New Protagonists in Global Economic Governance: The Rise of Brazilian Agribusiness at the WTO

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New Protagonists in Global Economic Governance:

The Rise of Brazilian Agribusiness at the WTO

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Abstract: The existing international economic order has been heavily shaped by US dominance and the US has been a key driver of globalization and neoliberal economic restructuring, prompting speculation about whether the rise of new developing country powers could rupture the current trajectory of neoliberal globalization and usher in a more equitable and progressive global economic order. This paper analyzes the case of Brazil at the WTO, a core institution in global economic governance. In the last decade, Brazil successfully waged two landmark trade disputes against the US and EU and created a coalition of developing countries – the G20 – which brought an end to the dominance of the US and EU at the WTO and made their trade policies a central target of the Doha Round. Brazil’s activism has been widely hailed as a major victory for developing countries. However, I argue that rather than challenging the neoliberal agenda of the WTO, Brazil has emerged as one of the most vocal advocates of free market globalization and the push to expand and liberalize global markets. I trace the origins of Brazil’s stance to the rise of its export-oriented agribusiness sector. This case shows that business actors from the Global South are becoming significant new protagonists in global economic governance; they are taking the tools created by the states and corporations of the Global North – in this case, the WTO and its neoliberal discourse – and turning them against their originators. Moreover, in a striking development, the North-South divide is now being mobilized strategically as a tool to advance the interests of business actors from the Global South.

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Introduction

Global governance – the rules, norms and institutions that govern the global political economy – plays a critical role in enabling and directing the progress of economic globalization. The actors who influence global governance institutions and the agendas they pursue therefore matter significantly in determining the form and nature of globalization. The existing international economic order has been heavily shaped by US power (Gilpin 1987; Keohane 1984; Ruggie 1996) and the US has been a key driver of globalization and neoliberal economic restructuring (Cox 2008; Evans 2008; Gill 2002; Harvey 2005; Helleiner 2001; McMichael 2004). The US has used its power in institutions such as the World Trade Organization (WTO), International Monetary Fund (IMF), and World Bank to press for market liberalization and push other countries to open their markets to its goods and capital. For decades, many have argued that the global governance institutions and the neoliberal policies they have propagated have worked against the interests of developing countries, with, for example, IMF-mandated structural adjustment programs producing widespread social and economic dislocation in the Global South, or WTO rules on intellectual property generating a significant transfer of resources from poor to rich countries. There have therefore been debates about whether power shifts – the emergence of new developing country powers, such as Brazil, India and China, and a corresponding decline in the dominance of the US – could rupture the current trajectory of neoliberal globalization and usher in an alternative form of globalization and potentially a more equitable and progressive global economic order (Arrighi 2007; Evans 2008; Hardt and Negri 2000; Harvey 2005; Nederveen Pieterse 2000).

This paper sheds light on this issue by analyzing the case of Brazil at the WTO. The WTO is a core institution in global economic governance, responsible for setting and enforcing the rules of the global trading system. It was also one of the first international institutions to experience a shift in power away from the US and other developed countries and the rise of new developing country powers. The WTO, and its predecessor, the General Agreement on Tariffs and Trade (GATT), historically operated as a “rich man’s club” dominated by the US and a small group of other advanced
industrialized states. The US was the key driver of liberalization, aggressively pushing other countries to open their markets to its exports, while maintaining protections in sensitive areas of its own market, such as agriculture. Agreements were negotiated among “the Quad” – the US, EU, Canada and Japan – and imposed upon the rest of the organization’s membership effectively as a *fait accompli* (Kelly and Grant 2005; Wade 2003). These states carved out a trading order that suited their own interests, while developing countries were severely marginalized and subject to substantial economic and political coercion (Narlikar and Wilkinson 2004; Porter 2005; Steinberg 2002).

In the last decade, however, Brazil waged two high-profile and successful trade disputes against US and EU agricultural subsidies – the cotton and sugar cases – and created a major coalition of developing countries – the Group of 20 (G20) – which helped to destabilize the traditional power structure at the WTO, bring an end to the US and EU cartel over agenda setting and compromise brokering, and put their agricultural policies at the center of the Doha Round. These events were widely hailed as a major victory for developing countries at the WTO and generated a tremendous amount of interest from academics, policymakers, activists and the media (Baldwin 2006; Clapp 2006; Evenett 2007; Grant 2007; Hurrell and Narlikar 2006; Looney 2004; Warwick Commission 2008). The G20, for example, is frequently characterized as a highly successful example of contemporary South-South cooperation being used to project the interests and development concerns of the Global South onto the international stage – in the words of one observer, “the South fighting for the South.” (Ruiz-Diaz 2005) Many view it as a progressive force with echoes of the sort of developing country activism not seen since the efforts of the G77 and the Non-Aligned Movement to construct a New International Economic Order (NIEO) in the 1960s and 70s. However, I argue that these accounts of Brazil’s activism at the WTO miss one of its central components: the critical role played by business actors, specifically Brazil’s agribusiness sector.

In this paper, I analyze Brazil’s rising power at the WTO and trace the influence of its agribusiness sector on WTO negotiations and dispute settlement. The analysis draws on 15 months of field research conducted at the WTO in Geneva, as well as in Sao Paulo, Brasilia, Beijing, New Delhi and Washington, involving 157 interviews with
trade negotiators, senior government officials, and representatives of industry and non-
governmental organizations; over 300 hours of ethnographic observation; and extensive
documentary research. I argue that far from challenging the neoliberal agenda of the
WTO, Brazil has emerged as one of the most vocal advocates of free market
globalization and the push to expand and liberalize global markets. I show that Brazil’s
stance has been driven by the rise of its sophisticated and highly competitive
agribusiness sector, which has emerged as an influential force in Brazilian trade policy
and at the WTO.

