Exploring to what extent the BRICS group is a significant actor challenging the global order, this book focuses on the degree and consequence of their emergence and explores how important cooperation is to individual BRICS members’ foreign policy strategies and potential relevance as leaders in regional and global governance.

The BRICS countries (Brazil, Russia, India, China, South Africa) have come to play an important role on the global political scene. As a group, and as individual countries, they have taken initiatives to establish new institutions, and have engaged in yearly summits that coordinate their voice and focus on intra-BRICS cooperation. In this sense, the BRICS may be seen as a “balancing coalition”, and often the main opposing force to Western powers. Looking at the debate around the role of the BRICS as an actor, expert contributors also explore the international political economy (IPE) of individual BRICS countries as systemically important countries with highly asymmetrical individual power capacities.

The comprehensive theoretical and empirical coverage of this timely volume will be especially useful to students, researchers and professionals interested in ongoing academic debates around the IPE of emerging powers, and those researching global governance and globalization.

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Introduction

Much has been made of the difficulties Northern and Southern states face when cooperating in global economic governance (GEG). This is particularly true for cooperation between established states, such as the United States (US) or larger members of the European Union (EU), and emerging economies, including but not limited to the BRICS (Brazil, Russia, India, China, and South Africa). Such cooperation is oft depicted as mired in conflict. For example, scholars have highlighted disagreements between the US and EU on one side and the BRICS on the other in relation to the 2010 quota reforms of the International Monetary Fund (Lesage et al., 2013). Likewise, the US was at loggerheads with India and China at the World Trade Organization’s (WTO) Geneva ministerial in 2008, leading to a breakdown of the negotiations (Ismail, 2009). Nonetheless, there have also been instances of successful emerging-established state cooperation in GEG. Examples include Chinese, German, and US willingness to sacrifice a portion of their entitled quota shares to ensure the World Bank quota reform process proceeded (Vestergaard and Wade, 2015) as well as cooperation between emerging and established states in the G20, which has led to positive policy outcomes and enhanced trust between these governments (Lin and Li, 2014). What determines whether emerging-established state cooperation will be successful in any given situation?

Nowhere are patterns of cooperation and conflict more apparent than in trade cooperation. On one hand, the WTO’s Doha Round negotiations have featured some spectacular blow-ups and name-calling between emerging states, such as Brazil and India, and established giants, including the US and the EU, most notably in Cancún in 2003 and Potsdam in 2007. Conflictual relations have extended to the WTO’s Dispute Settlement Body (DSB) as well, where Brazil, India, the US, and the EU number among the most frequent complainants overall and where China has reserved its use for targeting established states’ policies (Kennedy, 2012). On the other hand, emerging-established state trade cooperation has concurrently flourished. Positive examples include US-Brazilian cooperation at the Geneva mini-ministerial in 2008 and a bilateral deal between India and the US that enabled implementation of the 2013 Bali Agreement. As such, understanding the challenges of trade cooperation can shed light on emerging-established state cooperation in GEG in general.
I will argue that the hiccups in US-Brazilian trade cooperation stem from governments’ inability to navigate conflicting domestic ideas and interests. This is demonstrated in two case studies—the negotiations for a Free Trade Area of the Americas (FTAA) and the WTO mini-ministerial in 2008—which demonstrate variation on the success of US-Brazilian trade cooperation. I conclude by discussing the future challenges for enhanced trade cooperation, and making suggestions for how to enhance such cooperation in the future.

