Sweet Rewards: How U.S. Trade Liberalization and Penetration of Brazilian Ethanol into the U.S. Market Can Stimulate America's Domestic Economy and Strengthen America's International Influence

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SWEET REWARDS: HOW U.S. TRADE LIBERALIZATION AND PENETRATION OF BRAZILIAN ETHANOL INTO THE U.S. MARKET CAN STIMULATE AMERICA'S DOMESTIC ECONOMY AND STRENGTHEN AMERICA'S INTERNATIONAL INFLUENCE

Sean Charles Starr*

I. INTRODUCTION

In a 2000 speech at Hanoi National University, four months after the signing of a free trade agreement between the United States and Vietnam, Bill Clinton urged an audience of students not to worry about "globalization . . . [and] its unsettling and unpredictable consequences . . . [because] globalization is not something we can hold off or turn off. It is the economic equivalent of a force of nature like wind or water."¹ Today, amidst an unsettling and unpredictable backdrop that includes the collapse of the July 2008 WTO Doha round of negotiations in Geneva, Switzerland,² the continuing global economic crisis, a global food shortage, the election of Barack Obama and a democratic majority in Congress, and the London and Toronto G20 meetings, America's role in global trade has become an increasingly protectionist one.

Buoyed by the influx of illegal workers from Mexico, lead-painted toys from China, and a lingering sense of xenophobia from 9/11 and the Bush administration years, America's economic nationalism


2. The top U.S. trade official recently expressed doubt that the 2010 round will end with a different result. While the Senate lingers over confirmation of some of Obama's key economic appointees, the U.S. continues to hold to its position that trade tariffs will only be relaxed if emerging market countries concede more access to their markets by U.S. interests. These factors only continue to further cement overriding international opinion that an agreement at Doha will only happen if the U.S. takes the first step and changes its stance. For a general overview of the failed Doha talks, see http://www.reuters.com (search "wto@oundtaho+2010"); see, e.g., Surojit Gupta, India Hopes WTO Talks Will Resume, But Is Unwavering, REUTERS, July 31, 2008.
threatens its status in the international community.\textsuperscript{3} While other countries aggressively align themselves with one another, increasing their economic and subsequent geopolitical interdependence, American resistance to trade liberalization with South American countries, particularly with Brazil, stymies a tangible opportunity for economic development and the intangible potential for geopolitical influence. As part of what public intellectual and well-known international law attorney Laurent Cohen-Tanugi calls the “emerging world’s revolution,”\textsuperscript{4} and what many others just call “BRIC,”\textsuperscript{5} Brazil, along with China, India, Russia and others, has become a significant player in the global economy. With its agricultural boom, developing biofuel industry, and recent discovery of extensive oil and gas deposits under the South Atlantic continental shelf off its coast, Brazil seems poised to become the latest incarnation of the “economic equivalent of a force of nature.”\textsuperscript{6} Accordingly, now is the right moment for America to foster a policy of engagement with Brazil through reductions in American farm subsidies and tariffs on Brazilian ethanol.

This Article proposes that by opening trade with Brazil, America can improve its domestic economy and its international position, instead of just standing in the way of something it cannot \textit{hold off} or \textit{turn off}. Amidst the current economic recession and following on the heels of the G-20 pact that promises to “name and shame” protectionist countries that erect international trade barriers,\textsuperscript{7} the time is right for the U.S. to respond with an innovative model that combines domestic economic reinvigoration \textit{and} development of U.S. international relations. This Article contends that by allowing Brazilian ethanol to penetrate the U.S. market, without the constraints of unreasonably prohibitive tariffs or inflated domestic subsidies, America can do just that.

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5. Jim O’Neill, chief financial analyst for Goldman Sachs originally coined the term in 2001 when he predicted that these three countries would pass the West’s six largest economies in terms of economic strength by 2041 (which later became 2039, and later 2032). For a discussion by Jim O’Neill on the Bric countries see Jim O’Neill, \textit{We need Brics to build the world economy: Before long Brazil, Russia, India, and China will be bigger than all the G7 countries combined}, \textit{TIMES}, June 23, 2009.


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Several factors currently in place allow for Brazilian ethanol penetration into the U.S. market to demonstrably stimulate the American economy. To begin with, the consistently stated American goal of eliminating dependence on foreign oil coupled with the immense environmental damage stemming from the 60,000 or more barrels of oil spilling out of the BP Gulf of Mexico oil spill everyday, provides an excellent policy backdrop to bring Brazilian ethanol to the forefront. The current political and cultural enthusiasm for alternatives to the unstable Middle East oil industry and domestic drilling provides both the idealistic and practical motivational animus necessary for the type of wide-scale change Brazilian market penetration would bring. Shifting American dependence away from foreign oil and towards Brazilian ethanol would have the effect of shifting emphasis away from domestically produced corn-based ethanol. Rethinking the American corn ethanol model and an increased market reliance on the Brazilian sugarcane model would stimulate the American economy in three needed ways: 1) increase domestic competition; 2) elevate consumer confidence, and; 3) revitalize the American farm system. Furthermore, a strengthened reciprocal relationship with Brazil should increase the opportunity for American businesses in terms of know-how and potential investment in Brazilian oil excavation and development. The last factor is the most nuanced and difficult to estimate because it relies on the economy of geopolitical significance. This Article suggests that international influence is critical for the future sustainability of the American economy and that this influence, more than ever, depends on new models of reliance and integration. By fostering a further developed relationship with Brazil, the largest, wealthiest, and most influential of South American countries, through the liberalized trade of Brazilian ethanol, America can help stabilize the Western Hemisphere’s economy and its position within it as primary global force.

