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

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KRISTEN HOPEWELL

The existing international economic order has been heavily shaped by US power and the US has been a key driver of globalisation and neoliberal economic restructuring, prompting speculation about whether the rise of new developing country powers could rupture the current trajectory of neoliberal globalisation. This paper analyses the case of Brazil at the World Trade Organization (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 globalisation and the push to expand and liberalise global markets. I show that Brazil’s stance has been driven by the rise of its export-oriented agribusiness sector. This case demonstrates 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. At the same time, their interests are being wrapped in and advanced through a discourse of development and social justice and a strategic mobilisation of the politics of the North-South divide.

Keywords: World Trade Organization (WTO), Brazil, emerging powers, G20, agriculture, trade

Introduction

The global economy and the institutions charged with its governance are in the midst of a period of transformation as new developing country powers emerge –
such as Brazil, India and China – and potentially challenge the longstanding dominance of the US and other advanced-industrialised states (Ikenberry 2008; Nye 2010; Subramanian 2011; Wade 2011). The existing international economic order has been heavily shaped by US power (Keohane 1984; Gilpin 1987; Ruggie 1996) and the US has been a key driver of globalisation and neoliberal economic restructuring (Helleiner 2001; Gill 2002; Sassen 2002; McMichael 2004; Harvey 2005; Cox 2008; Evans 2008; Layne 2009; Ikenberry 2011). Many have argued that the institutions of global economic governance – such as the World Trade Organization (WTO), International Monetary Fund (IMF) and World Bank – and their neoliberal policies have been biased against the Global South and served to perpetuate the disparity between rich and poor countries (Chang 2002; Bailin 2005; Gallagher 2008). There have therefore been debates about whether shifts in power could rupture the current trajectory of neoliberal globalisation – the restructuring of the global economy in favour of deregulation and market liberalisation – and usher in an alternative form of globalisation and potentially a more equitable and progressive global economic order (Hardt and Negri 2000; Nederveen Pieterse 2000; Harvey 2005; Arrighi 2007; Evans 2008; Strange 2011).

This paper contributes to these debates by analysing 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 has been a key site of struggle over global power relations and was 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 industrialised states. The US was the key driver of liberalisation, 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 organisation’s membership effectively as a fait accompli (Wade 2003; Kelly and Grant 2005). These states carved out a trading order that suited their own interests, while developing countries were severely marginalised (Steinberg 2002; Narlikar and Wilkinson 2004; Porter 2005).

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 destabilise 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 trade policies at the centre 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, policy-makers, activists and the media (Looney 2004; Baldwin 2006; Clapp 2006; Hurrell and Narlikar 2006; Evenett 2007; Grant 2007; Warwick Commission 2008). The G20, for example, is frequently characterised 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 1970s. 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 analyse 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 organisations, 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 globalisation and the push to expand and liberalise 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 globalisation and their influence in global economic governance. 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 victimised 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. In the process, it has posed a serious challenge to the policies of the US, EU and other developed countries. 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. Furthermore, the commercial interests of Brazil’s agribusiness sector have been advanced by being portrayed as part of the Global South’s struggle for development and social justice: the North-South divide is being mobilised strategically as a tool to advance the interests of business actors from the Global South.

**Business and states in the governance of economic globalisation**

Business actors have played a central role in economic globalisation – 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 globalisation’ (Evans 2005; McMichael 2005). Their role in this process has been both economic and political.
Corporations have globalised 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 globalisation possible (Cutler et al. 1999; Higgott et al. 1999; Levy and Prakash 2003; Fuchs 2007).

Globalisation has involved the establishment of new institutional and legal arrangements for the organisation of markets, including an expansion in the authority of institutions like the WTO, IMF and World Bank, and the spread of a legitimating neoliberal discourse (Gill 2002; McMichael 2004; Chorev and Babb 2009). The literature on economic globalisation 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 (Mann 2001; Fligstein 2005). In the multilateral trading system, for example, American corporations and the US government, aided by their European counterparts, drove a significant expansion of the WTO’s authority – 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; Wade 2003; Shadlen 2005; Mortensen 2006; Sell 2006; Gallagher 2008).