Trade cooperation to date

Trade has long been central to bilateral cooperation between the US and Brazil. Traditionally dominated by trade in manufactured goods (Schott, 2003), the scope of bilateral trade has expanded in recent years, with US exports to Brazil in services, for example, more than doubling between 2002 and 2009 (Ward, 2011). This has been accompanied by an absolute increase in trade volume. As is evident in Figure 4.1, between 2001 and 2014, US exports to Brazil and imports from Brazil increased consistently, reaching US$ 44 billion and US$ 27 billion respectively (US Census Bureau, 2017). Renewed engagement between economic officials since March 2016 aims to “expand commercial ties and address non-tariff barriers to trade” (Bureau of Western Hemisphere Affairs, 2017), and figures for 2017 indicate trade levels which, if not on par with 2014, are at least consistently higher than corresponding months in the previous two years (US Census Bureau, 2017). The compatibility of the two markets further attests to the potential for future bilateral trade growth. Moreira (2009) notes that the production structures and size of Northern markets like the US are economically much more attractive to Brazil than the market gains available in preferential trade agreements with Southern countries. Similarly, markets like Brazil have been described as the “best prospects for US export growth” and Brazil itself as “a vital market for US companies” by both business representatives and economists alike (Marques, 2013; Schott, 2006).

The potential for trade cooperation is additionally enhanced by similar approaches in the two countries. First, both are “global rather than regional traders” (Phillips, 2003: 336). Consequently, they have both traditionally been strong proponents of multilateral trade governance. US engagement drove the first eight rounds of trade liberalization under the WTO’s precursor, the General Agreement on Trade and Tariffs, and helped establish principles which remain fundamental to global trade governance today (Feinberg, 2003). Likewise, the Brazilian government’s successful use of the WTO’s DSB and its leadership of the trade G20 coalition have reinforced the continued relevance of the WTO and its principles (Hopewell, 2016). Second, both states support pursuing trade preferences in diverse fora. While President Trump’s prioritization of bilateral negotiations has been much commented upon in the media, the basis for the US trade diversification in fact stretches back at least to the George W. Bush administration, whose officials viewed bilateral trade agreements as models for and building blocks to a successful WTO deal (Evenett and Meier, 2008). Similarly, Brazilian president Luiz Inácio
Figure 4.1 Brazilian-US bilateral trade in goods

Source: data from US Census Bureau
Lula da Silva (henceforth: Lula) stepped up South-South trade cooperation both within and outside the WTO, signing nine South-South trade agreements during his administration (OAS, 2017). Finally, the rhetoric of the two governments has underlined their desire to cooperate more closely on trade. A joint statement issued by US President Barack Obama and Brazilian President Dilma Rousseff in 2011 “emphasized the importance of building on, deepening, and broadening” their trade relationship (Obama and Rousseff, 2011). The Trade and Economic Cooperation Agreement signed at the same time reflected these intentions: five of the TECA’s seven tasks related to expanding trade levels and cooperation.

Yet, despite these auspicious signs, bilateral trade cooperation remains below its potential. The prominence of South-South cooperation during the Lula administration has allowed Asian countries, especially China, to gain Brazilian market share largely at the cost of the US exporters (WTO, 2013), and this trend looks continued under Michel Temer’s administration (Leahy, 2017). Similarly, the US’ decision to negotiate mega-regional agreements with Europe and Asia implicitly reaffirmed the relative unimportance of Latin America within US trade policy (Hakim, 2014), while the Trump administration’s decision to withdraw from the Trans-Pacific Partnership and its intractability in renegotiating the North American Free Trade Agreement raise questions about the importance of the trade portfolio in general in an “America First” foreign policy. Even when Brazil and the US do trade, their relationship has been characterized by persistent bilateral conflict over specific trade issues, including agricultural subsidies and intellectual property protection, creating “open and potentially damaging friction between the two countries” (Hakim, 2004). For instance, the decision in March 2018 to impose tariffs on steel and aluminum imports had the potential to strongly and negatively impact the Brazilians in particular, as Brazil is the US’ second largest source of steel imports (CNBC, 2018). That Brazil was ultimately exempted from the tariffs after ruling out neither retaliation nor a legal challenge at the WTO (Reeves, 2018; BBC News, 2018) speaks both to the potential for bilateral cooperation and to the changeability of this evolving trade relationship.