II. BACKGROUND

A. The Long Route to Sweet Success

Following its discovery by Portuguese explorer Pedro Cabral, Brazil’s sugar producing capacity radically changed the contours of its agrarian society of indigenous peoples. Today, Brazil’s societal con-

tours are undergoing further redefinition, fueled once again, in large part, by sugar production. Brazil’s economy has been revitalized by “strong sectors in oil, mining, [and] agriculture,” particularly and once again, by sugar, specifically the biofuel, sugarcane-based ethanol. Spurred on by the 1973 oil crisis, Brazil developed the ethanol industry to free itself from dependence on the volatile market for foreign oil. Brazilian presidential decree 76.593, Proalcool (Programa Nacional do Alcool) created a thriving industry with close coordination across many sectors. Brazilian Ministries of Agriculture, Science, Energy, and others combined with private sector professionals and investors to develop a thriving industry. The “Brazilian Model,” as it is known, matched private investment with governmental intervention and oversight, resulting in more than just freedom from dependence on foreign oil. The Proalcool mandate sought to achieve socio-economic goals like decreased regional economic disparities and enhanced utilization of land and labor. The concerted effort achieved, and continues to achieve, many of its policy goals, helping to catapult Brazil into the international community’s conversation.

International market demand for oil and food has helped push Brazil further to the forefront of global trade. This demand may disprove the oft-refrained derogatory adage that Brazil is “the land of the future, and always will be.” This shift has Brazil “enjoying a boom time as its middle class swells and the country enjoys an unprecedented stretch of economic growth... set to grow 4.5 percent.”

10. Juan de Onis, Brazil’s Big Moment: A South American Giant Wakes Up, FOREIGN AFF., Nov./Dec. 2008 (explaining that Brazil is poised to move into position as a critical global economic player and arguing accordingly that it is incumbent upon the next U.S. President to expand relations with Brazil).


13. Id.


15. Id. at 295.


zil now has a Gross Domestic Product ("GDP") of $1.58 trillion, ranking it in the top ten worldwide.\textsuperscript{18} Furthermore, Brazilian exports and trade surplus have "soared..." pushing foreign-exchange reserves above $100 billion."\textsuperscript{19} Brazil's economy is self-sustaining, with "exports to the United States represent[ing] just 2.5 percent of Brazil's gross national product."\textsuperscript{20} Brazil's market viability \textit{and} economic stability, which has never truly occurred simultaneously until now, prompted Don Hanna, the head of emerging market economics at Citibank to say, "[w]hat makes Brazil more resilient is that the rest of the world matters less."\textsuperscript{21} The development of the ethanol industry and this realizing of potential have thrust Brazil into position as a critical player in the global economy. The interdependence and self-sufficiency that have come to this country of approximately 200 million people makes it crucial that the U.S. pay close attention to that position.

Brazil's growth and resiliency have occurred in spite of the United States. Although a major trade partner, with import and export figures recently becoming commensurate,\textsuperscript{22} the U.S. has consistently and fervently opposed Brazilian policy in terms of agricultural subsidies.\textsuperscript{23} In 2002, the Miami Herald quoted former U.S. Trade Representative and current World Bank President Robert Zoellick telling Brazil to "take the southern route to Antarctica" for trade if Brazil continued to refuse the U.S. backed Free Trade Area of the Americas ("FTAA") agreement.\textsuperscript{24} The FTAA was designed to harmonize Latin America and U.S. economies by eliminating trade barriers and differences in regulatory schemes.\textsuperscript{25} Zoeller's comment came in response to "Brazil's aggressive stance on trade reform within the context of the FTAA,"\textsuperscript{26} following in the wake of the 2001 Doha Conference and

