

A summary of testimony given by Paulo Sotero, director of the Brazil Institute of the Woodrow Wilson International Center for Scholars, in Washington, D.C., at a public hearing on

Directions for Brazil-United States Relations
Committee on Foreign Relations and National Defense of
the Federal Senate

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I am honored by the invitation from Chairman Ricardo Ferraço to appear before the Brazilian Senate Foreign Relations and National Defense Committee and congratulate him for his timely initiative to host this public audience on Brazil-United States relations.

Proximity and distancing have marked the ties between the two nations since 1823, when the young republic of North America became the first country to recognize Brazil's independence from Portugal. Today, we are witnessing a moment of estrangement, not yet overcome, caused by revelations of electronic monitoring of the Brazilian government and citizens by the National Security Agency of the United States.

What differentiates the sudden cooling in the bilateral dialogue during the second half of 2013, and which I presume is the reason for convening this public hearing, is the timing. It came about when the governments of both countries seemed to have left behind the disagreements of recent years and were working to build a productive relationship, based on the recognition of converging national interests of the two largest democracies and economies in the Americas. In other words, relations between Brazil and the United States suffered a major setback at a time when they seemed poised to be elevated to a much higher level of engagement.

Despite occasional disappointments and frustrations on both sides, Brazil-United States relations advanced significantly over the past two decades. This resulted primarily from the stabilization of the economy and the consolidation of democracy in Brazil in the context of a rapidly shifting post-Cold War global scenario, which made Washington acknowledge and accept a reality it had ignored: the intrinsic merits and strategic value for regional and global stability of Brazil's exemplary transition from authoritarianism to a democracy of results, in a process reflective not only the country's historic aspirations but also its political plurality and diversity, perhaps the nation's greatest asset.

Brazil began to be seen in Washington as a relevant player and potential partner on difficult international issues, be it in Haiti, Venezuela, the Middle East or Africa. Washington realized that global issues, from climate change to food security to governance of international financial institutions and global trade could no longer be properly discussed without Brazil being at the table. Within this framework, contact intensified between the private and the public sectors and the two societies. Presidents Fernando Henrique Cardoso and Bill Clinton, and later Presidents Lula and George W. Bush, established substantive dialogue. High level consultations, including telephone calls between leaders, became routine.

There is ample evidence that President Obama's invitation to the Brazilian president to make a state visit to Washington in October 2013 – the first in nearly two decades - was motivated by the desire to promote and project a change in the quality of the relationship. The Brazilian leader's acceptance and preparatory steps for the visit suggested that it was seen by both sides as a unique opportunity to upgrade the bilateral dialogue to a new level of strategic engagement between Washington and Brasília.

According to well-placed sources in the private sector, it was expected, for instance, that Dilma Rousseff would announce at the White House the purchase of \$4.5 billion dollars' worth of F/A-18 Super Hornet fighter jets from Boeing to reequip the Brazilian Air Force. The deal would have involved Embraer and the potential expansion of the US market for Brazilian made military aircrafts. Also expected was a statement of support from Washington for Brazil's aspiration for a

permanent seat in an eventually reformed United Nations Security Council. In addition, initiatives aimed at reducing bureaucratic procedures, facilitating business transactions and the transit of citizens between both countries were being actively explored. Following the implementation of an agreement on the exchange of tax information, momentum was building to pursue similar initiatives in other areas, including the one proven to be most difficult over the years - trade.

The pursuit of stronger relations with the U.S. began after Dilma Rousseff's inauguration as President in 2011, following a cooling off at the end of the Lula administration. It reflected the Brazilian leader's pragmatic understanding of the positive implications of closer ties with Washington in terms of her government's strategy to attract investments of foreign capital and technology to foster faster economic growth and sustain it at levels needed to eradicate poverty and continue Brazil's transformation into a middle class country. She had suggested such at a press conference in the last days of December 2012. Asked about the difficulties that internal politics in the U.S. posed to the administration of the country's public finances and its position in the world, Rousseff said that Obama's reelection, in the previous month, would help the recovery of both the American and the global economy. "The American economy is very flexible," she added. "All those who believe the United States has lost international importance should be reminded of at least two things: it is a flexible economy in its ability to reinvent itself, and it is also an extremely innovative economy."¹