The domestic foundations of US and Brazilian trade policy

Why this disjunction between economic potential and political commitment on one hand, and conflict and unfulfilled ambition on the other? The liberal theory of international relations (Moravcsik, 1997) and associated societal approach (Schirm, 2016) point to domestic factors as crucial for explaining a variety of outcomes in GEG. These approaches assume government preferences are formed at home before being transmitted to potential partners in international cooperative situations and that elected officials respond to domestic preferences because they are electorally dependent on voters. As Putnam’s (1988) two-level games approach elaborates, successful cooperation requires negotiators at the international level to reach agreements which are simultaneously acceptable to fellow governments and fall within their own constituents’ “win-set”. Such cooperation among democratic governments requires accommodation of partners’ domestic preferences, for
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example, via incorporation of socially popular ideas or sectoral economic interests (Schirm, 2010). In relation to Brazilian-US trade cooperation, this implies the two governments’ varying ability to accommodate the domestic ideas and interests of the other results alternately in more or less successful bilateral trade cooperation.

Although Brazilian domestic actors have traditionally had little influence over Brazilian trade policy decisions (Marconini, 2005; Hurrell and Narlikar, 2006), the impact of domestic groups on trade policy is growing. The FTAA negotiations marked a significant change in domestic-government relations as Brazilian domestic actors successfully institutionalized their role in preparing Brazilian negotiating positions for the first time (Veiga, 2005). By creating organizations like the Brazilian Business Coalition, domestic actors were able to better synthesize and communicate diverse domestic preferences to the government. In addition, they assisted the government by providing sector-relevant information which enabled the government to better assess the impact its proposed trade policy positions would have at home (Shaffer et al., 2008). Nowadays, the future of Brazilian trade integration “depends centrally on the country’s domestic politics” (Martinez-Diaz and Brainard, 2009).

US domestic actors have long been a pivotal force in trade policymaking, for instance, providing government actors with technical advice to help them estimate the impact of potential trade policies on the US economy. This has granted domestic actors “great leverage on what the US government can and cannot agree to in trade negotiations” (Cohen, 2000). For example, lobbying expenditures have been shown to be effective in convincing elected and non-elected government officials to reach policy decisions favorable to domestic interests (Gawande and Hoekman, 2006; Drope and Hansen, 2004). Furthermore, domestic actors affect US government trade policy decisions indirectly through their ideas. Research shows US legislators’ trade votes correlate strongly with their ideological positioning precisely because gaining voter support for trade initiatives depends on aligning voters’ and legislators’ ideological orientations (Baldwin and Magee, 2000). Although the impact of domestic preferences on both countries’ trade policy may be moderated by the impact of foreign policy considerations (Evenett and Meier, 2008; Veiga, 2005), domestic preferences remain a crucial factor for understanding their trade policy decisions.

I will focus on two types of domestic preferences in this chapter: 

Ideas are defined as “path-dependent and value-based collective expectations about appropriate governmental policies” (Schirm, 2016). The collective nature of popular ideas is what gives them power in domestic politics. Therefore, while acknowledging the valuable contributions of non-governmental organizations to domestic political debates and framing in these countries (see Baiocchi et al., 2008, and Kim, 2017), the domestic reference group for ideas is voters in general. Economic interests are defined as economic actions which generate benefits and costs for private actors as a result of government decisions (Mahrenbach, 2013). Actors are assumed to band together in interest groups and lobby for their preferences, offering government actors both contributions and blocs of votes in exchange for adopting sectoral preferences (Grossman and Helpman, 1994). Consequently, sectoral
and apex interest groups will be the domestic reference group for economic interest preferences.

Ideational preferences

Two ideas appear especially relevant to US-Brazilian trade cooperation. The first is influence, defined here as the desire to exert control over outcomes in international trade negotiations. From the US perspective, influence is relevant since maintaining the US’ unique position in global economic affairs has long been a foreign policy goal of the US government (Mastanduno, 2009). Furthermore, the US sees trade activities as a means of increasing US influence (Altieri, 2003), leveraging access to the US market for desired trade outcomes. US voters show clear and consistent support for this idea: 83% of US respondents considered US leadership in world affairs “very” or “somewhat desirable” in 2002 and 84% in 2010 (CCGA, 2012). Additionally, US respondents accept the link between trade and foreign policy which allows the US to leverage its market size for influence over partners’ trade policies, with 67% of respondents finding FTAs “very” or “somewhat effective” in achieving US foreign policy goals (CCGA, 2012).