Studies of globalisation have shown how powerful 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 to press for trade and financial liberalisation and push developing countries to open their markets to foreign goods and capital (Arrighi and Silver 1999; Braithwaite and Drahos 2000; Helleiner 2001; Gill 2002; McMichael 2004; Harvey 2005; Cox 2008; Evans 2008). 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 influence of Northern TNCs in the global governance institutions (see, for example, Wallach and Sforza 1999; Jawara and Kwa 2003; Action Aid 2006).

Northern TNCs are thus central protagonists in existing theories of economic globalisation: corporations from the Global North, in alliance with their governments, have been seen as the agents of globalisation, and international institutions – like the WTO – their tools. Until now, the story of economic globalisation 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 conceptualising 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 globalisation in the last two decades has been a significant shift in economic activity to the Global South. In the last decade, the share of global gross domestic product (GDP) attributed to the Group of 7 (G7) advanced-industrialised countries has fallen from 72 per cent to 53 per cent (Wade 2011). At the same time, parts of the developing world – particularly the so-called large emerging economies such as China, India and Brazil – have experienced tremendous economic expansion. China is the most striking example of this transformation, having emerged as the world’s largest manufacturing exporter and second largest economy. India has become one of the world’s leading exporters of services, particularly in the areas of information technology (IT) and IT-enabled services. Brazil is now a leading agro-industrial exporter. 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.

At the WTO, Brazil’s agribusiness sector has exerted influence by working with and through the Brazilian state. Despite the undeniable influence of non-state actors – including the private sector, NGOs, and trade lawyers and experts – the WTO is formally an inter-state forum and negotiations and dispute settlement operate on a state-to-state basis. In order to advance its interests at the WTO, agribusiness has thus needed to work closely with the Brazilian state. Agribusiness is a powerful force in Brazilian politics and has considerable influence in shaping government policy, particularly in the realm of trade. But this is more complicated than simply a case of the state being captured by a powerful domestic interest group; the Brazilian state is not merely an instrument controlled by agribusiness. Instead, with respect to the WTO, the relationship between the state and agribusiness is better understood as an alliance or partnership, involving a conscious alignment of the Brazilian state with agribusiness, based on shared interests and ideology. The position of the state accords with Peter Evans’ (1995) concept of ‘embedded autonomy’, the notion that in order to be effective in fostering economic development, a state must be both autonomous and embedded in dense ties to important actors in the private sector. In the realm of foreign and trade policy, Brazil has a highly capable and effective state bureaucracy, which has a degree of independence and autonomy from domestic social forces but also close ties to agribusiness. Given the importance of agribusiness exports to the Brazilian economy, expanding exports is a shared objective of both the state and agribusiness, which provides the basis for their alliance in pursuit of agricultural trade liberalisation at the WTO.

**Wolves in sheep’s clothing: Brazilian agribusiness at 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
liberalisation and technological innovation 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 mechanised, 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. 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 characterise 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.1 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 (JBS, Brasil Foods, Citrosuco, Citrovita; Wilkinson 2009; EIU 2010).

The rise of Brazil’s agribusiness sector has had a significant impact on its trade policy. Although Brazil has been governed by the left-wing Workers’ Party (PT) since 2002, first under President Lula da Silva and now Dilma Rousseff, the state has maintained neoliberal macroeconomic and trade policies. This has included privileging agribusiness expansion, driven by the conviction that Brazil must ‘export or die’ (Karriem 2009). The agrifood sector contributes 28 per cent of GDP and agribusiness is considered a vital engine of growth in the Brazilian economy (Valdes 2006; Damico and Nassar 2007; USDA 2009). 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 per cent of exports and 97 per cent of the country’s balance of trade surplus (OECD 2009). As one Brazilian trade official stated: ‘my sympathies are with agro-business. Just look at the figures – my macro stability depends on agribusiness’.2 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. The state is subject to multiple and competing pressures and there continues to be contestation over the direction of economic and trade policy. However, agribusiness exports constitute an important pillar of the current development model being pursued by the Brazilian state, and agribusiness has largely been given primacy in determining Brazil’s trade policy and its position at the WTO. And, broadly speaking, sustained economic growth, combined with expanded social welfare policies that
have reduced poverty and inequality (Soares et al. 2007; Lapper 2010), 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 – centred 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 centred 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 a variety of domestic actors – 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 liberalisation at the WTO. However, in determining Brazil’s trade policy, the opponents of trade liberalisation have been largely outweighed by the potential benefits for Brazil’s agribusiness sector and its exports (Veiga 2007). Brazil has defined its primary strategic interest as seeking further agricultural trade liberalisation 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, bringing two high-profile disputes against the US and EU and leading the G20 developing country coalition to push for agricultural liberalisation.