An extensive literature has documented the role of corporate and business actors
in economic globalization and their influence in global economic governance. Yet the
study of private sector actors in global governance has focused almost exclusively on
those based in the Global North; meanwhile, developing countries and their business
actors have generally been viewed as either inconsequential or victimized by Northern
multinationals and the economic governance institutions they dominate. Drawing on the
case of Brazilian agribusiness at the WTO, however, I show that states and business
actors from the Global South are becoming important new protagonists in global
economic governance. Brazilian agribusiness – working with and through the Brazilian
state – has had a significant impact on the multilateral trading system, making use of
both the WTO’s strong dispute settlement mechanism and the Doha Round negotiations
to further its commercial interests. This case demonstrates that Southern business
interests are now using the global governance institutions created by the states and
corporations of the Global North to pry open and expand markets for their exports.
Moreover, in a striking development, the commercial interests of Brazil’s agribusiness
sector are being wrapped in and advanced through a seemingly progressive discourse
of development and developing country solidarity: the North-South divide is being
mobilized strategically as a tool to advance the interests of business actors from the
Global South.
Business and states in the governance of economic globalization

Corporate and business actors have played a central role in economic globalization – the increasing integration of the global economy through trade and capital flows – to such an extent that it is often simply referred to as “corporate globalization” (Evans 2005; McMichael 2005). Their role in this process has been both economic and political. Corporations have globalized their activities, spreading their business and financial operations across borders, giving rise to transnational corporations (TNCs) with tremendous power in the global economy (Cox 1987; Gill and Law 1989). In addition, through their influence on global governance, business actors have also played a major role in the political, institutional, and discursive changes that have made globalization possible (Cutler, Haufler, and Porter 1999; Fuchs 2007; Higgott, Underhill, and Bieler 1999; Levy and Prakash 2003).

In the contemporary era of globalization, the restructuring of the global economy in favor of deregulation and market liberalization has required the establishment of new institutional and legal arrangements for the organization of markets, such as an expansion in the authority of institutions like the WTO, IMF and World Bank, and the spread of a legitimating neoliberal discourse (Bourdieu 1998; Chorev and Babb 2009; Gill 2002; McMichael 2004). A substantial body of literature on economic globalization has shown that this process originated in and has been driven by an alliance of states and capital in the Global North, particularly the US as the dominant global political and economic power (Fligstein 2005; Mann 2001). At the WTO, for example, the US government and its corporations, aided by their European counterparts, drove an expansion of the WTO’s authority – extending its rules into the new areas of services, intellectual property, and investment – and the strengthening of its enforcement power through the creation of a binding dispute-settlement mechanism (Drahos and Mayne 2002; Gallagher 2008; Mortensen 2006; Sell 2006; Shadlen 2005; Wade 2003).

Studies of globalization have shown how powerful corporate and business actors in the US, EU, and other developed countries, in partnership with their governments, used global governance institutions like the WTO, IMF, and World Bank, as well as
bilateral and regional free trade agreements such as the North American Free Trade Agreement (NAFTA), to pry open and gain access to the markets of the Global South, imposing trade and financial liberalization and opening the developing world to unhindered flows of goods and capital (Arrighi and Silver 1999; Braithwaite and Drahos 2000; Cox 2008; Evans 2008; Gill 2002; Harvey 2005; Helleiner 2001; McMichael 2004). Developing countries – with the potential complicity of their own states and domestic business groups – have largely been seen as the victims of northern TNCs, exploited in their quest for greater profits. Such an analysis is not confined to academic circles but has driven considerable civil society protest against the power of Northern TNCs in the global governance institutions (see, for example, Action Aid 2006; Jawara and Kwa 2003; Wallach and Sforza 1999).

Northern TNCs are thus central protagonists in existing theories of economic globalization: corporations from the Global North, in alliance with their governments, have been seen as the agents of globalization and international institutions – like the WTO – their tools. Until now, the story of economic globalization has been primarily a story about Northern business interests. As a result, analysis of the influence of private sector actors on global governance has focused almost exclusively on those based in the Global North, and there has been relatively little attention to private sector actors from the Global South. This has in large part been a reflection of the historical reality that such actors played only a minor role in shaping global governance. However, I argue that as the structure of the global political economy changes and the economic weight of major developing countries grows, our old model for conceptualizing the role of corporate and business actors in global governance – which has focused almost exclusively on Northern actors – is no longer sufficient to capture the contemporary reality.

A core aspect of economic globalization in the last two decades has been a significant shift in economic activity to the Global South. Parts of the developing world – particularly the so-called large emerging economies, such as China, India and Brazil – have experienced tremendous economic expansion. Powerful business actors have emerged from within these countries, including globally competitive firms and TNCs,
many of which are now among the largest in the world (examples include China’s PetroChina, the world’s largest company in 2010; Brazil’s Petrobras, the world’s third largest energy company; and India’s ArcelorMittal, the largest steel company). Business actors from the Global South are now an important force in the global economy, and I show that they are also coming to have a significant impact on its governance.

I argue that the case of Brazilian agribusiness at the WTO demonstrates that a narrow focus on the TNCs of the Global North – which has been the dominant approach in the existing literature – limits our ability to analyze and understand the contemporary dynamics of economic globalization and its governance. If globalization’s “center of gravity” originated in the Global North (Sassen 2002) – as a project of Northern TNCs and their allied governments – it is evolving. The case of the WTO suggests that we are entering a new phase, in which some of the impetus behind globalization and efforts to shape its governance and direction is shifting to the Global South. Private sector actors from the Global South are emerging as new agents of economic globalization – they have substantial economic might, are playing an increasingly important role in global governance, and are now key drivers in pushing the expansion of markets.