\begin{itemize}
\item \textsuperscript{18} de Onis, \textit{supra} note 9.
\item \textsuperscript{19} \textit{Land of Promise: Economist Special Report, ECONOMIST BRAZIL} (Apr. 14, 2007).
\item \textsuperscript{20} Alexei Barrionuevo, \textit{Strong Economy Propels Brazil to World Stage}, \textit{N.Y. TIMES}, July 31, 2008, at A1 (explaining that Brazil's surging economy is positioning it as an emerging geopolitical power).
\item \textsuperscript{21} Id.
\item \textsuperscript{22} See U.S. Census Bureau, http://www.census.gov/foreign-trade/balance/c3510.html#2007.
\item \textsuperscript{23} Becky L. Jacobs, \textit{Brazil's Agricultural Trade War: Success and Failure on the Southern Route to Antarctica}, 36 \textit{U. MIAMI INTER-AM L. REV.} 167, 171 (2005) (explaining that agricultural subsidy policy dominates the trade dispute between the U.S. and Brazil—Jacobs fashions this dispute between the two hemispheric powers as war, and argues that Brazil is, in essence, winning the war by forging trade alliances and rerouting the "geography of world trade").
\item \textsuperscript{24} Id. at 168.
\item \textsuperscript{25} Id. at 176.
\item \textsuperscript{26} Id. at 172.
\end{itemize}
the 2002 U.S. Farm Bill. Since then, the U.S. shifted its emphasis to bilateral agreements over the more expansive FTAA proposals. Brazil, in turn, proposed a revised FTAA platform, referred to as the "Miami Declaration," a sliding scale type system that placed more emphasis on "achieve[ing] a greater degree of balance and symmetry between the rights and commitments of developed and developing countries in matters of trade." 

The U.S. response further compounded the situation. The U.S. plan shifted to "negotiat[ing] on multiple fronts, but sign[ing] only those deals that don't ask too much of America's protectionist special interests." This increased Brazilian efforts to reconceptualize and revitalize the global agricultural trade system that former Brazilian President Fernando Henrique Cardoso called the "greatest protectionist and subsidizing apparatus ever put together for the preservation of the interests of one sector." This is a commonly held opinion and it motivated Brazil, India, and South Africa, following the 2003 collapse of negotiations during the Fifth WTO Conference in Cancun, Mexico, to form the trilateral coalition India-Brazil-South Africa ("IBSA") bloc in an effort to develop trade and political influence with wealthier nations. At the first IBSA summit in 2006, Brazilian President Luiz Inacio Lula da Silva, affectionately known as "Lula," stressed that IBSA's goal was to develop further relations with other developing countries such as China and Argentina. The perceived and practical

27. Jacobs, supra note 22, at 172 (explaining that Brazil's push for trade liberalization began before the Fourth WTO Ministerial Conference in Doha, Qatar, in 2001 but that the Conference marks a critical turning point in terms of Brazil's accelerated efforts to reform global agricultural trade; Jacobs explains that the U.S. Farm Bill, which provides for $180 billion in farm subsidies over ten years, angered Brazil and spurred its attempts to mobilize a global trade policy that excludes U.S. participation).
28. Id. at 178.
29. Id. at 180.
30. Brink Lindsey, The Miami Fizzle: What Else but a Cancun Redux? WALL ST. J., Nov. 28, 2003, at A9 (arguing that the Bush administration says that it supports a hemispheric free trade association but instead veils its true agenda in rhetoric that undermines the system; Lindsey advocates for enhanced American leadership and concessions to Brazil).
goal of IBSA is the creation of international relations with countries other than the U.S.

B. Carving a New Geography

Brazil has developed further relations by following the so-called "Collapse in Cancun," by pursuing a "campaign to construct a new geography of trade."34 This process began with Brazil expanding its trade alliances with The Southern Common Market ("MERCOSUR"),35 the South American trading bloc of Argentina, Brazil, Paraguay, Uruguay, and Venezuela.36 Additionally, Brazil continued to strengthen its trade relationships within IBSA and beyond, becoming major partners with both China and Russia.37 These relationships are aimed at destabilizing U.S. supremacy in international trade and undermining the agricultural subsidy system. The long-term intention of these alternative models of global trade is to move sharply ahead of the American curve by eliminating Brazil and its trade partner's, acceptance of U.S. trade practices.

The rejection of the U.S. model has become increasingly clear: first, the 2004 WTO rulings on agricultural subsidies went against the U.S.;38 and second, the collapse of the 2008 Doha round of negotiations occurred.39 Peter Mandelson, the EU Trade Commissioner at the previous 2006 Doha Round, condemned the U.S. for seeking “disproportionate” subsidy prices from developing countries, insisting that the U.S. would gain proportionately in other areas of the agreement if it conceded and accepted agricultural trade cuts.40 Advocates for a

