

# United States - Brazil Foreign Trade Agreement

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The advent of the Bolsonaro Administration in Brazil creates an important opportunity for the United States and Brazil to explore closer economic ties. Although U.S. trade policy for the past two years has been unpredictable, the Trump administration seems to be settling on a path of rebuilding relations with important trading partners. Brazil, for a number of years politically unsettled, has now elected a President with a strong mandate for change. Presidents Bolsonaro and Trump seem to be tough-minded pragmatists wholeheartedly targeted to make their respective countries “great again.” This may be a perfect opportunity for a more solid and mutually beneficial partnership between the two largest economies in the western hemisphere.

Brazil, with more than 200 million people and abundant natural resources, frankly should be the world’s 3<sup>rd</sup> largest economy rather than the 9<sup>th</sup>. Studies have shown the potential for substantial growth as Brazil opens its market to global competition and cooperation, especially with the U.S.

A productive trade partnership between the US and Brazil would create substantial economic opportunities for both countries. But more importantly, a forward looking economic and political partnership between the U.S. and Brazil could be a foundation for growth and renewal with profound implications across the Americas.

A foundation for such cooperation was begun in 2011 when the U.S. and Brazil launched the Trade and Economic Cooperation Agreement (TECA) to “enhance the bonds of friendship and spirit of cooperation.” The TECA is the first step to expand trade and strengthen economic relations between the two countries. It specifically aimed to foster an open, predictable, transparency and non-discriminatory environment for international trade and investment, both in goods and services. The U.S. and Brazil have discussed a number of important trade and investment issues, including market access, the Generalized System of Preferences (GSP), tax and labor issues, as well as enhanced collaboration on WTO issues and agricultural trade. Recognizing the importance of the manufacturing sector as a key driver of economic growth in both countries, the U.S. and Brazil also established an ongoing dialogue on policies that promote investment in manufacturing.

Like most healthy trade relations, US and Brazil have developed strong intra-industry trade: top US export to Brazil in 2017 were agricultural products, mineral fuels, aircraft, machinery and vehicles. Brazil’s top exports to the US that year were agricultural products, mineral fuels, aircraft, machinery, and vehicles. Trade between the two countries since 2000 has tripled. We have become more formidable competitors. Brazil is a fierce global competitor to the US for soybeans, beef, and poultry meat, as well as in corn, cotton and orange juice. In addition to competing for the growing Chinese market, Brazil, via MERCOSUL, is also negotiating a trade

agreement with the European Union. Brazil and Mexico, the two largest Latin American economies are also integrating their economies.

Bilateral exchanges between the U.S. and Brazil are strong and should get stronger. The U.S. and Brazil conduct regular exchanges in a formal *Commercial Dialogue* on trade facilitation, regulatory good practices, and standards. In January 2016, the US Patent and Trademark Office and Brazil's patent and trademark agency, INPI, launched the "Patent Prosecution Highway" (PPH) program, a fast-track examination agreement that allows the patent offices to leverage each other's work product, and is a tool that will help improve patent quality and reduce Brazil's backlog. The two countries have also increased exchanges in global best practices in infrastructure development. The second meeting of the U.S.-Brazil Infrastructure Memorandum of Cooperation (MOC) Working Group on Infrastructure Development took place in December 2017 in Brasilia, and coincided with the signing of a Global Procurement Initiative (GPI) to exchange best practices in government procurement.

Like all good economic partners in a vibrant global economy, Brazil and the US must become both formidable competitors and warm and constructive collaborators. The next logical step is to consider a US-Brazil FTA. A recent study by the US-Brazil business council showed the substantial gains from such a partnership. The question was never if it was a good idea; the only question is if the two nations can, under the new Bolsonaro Administration, overcome past differences and forge a new economic partnership that productively embraces both the competition and the cooperation, to help create a new economic renaissance in the western hemisphere.