Wolves in Sheep’s Clothing: Brazilian Agribusiness and the WTO

The Rise of Brazilian Agribusiness and its Influence on Brazil’s Trade Policy

In the last two decades, Brazil has emerged as an agro-industrial export powerhouse, transforming the Brazilian economy and its trade objectives. Economic liberalization and technological innovation – which allowed it to compete with the world’s dominant agricultural producers (the US, EU and other countries of the North) – caused a boom in Brazilian agricultural production and exports (Wilkinson 2009). Brazil now has one of the world’s most sophisticated agro-industrial sectors, based on massive economies of scale and highly mechanized, capital-intensive, vertically-integrated production (Valdes 2006). It has become one of the most competitive agricultural
producers in the world and is a leading exporter of a large and growing number of products (including beef, poultry, sugar, ethanol, orange juice, coffee, soybeans, corn, pork, and cotton). Brazil is now the world’s third largest agricultural exporter, after the US and EU, and the country with the largest agricultural trade surplus. Moreover, its exports are expected to continue to expand rapidly, enabling it to potentially overtake the US and EU.

Although foreign TNCs have a significant presence in Brazil’s agricultural sector, it would be inaccurate to characterize the sector as dominated by foreign corporations. In the last two decades, there has been a dramatic expansion of Brazilian firms: of the 40 leading agribusiness companies now operating in Brazil, 35 are Brazilian in origin. There are approximately 20 agribusiness companies in Brazil with annual sales of more than US$1bn and many others poised to soon reach this level (EIU 2010). Brazilian firms have also diversified and moved up the value chain into higher value-added activities, such as trading, processing (including biofuels production), and transport. Many Brazilian companies have become transnational, engaging in aggressive investment and acquisitions abroad, expanding their production and distribution facilities around the world, and becoming among the world’s largest firms in several sectors (e.g., JBS, Brasil Foods, Citrosuco, Citrovita) (EIU 2010; Wilkinson 2009).

Although there is another side to Brazilian agriculture – despite the booming success of agribusiness, the vast majority of the country’s farmers (85 percent) remain small-scale and subsistence producers (MDA 2009) – agribusiness has been given primacy in policymaking. Brazil has been governed by the left-wing Workers’ Party (PT) since 2002, first under President Lula da Silva and now Dilma Rousseff, yet the state has maintained neoliberal economic and trade policies and, driven by the conviction that Brazil must “export or die” (Karriem 2009), privileged agribusiness expansion. Agribusiness contributes 28 percent of GDP and is considered a vital engine of growth in the Brazilian economy (Damico and Nassar 2007; Valdes 2006). Agribusiness exports are also seen as a critical means of generating foreign exchange and avoiding the balance-of-payments problems that historically plagued the country: they are responsible for over 40 percent of exports and 97 percent of the country’s balance of
As one Brazilian trade official stated, "my sympathies are with agro-business. Just look at the figures – my macro stability depends on agribusiness." The agribusiness sector is also well-represented within the state – with many senior-level government appointments filled by representatives of the agro-industrial sector – and there is close collaboration between agribusiness representatives and government officials. Moreover, sustained economic growth, combined with expanded social welfare policies that have reduced poverty and inequality (Lapper 2010; Soares, Ribas, and Osorio 2007), have created a degree of social consensus around the government’s economic and trade policies, including its promotion of agribusiness and export-led growth.

Historically, Brazil’s trade policy was inward-looking – centered on protecting domestic industries from foreign competition – and it played only a minor role in multilateral trade negotiations (de Lima and Hirst 2006). However, as the export-oriented agribusiness sector developed, it pressed the state to take a more aggressive position at the WTO. Brazilian agribusiness identified the Doha Round as an opportunity to reduce trade barriers and other market distortions; its interests centered particularly on improving market access and reducing subsidies in developed countries, such as the US and EU, which depress world prices and impede the growth of Brazilian exports. The pro-free trade stance of agribusiness has met with opposition from several sectors of Brazilian society – including social movements, NGOs, trade unions, small farmers and peasants (including the Landless Workers Movement, MST), and manufacturing sectors threatened by foreign competition – who have urged the Brazilian state to resist trade liberalization at the WTO. However, in determining Brazil’s trade policy, the opponents of trade liberalization have been largely outweighed by the potential benefits of liberalization for the agro-export sector (Veiga 2007). Brazil has defined its primary strategic interest as seeking further agricultural trade liberalization and opening foreign markets to its exports and has identified a successful conclusion of the Doha Round as one of its top foreign policy objectives. Brazil is widely expected to be among the biggest winners from the Doha Round and is one of its most active and vocal supporters. Driven by the rise of agribusiness, Brazil adopted an aggressive position at the WTO,
brought two high-profile disputes against the US and EU and leading the G20 developing country coalition to push for agricultural liberalization.

*Trade Disputes: Cotton & Sugar Cases*

Brazilian agribusiness became eager to use the WTO dispute settlement system to challenge the agricultural policies of the US and EU. Initially, the agribusiness sector pressed the Brazilian government to initiate a case against US subsidies to soybeans, one of the most significant export commodities for Brazil. However, the Ministry of Foreign Affairs (Itamaraty) resisted, concerned about the complexities and financial costs associated with a case, the risk involved in challenging the US, and the potential political fallout were Brazil to lose. During the delay caused by Itamaraty, market fluctuations eliminated the technical basis for the case (a rise in soy prices caused US subsidies to fall). Ultimately, under pressure from the agribusiness sector and its allies in the Ministry of Agriculture, Brazil decided to target US cotton subsidies. The implications of the case went beyond cotton, as it enabled Brazil to challenge general US subsidy programs that cover not only cotton but a range of other commodities (Chaddad and Jank 2006). Brazil also decided to concurrently launch a case against the EU on sugar, in an effort to disarm potential criticism that it was targeting the US for ideological or political reasons and to show instead that it was taking a stand against agricultural subsidies in general.