34. Jacobs, supra note 22, at 174-75 (explaining that Brazil's efforts to develop an alternative market model hinge on successful alliances first with the rest of South America).
35. Id. at 175.
37. Jacobs, supra note 22, at 180-82 (explaining that in 2002, Brazilian exports to India were higher, percentage-wise, than to any other country; Jacobs further explains that not only has Brazil radically strengthened trade between itself and China and Russia, but it also has made it clear that it sees the alliances as direct counterbalances to U.S and E.U. global trade dominance and this "multipolarity" is aimed squarely at eliminating agricultural subsidies in rich nations).
38. Id. at 183 (explaining that the WTO panel concluded that because U.S. subsidies between 1999-2002 exceeded 1992 levels, the U.S. cotton program violated the "Peace Clause," which is an agreement to cap subsidies at 1992 levels).
40. Heather Stewart, Mandelson: U.S. Greed Caused Doha Collapse, THE OBSERVER, July 30, 2006, at 2 (explaining that Mandelson thought it preposterous that the U.S. expected to receive back "dollar for dollar" for its reductions in farm subsidies and that the more fair model lie in an "exchange rate" system; Stewart explains further that Mandelson considered that the access to new markets for U.S. industrial goods and services liberalizations would more than compensate the U.S.).
Doha agreement had envisioned it as a critical “bulwark against protectionist sentiments.”\(^\text{41}\) Its failure, instead, reflects an increasingly American protectionist system while simultaneously affecting the “credibility of the World Trade Organization... by set[ting] back efforts to work out other multilateral agreements.”\(^\text{42}\)

Brazil argues that the U.S. subsidy program distorts trade by decreasing the global agricultural price market. Brazil advocates a new framework that “calls for deep cuts in tariffs that provide . . . bar-\(\text{r}\)rier[s]” and that “will eliminate . . . agricultural export subsidies and . . . review export credit and export guarantee programs to [protect against] . . . trade distorting.”\(^\text{43}\) The U.S response has historically been that its policy does not distort trade because it is “decoupled” from production and is thus not linked to the global price.\(^\text{44}\) The U.S. position has been heavily criticized by the international community and has included a WTO ruling against U.S. subsidy practices.\(^\text{45}\) Critics contend that the system protects a small section of rich farmers at the expense of the developing world.\(^\text{46}\) Another predominant criticism results from the fact that one of the central concepts of the U.S. subsidy system is that these farmers receive the payments regardless of production.\(^\text{47}\) U.S. refusal to include biofuels among “environmental goods” scheduled for tariff reduction or elimination further compounds the problem of agricultural subsidies because the U.S. considers the special environmental designation rules to be for industrial products, not agricultural products.\(^\text{48}\)

\(^{41}\) Castle & Landler, supra note 38 (explaining that the United States, India and China refused to compromise over designs to protect developing countries’ farmers from increased trade liberalization, instead reinforcing protections already afforded to wealthier countries).

\(^{42}\) Id. (explaining that the collapse of the talks positions global trade in terms of current agreements, instead of under the WTO structure which continues to limit access of developing countries to consumers in the United States, Europe and Japan).

\(^{43}\) Jacobs, supra note 22, at 186 (explaining the policy it advocates at the 2004 Doha Round).

\(^{44}\) Id. at 183.

\(^{45}\) Frank A. Seminerio, A Tale of Two Subsidies: How Federal Support Programs for Ethanol and Bio-Diesel Can Be Created in Order to Circumvent Fair Trade Challenges Under World Trade Organization Rulings 26 PENN ST. INT’L L. REV. 963, 964 (2008) (explaining that the criticism is widespread and that in 2005 the WTO was forced to declare U.S. cotton subsidies illegal when Brazil a claim against the U.S. before the Dispute Resolution body); See also WTO Dispute DS267 United States — Subsidies on Upland Cotton, available at www.wto.org.

\(^{46}\) Id.

\(^{47}\) Id. at 969 (explaining that farmers receive the payments even if they fail to grow any crops).

C. Sugarcane’s Rewards

Brazil is the epicenter of biofuels production in Latin America, primarily because of its enormous sugarcane industry. A sign above Brazil’s first sugar factory, built in 1877, reads “Sweet is the Reward of Work,” and Brazilians hope that this refrain rings true. This optimism stems from the “green technology” revolution and the potential central position of Brazil and its surging ethanol industry within that revolution. Brazil’s history is, in many ways, associated with development of the sugarcane industry and ethanol is the latest example.

Brazil has demonstrated that sugarcane can be turned into ethanol more cheaply and efficiently than corn, and that its sugarcane ethanol is the “only commercially available biofuel that is less expensive than current gasoline without any new technology development or government subsidies.” Additionally, Brazil has the ample amount of fertile land necessary to expand its industry and, more importantly, its sugar-based ethanol yield is eight times more productive than U.S. corn-based ethanol which is grown “at the cost of higher food prices.” Furthermore, Brazil “is the only country promoting biofuel use beyond minimal blending levels by allowing consumers to choose it as a fuel substitute.” Brazil promotes their ethanol domestically “at almost every gasoline station” and “manufacture[s] flexible fuel cars” which are capable of using ethanol and or gasoline. The program that Brazil offers, in terms of its ethanol industry, is not only scientific, practical, consumer-driven, environmentally friendly, and cost effective, but also ambitious.