From a Brazilian perspective, influence should matter because, despite Brazil’s elevation to emerging power status, US-Brazil bilateral relations remain asymmetrical. Brazilian opposition to US foreign policy initiatives in Latin America is at least partially motivated by Brazil’s desire to realize its own self-perception as “one of the world’s most important nations” (Hakim, 2004). Consequently, Brazilian domestic actors should be interested not only in avoiding exploitation but should also seek US acknowledgement that the bilateral relationship must adjust to Brazil’s new status in global economic affairs. The logic of this argument is validated by Brazilian public opinion data. On one hand, Brazilians remain pragmatic regarding their country’s relationship with the US. 55% of Brazilian respondents agreed the US “did not consider others” when making foreign policy decisions (Pew, 2002), and 76% indicated “rich countries” do not “play fair” in trade negotiations (GlobeScan, 2004). On the other hand, 73% expected Brazil to have “more importance” in the future, and 87% indicated they had “more pride than shame” in their country (Datafolha, 2000; Pew, 2010). Thus, while recognizing influence gains vis-à-vis the US will be hard-won, Brazilians nonetheless consistently expect Brazil’s influence in the world to increase.

The second idea likely to be relevant to US-Brazilian trade cooperation is development. Development refers to efforts to create a stable and prosperous macroeconomic environment while simultaneously minimizing social inequalities. For Brazil, development should matter because of the development possibilities US-Brazilian trade cooperation offers. The US market is hugely attractive to Latin America because of its size (Wrobel, 1998), and the rapid growth in business ties between the US and Brazil suggests this is especially the case for Brazil (Bodman and Wolfensohn, 2011). Furthermore, Brazilian policymakers expect higher levels of trade to facilitate domestic development efforts, and have shown themselves willing to use Brazil’s veto power within trade negotiations when outcomes veer
away from this goal (Bahadian, 2008). US policymakers see a similar link between trade and development. Regional trade initiatives have long been considered a means of solidifying the economic foundations of Latin American democracy and creating a stable, prosperous neighborhood for the US and its businesses (Schott, 2003). Furthermore, scholars note that the success of US foreign policy initiatives in the region is largely dependent on the Brazilian government’s success in achieving development goals within Brazil (Hakim, 2004).

Voters in both countries agree on the importance of development. 96% of Brazilians find social inequality either a “very big” or a “moderately big” problem in Brazil (Stokes, 2014), and 80% of respondents agree that the “Brazilian economic system generally favors the wealthy” (Pew, 2013). Other development issues requiring attention in Brazil included expansion of education, expansion of social programs, and economic development (IBOPE, 2007). Like policymakers, Brazilian voters consider trade a potential solution for some of these problems: 44% of respondents expected more trade to increase wages, and 56% thought more trade would mean more jobs in Brazil (Pew, 2014). In contrast, US voters focus their attention on development efforts abroad. Respondents identified the “growing gap between the rich and poor” as the third “greatest threat to the world” in 2007 (Pew, 2007). Further, 62% and 74%, respectively, support development aid to help developing countries “develop their economies” and “become more productive” (CCGA, 2010). Finally, like Brazilian respondents, US respondents see trade as an important means of addressing development problems (CCGA, 2010). In sum, while domestic support for development appears complementary and consequently conducive to trade cooperation, the strength of voter support for influence in both countries could make it hard for governments to compromise in relation to their influence in world affairs. This suggests ideational conflict over influence could complicate US-Brazilian trade cooperation.

**Interest preferences**

Two interests appear relevant to US-Brazilian trade cooperation. These represent opposing policy approaches vis-à-vis the purpose of trade cooperation, namely regulating market access opportunities and trade flows. The first interest, liberalization, is defined as gaining access to new markets or expanding access to existing markets. The second, protection, refers to maintaining or decreasing given levels of market access.