In September 2002, Brazil launched two landmark dispute settlement cases against US cotton subsidies and EU sugar export subsidies. The cotton and sugar agribusiness associations, ABRAPA and UNICA, financed the cases and provided outside council. Brazil won both cases in 2005, and their impact was profound. They marked the first time that a developing country had successfully challenged developed country agricultural subsidies. As a result, the EU was required to reform its sugar support programs to eliminate the offending export subsidies. The US was forced to eliminate its most egregious cotton subsidies and pay Brazilian farmers $147 million per year until it fully reforms its cotton subsidy programs in the next 2012 farm bill; should it
fail to do so, Brazil was granted the right to impose over $800 million in retaliatory trade sanctions against US goods, pharmaceuticals, and software. Moreover, Brazil’s victories revealed major inconsistencies between US and EU agriculture policies and WTO rules. As one report to US Congress stated, “a review of current US farm programs measured against these criteria suggests that all major US program crops are potentially vulnerable to WTO challenges.” (CRS 2006) Brazil’s success in the disputes demonstrated the vulnerability of developed country farm programs and raised the prospect that they could be subject to a wave of WTO dispute settlement challenges.

The cases also gave Brazil significant ammunition for fighting US and EU subsidies in the Doha Round negotiations. Brazil was able to use the disputes to construct a David-and-Goliath-like image of itself, as a hero of the developing world taking on the traditional powers. Despite Brazil’s major agro-industrial interests in cotton, for example, the issue came to be framed as a struggle of poor, developing country cotton farmers against the US. NGO campaigns, led by Oxfam and the IDEAS Centre, helped link the Brazil cotton case with the plight of poor West African cotton farmers – with Benin and Chad joining the case as third parties – and rally public support against US subsidies. Brazil actively cultivated this association, seeking to convince African countries to join the case and attaching a statement from Oxfam regarding the impact of subsidies on West African cotton producers to its own legal submission. The cotton case was heralded as opening the door to “an unprecedented assault by some of the world’s poorest countries on the agricultural policies of its richest.” (Wallis and Williams 2002) The cases was widely characterized as an indicator of whether the WTO and the international trading system could “work for the poor” (Milligan 2004), and Brazil’s victories were portrayed as “a triumph for developing countries.” (Bridges 2004)

As one Brazilian official indicated, “the disputes were symbolically very important in strengthening our position. They served as very friendly propaganda.” The cotton and sugar cases served to unite the developing world behind Brazil, helping it to gain political leadership of the developing countries and create the G20.
Doha Round Negotiations and the G20

Through the G20, Brazil and its agribusiness sector have had a profound impact on the WTO and the Doha Round negotiations. Brazil came to the Doha Round seeking to make significant gains on agriculture but recognized that it lacked sufficient power operating alone and needed allies. Prior to the Cancun Ministerial Meeting in 2003, the US and EU released a joint proposal for a Doha Round agriculture agreement. Brazil was deeply dissatisfied with the proposal, which it believed significantly reduced the level of ambition in the round. The US-EU proposal sparked a strong reaction among developing countries, who saw it as an attempt to get them to lower their trade barriers, while at the same time allowing the US and EU to maintain most of their subsidies. They feared a repeat of the Blair House Accord – a private agreement between the US and EU that served as the basis for the previous Uruguay Round agreement and obliterated the hopes of developing countries for making gains in the round. The US-EU proposal provided the opportunity for Brazil to mobilize a group of developing countries – the G20 – to counter the US and EU and press those countries for greater reforms, particularly on subsidies. Brazil began by approaching India, who had long been an active and vocal participant in WTO negotiations and was seen as a key representative of the defensive concerns of developing countries in agriculture. Together they assembled a group of countries representing over half of the world’s population and two-thirds of its farmers, with broad support from the rest of the developing world. The G20 united not only to block the US-EU proposal but, driven by Brazil, also arrived at Cancun with its own carefully formulated counter-proposal. As a result, the Cancun Ministerial – intended to be a key milestone in the progress of the Doha Round – ended in collapse, with the G20’s refusal to accept the US-EU proposal a central factor in the breakdown.

The emergence of the G20 had profound consequences, producing what one Ambassador described as “a tectonic shift at the WTO.” It launched Brazil and India – as representatives of the offensive and defensive interests, respectively, of the G20 and developing countries in agriculture – into the inner circle of negotiations as key players whose consent was considered essential to breaking the stalemate and securing a deal.
As a WTO Secretariat official stated, the “creation of the G20 completely imploded the Quad,” which was replaced instead by a new core negotiating group centered on the US, EU, Brazil, India and later China.

The G20 also fundamentally altered the dynamic and agenda of the Doha Round. The agriculture negotiations began primarily as an assault by the US and the Cairns Group of agricultural exporters against the EU and Japan; however, over the course of the round, the negotiations were transformed into a struggle between developed and developing countries centered on US and EU subsidies (Clapp 2007). As a negotiator stated, “at the start of this round, the US saw itself in an offensive position. It had no idea it would be a target on agriculture. But now it has become the key focus of the negotiations.” There has been a dramatic shift in roles. The US was the demandeur in all previous multilateral trade rounds (Schott 2009). Now, for the first time, a group of developing countries – led by Brazil – seized the offensive and made the protectionist policies of the US a central target at the WTO.

