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FEATURED Q&A

What Would a State Visit Mean for U.S.-Brazil Relations?

Q The Obama administration in March invited Brazilian President Dilma Rousseff to Washington for a state visit next year. The invitation came a year and a half after the Brazilian leader canceled her planned state visit to the United States in the wake of revelations that the U.S. National Security Agency had spied on her personal communications. What would a state visit, generally considered the highest expression of good ties between two nations, mean for the relationship between the United States and Brazil? What issues should be on the top of the bilateral agenda? To what extent would a visit affect Latin Americans' view of the United States? What would it mean politically for Rousseff in Brazil?

A Peter Hakim, member of the *Advisor* board and president emeritus of the Inter-American Dialogue: "With her government confronting a recession, huge corruption scandals and sharply diminished public and congressional support, foreign affairs is not a big priority for President Rousseff. Yet she has made clear her interest in rebuilding ties with Washington. Rousseff and her economic team know there are modest, but potentially important, short-term gains to be realized—probably a boost in both investor confidence and in her own nearly depleted credibility. For its part, the U.S. government knows it needs better relations with Brazil to pursue its own policy agenda in Latin America. Stronger economic ties are the only realistic basis for enduring cooperation between the two nations. U.S.-Brazil trade has grown substantially in recent years, even as China has become Brazil's leading trade partner. But Brazil accounts for only 2 percent of U.S. trade, compared to Mexico's 15 percent. The two countries should be much more ambitious, aiming to double or triple bilateral trade and investment. Progress toward a robust U.S.-Brazil eco-

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Top Cuban, U.S. Diplomats Meet Ahead of Summit

Cuban Foreign Minister Bruno Rodríguez and U.S. Secretary of State John Kerry (L-R) met Thursday night in Panama ahead of the Summit of the Americas. The encounter was the highest-level meeting between U.S. and Cuban officials since 1959. See story on page 2.

Photo: U.S. State Department.

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NEWS BRIEFS

At Least 17 People Feared to Be Dead in Shipwreck off Haiti

At least 17 people are feared to have drowned after a shipwreck off Haiti's northern coastline, BBC News reported Thursday. The remains of 11 men and six women were found along the shoreline of the town of Le Borgne. A Haitian official said the victims were Haitian migrants attempting to reach the Turks and Caicos Islands, Agence France-Presse reported.

Argentina Summons British Ambassador Over Spying Claims

Argentina's government has summoned the United Kingdom's ambassador in Buenos Aires, John Freeman, to explain allegations by U.S. whistle-blower Edward Snowden that Britain carried out electronic surveillance on the South American country, BBC News reported. Yesterday, Britain's Foreign Office called in Argentina's ambassador to explain Argentine threats of legal action against oil firms operating near the Falkland Islands, disputed territory the two nations fought a brief war over in 1982 that claimed nearly 1,000 lives.

Mexico Reports Bird Flu Cases in Oaxaca, Puebla States

Mexico's Agriculture Ministry said Thursday that outbreaks of highly pathogenic H7N3 bird flu virus have infected 139 birds in the states of Oaxaca and Puebla, Reuters reported. The cases, which afflicted backyard poultry in two separate households, were immediately controlled, and no traces of the virus were found within a 10 kilometer radius of the area, the ministry said. No poultry-producing companies in the areas have been affected thus far, according to the report.

Political News

Top U.S., Cuban Diplomats Meet in Panama Ahead of Summit

U.S. Secretary of State John Kerry and Cuban Foreign Minister Bruno Rodríguez met Thursday night in Panama, the highest-level formal meeting between officials of the two countries since 1959 when Cuba's Fidel Castro met with then-U.S. Vice President Richard Nixon, BBC News reported. The bilateral meeting between the chief diplomats of the United States and Cuba happened just ahead of today's opening of the Summit of the Americas, which will include Cuba for the first time. U.S. President Barack Obama and Cuban President Raúl Castro are expected to interact during the summit, but the encounter might not be a formal meeting, Agence France-Presse reported Thursday, citing the White House. Thursday's meeting between Kerry and Rodríguez came nearly four months after Obama and Castro announced the Cold War foes' historic thaw and said Washington and Havana would re-establish diplomatic relations after more than 50 years of severed ties. "Secretary Kerry and Cuban Foreign Minister Rodríguez had a lengthy and very constructive discussion this evening. The two agreed they made progress and that we would continue to work to resolve outstanding issues," said a top U.S. official, BBC News reported. A main sticking point between the United States and Havana has been Cuba's inclusion on the U.S. list of governments that sponsor terrorism. Castro has demanded that Cuba be removed from the list, and Obama signaled Thursday during a visit to Jamaica that an announcement about

