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## FEATURED Q&A

### *Where do Relations Between the U.S. and Brazil Stand Today?*

**Q During a recent three-day visit to Brazil, U.S. Vice President Joe Biden called for stronger ties between the two countries in areas such as education, technology, science and trade and said that 2013 will usher in a new era in bilateral relations between the countries. Where do U.S.-Brazil relations stand today? What's been holding back stronger trade and economic ties to date, and what makes the vice president say 2013 will be much different? What are the most sensitive aspects of the bilateral relationship today that could derail closer ties in the future?**

**A Peter Hakim, member of the *Advisor* board and president emeritus of the Inter-American Dialogue:** "The United States is making important diplomatic gestures, but no critical shifts in policy direction toward Brazil are visible so far. Brazilian leaders know that no serious country or group of countries will sign a significant free-trade agreement with Mercosur or any trading bloc that includes Venezuela and Argentina. Brazil could negotiate bilateral economic agreements without calling them FTAs. Last year, Brazil and Mexico appeared close to such a special economic arrangement. My guess is that Brazil will eventually find a way to build stronger links with Mexico, the United States, and the European Union. But so far, neither these nations nor Brazil have shown much willingness to negotiate seriously and make needed concessions. The sense in Washington is that whatever the United States does, the U.S.-Brazil relationship will not change much. It will remain amiable and civil without major conflict, but a close, productive partnership is not in the cards. Bilateral relations have improved under Dilma. She is far less flamboyant than Lula and less interested in asserting Brazil's global and regional influence. She cares about global stature but is more interested in how international relations will contribute to Brazil's internal develop-

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### Peruvian President Rejects Request to Pardon Fujimori

Peruvian President Ollanta Humala on Friday rejected a request to pardon former President Alberto Fujimori (pictured), who has been imprisoned since 2009 for human rights violations. Humala said there were no medical grounds for his release. See story on page 2.

*File Photo: TV Perú.*

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## NEWS BRIEFS

### Nine Inmates Escape, Two Guards Killed in Mexico Jailbreak

Nine inmates escaped and two guards were killed early Sunday morning in a jailbreak in the Mexican town of La Unión, in the southwestern state of Guerrero, BBC News reported. A group of armed men stormed the prison and opened fire, killing guards and releasing the inmates. State and federal police have been using helicopters to locate the escapees. Guerrero state is one of the Mexican states most heavily afflicted by violence from Mexico's drug war.

### JBS to Buy Some Assets From Marfrig Alimentos

São Paulo-based **JBS**, the world's largest producer of beef, will buy some food assets from **Marfrig Alimentos**, according to Bloomberg News. JBS will purchase the poultry unit of Marfrig's **Seara Foods** for $2.5 to $3 billion, *The Wall Street Journal* reported Sunday, citing unnamed sources. The deal would make JBS the world's largest poultry producer and help reduce Marfrig's debt, which is currently the highest of any meatpacker in the Western Hemisphere.

### Brazil Gives Approval for Privatization of IRB-Brasil Re

Brazil's government on Friday gave its approval for the privatization of reinsurance provider **IRB-Brasil Re**, one of the country's oldest state-run companies, *The Wall Street Journal* reported. The Finance Ministry said the privatization will improve the reinsurer's efficiency and guarantee its market leadership. The company, which has a 40 percent share in Brazil's reinsurance market, also may venture overseas, the newspaper reported. The government currently has a 50 percent stake in IRB.