Under the leadership of Brazil, the G20 has had a significant impact on the negotiating agenda: not only has the G20 made agricultural subsidies a central issue in the round, but the draft negotiating texts since Cancun have substantively reflected many of its proposals. The G20 has secured: a tiered formula for reducing subsidies (“domestic support”), ensuring that countries that provide the most support are required to make the biggest reductions, and stiffer criteria for cutting domestic support, such as product-specific caps; substantial reductions in domestic support (compared to historical bound levels), with the EU cutting overall trade distorting support (OTDS) by 80 percent and the US by 70 percent; the elimination of export subsidies and parallel disciplines on export credit and food aid; non-extension of the Peace Clause (protecting developed countries from WTO challenges), countering the long-standing position of the US and EU; and a “tiered” formula for reducing tariffs, rather than the “blended” formula sought by the US and EU (WTO 2008). Although the final outcome of the Doha Round remains uncertain, the G20 has significantly shaped the content of any prospective agreement. The influence of the G20 is all the more striking in light of the historically marginalized
position of developing countries at the WTO and their limited impact on the terms and substance of previous agreements.

The impact of the G20 is attributable to the strength of the coalition under Brazil’s leadership. While other large developing countries such as India and China were also members of the group, Brazil was the driving force behind the G20: it created and coordinated the group, provided its strategy and communications, organized and ran its meetings, and produced the majority of its research and technical analysis and its negotiating proposals. In the words of several negotiators – both members of the G20 and countries across the negotiating table – it is Brazil who did the “heavy lifting” for the group. In turn, its agribusiness sector played a powerful and influential role behind Brazil’s negotiating team and strategy in Geneva.

Convinced of the importance of the Doha Round, in early 2003, Brazil’s main agribusiness associations created a specialized trade policy institute, the Institute for International Trade Negotiations (ICONE), dedicated to producing sophisticated technical work to support the Brazilian government in the negotiations. In the words of one representative, “It was like industry contracted out their trade policy work to ICONE, who were the experts and worked on their behalf.” Brazilian negotiators evaluate their work as “at the level of the best research in world.” But ICONE is forthright about its orientation: as a representative stated in an interview, “We work for agribusiness. We are free traders.” ICONE came to have a central role in formulating Brazil’s negotiating position in the Doha Round.

Despite efforts to increase its own capacity, the Brazilian government was unable to do much of the highly technical work needed for the Doha negotiations on its own and instead relied significantly on agribusiness, through ICONE. Immediately after the founding of ICONE, the government created an informal technical working group to support the work of its negotiators in Geneva. Although the group included all relevant government ministries and stakeholders, participants report that it was dominated by Itamaraty, the Ministry of Agriculture, and ICONE. The group had no official role in decision-making: concerned about the optics of working so closely with agribusiness, Itamaraty intentionally kept the group informal (“off the books,” in the words of one
Brazilian negotiator), such that it was never given an official name and produced no official documents. But it was in this group that Brazil’s negotiating position, and ultimately most of the negotiating proposals put forward by the G20, originated.

The informal working group began meeting in the months prior to Cancun and started by conducting an extensive analysis of the US-EU agriculture proposal and preparing a response and counter-proposal. This work was taken directly from Brasilia to Geneva; it became the basis for the G20 proposal at Cancun and remains the core of its platform. The same process continued as the negotiations moved forward. The informal group functioned as a technical working group at the officials level, with participants marking up proposals and engaging in drafting. During some periods, it met as frequently as every week, working for days at a time. ICONE played a central role: it generated the majority of the technical work, providing technical studies of domestic and export subsidies, tariffs and non-tariff barriers, and other issues in the negotiations; running econometric analyses of the impact of different tariff and subsidy reduction proposals; and generating proposals that were given to Brazilian negotiators and from there to the G20. Between 2003-2007, ICONE prepared 62 confidential technical papers and simulations for the Brazilian government (ICONE 2007). ICONE’s analyses were instrumental in the development of Brazil’s, and consequently the G20’s, negotiating positions. Detailed negotiating proposals based on the work of ICONE would be formulated in the internal working group; Brazil would then take them to the G20 membership, where they would be modified slightly and subsequently presented to the WTO as the official G20 position. ICONE also had an active presence in Geneva: it attended G20 meetings and strategy sessions (notably, the only non-state actor to do so) and accompanied the Brazilian negotiating team to formal meetings and negotiating sessions at the WTO.

As the key source of technical inputs for the G20, ICONE was an instrumental force in the group. As one Brazilian negotiator stated, “to explain the G20 you have to talk about ICONE.” A participant at Cancun explained:

Cancun was the first time Brazil came to the table with strong technical support; they had ICONE – they were the guys with the numbers – so it
was very private sector driven. It showed Brazil had the numbers, the capacity of putting together a proposal that was technically sound, solid. That was the driving force for the G20 – it was a technically-driven, market-driven initiative.\textsuperscript{xxi}

Brazil’s technical capacity – its ability to produce complex, technically sophisticated proposals and counter-proposals, with compelling rationales – provided a significant draw for other developing countries and marked a major change from previous developing country coalitions. The lack of technical capacity is part of why developing countries have historically been disadvantaged at the WTO. Most developing countries at the WTO have very limited technical capacity, and as one negotiator explained, “in this game, either you have the technical capacity or people will take your wallet.”\textsuperscript{xxii}