Brazil’s national campaign for widespread implementation and acceptance of ethanol has positioned its sugarcane industry to become the global marketplace’s primary ethanol producer. Brazil denationalized the industry in 2007, allowing domestic and foreign investors to enter the market. Currently, the private market produces 18 billion liters of ethanol per year with 4 billion liters in exports which accounts

51. Cohen, *supra* note 48 (explaining that American ethanol production, capability, and use far under achieved in comparison with that of Brazil).
53. *Id.* (explaining that proposed U.S. legislation would provide incentives for creating a similar market with the U.S.)
for over half the world's market. By 2013, ethanol consumption in Brazil will likely double, and by 2020 international ethanol trade will likely increase twenty-five fold. The U.S. produces the highest amount of ethanol, but Brazil is the world's largest ethanol exporter. The United States currently imports the majority of Brazilian ethanol but charges an inflated 54 cent tariff on every gallon to protect American corn farmers. In addition to the import tariff, the U.S. also provides a heavy subsidy of 51 cents per gallon produced by its own ethanol industry; an industry that does not have the required geography to support sugarcane based feedstock and, instead, produces an inferior corn-based feedstock.

Former President Bush outlined the American ethanol model when he signed into law the Energy Independence and Security Act of 2007. The Act contains a governmental requirement that 36 billion gallons of transportation fuel be provided by biofuels by 2022. Of that, 15 billion gallons are to be derived from corn-based ethanol and the remaining 21 billion gallons are to be derived from cellulosic ethanol sources, like switchgrass. To achieve such lofty goals will require relying on half of America's total corn production and developing technology to make the cellulosic ethanol even remotely profitable. Both solutions, reliance on U.S. corn and immediate development of technology, suggest a host of potential problems, including added economic impingements on already cash-strapped corporations and consumers. But the U.S. has not been swayed in its determination to follow Brazil's lead in developing its own domestic ethanol industry, riding the wave of what Congresswoman Deborah Pryce calls the "re-

55. Id.
58. Id. (explaining that American insistence on its own long-term ethanol industry does little to nothing to alleviate short term American dependence on foreign oil).
newable energy revolution.” The differences between the Brazilian and U.S. industries are striking. The U.S. policy of subsidies and tariffs seems contrary to not only its own stated agenda of eliminating dependence on foreign oil, but also to more complex international concerns.

On first impression, dependence on Brazilian ethanol seems nothing more than a shift in reliance from one region’s resources to another’s. However, American dependence on Middle Eastern oil reserves requires trade with state actors far more unreliable than Brazil. As then-Senator Obama remarked as far back as early 2006, “if there’s a single example out there that encapsulates the ability of unstable, undemocratic governments to wield undue influence over America’s national security, [it is U.S. dependence on Middle East oil.]” A shift to reliance on Brazilian ethanol would still represent dependence on foreign energy, however; that dependence would be on a democratic country that, traditionally, the U.S. has had good relations with and on a country that is the most economically and politically influential in its region.

D. Geopolitics and the Emerging Markets

The relationship between a thriving economy and geopolitical influence has been clearly delineated by the history of the Western hegemony. One need not be a systems theorist to understand the intricate reciprocal relationship between money and power and see that the U.S. and Brazilian accumulation of both are shifting. The development of an emerging market new world order has occurred alongside the so called American “credit crunch” and the unprecedented U.S. financial downturn and recession. For the first time since the industrial revolution, Western paradigm seems threatened by a “gradual loss of the dominance of world affairs.”


65. COHEN-TANUGI, supra note 4, at 27 (arguing that “end of the West” is not a result of divide between American and European sensibilities, but rather a decline resulting from the economic realities resulting from a redistribution of industry, wealth, and power from the traditional Western powers to new emerging markets like Brazil, Russia, India, and China).
power from the "Western duopoly" to a more diversified multipoly emerges out of a spectrum of factors including global population increase, international backlash to American foreign policy, growing dissatisfaction with financial institutions, and an increase in intellectual capital in developing markets.66 With more people in more places, continued U.S. international aggression, a global financial nightmare, and strengthened competition in non-Western labor forces, the current global power structure seems increasingly built like a house of cards. This inevitable reshuffling of the traditional Western paradigm of global power will necessarily leave a vacuum for others to fill.

The emergence of the BRICs (Brazil, Russia, India, China, and other emerging nations) on the international stage appears to provide realistic options ready to fill that space.67 Like Brazil—Russia, India, and China—have all redefined their position in the global economy in the last few decades.68 Russia’s GDP has more than quadrupled since 1999 due to elevated prices of oil and natural gas, which are industries Vladimir Putin nationalized and used as an economic bridge to political influence over counties without these resources.69 Meanwhile, India’s economy has the second highest growth rate and is anticipated to overcome China’s rate by 2015, making India the most populous country with the third largest economy by 2050.70 China’s economy has grown nearly 10% annually for the last thirty years, becoming the third largest economy in 2007 with a GDP that is forecasted to surpass Japan and the United States, second and first respectively, within the next thirty years.71

Brazil, alongside these countries, represents a threatening new dynamism to the American economy and American geopolitical power. Globalization has provided these countries with the means to this en-