# Political News

## Peru's Humala Rejects Request to Pardon Fujimori

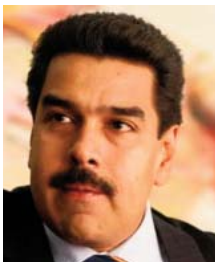
Peruvian President Ollanta Humala on Friday rejected a request to pardon imprisoned former President Alberto Fujimori. The family of Fujimori, 74, had requested the pardon, citing his recurring bouts with tongue cancer, depression and weight loss, Bloomberg News reported. Fujimori has been jailed since 2009 after being convicted of human rights violations. In a stern speech, Humala said Friday at the presidential palace that there were no medical reasons for pardoning Fujimori, adding that Fujimori never apologized for his crimes. "After taking into account the concept of regret as it relates to proven corruption and human rights crimes ... I have decided to not exercise my power to pardon him," said Humala, Reuters reported. Fujimori is serving a 25 year prison sentence for ordering two massacres that were carried out by death squads who were hunting suspected leftist insurgents in the 1990s when Fujimori was in power. The former president is credited with defeating the Shining Path insurgency and ending hyperinflation. His economic efforts while in office are considered to have laid the groundwork for Peru's economic boom, Bloomberg News reported. In 2011, Humala defeated Keiko Fujimori, the former president's daughter, for the presidency. Keiko Fujimori's Fuerza Popular party is the second-largest bloc in the country's Congress, after Humala's Gana Peru party. Humala's decision to deny the former president a pardon will win plaudits from human rights groups, but it will make it harder for him to win support for his agenda among lawmakers who still support Fujimori, Reuters reported. Also, recent surveys showed that the majority of Peruvians have supported Fujimori's release from prison on account of his age. "I call on the political class to not turn this into a political issue," Humala said Friday. Legislators who support Fujimori criticized Humala's decision. "This was a totally political decision ... and the person who took it was First Lady Nadine Heredia," said opposition Congressman Hector Becerril. Humala's wife denies that she plans to run for office, but she is widely expected to run in 2016 against Keiko Fujimori. Humala is barred from running for a second consecutive term.

*Humala is serving a 25-year prison sentence for ordering two massacres.*

# Economic News

## Venezuela's Maduro Scraps Food Rationing Plan in Zulia State

Venezuelan President Nicolás Maduro on Saturday scrapped a plan to ration 20 basic food items in Zulia state, BBC News reported. The plan would have limited Venezuelans' purchase of staples such as rice, sugar and milk. The country is facing shortages of several goods, but authorities have said the plan was aimed at fighting smuggling of price-controlled goods into Colombia, where the items are more expensive. In a televised address, Maduro said that the plan was "insane." Last week, state officials said Zulia would issue cards with embedded computer chips that would limit consumers' purchases of the 20 goods on the list. Maduro, however, dismissed the plan. "A chip? That is not the solution. I totally reject an initiative of that kind, whoever has put it into place," he said. Maduro said that the way for Venezuela to fight shortages was to "produce, produce, produce." Pablo Pérez, an opposition politician, called the plan a "pilot project for a rationing book." He added, "Don't be surprised if we get subjected to the 'communist digital food plan.' " Zulia Gov.



Maduro

*File Photo: Venzuelan Government.*

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Francisco Arias Cárdenas denied that the plan amounted to rationing, arguing that it was a "control mechanism" to sight the smuggling of goods into neighboring Colombia. Venezuela's scarcity index, which is measured by the central bank, stands at more than 20 percent. The figure means that 21 out of a list of 100 goods are unavailable. Government opponents say foreign currency controls, dependence on imports and a lack of production are the reasons for the shortages. However, the government says shortages have been caused by the opposition and the wealthy and have been worsened by panic buying of various goods and people seeking to make a profit through smuggling.

## Latin American Economies 'Well Positioned' for Outflows: Werner

The economies of Latin America are "well positioned" for capital outflows as analysts speculate that the U.S. Federal Reserve will start rolling back stimulus measures, the top official for the Western Hemisphere at the International Monetary Fund told Bloomberg News Friday. Banks in the region are better capitalized and asset prices have not ballooned, said Alejandro Werner. Capital flowing into Latin America is largely in the form of foreign direct investment, Werner said, adding that investors are preferring countries that have relatively low debt levels. Latin America is looking toward the potential end of the Fed's program of purchasing $85 billion in assets per month. "There will be a lot of volatility, investors do overreact, but I think these economies are well positioned to absorb these kind of movements," Werner told the news service. "We won't see important side effects from these movements in asset prices."

> "These economies are well positioned to absorb these kind of movements."
>
> *— Alejandro Werner*

## Featured Q&A

*Continued from page 1*

ment. Economic logic may eventually persuade her to upgrade the relationship with United States—but she has done little to accomplish that so far. She has, however, softened the Brazilian public position on issues of primary concern to the United States—like Iran and Venezuela. Today, the U.S.-Brazil relationship is like vanilla ice cream—sweet, but rather bland—with few new opportunities, but no significant tensions or conflicts. The state visit in October might bring about change, but it seems more likely to end up being a substitute for agreement on substantive issues."