President Obama travelled to Brasilia to meet Rousseff in March 2011, only weeks after her inauguration. It was the first time a leader of the United States had paid

¹ ¹ <http://www2.planalto.gov.br/acompanhe-o-planalto/entrevistas/entrevistas/entrevista-concedida-pela-presidenta-da-republica-dilma-rousseff-durante-cafe-da-manha-com-jornalistas-setoristas-do-palacio-do-planalto-brasilia-df>

Continuation of Dilma Rousseff's declaration about the U.S.: "The U.S. has, today, two major advantages: they discovered shale gas and tight oil. They have certain autonomy, with regard to energy, of low and competitive prices. Gas in the U.S. is approximately at two to three dollars. (...) Second, they have advancements in innovation, such as additive manufacturing, the touch industry [examples such as] our Ipads, iPhones [all equipment] that are touch screen. They also have an extremely high capacity for innovation. There are universities and there is a thing called education, education, education and education."

a visit to the Palácio do Planalto before greeting the Brazilian president at the White House – a symbolic gesture well received in Brasilia. Interactions between both societies intensified, facilitated by the increase in flights between both countries resulting from expanding flows of business executives in both directions and Brazilian tourists and students to the United States. By the end of 2013, a quarter of the forty thousand Brazilian university students selected for the Scientific Mobility scholarship program, President's Rousseff's pet program, had chosen American universities as their destination.

As we all know, the state visit was postponed after revelations of NSA spying activities in Brazil made it politically impossible. The breach of trust the incident caused between the United States and friendly countries whose leaders were spied on by the NSA, and the cries for privacy from American citizens and Congress resulting from Edward Snowden's revelations, continue to reverberate. President Obama and influential lawmakers have since acknowledged the significant political and economic damage the episode caused for the U.S. government and for American companies. On January 17th, Obama publicly announced the end of phone surveillance targeting presidents of friendly countries. He added, however, that, "the intelligence services [of the United States] will continue to gather information throughout the world about the intentions of governments' – and not of ordinary citizens -, in the same way that intelligence gathering is carried out by the intelligence services of other nations." He concluded, "We will not apologize simply because we are more effective."

Seeking to allay concerns at home and abroad, last week, the White House announced a proposal to Congress to reduce the scope and increase the judicial control over the electronic monitoring of communications of citizens, which was first authorized by legislation passed after the terrorist attacks of September 11, 2001. His proposals will likely find support among Democrats and Republicans, especially after it was revealed that investigators from the Senate Intelligence Committee, whose mission is to oversee intelligence agencies' activities, were themselves spied on.

Other developments indicate the episode is in the process of being overcome. French President François Hollande, who had protested against NSA spying in his country, said the issue had been resolved before heading to a state visit in Washington in early March. The Prime Minister of Germany, Angela Merkel, reacted to the revelations by cancelling some intelligence agreements between Berlin and Washington, but scheduled a working visit to the U.S. capital in early May. Hollande and Merkel's actions had the obvious intent of insulating their governments' relations with the United States from the effects of further Snowden disclosures. At the same time, it undermined Brazil's insistence of a public explanation and a formal apology from Washington as a condition for the resumption of dialogue.

As the senators know, bilateral dialogue was restarted at the ministerial level three weeks ago, by American initiative, when U.S. Treasury Secretary Jack Lew visited Brasilia and was greeted by Minister Guido Mantega with a call for rapprochement. This was followed by a visit by Assistant Secretary of State for Western Hemisphere Affairs, Roberta Jacobson. According to reports published last week, American Vice President Joe Biden will pay a visit to President Dilma Rousseff, in Brasília, either before or after attending a U.S. game during the World Cup, as anticipated in an article published by the Estado de S. Paulo newspaper, on March 19th².