Trade disputes: cotton and sugar cases

In September 2002, at the behest of its agribusiness sector, 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 counsel. 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 programmes to eliminate the offending export subsidies. The US was forced to eliminate its most egregious cotton subsidies and pay Brazilian farmers US$147 million per year until it fully reforms its cotton subsidy programmes in the next farm bill; should it fail to do so, Brazil was granted the right to impose over US$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 programmes measured against these criteria suggests that all major US programme crops are potentially vulnerable to WTO challenges’ (Congressional Research Service 2006). Brazil’s success in the disputes
demonstrated the vulnerability of developed country farm programmes and raised the prospect that they could be subject to a wave of WTO dispute settlement challenges.

The cases thus had significant material implications, and they also had important symbolic effects. The disputes gave Brazil powerful 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 were widely characterised 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 had a major impact in shaping NGO, media and public opinion on agriculture subsidies, and they also 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**

Brazil came to the Doha Round seeking to make significant gains on agriculture but recognised 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 mobilise 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 centred 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 centred 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 eight 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 per cent and the US by 70 per cent; 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 (World Trade Organization 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 marginalised 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, organised 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.\textsuperscript{11} In turn, its agribusiness sector played a powerful and influential role behind Brazil’s negotiating team and strategy in Geneva.

Determined to make significant gains in the Doha Round, in early 2003, Brazil’s major agribusiness associations invested in creating a specialised trade policy institute, the Institute for International Trade Negotiations (ICONE), dedicated to producing sophisticated technical work to support the Brazilian government in the negotiations.\textsuperscript{12} 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’.\textsuperscript{13} Brazilian negotiators evaluate their work as ‘at the level of the best research in the world’.\textsuperscript{14} But ICONE is forthright about its orientation: as a representative stated, ‘We work for agribusiness: we are free traders’.\textsuperscript{15} 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.\textsuperscript{16} Immediately after the founding of ICONE, the government created an informal technical working group to support the work of its negotiators in Geneva.\textsuperscript{17} Although the group included all relevant government ministries and stakeholders, it was dominated by the Ministry of Foreign Affairs (Itamaraty), the Ministry of Agriculture and ICONE. Concerned about the optics of working so closely with agribusiness, Itamaraty intentionally kept the group ‘off the books’. in the words of one negotiator. But, although it formally had no official role in decision-making, 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, where 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 engaged in marking up and drafting proposals together. 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.

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. Most developing countries are severely under-staffed and under-resourced, with limited or no technical capacity, which has historically contributed to their disadvantaged position at the WTO. As one negotiator stated, ‘in this game, either you have the technical capacity or people will take your wallet’. Under the leadership of Brazil, and backed by ICONE, the G20 provided the technical expertise critical to engage in WTO negotiations and enabled developing countries to respond effectively to dominant countries like the US and EU.

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.

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.
In addition, Brazil’s leadership has also been backed by substantial diplomatic capacity. Over the last decade, the Brazilian government invested heavily in staff and resources dedicated to WTO trade negotiations and dispute settlement. It now has one of the largest delegations in Geneva, supported by an army of highly trained and specialised trade officials in capital. Its negotiating team is among the most skilled, active and knowledgeable at the WTO. Brazil’s diplomatic skill has been evident in its management of the G20 coalition, a remarkable feat given the diverse – and potentially conflicting – interests of its members. In contrast to Brazil’s large-scale and highly competitive industrialised agricultural sector, the vast majority of developing countries – including many members of the G20 – have weak agricultural sectors consisting primarily of vulnerable peasant farmers. While Brazil is eager for liberalisation, most developing countries are fiercely opposed. It has therefore required skilful engineering and a careful balancing act for Brazil to secure the support of developing countries and maintain the unity of the G20. Three factors were critical in this. First, to reduce its perceived threat to other developing countries, Brazil made a strategic alliance with India, who is seen as the leader of the defensive concerns of developing countries in agriculture. Second, Brazil sacrificed its own interest in pushing for greater access to the markets of other developing countries, in order to secure their support – a strategic trade-off it determined was necessary to enable it to go after US and EU subsidies. Finally, within the G20, Brazil decided to leave the issues that were most controversial among its membership off the table altogether (such as the special products exemption [SPs] and special safeguard mechanism [SSM], determining the degree to which developing countries would be allowed to protect their markets from imports). Brazil has thus used a combination of diplomatic savvy and strategic compromise to advance its interests at the WTO.