66. Id. at 28 (arguing that the shift in world power is as complicated and multifaceted as the world that has historically been without that power).
68. Prashanth N.Bharadwaj, BRIC Countries—A Competitive Analysis, J. Global Competitiveness, 2006, at 52-54.
69. COHEN-TANUGI, supra note 4, at 18-19 (arguing that though Russia has previously experienced being a global superpower, its power was never, until now, tied to economic good fortune and that Russia resources have not only provided an economic windfall but also significant political leverage over the countries that are dependant upon those resources).
70. Id. at 17-18 (arguing that India’s abundance of low cost labor and a large, highly competitive middle class along with what will soon be the world’s largest population provide India with the requisite elements for global superpower status).
71. Id. note 4, at 15-16 (arguing that China’s massive population and size coupled with its “feverish growth rate,” and the fact that China is the world’s largest holder of foreign exchange reserves currently places China as the primary threat to U.S. supremacy).
terprising existence and has “indirectly transformed world geopolitics; it has increased rather than reduced international tensions, and this transformation has in turn changed the very nature of globalization.” The twentieth-century struggle for equal status amongst peoples and nation states found globalization as a powerful economic instrument and today, with the redistribution of capital to emerging markets, the Western model of politics is threatened once again. Today, globalization represents a growing interdependence between economics and politics, and the emerging multipolarity of Brazil, Russia, India, and China threatens to ostracize the U.S. economy and emasculate U.S. international influence.

III. ANALYSIS

A. Liberalized Trade between the U.S. and Brazil and Domestic Economic Stimulation

Whether it becomes a crystallizing moment in the gradual shift of global power or not remains to be seen, but the failure of the Doha negotiations, which stem, in large part, from a conflict between the U.S. and Brazil, seem inexorably representative of larger problems on the horizon. The Doha collapse of 2008 and the insecurity surrounding the 2010 round of negotiations echo historic international disputes of self-interested states paralyzed by the fear of sacrificing a scintilla of their respective sovereignty or supremacy. This sentiment, which tracks much of modern civilized history, seems acutely reflected by Karl Marx’s idea that “heavenly bodies, once thrown into a certain definite motion, always repeat this, so it is with social production.” This analogy stems from Marx’s application of the first law of Newtonian physics—that bodies are prone to sit still or stay on the same path absent some outside motivation—to the discourse of economics. Marx’s conception seems applicable to both U.S. and Brazilian stubbornness during the Doha negotiations, but Newton’s law seems more metaphorically aligned in that it seeks to present both what is and what may be. The sedentary nature of U.S. policy coupled with the “historic convergence of economic power with demographic preponderance in the developing world,” in particular Brazilian

72. Id. at 24.
74. COHEN-TANUGI, supra note 4, at 25.
75. John P. Burnett, Marx’s Concept of an Economic Law of Motion, HIST. POL. ECON. Summer 2000 at 381.
76. COHEN-TANUGI, supra note 4, at 28.
power and preponderance, seems destined to fall victim to the laws of both physics and economics. In other words, it is crucial the U.S. recognize the need to engage Brazil, and its emerging status as developing global power, agricultural titan, and biofuel pioneer, before America's influence and economy come crashing back to Earth.

The U.S. farm subsidies and ethanol import tariffs are designed to protect against foreign penetration and support the domestic market, and for years they have done just that. However, these policies have recently come under increasing criticism from international pressure to reform and mounting evidence that the diversion of cropland from food to fuel has contributed to the spike in worldwide food prices.77 The recent oil and commodities price tumble has not changed this as food prices have remained high both in developing countries and within the U.S.78 This situation is one the United Nations believes will continue for years to come.79 This is further accentuated by the fact that while the Obama administration and contemporary American culture continue to sound the refrain of eliminating U.S. dependence on foreign oil, the U.S. ethanol system continues to prove itself less effective and more expensive than the Brazilian model. A shift towards the Brazilian model would signal a tangible step away from dependence on foreign oil. Furthermore, in addition to lessening U.S. dependence on foreign oil, a shift in trade policy with Brazil could also provide America with economic relief in terms of increased domestic competition, a revitalized U.S. farming system, and opportunities for further foreign investment in a U.S. backed Brazilian ethanol industry infrastructure.

1. Domestic Development

Opening the U.S. markets to Brazilian ethanol would strengthen the U.S. economy. Embracing Brazilian ethanol by eliminating or decreasing tariffs and subsidies could provide the U.S. with the impetus to refocus its emphasis on domestic development of alternative and renewable energy models and thus inject the U.S. economy with new job growth. The U.S. built its reputation as the world superpower by fostering a collective, fundamental desire for autonomy and developing unparalleled intellectual capital to achieve that desire. The U.S. can rebound from its wavering international status and the current economic crisis by relying once more on American self-actualization

77. Cohen, supra note 48.
79. Id.
and innovation. Allowing Brazil's ethanol into the U.S. market will directly stimulate the U.S. domestic economy by driving domestic competition and development in two evolving sectors of green technology. First, with a surplus of affordable ethanol at the American consumer's disposal, the immediate need for flex-fuel or entirely ethanol fueled transportation would provide a much needed boost to America's sagging automobile industry while lowering consumer costs at the pump. Secondly, an industry-wide acceptance of Brazilian ethanol would forge a new standard for alternative or green energy in America and would consequently motivate development of alternative models of non-fossil fuel based energy. Together, this two-fold development would provide the U.S. with immediate domestic economic stimulation.