As US business “became globalized” and increasingly dependent on global markets in the late 1990s, domestic support for protection began to decline (Destler, 2012). This is evident in the mandates of the US’ three apex interest groups, considered the “most politically influential” of US interest groups (Chorev, 2007). The Business Roundtable considers free markets for trade and investment “essential” to US economic health, identifies reaping the “benefits of trade and US trade agreements” as a priority, and actively urges Congress to pass legislation to facilitate the implementation of successful trade initiatives (Business Roundtable, 2014). Similar sentiments are expressed by the US Chamber of Commerce, which
Laura C. Mahr enbach sees freer markets as the key to a “brighter future”, and by the National Association of Manufacturers (US Chamber of Commerce, 2014; NAM, 2014). Beyond the apex level, however, interest preference appears less coherent. Some sectors, such as agriculture, continue to be wary of trade. For instance, the National Farmers Organization released press releases entitled “No to Fast Track” and “Brazilian Beef Imports a Bad Idea” (National Farmers Organization, 2014). While the former indicates support for increasing institutional obstacles to liberalization, the latter explicitly opposes improved market access for Brazilian exports to the US. Other sectors, including the US’ services sectors, actively lobby for liberalization (Chorev, 2007). The Telecommunications Industry Association, for example, explicitly supported extending President Obama’s Trade Promotion Authority in 2014, claiming trade agreements lead to increased communication technology exports and should therefore be facilitated (TIA, 2014). Clearly, US domestic preferences toward trade are diverse.

Turning to Brazil, protectionist interest groups have traditionally been more successful than their liberal counterparts in gaining the government’s ear (Veiga, 2009). During the Lula administration, however, some of these groups began to reconsider their positions toward market access (Marconini, 2010), and liberalization supporters concurrently gained some influence over trade policy. As such, Brazil is now characterized by “enormous ambivalence on the question of openness” (Martinez-Diaz and Brainard, 2009). On one hand, some sectors call for government intervention to ensure Brazilian competitiveness in global markets. The Brazilian Association of Machinery & Equipment, for example, says domestic competitiveness should be “encouraged by the state” and that the government should “ensure [competitive] equality with respect to trade competitors” (ABI-MAQ, 2014). Such measures would bias market competition in favor of Brazilian producers and protect Brazilian companies from foreign competition. On the other hand, the highly competitive agriculture sector lobbies strongly for liberalization, establishing research institutions like the Institute for International Trade Negotiations to support trade officials and promote their own interests (Hopewell, 2013). This ambivalence between liberalization and protection is additionally reflected in the statements and missions of apex interest groups, such as the Federation of Industries of São Paulo and the National Confederation of Agriculture and Livestock (see CNA, 2014; or FIESP, 2014).

In sum, significant and powerful business groups are working to advance both interests in both countries. Interest-based conflicts which complicate bilateral cooperation should center on sectors where interest groups’ preferences in the two countries conflict, such as agriculture or, given recent political developments, steel and coal.

Failed cooperation: Free Trade Area of the Americas negotiations, 2001–2005

The FTAA was first proposed at the Miami Summit of the Americas in 1994. Negotiations began in 1998, setting January 2005 as the target date for completion. From the beginning, the process was characterized by conflict between
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co-chairmen Brazil and the US, both regarding the scope and the format of the negotiations (Kennedy, 2003–2004). By 2005, negotiations had fizzled out, with neither the US nor Brazil demonstrating the “political commitment” necessary to make concessions and reach a deal (Carranza, 2004). How did domestic ideas and interests contribute to this failure of US-Brazilian cooperation?