Brazil’s leadership of the G20 has been based on its technical capacity and the political effectiveness of its negotiators in steering the coalition, as well as its ability to advance 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 liberalisation as ‘an instrument of social change’ and how reforming agricultural subsidies would aid ‘the alleviation of poverty and the promotion of development’ (World Trade Organization 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 mobilise 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, developing countries at the WTO were desperate for a coalition that would enable them to push back against pressures from the US and EU, who have frequently used economic and political coercion to force developing countries to open their markets. The formation of the G20 and its success at Cancun ‘electrified’ the ranks of developing countries. Developing countries have generally been in a defensive position in the GATT/WTO – seeking to resist pressures to liberalise – and, in an organisation that views its mandate as expanding trade liberalisation, this is a particularly vulnerable position to be in. By challenging rich country agriculture subsidies, the G20 for the first time gave developing countries the chance to go on the offensive against the traditional powers. In the process, this significantly strengthened the negotiating position of developing countries vis-à-vis the US and EU, including their ability to defend protections in their own markets. As one member stated, ‘our strength lies in the group’. Thus, although the coalition has not been without tensions, developing countries have been willing to support Brazil’s leadership because the G20 has given them an effective means to counterbalance the traditional powers and enhance their collective bargaining power.

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 it is easy to forget that it is actually relatively recent. At the start of the round, agricultural subsidies were seen very differently – primarily as a fight between the US and the EU, with the US and other agricultural exporters 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 (see, for example, World Trade Organization 2001), and many assessments of developing country interests at the WTO did not even mention subsidies (instead emphasising only tariffs and market access) (see, for example, World Bank 1998). Over the course of the Doha Round, the framing of the issue changed completely, as Brazil and 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 agricul-
ture the central focus of the Doha Round – as one Brazilian negotiator stated,
‘this round is an agriculture round’.28 The agricultural subsidies issue became a
key justification and source of momentum for the entire round, with claims
that WTO-mandated trade liberalisation 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.29 Aware of their influence in
shaping public and media opinion on the issue, Brazil actively cultivated relation-
ships 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.30 Lacking technical capacity, NGOs
relied on Brazil for assistance with their economic analyses (and those of the
West African cotton-producing countries they were supporting).31 Brazilian nego-
tiators 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’.32

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’.33 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.34

With the G20, the subsidies issue was tied to ‘lofty ideas’ of development, devel-
oping country solidarity, empowering developing countries and righting imbal-
ances 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 (cited in Cason and
Power 2009), 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 liberalisation in agricultural markets and subsidy reduction. In contrast to Brazil’s large-scale and highly competitive industrialised 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; Birdsell et al. 2005). 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 subsidisers and this constitutes a key element of their development and food security policies (World Bank 2008; OECD 2009).

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. Speaking of these alternative types of policies, one Brazilian negotiator explained: ‘No, we don’t like them. The most competitive country 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 agribusiness, Brazil has a specific direction it is interested in pushing the negotiations in: its primary objective is to further liberalisation to benefit its exporters.

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 liberalisation (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 liberalising 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

Working together in close partnership, Brazil and its agribusiness sector have had a significant impact on dispute settlement and negotiations at the WTO. This case 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 and social justice, as a powerful combination to press for liberalisation and expand markets for their exports. Private sector actors from the Global South have substantial economic might, are playing an increasingly important role in global governance, and are now key demandeurs in pushing for the expansion of markets. Moreover, Brazil and its agribusiness sector have advanced their agenda at the WTO by strategically mobilising the politics of the North-South divide and portraying their particularistic commercial interests as a generalised interest of the Global South.

While it might have been expected that the rise of developing country powers 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 industrialised states – this has not been the case. The influence of Brazil and its agro-business sector in driving the G20 is a key part of explaining why the enhanced status of developing countries 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 1970s, 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 focused 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-liberalising reforms from the US and other advanced-industrialised states.