An unfettered flow of Brazilian sugarcane ethanol would stimulate the domestic economy by expanding the product base of American automobile makers, providing jobs for Americans developing and building those products, and inspiring alternative product market competition. With a surplus of an available fuel alternative and the requisite essentials of supply and demand, U.S. automakers would be hard-pressed not to focus development efforts on flex-fuel or all ethanol-based automobiles. An industry-wide emphasis on development would in turn create new jobs in design, development, and assembly of the new automobiles. The U.S. could look to Brazil in terms of development initiatives for the auto industry. Brazil worked closely with its automakers to set and meet "extraordinary goals for the production of flex fuel cars." The government now mandates a requirement that all new vehicles have flex-fuel capabilities. The Fuel Choices for American Security Act, a bill introduced to the Senate, has a similar requirement. Allowing entrance of Brazil's ethanol would motivate American automakers to expand their production base and develop automobiles to take advantage of the readily available consumer alternative while motivating the government to create the proper legislation to support the industry.

Invigorating the business model of the green technology industry by making it profitable and competitive would logically stimulate alternate industry models. If consumers and automakers respond opportunistically to one viable source of alternative and renewable energy, it follows that they would respond similarly to others. That response

80. Cordonnier, supra note 13, at 313.
81. Id. at 300.
could be driven by American innovation. Why all this has yet to occur, stems from many factors including a general resistance to changing the models of consumption Americans have grown accustomed to. No alternative models of energy have proved as efficient or enduring, nor occupied as much a place in American life as oil. All that could change with one example of an economic and technological feasibility alternative; Brazilian sugarcane ethanol can be that example.

The market for infusion and growth is ripe for such a change; never in American history have so many diverse sectors of the population, from corporation to consumer, been as educated and interested in alternative and renewable energy. Wal-Mart, as emblematic as any American company, recently committed itself to a company-wide investment in green technologies. Included in Wal-Mart’s plan is doubling the fuel efficiency of its “7,000 huge Class 8 trucks that get about 6 miles per gallon.” Even more critical is Wal-Mart’s commitment to increasing the market for green technology by integrating green products on its store shelves. Wal-Mart advisor Glenn Prickett of Conservation International believes this commitment “can have a revolutionary impact on the market for green technologies.” Countless other U.S. corporations have pursued similar initiatives in recent years. General Motors recently received the “2009 Best New Green Technology” award at the Montreal Auto Show for its “Two-Mode Hybrid technology” vehicle was called “a tremendous validation of the green transformation that has been under way at General Motors,” by Marc Comeau the Vice President of GM sales in Canada. A Midwestern group composed of state government officials and non-government organizations are advocating for $2 billion out of the federal economic stimulus package to support green projects they argue are environmentally friendly and would produce 30,000 new jobs.

84. Id.
85. Id.
Even the airline industry has instigated development of green technology with Continental Airlines recently reporting that its biofuel testing on aircraft showed no negative impact.88 What this means is that U.S. businesses views green technology as a viable industry, one that can be capitalized on while simultaneously helping to cut internal costs, passing along savings to customers, and improving the corporate image by helping the environment.

The American people seem ready to embrace green technology as well. President Obama "offers a set of forceful proposals" designed to develop green technology.89 His plan is to "provide fifteen billion dollars a year for developing alternative-energy sources and creating job-training programs in green technologies."90 This plan follows the Energy Independence and Security Act of 2007, the comprehensive legislative guidance aimed at increasing American reliance on alternative and renewable energy sources.91 The Act's "Renewable Fuels Standard set a target for the country to produce 100 million gallons of cellulosic ethanol" in 2009.92 However, even with new investment and construction, "producers seem likely to fall well short."93 President Obama's signing of the 2009 American Recovery and Reinvestment Act further catapults renewable energy into the forefront of American economic consciousness.94 He contends that the bill will

90. Id.
93. Id.
“transform the way [Americans] use energy.” The bill commits, among other things, $2 billion for research into electric cars, $500 million to train Americans for “green jobs,” a tax credit extension for alternative fuel projects, and an option that allows “green” developers to transform tax credits into cash. This investment reflects an unparalleled economic commitment that stands to redefine America’s relationship to green technology and alternative and renewable energy.