Many developing countries (including Brazil) believe they were taken advantage of in the Uruguay Round because they lacked the technical expertise to fully understand the agreement and its implications. The need for technical knowledge and expertise is particularly acute in the agriculture negotiations, which are extremely complicated. Members of the G20, and developing countries more broadly, were willing to allow Brazil to represent them in large part because it could respond effectively to dominant countries like the US and EU. Under the leadership of Brazil, the G20 could provide the technical expertise critical for countries to engage effectively in WTO negotiations. As one negotiator explained:

For the first time, a developing country group proved to be technically effective. We weren’t just saying ‘no’ but ‘no, and this is how we think it should be done’ and we were producing technically sophisticated proposals with a solid rationale. Now, when the US, Japan, or whoever comes to the table with sheets of paper saying ‘we need something’, we can prove their arguments are bogus – that they’re hiding aspects of their policies or ours – and put it on the table. For example, in one meeting on market access, we had computers going and could immediately check the consequences of their proposals – we had tables, databases we could run instantly. We knew right away it would have the effect of shielding x and y and z and wouldn’t work for us.\textsuperscript{xxiii}

This technical capacity was critical to the G20’s success. As another negotiator stated, “How to explain the success of G20? It was the technical capacity of Brazil – that technical capacity was the miracle making it possible for us to make proposals and
convince people.”xxiv The G20’s technical capacity – including the majority of its analysis and proposals – originated overwhelmingly from Brazil, and specifically from the agribusiness sector through ICONE.xxv

Brazil’s – and hence ICONE’s – technical dominance, relative to other members of group, gave it significant influence. A participant described the dynamic in the G20 meetings as follows:

In agriculture, Brazil had way more technical work than anyone else, so it was easy to present a position and have other countries accept it. Many other countries had no idea of what the impact would be. Sometimes the meetings were like a class on how subsidies work, how each country should calculate its position, what the impact of subsidy reduction would be. And agriculture is very technical, so it was easy to be influenced by countries that were more technically prepared.xxvi

This technical expertise was a key reason other developing countries were willing to get behind Brazil, but it also gave Brazil – and its agribusiness sector – considerable sway over the orientation and agenda of the group.

Brazil’s leadership of the G20 was based not only on its technical capacity but also on the political effectiveness of its negotiators in steering the coalition and advancing a powerful narrative to support its agenda. Brazil’s willingness to challenge the US and EU and its success in securing a number of important victories – not only in the cotton and sugar cases, but also in the fight to ensure WTO intellectual property rules (the TRIPS Agreement) did not impede access to essential medicines (such as HIV/AIDS drugs) in developing countries – lent it credibility as a leader of the developing world and helped it to gain broad support. Brazil also actively made use of President Lula’s image as an advocate for the poor to build support for its leadership: Foreign Minister Celso Amorim’s statement at the Cancun Ministerial, for example, referenced Lula’s commitment to “social justice” and “the plight of the poor” before talking about Brazil’s desire to use trade liberalization as “an instrument of social change” and how reforming agricultural subsidies would aid “the alleviation of poverty and the promotion of development” (WTO 2003). Brazil portrayed the G20 as “the voice of developing countries” and its agenda of reducing subsidies as a central part of the shared struggle
of poor countries for development (Amorim 2003). Discourses of developing country solidarity and North-South struggle served as a potent integrating frame for the G20, and its ability to mobilize a discourse of development – along with an agenda of subsidy reduction that accorded with the dominant free trade principles of the WTO – added considerable power to the G20 agenda and Brazil’s leadership. For their part, other developing countries were willing to support Brazil’s leadership because the success of the G20 gave them an effective means to counterbalance the traditional powers and enhance their collective participation and influence at the WTO..xxvii

Framing the Interests of Developing Countries at the WTO

Rich country agriculture subsidies served as the central unifying demand of the G20, and developing countries more broadly, at the WTO. Today, many view this as the “natural” issue for developing countries to ally themselves around, based on the argument that subsidies depress global prices and undermine the competitiveness and livelihoods of poor farmers. But this is largely a product of how successful Brazil and ICONE – through the G20 – have been in framing the issue. The current dominant framing of agricultural subsidies as a development issue has become so deeply embedded that many have forgotten it is actually relatively recent. At the start of round, agricultural subsidies were seen primarily as a fight between the US and the EU, in which the US and the Cairns Group were on the offensive in pressing the EU to reduce its subsidies (see, for example, Financial Times 1999). Typical accounts of the agriculture subsidies issue at the time made no mention of “development” or developing countries (e.g., WTO 2001), while many assessments of the impact of the Uruguay Round on developing countries or their interests going into the current round did not even mention subsidies (instead emphasizing only tariffs and market access) (e.g., World Bank 1998). Over the course of the Doha Round, the framing of the issue changed completely, as the G20 re-constructed agricultural subsidies as a critical development and global poverty issue, in which developing countries were pitted in a struggle against rich countries like the US and EU. Agriculture subsidies became a cause célèbre, generating widespread public and media attention, as they came to be
portrayed as a significant cause of world poverty and among the most important and pressing concerns of the developing world. The demand was not to fundamentally alter the principles of the multilateral trading system but to make them “fairer” to developing countries by disciplining agriculture subsidies in order to create “a level playing field” on which all countries could compete “equally.”(G20 2003) In the process, the G20 helped make agriculture the central focus of the Doha Round – as one Brazilian negotiator stated, “this round is an agriculture round.” The agricultural subsidies issue became a key justification and source of momentum for the entire round, with claims that WTO-mandated trade liberalization is vital to international development and that developing countries will be hurt the most if the Doha Round is not concluded.