Starting with ideas, as expected, development played little role in the failure of US-Brazilian cooperation. In line with domestic preferences, Brazilian government actors spoke often during the negotiations of the FTAA’s usefulness in “redressing the inequalities that affect us” (Seixas Corrêa, 2001). US officials likewise underlined the need to help FTAA partners promote “sustainable development” as one of the US’ objectives in the negotiations (Zoellick, 2002). Influence, in contrast, appeared more obstructionist. On the Brazilian side, the literature highlights the Brazilian government’s desire to balance US power in the region via the FTAA negotiations (Mera, 2005). Officials worried the negotiations would damage Mercosur, in which the Brazilian government had invested significant political capital (Veiga, 2005). They consequently sought a negotiation outcome which simultaneously ensured Brazil’s future regional influence and avoided US regional dominance (Phillips, 2003). As then-president candidate Lula noted, “The FTAA, as proposed, is not a policy of integration, but of annexation. We will not be annexed” (Agence France Presse, 2002). On the US side, the FTAA negotiations were seen as a good opportunity to reinforce “the structural and ideological foundations of [US] hegemony” (Phillips, 2003). Specifically, the US government sought to promote the maintenance of domestic economic reforms in Latin America which supported US preferences, as well as to solicit FTAA partners’ support for US foreign policy initiatives (Schott, 2003). Put differently, the US sought to exert influence over the economic and foreign policies of its FTAA trade partners. As such, the US refused to yield significant influence gains to either Brazil or its Mercosur partners during the FTAA negotiations (Grugel, 2004). These circumstances put the positions of the two governments at odds when it came to influence in the negotiations.

Turning to economic interests, both governments were intent on achieving liberalization. While the US focused on opening markets for its agricultural and manufacturing sectors, it also saw the FTAA as an opportunity to gain entrance to highly protected, Southern services markets (Phillips, 2003; Schott, 2006). Increasing trade with Brazil was an especially attractive goal for US government officials (Feinberg, 2003). Likewise, Brazil sought to increase access for its manufacturing and services sectors, both to the US market and to other regional markets (Barbosa, 2004; Schott, 2006). Officials also hoped to discuss the removal of existing protectionist structures with the US during the negotiations (Rios, 2006). However, domestic actors’ ambivalence toward liberalization and protection in both countries meant the devil was in the details when it came to increasing market access via an FTAA. For both countries, the liberalization goals prioritized by officials corresponded to their partner’s most protectionist sectors. The US government, for example, sought to “eliminate government practices [. . .] that adversely affect US exports” in agriculture, but simultaneously maintained its right to “improve US
import relief mechanisms as appropriate” (Zoellick, 2002). Elimination of these protectionist “relief mechanisms” stood at the center of the Brazilian negotiating position in the FTAA negotiations. As Brazilian Minister Sergio Amaral noted, there were “no conditions for coming to an agreement (with agricultural subsidies in place) because most of our competitiveness is in agricultural products” (Brooks, 2002). Thus, the peculiar combination of who supported which interest in each country, and the failure of opposing governments to acknowledge these sensitivities, hindered progress in the negotiations.

The FTAA negotiations represent a clear failure of US-Brazilian trade cooperation. The conflicting goals arising from the idea of influence in the two countries delayed negotiations and resulted in constant competition over who would decide fundamental issues. Furthermore, both governments showed an unwillingness to compromise on issues, such as agriculture, where domestic interest preferences clashed.

**Successful cooperation: WTO mini-ministerial meeting, Geneva, 2008**

The WTO mini-ministerial meeting brought together ministers from roughly 40 countries in July 2008 in Geneva to start resolving the remaining issues of the Doha Round and to outline the next steps for the trade negotiations. The negotiations were primarily conducted within a small group, the G7, which contained both Brazil and the US. Unlike the FTAA negotiations, emerging-established state conflict within the G7 was largely between the US and India, not Brazil. In fact, US-Brazilian trade cooperation in Geneva almost led to a breakthrough: both governments’ acceptance of the so-called Lamy Package, a compromise in which the US agreed to lower its agricultural subsidy cap in exchange for Brazil deepening industrial tariff cuts, extended the negotiations for several days (Miller, 2008).

What role did domestic ideas and interests play in the success of US-Brazilian trade cooperation in this situation?