The warm greetings President Dilma exchanged with Obama at Nelson Mandela's funeral, in December, and with Biden at Michelle Bachelet's presidential inauguration, last month, had already eased the tension left behind by Snowden's revelations. According to press reports, in their brief conversation Rousseff took the initiative to ask the American Vice-President to work with the opposition to Venezuelan president Nicolás Maduro in order to preserve a path for a negotiated solution of the current crisis that Brazil, Colombia, and Ecuador are attempting to mediate on behalf of the Union of South American Nations (UNASUR.) Rousseff's gesture exemplifies Brazil and the U.S. converging interest in a resolution of the crisis and the restoration of stability in Venezuela.

² <http://www.estadao.com.br/noticias/impreso,recomeco-das-relacoes-malparadas-com-os-eua,1142517,0.htm>

The desire of a continued dialogue between Brazil and the United States is visible even in matters arising from NSA spying revelations. Brazil invited, and the U.S. accepted, to participate in the steering committee of an international conference on internet governance scheduled to take place later this month [April] in São Paulo. The conference was proposed by President Rousseff in reaction to the espionage episode. Washington, meanwhile, expressed satisfaction at Brazil's decision to deny asylum to Edward Snowden and to suggest that neighboring countries do the same.

These attitudes suggest high ranking officials in both countries understand that, despite the mistrust left by the Snowden affair, governments cannot ignore the increasingly dynamic dialogue Brazilian and American societies are engaged in, be it at the level of individuals, companies, educational and non-governmental organizations. It is a dialogue that occurs regardless of governments, and frequently, despite of them. Against this backdrop, a prolonged disruption in the bilateral relationship is not an acceptable option in either country.

Notwithstanding perceptions to the contrary, the predominant strategic vision of Brazil in the American establishment remains a positive one. It was recently summarized by former U.S. Ambassador to Brazil, Thomas A. Shannon, who worked tirelessly to strengthen relations during Dilma's government. I will quote excerpts of a speech he made last December at the Brazil Institute of the Wilson Center.

"Looking ahead, I think we understand that Brazil's domestic transformation, because it was done within a democratic context and because it was done largely within a market context, has shown that democracy and markets can deliver development and that democracy and markets are not about status quo or protecting privileges, but about creating space with the right kind of social policy and the right kind of approach to development so that the people themselves can have a central role in determining the developmental direction of a country."

"This is a powerful message. It is a powerful message from the point of view of the United States and it is a powerful message from the point of view of countries around the world that are facing challenges that Brazil has faced. Whether it is

moving from authoritarian government to democratic government, whether it is moving from closed economies to open economies, whether it is moving from independent development models to ones of regional integration, or whether it is moving from isolation to globalization, I think Brazil has laid out a pathway that should be encouraging. It should serve as an example not just to the United States as we look to influence the world in ways that are meaningful to us and concurrent with our values, but also, to countries as they try to determine how they can harness the peace and stability that democracies and markets can offer to address really significant social challenges and historic social challenges. From our point of view, our ability to work and engage with Brazil is becoming increasingly important. I speak of engagement not just bilaterally but globally, as we try to shape areas and methods of cooperation, whether it is in foreign assistance in either agricultural development areas or public health areas, whether it is in promoting non-proliferation, the peaceful resolution of disputes or fashioning broad trade agreements.”³

Having closely followed the ups and downs of the bilateral relationship, either in the capacity of news correspondent or in my current role at the Wilson Center, I would say that the challenge ahead for the governments of Brazil and the United States is to comprehend the desire for engagement and proximity present in both societies and act constructively on it, or face negative reactions. Hostility to the recent estrangement is visible in the media. Conservative columnist David Brooks, of *The New York Times*, described the NSA electronic surveillance program on leaders of friendly countries as “just stupid,” commenting on Obama speech of January 17.

In Brazil, President Dilma’s decision to postpone her state visit to Washington was initially perceived as inevitable and widely accepted by the public and the media. However, the delay in resuming the dialogue with Washington and positions taken in relation to the crisis in Venezuela and Crimea, are seen as a response to the spying episode and have been severely criticized in editorials and social media as symptomatic of a wrong-headed foreign policy.