> "Secretary Kerry and Cuban Foreign Minister Rodríguez had a lengthy and very constructive discussion this evening..."
>
> *— U.S. Official*

Featured Q&A

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nomic relationship does not require new commercial pacts—or even the patching up of the two countries' friendship. What is needed is a Brazilian economy that is much more open globally. Brazil is the world's seventh largest economy, but only the 22nd largest trader. Brazil has to improve its port facilities and transport infrastructure, and make its business environment easier to navigate by reforming overly complex tax systems and archaic labor codes. A productive U.S.-Brazil commercial relationship does not depend on Brazil alone. Washington has to make changes as well. Its agricultural subsidies and tariffs need to be lowered. Technology transfers need to be simplified and encouraged. But Washington is unlikely to do much until Brazil takes the lead and shows that its currently inward-looking economy is now open for business."

A Guilherme Casarões, professor of international relations at Fundação Getúlio Vargas, Faculdades Integradas Rio Branco and Escola Superior de Propaganda e Marketing: "President Rousseff's state visit to the United States is a long-awaited rapprochement between the two countries and presents a window of opportunity. President Obama may need Brazilian support for some of his bold foreign policy moves in Latin America so he can leave a diplomatic legacy in the hemisphere. Rousseff, who has been under attack for Brazil's underwhelming global presence and, most recently, for major corruption scandals at home, may find in her state visit a means to change her administration's image among U.S. officials, companies and investors. Three issues will likely be on the table. The first and most

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Cuba's removal could be forthcoming. "We want to make sure that given that this is a powerful tool to isolate those countries that genuinely do support terrorism, that when we make those designations we've got strong evidence that, in fact, that's the case," Obama said, *The Wall Street Journal* reported. "And as circumstances change, then that list will change as well." Senator Ben Cardin of Maryland, the top Democrat on the Senate Foreign Relations Committee, said the State Department has recommended that Cuba be removed from the list, BBC News reported. The recommendation was "the result of a months-long technical review" and would represent "an important step forward in our efforts to forge a more fruitful relationship with Cuba," said Cardin. If Obama accepts such a recommendation from the State Department, Congress would have 45 days to either override his decision or allow Cuba's removal from the list to take effect.

Announcement

Roberto Sifon-Arevalo Joins the Board of Advisors

We are pleased to announce that Roberto Sifon-Arevalo has joined the board of advisors.

Sifon-Arevalo is a managing director and lead analytical manager for the Americas Sovereign and International Public Finance group at **Standard & Poor's** in New York.

He manages a team of analysts based in New York, Toronto, Mexico City, Buenos Aires and São Paulo that follows sovereign ratings and international public finance ratings across Latin America, the Caribbean and Canada.

Sifon-Arevalo joined S&P in 2003, and before that held analytical positions at **Banco Santander Central Hispano** and **Banco Sudameris** in Argentina.

He holds a degree in business administration from the Universidad de Belgrano in Buenos Aires, and a master's degree in international affairs, specializing in international economic policy, from Columbia University.

Maduro Sees Opportunity for Better Relations With U.S.

Venezuelan President Nicolás Maduro said Thursday that he sees an opportunity for better relations with the United States, Reuters reported. Relations between the two countries worsened last month when Washington sanctioned seven Venezuelan officials for alleged human rights abuses and declared the Andean nation a threat to U.S. national security. However, Maduro on Thursday said he welcomed a statement from Obama during an interview that the United States does not actually see his country as a threat. "The statements by President Barack Hussein Obama ... could temporarily open a door to begin a new era of historic relations between Venezuela, a free and sovereign Latin America and the empire of the United States," Maduro told supporters at a rally. "We do not believe that Venezuela poses a threat to the United States, nor does the United States threaten the Venezuelan government," Obama said in a written interview with EFE. Maduro also confirmed Thursday that he met Wednesday night in Venezuela with U.S. State Department Counselor Thomas Shannon. Maduro said he told Shannon that he hopes "the doors open to a new phase of relations [based on] respect, respect for dignity, respect for the sovereignty of Venezuela," EFE reported. Maduro has said that more than 10 million people have signed a petition urging Obama to repeal the sanctions, but Maduro's opponents have expressed doubts about the signatures, saying some civil servants may have signed unwillingly.

