated in only a few products — copper is responsible for about 15% of GDP and over 50% of exports — which makes negotiating agreements much easier. Brazil’s economic diversity and the power of its agriculture make it harder to negotiate bilateral agreements, especially with the United States and EU countries, which seek to protect their industries. That is why Brazil bet on multilateralism.

“Brazil moves with the trend of the moment. It is trying to facilitate negotiation of the Doha Round while making more modest, bilateral deals within Mercosur,” says Alcides Vaz, professor of international relations at the University of Brasília.
As for Brazil’s latest agreements — with Israel, Egypt, and Jordan, “Trade with these countries is minimal,” says Mario Marconini, president of the Council on Foreign Relations of the Federation of Trade in Goods, Services and Tourism. “There is potential, but there is no doubt that the political considerations were as important as the economic, if not more so.”

According to the report for 2010 released by the Ministry for Development, Industry and Foreign Trade, Brazil’s exports to Egypt were 0.8% of the total and to Israel 0.24%. Imports from Egypt accounted for 0.04% and from Israel 0.71% of the total.

Despite the minuscule economic impact, it is necessary to broaden the range of countries with which Brazil has trade agreements; an underdeveloped country may offer great opportunities. “Some countries export only a few products, but Brazil has a diversity of industries, so it cannot afford to choose to negotiate with one country to the detriment of another country,” says Soraya Rosar, executive manager of international negotiations of the National Confederation of Industries.

**BRAZIL’S ECONOMIC DIVERSITY AND THE POWER OF ITS AGRICULTURE MAKE IT HARDER TO NEGOTIATE BILATERAL AGREEMENTS, ESPECIALLY WITH THE UNITED STATES AND EUROPEAN UNION COUNTRIES.**

THINKING BIG
That does not mean, however, that developed economies should be off Brazil’s radar. Vera Thorstensen of the Getulio Vargas Foundation (FGV) says that negotiating with developed countries also involves defending businesses. “With the impasse in the Doha Round, many bilateral agreements are being created by expanding the issues regulated by the WTO,” she says, citing as examples intellectual property, investment, and environmental and labor standards. “If the U.S. signs agreements with 50 countries, what room will Brazil have to negotiate its interests?”

Critics believe that the Brazilian government has favored a South-South agenda to the detriment of North-South negotiations. Lia Valls, coordinator of the Center for the Study of the External Sector of the Brazilian Institute of Economics (IBRE) of FGV, notes that the recent economic crisis and the tough position the U.S. Congress has taken on trade agreements are complicating factors: “There is much talk that Brazil has not negotiated with the United States, but I believe that the Americans also did not want to do business.”

“South-South and North-South negotiations are complementary,” says Ambassador Evandro de Sampaio Didonet, director of the Department of International Negotiations of the Foreign Ministry. “It is true that we have given great importance to negotiations with southern markets, but this course of action is increasingly justified.”

Alcides Vaz argues that “Although we define ourselves
as a global trader, the American continents purchase more than 50% of our exports. It is not easy to stray from the attractive force of the United States and Latin America.”

With its diversified trade, some consider it logical that Brazil should also diversify its agreements. Marconini says, “One concern is that we are still responding to demand — other countries want agreements and then we react. This has to change. We have to define what trade agreements we want and go after them.”

“WE ARE STILL RESPONDING TO DEMAND — OTHER COUNTRIES WANT AGREEMENTS AND THEN WE REACT. THIS HAS TO CHANGE. WE HAVE TO DEFINE WHAT TRADE AGREEMENTS WE WANT AND GO AFTER THEM.”

Mario Marconini

Mercosur and the European Union

Mercosur and the European Union (EU) are back at the negotiating table trying to create the largest free trade area in the world. “The European Union is not naive. The developed countries are growing slowly, so now there is active interest in making deals with those who are developing, and Brazil fits in,” says Lia Valls (IBRE-FGV).

The exchange of offers has already begun. The two trading blocs intend to attain more than what was agreed seven years ago. The EU is demanding that Mercosur countries accept a wider industrial opening (above 90%), as for example in the agreements EU signed with South Korea, Peru, and Colombia. On the other hand, it is now willing to include agriculture — the most sensitive item — in the negotiations.

At least that’s what Brazilian businessmen and government expect. “Substantial gains in opening EU agricultural markets are essential for Brazil. Without that, we cannot conclude the agreement,” says Ambassador Evandro de Sampaio Didonet, director of the Department of International Negotiations of the Ministry of Foreign Affairs.

For industry, expectations are low: “In terms of industry, there are no significant gains to be made because tariff rates are already low. The gains are for agribusiness and the agricultural sector,” says Soraya Rosar, executive manager of international negotiations of the National Confederation of Industries.