**Roberto Teixeira da Costa, board member of SulAmérica in São Paulo:** "In the present scenario, I don't see substantial changes in U.S.-Brazil relations, but if compared with the situation under President Lula, one notices an improved dialogue and less antagonistic positions. Different from her predecessor, President Dilma Rousseff has been forced to dedicate more time in the 28 months of her government to domestic issues, such as political alliances, economic issues, inflationary pressures, adjustments in the administrative apparatus and more recently, dealing with Indian reservations and funding for infrastructure projects. The World Cup in 2014 is also forcing the government to prioritize infrastructure in order to host an event that is seen as successful in the eyes of the world. More than ever, Mercosur is on the top of the agenda. Brazil's relationship with Argentina is passing through a very turbulent phase and there is a growing feeling that Mercosur should revert to being a free-trade agreement instead of an imperfect customs union. Many observers show concern that the Pacific Alliance is going to impose new constraints on the Brazilian external trade of manufactured goods, and it will add pressure for Brazil to look for new trade agreements out of Mercosur, which limits any member's ability to pursue individual agreements. Thus, while it makes great sense for Vice President Biden to ask for more ties between the two countries in education, technology and science, my sense is that domestic issues will prevail, particularly keeping in mind that there will be a presidential election in 2014, and the campaign has already, prematurely, begun. When Biden states that 2013 will be different, he is perhaps referring to the official visit of President Rousseff to the United States, which will hopefully have a very positive impact."

**Paulo Sotero, director of the Brazil Institute at the Woodrow Wilson International Center for Scholars:** "After derailing in the wake of Brazil and Turkey's failed mediation efforts on the Iranian nuclear program in 2010, Brazil-U.S. relations were put on a constructive path by Presidents Dilma Rousseff and Barack Obama. It has produced a few presidential meetings, policy framework initiatives and a tax information exchange agreement. The door is open for more. Vice President Biden's statement reflects the optimistic view generated by the improved relationship, which is also illustrated by Obama's invitation to Dilma Rousseff to make a state visit to Washington in late October, the first by a Brazilian president in more than 18 years. Obviously, the visit could generate exaggerated expectations, which carry their own risks. Whether Biden's view will materialize depends on the presidential leadership of both countries to move the relationship beyond process and symbolism towards concrete and consequential decisions in key areas. As Brazil's underperforming economy pressures the government to adopt an investment-driven economic growth agenda, there is a clear need and ample opportunities to further Brazil-U.S. bilateral cooperation with consequential agreements in science, technology, space, education, energy, defense, tax, investment and trade. A deal that would include the purchase of Boeing

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## Featured Q&A

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jet fighters by Brazil, mentioned as a possibility in press reports after Biden's visit, is an example of a potential positive development in strategic engagement that would strengthen ties in a key high-value supply chain where Embraer is already present. In any case, the notion underlining the question, that bilateral Brazil-U.S. bilateral relations are headed to a new derailment, is obviously misplaced."

**Mark S. Langevin, director of BrazilWorks in Washington:** "Biden's visit to Brasília comes just as the Obama administration moves into a second term with a focus on foreign policy initiatives, including more engagement with Latin American governments and apparently a starring role for Brazil. Obama and Biden have a lot to offer Brasília, both symbolically and substantively. The list includes easing visa requirements, commercial cooperation to build a regional biofuels market, eliminating double taxation, new avenues for trade and investment, joining forces to move the Doha round of the WTO forward, and framing a sensible reform of the United Nations Security Council that includes a permanent role for Brazil. Just don't hold your breath. There is still the WTO cotton dispute that is tightly woven throughout bilateral relations and vividly illustrates Washington's inability to terminate commercial conflicts with Brazil efficiently and definitively. The cotton dispute reminds Brasília of the asymmetrical nature of the relationship and the unwillingness or inability of successive U.S. governments to walk the talk on trade matters. Yet, this lingering conflict also provides a pivotal opportunity for the Obama administration to demonstrate its recognition of Brazil's importance, build confidence between the two governments, and ultimately resolve the dispute in a way that deepens cooperation between the people and governments of the two nations. If President Obama, working with congressional leaders, can bring an end to this dispute, then we can all expect a new era in bilateral relations that is commensurate with the increasingly dense social and organizational ties that bring Brazilians and U.S. citizens together more than ever before."

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*The* Advisor *welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.*

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