³ <http://www.wilsoncenter.org/sites/default/files/AmbassadorThomas%20Shannon%20-%20Final.pdf>

In this context, the U.S. government's selection of Jack Lew as the person to reestablish high level dialogue with Brazil was no coincidence. By sending the Secretary of the Treasury to Brasília, the White House was attempting to signal to the Brazilian and American private sector communities that it understands concerns voiced by their representatives about the damage NSA spying disclosure and Dilma's postponed state visit caused to business. If we take into account the interests of Boeing and Microsoft, which lost a \$2 billion contract to provide internet services to the Brazilian government late last year, losses have amounted to \$6.5 billion, according to media reports not denied by the interested parties.

Looking ahead, the prevailing sense of a fractured relationship between Brazil and the United States poisons the political and business atmosphere. It certainly will not help to ease the financial markets perception of Brazil's economy, which has turned highly negative, as illustrated by the recent decision by Standard & Poor's to cut the credit risk of the country's sovereign debt and some of its leading financial institutions. On the contrary, difficulties in the bilateral relations compound a prevailing sense, in both business communities, of Brazil's growing isolation from the most dynamic flows of international trade. This sentiment, exacerbated by Brazilian industry loss of competitiveness and poor export performance in recent years, led Robson Andrade, president of the National Confederation of Industries (CNI), to speak out publicly in favor of negotiating a free trade agreement between Brazil and the United States, in a speech made in Denver, Colorado, in November of last year⁴.

The willingness of entrepreneurs, and all those whose interests are affected by the quality of relations between Brazil and the United States, to make their voices heard is an essential to the efforts to normalize the dialogue between Brazil and the United States. Apropos, I would like to bring to your attention a message that

⁴ http://www.denverpost.com/business/ci_24502266/brazil-seeks-closer-ties-trade-and-education-u

<http://www1.folha.uol.com.br/mercado/2013/11/1371141-industria-brasileira-propoe-firmar-acordo-de-livre-comercio-com-eua.shtml>

Ambassador Roberto Azevêdo, an exemplary public servant of the Brazilian Foreign Ministry and current Director General of the World Trade Organization, shared with an audience of American business executives during a recent trip to Washington. Speaking at the United States Chamber of Commerce after a meeting with President Barack Obama, Azevêdo publicly thanked the efforts by entities representing the private sector in the U.S., as well as by executives of large U.S. companies, for their efforts to revive the Doha Round of trade negotiations at the WTO ministerial meeting held in Bali, last December. The negotiations produced significant progress in sectorial deals and an agreement on trade facilitation. Above all, it kept alive the Doha Round - a top foreign policy priority for Brazil. When reminded by a member of the audience about the current opposition in American Congress to further trade liberalization, Azevêdo made a call to action⁵.

“One of the things that seem to be a common feature of democracies in general is that Congresses do not think with a mind of their own. They respond to interests and concerns brought to them by representative groups of voters. You (entrepreneurs) are a very important group in terms of presenting your priorities, as do interest groups in other countries. Trade is not an easy topic of discussion in many countries. Why? Because, for the most part, those sectors who believe they are being disadvantaged [due to trade liberalization agreements] are the ones who go to congress to explain why they are being harmed. So, what I am saying is that you should do the same and defend your positions before Congress, as this can change things. Before the Bali Round, I saw this happen in two countries, which I will not name. Representatives of the private sectors of these countries came to me and expressed their interest in the success of the negotiations. I told them to return home, knock on the doors of the WTO negotiators for their country, and communicate to their respective Congresses what they expected and wanted from Bali. They followed my advice, and it worked. Do not underestimate the business community’s power of persuasion,” affirmed Azevêdo.

⁵ <https://www.uschamber.com/event/roundtable-roberto-azev-do-director-general-world-trade-organization-wto>

I believe that the call for action the Director-General of the WTO made to American businessmen, referring to various pending trade negotiations, applies to Brazilian businessmen regarding relations between Brazil and the United States.