In presenting agricultural subsidies as a development issue, Brazil and the G20 were aided by many actors, including the WTO Secretariat, the World Bank, and several international NGOs. The subsidies issue thus brought together an unusual mix of allies, described by Brazil’s Foreign Minister as “a virtuous alliance among those who support free trade and economic development throughout the globe.”(Amorim 2003) Many NGOs saw the subsidies issue as a means to draw attention to the unfairness built into the existing rules of the international trading system and the disadvantaged position of developing countries. Aware of their influence in shaping public and media opinion on the issue, Brazil actively cultivated relationships with international NGOs, such as Oxfam and the Institute for Agriculture and Trade Policy (IATP). Brazilian negotiators met frequently with NGOs in Geneva, giving them “a free pass” to the Brazilian mission and sharing strategy, analysis, talking points and messaging. Lacking technical capacity, NGOs also relied on Brazil for assistance with their economic analyses (and that of the West African cotton-producing countries they were supporting). Brazilian negotiators believe these relationships paid off, with one stating: “the way we handled international public opinion was responsible for a lot of the success of our strategy and NGOs were quite an important weapon in the public opinion battle.”

The G20 was portrayed as projecting the interests of the Global South into the international arena: according to Brazil’s Ambassador, “developing countries expressing their interests as one.” Yet there is reason to question this purported concurrence of
interests and how well the G20 truly represents the interests of developing countries. For Brazil – the driving force behind the G20 – the group has been useful, in the words of one of its negotiators:

    because it provides credibility, and in trade negotiations to some extent you have to disguise the fact that you’re a greedy bastard. So you put lofty ideas in your presentation, you show a willingness to partner in coalitions and disguise that you’re going for the kill. Pardon my language, my frankness, but I think people tend to hide these things too much.xxiii

With the G20, the subsidies issue was tied to “lofty ideas” of development, developing country solidarity, empowering developing countries and righting imbalances at the WTO. Yet these notions also served to disguise whose commercial interests were truly at play.

    Reducing rich country agriculture subsidies came to be framed as a shared interest of developing countries, with even President Lula (2003), for example, claiming that it would “bring better living conditions to billions of farmers around the world.” But the reality is far more complicated. Only a small proportion of developing countries are globally competitive with the export capacity to benefit from liberalization in agricultural markets and subsidy reduction. In contrast to Brazil’s large-scale and highly competitive industrialized agricultural sector, the vast majority of developing countries have weak agricultural sectors consisting primarily of vulnerable peasant farmers. Gains from the Doha Round are thus expected to go to only a few countries, with Brazil being one of the biggest beneficiaries, while for most developing countries, the costs associated with the round could well outweigh any potential gains (Polaski 2006). Most poor countries are net food importers; for these countries, the net effect of reducing rich country agricultural subsidies may in fact be harmful as, to the extent that it achieves its intended objective of raising global agricultural prices, it would increase their cost of food (Bhagwati 2005; Birdsall, Rodrik, and Subramanian 2005). This is of particular concern given that most of these countries are already struggling to feed their populations in the face of rising food prices and growing global food insecurity. The unqualified assertion that removing subsidies in rich countries will bring net gains to developing countries as a whole is therefore highly questionable (FAO 2008). At the very least, the ultimate implications for
developing countries and the poor are complex and uncertain. Another element of complexity lost in the current framing of the subsidies debate, which has tended towards a broad condemnation of agricultural subsidies, is that many developing countries are themselves subsidizers and this constitutes a key element of their development and food security policies (OECD 2009; World Bank 2008).

Despite the focus on agricultural subsidies at the WTO, there are alternative policies that could be of greater importance to the interests of many developing countries (and especially their most vulnerable agricultural producers and consumers). These include, for example, policies to address market concentration and the power of TNCs, commodity agreements to improve prices for developing country producers, and trade rules to allow governments to create food reserves and engage in supply management (both to boost prices for producers and prevent food crises). Such ideas have occasionally been advanced – by states, NGOs, and other actors – in the milieu of the WTO, but received far less attention than the agricultural subsidies issue. For Brazil and its agribusiness sector, who have been so influential in driving the developing country agenda at the WTO, such policies – which would mark a move away from opening markets – have no appeal. When asked if they have ever considered advocating these types of policies, which many believe would be of greater benefit to the developing world than reducing agricultural subsidies, one Brazilian negotiator explained: “No, we don’t like it. The most competitive one is the one who would be paying for that – we’d be paying for others to acquire their capacity. Our argument is just open markets.” Given the roots of its policy in agro-business, Brazil has a specific direction it is interested in pushing the negotiations in: its primary objective is to further liberalization to benefit its exporters. For Brazil, the “development” dimension of the Doha Development Round means simply opening markets.

The G20 and the cotton and sugar cases helped to project the interests of Brazilian agribusiness – and a handful of other competitive agricultural exporters – as the interests of the Global South. Over the course of the Doha Round, its “development” dimension has been progressively boiled down to a focus almost exclusively on agricultural liberalization (Wilkinson 2007). The influence of Brazil and its agribusiness
sector is critical to explaining why agriculture has become such a central part of the round. It has also significantly shaped the direction that developing country “activism” has taken in the current round, with an intense focus on liberalizing agriculture markets through the removal of subsidies, rather than advocating policies that would mark a more radical departure from the WTO’s traditional neoliberal trade paradigm.

Conclusion

The case of Brazilian agribusiness at the WTO demonstrates how powerful business actors from the Global South are making use of existing governance institutions and discourses to advance their interests. They have taken the tools created by the states and corporations of the Global North and are now turning them against their originators, using the WTO and its neoliberal discourse, combined with a discourse of development, as a powerful combination to press for liberalization and expand markets for their exports. Brazil has been highly successful in portraying the particularistic commercial interests of its agribusiness sector as a generalized interest of the Global South. Far from challenging the neoliberal agenda of the WTO, Brazil has displaced the US and EU as among the most vocal advocates of free market globalization and the push to expand and liberalize global markets.