The name of the negotiations – Doha Development Agenda – points to the importance of development for the Round and suggests participants should, at least rhetorically, support positions in line with this idea. This supposition is confirmed by US and Brazilian government statements. USTR Susan Schwab noted “a successful Doha Round of trade negotiations will contribute to development and lift millions out of poverty around the world” (Schwab, 2008c). Likewise, Brazilian Foreign Minister Celso Amorim underlined the “inestimable” importance of the Round for “promoting development” (Amorim, 2008a).

In contrast, given the clashes between Northern and Southern states throughout the Doha Round and the US and Brazil’s leadership roles, respectively, in each of these groups, influence seemed a likely point of conflict between the US and Brazil. Surprisingly, this was not the case. US government statements made clear that the US was aware it could not dictate the terms of the final deal but, rather, was dependent on cooperation and compromise with other governments. Similar content appears in Brazilian government statements (compare Amorim,
2008b, and Schwab, 2008a). Additionally, US officials went out of their way to praise Brazil’s leadership in the Round, thus acknowledging Brazil’s changing weight in the world. For example, USTR Schwab noted “Brazil was one of the countries that really exhibited leadership”, showing itself “able to endorse and willing to endorse the Friday Lamy package even though it caused some pain and discomfort” (Schwab, 2008b). Brazilian officials returned the favor, declaring US “leadership in the multilateral process of agriculture reform” helpful in reaching a deal (Engeler, 2008) and minimizing, if not eliminating, verbal provocation. For instance, Amorim highlighted how, in participating in the “new Quad” (Brazil, EU, India, and US) of major players at the WTO, Brazil was not seeking to eliminate the US’ influence in negotiations but, rather, simply adding Brazil’s voice to the mix.

Economic interest preferences were similarly unproblematic for US-Brazilian cooperation. This is evident in the terms accepted by Brazil and the US in the Lamy Package. The US government’s acceptance meant agreeing not to raise total US agricultural subsidies above US$ 14.5 billion in the future (Ismail, 2009). This was not as low as liberal agriculture exporters in Brazil wanted, but it was “a lower ceiling than US negotiators had ever accepted” (Blustein, 2008). It also marked a huge change from previous Doha negotiations, where disagreements over agricultural subsidies had resulted in much-publicized failures (Bhagwati, 2004). US acceptance thereby represented a symbolic concession on an issue that had become central to Brazilian trade policy given the strength of the Brazilian agriculture sector.

Brazilian acceptance of the Lamy Package, in turn, meant agreeing to the conditions the US set for its own acceptance. First, the US’ agricultural subsidies would be exempt from litigation at the WTO for a designated period of time. This was unlikely to please Brazil’s liberal agriculture sector, which had gained significant market access via disputes with the US and Europe. However, the market access potential arising from the US’ subsidies offer must have been seen as an adequate trade-off, or at least one substantial enough to continue negotiating. As the president of the Association of Brazilian Pork Exporters noted, “If there is a chance, we should do it. But it is too low. [. . .] We are far from the promise of Doha” (Zanatta, 2008). Second, the Brazilian government had to offer WTO members “significant market access” in services and manufactured goods (Kaushik et al., 2008). The vagueness of the US’ demand here made Brazilian compliance easier: not defining what qualified as “significant” enabled protectionist sectors in Brazil to accept their government’s positions during the negotiations. As the president of the National Association of Automobile Manufacturers noted, the government assumed “a strong position respecting the limits of the industry” (Landim, 2008).

In this case, successful cooperation was characterized by a willingness on both sides to publicly acknowledge ideas valued by their trade partner in their communications. In addition, both governments showed their willingness to navigate ambivalent domestic interest preferences by agreeing to strategic and/or symbolic compromises which recognized the other’s vulnerabilities.
Conclusion

I have argued that understanding the complementarity of domestic ideas and interests in Brazil and the US is crucial to understanding the successes and failures of US-Brazilian trade cooperation since the start of the Doha Round in 2001. In addition, I have claimed that this exercise will yield useful insights into emerging-established state cooperation within GEG more broadly. So what have we learned?

