

As FTAA Deadline Approaches, US and Brazil Polarized on Agriculture

Former Brazilian Vice Minister of Agriculture Pedro de Camargo Neto visited Florida International University on May 27, 2004 to discuss the Free Trade Area of the Americas (FTAA), in particular the issue of agricultural subsidies. The president of a Brazilian Rural Association and a consultant to government and farm organizations, Camargo Neto expressed Brazil's lack of enthusiasm for an agreement that is widely perceived as being harmful to the country's interests.

Camargo Neto claimed to have supported the FTAA initially as a means to bring the hemisphere together. As time passed and the US did not offer to negotiate the agricultural issues that were of interest to Brazil, he, like other supporters of the agreement, became less vocal. In Brazil, the FTAA lacks the political motivation that spurred Mercosur, which has resulted in real economic, political and cultural integration in South America, he argued.

The title of Camargo Neto's presentation was "FTAA or DAA (Development Area of the Americas): Development as the Objective, Trade as an Instrument." It is in the United States' interest to foster Latin American development, he pointed out, and trade is not enough without a focus on long-term development goals.

Camargo Neto scoffed at the notion of sugar as an obstacle to US-Brazilian trade, putting the controversy down to the strength of the US sugar lobby. He pointed to the case of Florida, where sugar represents a mere 0.1% of jobs and the state economy in general. The annual US sugar quota for Brazil represents one day of that country's sugar output. The USTR negotiated a quota increase of only 110,000 tons in the Central American Free Trade Agreement (CAFTA), and yet US sugar growers strongly oppose this miniscule increase. How then, he asked, can Brazil ever expect to obtain a reasonable share of the US market?

Cotton too is an example of a sector with a powerful US lobby that dominates the world market and opposes concessions in foreign trade agreements, Camargo Neto continued. Brazil recently won a favorable ruling in a WTO panel against US subsidies to cotton farmers, but he also complained about the protection that Florida orange growers and juice makers receive through tariff protection, thus keeping out another competitive Brazilian agricultural product.

Ironically, Camargo Neto pointed out, as these domestic lobbies fought to protect tiny sectors of the economy the US enthusiastically backed the accession of China to the WTO. Trade with China "has changed the structure of jobs in the United States," he argued, but the US welcomes trade with China and fears trade with Latin America.

As for the FTAA, he continued, the two-track system that was agreed to at the ministerial meeting in Miami last fall cannot work and is not in the interest of Brazil. The USTR is not interested in Brazilian agriculture trade but rather wishes to focus on investment, he charged. Brazil cannot accept some of the loss of sovereignty in state-private company dispute settlement provisions that are contained in the CAFTA, for

example, but common ground can be found if both sides are willing to work toward a broader goal, he maintained.

Following his presentation, Camargo Neto engaged in a lively discussion of the issues with audience members. One person felt that it is appropriate for the US and other nations to protect their food security through subsidies and tariffs but most lamented the unnecessary and costly programs to protect a few farmers when other sectors of the economy have to contend with international competition. Some participants felt the US had lost its credibility by maintaining large subsidies for cotton and sugar and tariffs for orange juice. There was only passing mention of the high subsidies maintained by the European Union.

One participant pointed out that Brazil maintains a higher average tariff on agricultural goods than does the US and a much higher average tariff for manufactured goods. Brazil wants to negotiate subsidies and tariffs in areas where it is highly competitive, such as most agricultural products, but does not want to negotiate areas that are of interest to the US such as investment, intellectual property and services. In response, Camargo Neto argued that Brazil is an agricultural country and must be expected to protect the few strengths it has with regard to the United States. He called for overall balance in trade, taking into consideration each side's strengths and weaknesses.