



The Story behind Brazil's Campaign against Rich Country Agricultural Subsidies at the World Trade Organization

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The institutions responsible for governing the global economy have historically been dominated by the United States and other advanced countries. Over the last decade, however, several emerging economies have become increasingly important actors in the global economy and sought a greater role in its governance. This shift matters – and raises major questions. What are the interests and agendas of the rising powers – and what impact will they have on global economic governance and on the fortunes of the rest of the developing world? Will the rise of new powers from the Global South usher in a more equitable and progressive form of globalization, as some commentators have suggested?

My research contributes to our understanding of these issues by examining the World Trade Organization, a core institution in global economic governance responsible for setting and enforcing the rules of the international trading system. In this brief, I focus on Brazil, the new power that has been most assertive in mounting challenges at the World Trade Organization to the trade policies of the United States and other western nations.

Brazil's Activism

The United States has historically been the key driver of global trade liberalization, compelling other countries to open their markets to its exports while maintaining many of its own protectionist policies. In recent years, however, Brazil has turned the tables on the United States and other rich countries by using the World Trade Organization to challenge the massive subsidies they provide to their agriculture sectors. Such subsidies are a clear violation of the free trade principles that the United States has urged on other countries. Along with others, Brazil has made the case that the U.S. subsidies depress global prices and undermine the competitiveness and livelihoods of poor farmers.

At the World Trade Organization, Brazil successfully waged two high-profile campaigns to challenge U.S. cotton subsidies and European Union sugar export subsidies. It also created and led a coalition of developing countries – the Group of 20 – that has pressed the rich countries to liberalize their agricultural trade policies in the Doha Round of international trade negotiations. The efforts of the Group of 20 amounted to a tectonic shift at the World Trade Organization, enabling developing countries for the first time to seize the offensive and target the policies of the United States and other rich countries in trade negotiations.

As a result of this activism, Brazil is often portrayed in the developing world as a heroic David taking on Goliath. Frequently, the Group of 20 is also characterized as a progressive force, a highly successful example of contemporary South-South cooperation to project the interests and concerns of developing nations onto the international stage. I find this portrayal to be overly romantic, however, because Brazil is not operating out of pure altruism. Its actions are propelled by the rise of a highly competitive agribusiness sector.

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The Interests and Clout of Brazilian Agribusiness

Over the last two decades, Brazil has emerged as a powerhouse exporter of agricultural products, with one of the world's most sophisticated agro-industrial sectors, featuring massive economies of scale and highly mechanized, capital-intensive, vertically integrated production. Producers in this rising sector export a large and growing number of products – including beef, poultry, sugar, ethanol, orange juice, coffee, soybeans, corn, pork, and cotton – and now make Brazil the world's third largest agricultural exporter after the United States and the European Union.

As my research documents, agribusiness has become an influential force in driving Brazilian trade policy and its stance at the World Trade Organization. Given the sector's importance in the national economy, the Brazilian government places a priority on expanding the agribusiness sector and its exports. The clout of this sector explains why Brazil has adopted such an aggressive position at the World Trade Organization. Politicians and business leaders work together in pursuit of trade liberalization in order to expand Brazil's exports. In addition to propelling Brazil's challenges in the cotton and sugar disputes, Brazilian agribusiness has been the key actor behind the undertakings of the Group of 20 – providing technical research and analysis, drafting negotiating proposals, and shaping the objectives and agenda of the alliance. The agribusiness sector has also urged Brazil to become one of the most vocal advocates of trade liberalization in pending international negotiations.

In sum, Brazil has sought to advance the commercial interests of its agribusiness sector by wrapping them in the cause of global development and framing them as a shared quest for economic justice by all poor countries in opposition to rich nations. The effort has been quite successful. Along with campaigns by international nongovernmental aid organizations such as Oxfam, Brazil's activism has made rich country agriculture subsidies highly controversial, portraying them as a significant cause of world poverty and an obstacle to development.

A Hero of the Developing World?

Even though reducing agriculture subsidies has been successfully framed as a shared interest of developing countries, the reality is far more complicated – because most developing countries are not globally competitive enough to benefit from the sort of international trade liberalization Brazil advocates. In contrast to Brazil's large-scale and highly competitive industrialized agricultural sector, agricultural sectors in the vast majority of developing countries are weak and consist mostly of vulnerable peasant farmers. If rich countries abandon agricultural subsidies and global trade in agricultural products becomes fully liberalized, gains would accrue primarily to Brazil and a handful of other competitive agricultural exporters. The poorest nations are often net importers of food products, not exporters poised to make strides in international trade.

The story of rising challengers at the World Trade Organization therefore ends up being ironic and complicated. Even though Brazil has pursued a pro-trade agenda in the name of the developing world, it is not at all clear that reducing rich country agriculture subsidies would suddenly unleash growth throughout the less developed world or enable poorer countries to “trade their way out of poverty.” Instead, it is quite apparent that Brazilian agribusiness stands to capture the greatest gains from any liberalization of global agricultural markets.