Amid contemporary structural changes in the global political economy, a major question is what impact the growing power of countries such as Brazil, India and China is having on the rest of the developing world. Are developing countries as a whole being empowered by the rise of new powers from the Global South? The rhetoric of the new powers emphasising South-South solidarity and shared struggle – as seen, for example, in Brazil’s presentation of itself as a hero of the developing world standing up to the traditional powers at the WTO – would certainly suggest that the answer is yes. However, the case of Brazil at the WTO shows the complexity of this issue in the realm of global governance. Under Brazil’s leadership, the G20 has strengthened the position of developing countries in relation to the traditional powers, and the significance of this should not be underestimated. Southern solidarity – in the G20 and beyond – has
served as an important tool for developing countries, enabling them to reduce their vulnerability and enhance their bargaining position in the Doha Round, counteract the unfettered dominance of the US, EU and other advanced-industrialised states, and lessen some of the historical imbalance between North and South that has long characterised the GATT/WTO. Southern solidarity should therefore not be dismissed as solely mere rhetoric or ‘lofty ideas’.

But Brazil’s emphasis on developing country solidarity is not purely altruistic. Its claim to be advancing an agenda on behalf of the developing world has served as a powerful tool to advance the commercial interests of its agribusiness sector. At the same time, Brazil’s rhetoric of Southern solidarity and North-South struggle has obscured the issue of whose interests are truly being served by its actions at the WTO. Although it is true that, under Brazil’s leadership, the G20 and the broader developing world alliance in the Doha Round have improved the collective position of developing countries vis-à-vis the traditional powers, relations among developing countries are themselves shaped by power asymmetries and, in formulating and expressing the interests of the collective, the interests of the most powerful have predominated. The degree to which most developing countries would benefit from the substantive agenda being pursued by the G20 – which has been so heavily shaped by the free trade orientation of Brazil and its agribusiness sector – is highly questionable. Despite Brazil’s glowing rhetoric, it is not at all clear that reducing rich country agriculture subsidies will in fact generate development, enable developing countries to ‘trade their way out of poverty’ or ultimately serve the interests of most developing countries. It is Brazil – and specifically Brazilian agribusiness – who stands to capture the greatest gains from the reduction of rich country subsidies and the liberalisation of global agriculture markets. In the current historical moment, Brazil and the rest of the developing world have successfully managed to align together to counter the dominance of the US and EU. Yet, while developing countries have been made slightly better off under Brazil’s leadership, they still remain highly disadvantaged in the international trading system and the changing structure of power in the global political economy. There are also inherent tensions between Brazil’s economic interests and those of many developing countries, which may grow stronger in future and ultimately test the bounds of Southern solidarity.

Notes

3. Evident, for example, in 80 per cent approval ratings for Lula (Reuters 2010) and the PT’s re-election under Dilma in 2010.
5. Interview, May 2010.
7. The G20 currently consists of Argentina, Brazil, Bolivia, Chile, China, Cuba, Egypt, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand, Tanzania, Uruguay, Venezuela and Zimbabwe.
8. Interview, June 2009.
12. ICONE’s sponsors and advisory board consist of: ABIOVE (Brazilian Association of Vegetable Oil Industries), ABIPECS (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).
15. Interview, May 2010.
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.
20. Interview, June 2009.
22. Interview, March 2009.
25. This is evident in the concessions and provisions developing countries have been able to secure, such as significantly lower tariff reduction commitments than developed countries in agriculture and manufactured goods. The G33, a coalition of developing countries with defensive concerns in agriculture, also secured a commitment that the Doha agreement would include special safeguards and flexibilities for developing countries to enable them to further protect their markets (the SSM and SPs). The LDCs secured duty-free, quota-free market access (DFQFMA) to developed country markets.
26. Interview with G20 member, Geneva, March 2009. The importance of the G20 in upsetting traditional power relations at the WTO is further evident in the efforts of other actors, such as the US, to break the group. Following Cancun, the US denounced the G20 and sought to undermine its credibility (see comments of then-US Trade Representative Zoellick 2003) and used strong-arm tactics – the threat of halting the negotiations for bilateral free trade agreements it was currently engaged in with five of the original G20 members – to force those countries to withdraw from the coalition. The G20 was able to withstand the pressure from the US and replace the lost members and remained intact.
28. Interview, April 2009.
30. Interview with Brazilian negotiator, March 2009.
33. Interview, April 2009.
34. Interview, May 2009.

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