The damage caused by recent episodes should not be underestimated, nor should the obstacles to reestablishing a productive path ahead. If there is truly an interest in building a productive relationship with the U.S., I would borrow from Roberto Azevêdo's and suggest to Brazilian entrepreneurs, business leaders and others interested in an effective bilateral dialogue to make their positions known to Congress and to society, for those who prefer the status quo of a shallow and mediocre relationship are active and have bureaucratic inertia in their favor.

As I recently wrote in the Estado de S. Paulo, it is not that there is animosity in Washington in regards to Brazil. There is, however, a feeling of exhaustion and frustration among senior officials, and even among opinion makers, caused by an absence of concrete results stemming from their efforts to build a closer relationship, which are consistently undermined by actions that occur from within the governments.

Obviously, all of this feeds a strong skepticism in the Brazilian and American bureaucracies and hinders overcoming today's difficulties. In this context, recent escalations in regional crises, such Russia's annexation of Crimea and the current confrontations between the government and opposition in Venezuela, have reinforced Washington's concerns about Brazil's intentions. Weighing, in both cases, are doubts about whether Brasília is leaving behind a tradition of pragmatic diplomacy, grounded in the pursuit of national interests and the advancement of the democratic values which underpinned the domestic transformation and international projection of Brazil over the past twenty years, in favor of a foreign policy guided by ideological preferences that generate more questions than answers. "Obviously, Brazil makes its own decisions," said former Ambassador Shannon to Estado de S. Paulo, last Sunday, referring to Brasília's silence with regards to events in Crimea. "However, it was expected that such a large country with a peaceful political trajectory would have a clear position in the case. Large countries with large ambitions need to define themselves, for the benefit of all of

us,⁶” added Shannon, who was promoted to counselor of the State Department since his return to Washington, and now holds the position of direct adviser to the Secretary of State John Kerry.

The expectation, in the case of Venezuela, is that Brazil act via UNASUR, guided by its interests in the internal stability of the neighboring country and the region, as it successfully did in Bolívia in 2008, working in tandem with Chile and other countries.

However, Brazil’s hesitation and delay in acting to calm the waters and preserve the institutional space for finding a solution was criticized by Shannon in the same interview for Estado de S. Paulo. “The unwillingness of the countries in the hemisphere to deal with what is happening in Venezuela directly and in a public manner is a mistake,” said the diplomat. Shannon’s statements are politically significant. They signal a new willingness on the American side to state, in public, differences with Brazil that were until now discussed between diplomats and senior officials behind closed door. It is unclear whether and how this attitude will affect the resolution of pending bilateral disputes, such as the cotton case, which has dragged on for a decade and can lead Brazil to adopt retaliatory measures against the United States, endorsed by the World Trade Organization.

Even assuming the satisfactory resolution of such problems, and of the Snowden affair, doubts are expressed by officials of both governments about the prospect of returning the relationship to the promising path it seemed to be on before the spying disclosures. Will Brasilia reengage with the U.S. during the final years of what, in all likelihood, will be a weakened Obama administration? Can the two countries build ties robust enough to protect the relationship from inevitable problems bound to happen from time to time? Obviously, there are similar doubts about the United States’ willingness to continue to invest in bilateral dialogue among Brazilian policymakers, businesspeople, intellectuals and journalists, who recognize the mutual benefits of a deepening of the relationship

⁶ <http://www.estadao.com.br/noticias/impresso,paises-grandes-e-com-ambicoes-precisam-se-definir-diz-ex-embaiador-americano-no-brasil,1146899,0.htm>

and the construction of a strategic partnership between the two countries – an objective proclaimed as frequently as it is sabotaged in both capitals.

That said, looking from the point of view of the larger interests of Brazilian and American societies, the reasons that led President Obama to invite President Dilma to make a state visit to the United States and the reasons that made her accept the invitation remain valid. For this and other reasons I mentioned in this testimony, I commend the initiative of Senator Ferraço to hold this public hearing. Foreign policy belongs to the nation. Ensuring that it reflects national values as well as national interests defined in an open and democratic debate is incumbent on all of us, and especially on the members of this Committee, who have the constitutional responsibility of supervising its formulation and implementation.

Thank you very much.