Existing theories of economic globalization have characterized it primarily as a project of the Global North—its corporate and business sector actors in alliance with their governments. This case has important implications for our understanding of globalization, as it demonstrates that the locus of economic globalization no longer rests solely in the Global North. New agents of economic globalization have emerged in the Global South—they have substantial economic might, are playing an increasingly important role in global governance, and are now key demandeurs pushing for the expansion of markets.

This article has focused on Brazilian agribusiness at the WTO. Future research analyzing the behavior of other new developing country powers and their private sector
actors, and other arenas of global governance, is necessary to supplement the findings in this study. However, there is reason to believe that the phenomenon identified here is not unique to Brazil or to the WTO. China and India and their business actors are becoming major players in the global political economy and its governance, and like Brazil, wrapping their commercial interests in a discourse of development and developing country solidarity. Indian information technology and business process outsourcing (IT-BPO) firms, who are the largest exporters of such services in the world, are working through their industry association, NASSCOM, in concert with the Indian state, to try to use the WTO negotiations to press for services trade liberalization and are employing discourses of neoliberalism and development similar to Brazil. Likewise, beyond the WTO, Chinese companies have made massive investment in Africa and other developing countries, to the extent that China is now a bigger lender to the developing world than the World Bank. Although these investments are driven primarily by an interest in securing access to raw materials, China has used a free trade discourse combined with a discourse of development, South-South solidarity and cooperation, and anti-colonial struggle, to create a powerful narrative and justification for the activities of its corporations.

While it might have been expected that the rise of developing country power at the WTO would prompt a shift away from the neoliberal policies of the past – which emerged under the dominance of the US and other industrialized states – this has not been the case. The influence of Brazil and its agro-business sector in driving the G20, and thus the rising power of developing countries, is a key part of explaining why this shift in power has not resulted in a more fundamental challenge to neoliberal trade policy at the WTO. Although Brazil employs a discourse strongly reminiscent of the Third Worldism of the 1960s and 70s, the agenda it is pursuing at the WTO fits solidly within its neoliberal paradigm. Brazil’s emergence as a global agribusiness powerhouse has reoriented its international trade policy from inward-looking to focusing on exports as a key source of economic growth and development. Rather than rejecting the principles and institutions of neoliberalism at the global level, Brazil has embraced them, turning the WTO system against its originators and demanding further market liberalizing reforms from the US and other advanced-industrialized states.
References


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\textsuperscript{1} Calculated using data from EIU 2010.
\textsuperscript{2} Interview, May 2009.
\textsuperscript{3} Evident in 80 percent approval ratings for Lula (\textit{Reuters} 2010) and the PT’s re-election under Dilma Rousseff in 2010.
\textsuperscript{4} Interviews with Brazilian officials, September 2008-June 2009 and May 2010.
\textsuperscript{5} Interviews with Brazilian officials and industry representatives, May 2010.
\textsuperscript{6} Interview, May 2010.
\textsuperscript{7} Interviews with Brazilian officials, September 2008-June 2009 and May 2010.
\textsuperscript{8} Interview, June 2009.
\textsuperscript{9} Interview, March 2009.
\textsuperscript{10} Interview with WTO negotiator, May 2009.
\textsuperscript{11} Interviews with WTO negotiators, September 2008-June 2009.
\textsuperscript{12} ICONE’s sponsors and advisory board consist of: ABIOVE (Brazilian Association of Vegetable Oil Industries), ABIECS (Brazilian Pork Industry and Exporter Association), ABIEC (Brazilian Meat Industry and Exporter Association), ABEF (Brazilian Poultry Industry and Exporters Association), UNICA (Brazilian Sugar Cane Industry Union), ABAG (Brazilian Agribusiness Association), FIESP (Federation of Industries of the State of Sao Paulo), IRGA (Rice Institute of Rio Grande do Sul).
\textsuperscript{13} Interview with ICONE representative, May 2010.
\textsuperscript{14} Interview with Brazilian officials, May 2010.
\textsuperscript{15} \textit{Ibid}.
\textsuperscript{16} Interviews with Brazilian officials, September 2008-June 2009 and May 2010.
\textsuperscript{17} \textit{Ibid}.
\textsuperscript{18} For example, the G20’s push for product-specific subsidy caps and criteria for how they should be determined was driven by ICONE. Likewise, the G20’s position on market access – its rejection of the US-EU proposal for a blended formula and its own proposal for a tiered formula – came from ICONE’s research and analysis.
\textsuperscript{19} Interviews with Brazilian officials, September 2008-June 2009 and May 2010.
\textsuperscript{20} Interview, June 2009.
\textsuperscript{21} Interview, May 2010.
\textsuperscript{22} Interview, March 2009.
\textsuperscript{23} Interview, June 2009.
\textsuperscript{24} \textit{Ibid}.
\textsuperscript{25} Interviews with G20 members and other delegations, September 2008-June 2009.
\textsuperscript{26} Interview, May 2010.
\textsuperscript{27} Interviews with developing country negotiators, September 2008-June 2009.
\textsuperscript{28} Interview, April 2009.
\textsuperscript{29} Interviews with NGO representatives, September 2008-June 2009.
xxx Interview with Brazilian negotiator, March 2009.
xxxii Interviews with Brazilian officials, September 2008-June 2009 and May 2010.
xxxiii Interview, May 2009.