First, the forum of trade cooperation may matter for success. Domestic ideational differences were easier to navigate at the multilateral level than at the regional one. This is because the larger institutional context of the WTO – where questions of influence are negotiated among many countries rather than just two – made it easier to recognize both countries’ leadership in international affairs. Likewise, the broader agenda of the multilateral institution facilitated cross-issue compromises in regard to domestic interests. This was evident in the Lamy Package, for example, where the US exchanged capping agricultural subsidies for increased market access in services and manufacturing.

Second, foreign and trade policy continue to be closely related in both countries and successful bilateral cooperation cannot happen in a vacuum. Foreign policy scandals, such as the 2013 discovery that the US National Security Agency had been spying on the Brazilian president, have strong negative repercussions on each government’s ability to frame negotiations in a way compatible with trade progress. At the same time, however, trade cooperation can also moderate, if not eliminate, the impact foreign policy conflicts on the broader bilateral relationship. Resolution of the 11-year-old trade dispute over cotton in October 2014, for example, marked the first sign of easing the “strained” relationship between Brazil and the US evident since the spying scandal (BBC News Business, 2014).

Finally, concessions – symbolic or not – matter for the success of bilateral trade cooperation. Although the Lamy Package was unlikely to result in significant agricultural gains for Brazil, the US’ concession had symbolic value in that it acknowledged both Brazil’s influence aspirations as well as the interests of a significant sector within Brazil. Likewise, the Brazilian government’s decision to minimize rhetorical provocation during the WTO negotiations, unlike in the FTAA negotiations, and even verbally support US leadership allowed negotiators to sidestep US domestic fears that emerging powers, among them Brazil, are seeking to replace the US in international affairs. The best case scenario in facilitating positive outcomes from US-Brazilian trade cooperation would be for both sides to agree to real market access concessions. Given that such concessions are by definition politically precarious, that both the Brazilian and American governments are embroiled in corruption scandals and that the current US administration has a penchant for a zero-sum view of trade relationships, this is unlikely to happen anytime soon. Hence, for now, the best that can be hoped for is symbolic concessions which ensure the governments continue talking.

These findings offer lessons for emerging-established state cooperation in GEG more broadly as well. Regarding forum choice, bilateral, regional, and multilateral
Emerging and established state trade have long been viewed as legitimate, if not equally optimal, contexts for trade cooperation between emerging and established states. Recent developments in other issue areas, such as the Asian Infrastructure Investment Bank, in contrast are often characterized as evidence of “hubris” or “aggression” on the part of emerging states and linked to pursuit of power-related goals (e.g., The Economist, 2016). Emerging-established state cooperation could be enhanced by acknowledging emerging states simply seek the same privileges – and forum flexibility – which established states have enjoyed for years. Doing so will expand and diversify the existing system of GEG, but it need not eliminate – and may even enhance – the benefits arising from that system. Assuming this attitude would also help embed new theoretical insights which highlight the link between foreign and foreign economic policy, such as Armijo and Katada’s (2015) financial statecraft, into policymaker interpretations of partners’ intentions. This could enhance the quality of emerging-established state discussions. As for concessions, the most transferrable lesson from trade cooperation regards the importance of symbolic concessions. Although these may not be sufficient to ensure GEG institutions’ continued viability and effectiveness (Woods, 2010), US-Brazilian trade cooperation suggests acknowledging partners’ sensitivities via such concessions can not only prolong cooperation by building (and repairing) relationships. In addition, doing so can blur the line between North and South by re-focusing discussions on domestically feasible policy options which are more likely to be implemented by, and therefore more likely to result in effective cooperation among, emerging and established states.

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Notes

1 “Northern states” refers to established states such as the US, Germany, or Japan, “Southern states” to emerging and developing countries.
2 Sectoral interest groups represent a single sector, such as sugar. Apex interest groups represent multiple sectors, such as all agricultural sectors.
3 This case study only considers the latter half of the negotiations, between 2001 and 2005.

References

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