Company News

Scotiabank Eyes Brazil Acquisitions, May Open Branch in Cuba

The chief executive of Canada's **Scotiabank** is not ruling out acquisitions in Brazil despite an economy in the doldrums and massive bribery scandals that have curtailed corporate lending, Bloomberg News reported Thursday. Brian Porter told reporters after the bank's annual investor's meeting in Ottawa that "Brazil will come back…The economy will come back, there's no question about that." Loans made by Brazilian banks to consumers and companies rose last year by their smallest amount since 2007, according to data released by the country's central bank in February. Ilan Goldfajn, chief economist at **Itaú Unibanco**, told the *Advisor* earlier this year that Brazilian banks will continue to experience "moderate loan growth" for the next several years, generally focusing on safer portfolios such as payroll loans and mortgages. Porter, who is traveling to Brazil and Chile next week, also said Thursday the bank would consider opening a branch in Cuba, *The Wall Street Journal* reported. After a recent "exploratory trip" to Havana, where Scotiabank already has a representative office focused on trade finance, Porter said "we'd like to expand beyond that." "So, could we open a branch? We're exploring that possibility," he said. Scotiabank was in the headlines recently over reports that the bank was in talks with a Mexican lender to buy the Brazil and Mexico assets of London-based **HSBC**.

Porter

File Photo: Bank of Nova Scotia.

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Featured Q&A

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important one is economic relations. Trade flows have stalled between 2011 and 2014, with successive deficits for Brazil. U.S. foreign direct investments in Brazil reached their lowest level in four years. In order to overcome the domestic economic slowdown, particularly among industrial sectors, President Rousseff has to look toward American markets and boost exports, benefitting from a devaluated currency. Venezuela will probably be brought up as well. Brazil should work to alleviate the pressure that the Obama administration put on Nicolás Maduro when it declared his government a threat to U.S. national security so as to ensure that political polarization in Venezuela does not evolve into a full-fledged conflict that would jeopardize regional stability and integration efforts. Finally, Cuba should be a topic of concern. Since both countries want to have the upper hand in a future regime transition, early cooperation between the two regional giants and with Raúl Castro is not just desirable, but necessary toward Cuba's full reintegration into the Inter-American system."

A Melvyn Levitsky, former U.S. ambassador to Brazil and professor of international policy and practice at the University of Michigan's Gerald R. Ford School of Public Policy: "The U.S.-Brazil relationship has always suffered from friction over such issues as trade, tariffs, dumping, government contract bidding procedures and particularly in the past 12 years, foreign policy issues involving Cuba, Venezuela, Central America and Iran. Despite the uproar over the revelation of NSA spying that brought President Dilma's cancellation of her visit to the United States last year, Brazil-U.S. relations have held relatively steady. Private-sector cooperation, investment and trade have continued to grow, and the Brazilian government's fondness for leftist regimes has created no major international problems for the United States. In any case, the two presidents will have the chance to talk substance in Panama at the April 10-11 Summit of the Americas. Vice President Biden's attendance at Dilma's inauguration and his reported personal phone call to invite her to visit are meant to show high-level interest in Brazil. The fact is that Brazil and Latin America in general have been of second-order importance during the Obama administration. Given the furor over the Petrobras scandal and the accusations that Dilma must have known about the huge amount of corruption involved, as well as the need for her to cut back on spending via an unpopular austerity program, the invitation alone benefits Dilma politically. It indicates that the United States considers Brazil to be an important partner, highlights Dilma as a key world leader and tends to improve her image at a time when myriad problems have brought her popularity down to historic lows. Since there are really no burning bilateral issues between the two countries, the invitation for a state visit can be seen primarily as an attempt by the United States to make up for the NSA incident; it will be more atmospheric than substantive. However, a visit will have the effect of improving the personal relations between the two leaders and thereby the overall tenor of the relationship."

> "Vice President Biden's attendance at Dilma's inauguration and his reported personal phone call to invite her to visit are meant to show high-level interest in Brazil."
>
> *— Melvyn Levitsky*

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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