The Federal mandate reflects consumer expectations and desires as well. Although American perception about the importance of alternative and renewable energy is intricately linked to a variety of factors, some surveys suggest that up to 80% of Americans endorse Federal incentive programs aimed towards alternative and renewable energy development. This enthusiasm stretches across the U.S. and, similar to the fervor exhibited during the dot com boom, Silicon Valley venture capitalists have already heavily invested in green technology development prior to the onset of the current global economic crisis or the devastating spill in the Gulf of Mexico. A combination of market economics and market innovation spurred Brazil’s ethanol investment and development and it seems that now is the right time for the U.S. to redefine its energy industry. Because Brazilian sugar cane ethanol “is profitable when oil prices are more than $40 a barrel [and] oil prices currently hover around $80,” Brazilians, as far back as the 1970s, decided to change the way their industry worked. The

96. Id.
Brazilian government worked with Brazilian investors and consumers to develop a decidedly different market strategy that stimulated the Brazilian economy from within. That stimulation has become not only a major point of envy for other countries, but also a direct target of foreign investment, further strengthening Brazil's economy.\textsuperscript{100} Today, the U.S. finds itself with a weakened economy, an ongoing dependence on foreign oil, and a consumer base that demands change. A U.S. market of politicians, consumers, and investors await the alternative fuel industry that Brazilian sugarcane ethanol could provide.

Opening up trade borders to Brazilian sugarcane ethanol would stimulate the U.S. domestic economy by accelerating the developing alternative ethanol industry. Brazil's one misstep in its ethanol industry may be its concentration on just sugarcane. Diversification of the types of biofuels used within the U.S. is a necessary and beneficial step towards a comprehensive domestic industry. Large monocultures of one crop can be greatly detrimental to surrounding ecosystems.\textsuperscript{101} Additionally, diversity allows for more market competition. Allowing Brazilian ethanol to penetrate the U.S. market would act as a bridge. It would symbolize a temporary reliance on an alternative energy that would create market acceptance and market competition. With Brazilian ethanol market penetration, American scientists, investors, and corporations would be significantly motivated to develop alternatives to the foreign product. Second generation biofuels offer promise of that alternative.

Second generation cellulosic ethanol derived from different non-food sources or "biomass" such as wood waste, crop waste, and certain grasses like switchgrass.\textsuperscript{102} These are not annual crops and can be harvested year round.\textsuperscript{103} Additionally, second generation cellulosic ethanol does not require croplands and instead can grow in diverse environments across the U.S.\textsuperscript{104} Furthermore, some types of cellulosic

\textsuperscript{100} Guy Chazan & Paulo Prada, \textit{Shell Plans $1.63 Billion Investment in Brazilian Ethanol}, The Wall Street Journal Business Section, (Feb. 2, 2010) (discussing how Royal Dutch Shell's deal is the largest thus far investment into biofuels anywhere and how the deal will give Shell "access to a world-wide distribution network and the option of selling its ethanol overseas," help push for changes in protectionist-policy driven countries, and "expand Brazilian ethanol's global presence" in the marketplace and around the globe. Furthermore, the article goes on to explain how the deal would give Shell access to the second generation or cellulosic ethanol technology that is being developed in Brazil).


\textsuperscript{103} Malinda McAleer-Pennington, \textit{Can Biofuels Solve the Problems of American Foreign Oil Dependence?} 16 SOUTHEASTERN ENVTL. L. J. 457, 474 (2008)

\textsuperscript{104} Id.
ethanol, like switchgrass, which can produce "five times more energy than it takes to grow, harvest, and deliver," offer exceptional energy value potential.105 Other alternatives offer similar advantages as well. These alternatives provide more than just a solution to the problems monocultures present; they also provide for the real possibility of market competition and the requisite economic growth. The entry of Brazilian ethanol would provide a ceiling of alternative products and corporations and consumers would respond by creating an internal domestic marketplace for production and consumption of alternative and renewable energy.

2. Revitalization of the U.S. Farm Industry

Opening up the Brazilian ethanol market by eliminating or decreasing tariffs and subsidies could also revitalize the U.S. farm system, which is in desperate need of change. The American food and agriculture industry was organized to maximize production at all costs and rely on cheap energy in doing so.”106 The farming industry “uses more fossil fuel than any other sector of the economy — 19 percent,” except for the automobile industry.107 American corn production in particular requires more pesticides (which are made from oil) and nitrogen fertilizer (made from natural gas) than any other crop.108 The farm industry “contributes more greenhouse gases to the atmosphere than anything else [Americans] do— as much as 37 percent, according to one study.”109 Irrigation for agricultural production uses more freshwater resources than any other American industry.110 Close to one-third of all American cropland has been classified as “highly erodible land” because of agricultural practices.111 These endemic problems of the American farm system require a change.

The American people are trending away from the industrial farm system because of its widespread negative impact on the environment, but cultural reasons are also playing a role in that change. With an increased appetite for local and organic foods, and more focus on what people are eating, Americans seem poised for wide-scale changes in the farming industry. A “gathering sense among the public

105. Cordonnier, supra note 13, at 312.
107. Id.
108. Pollan, supra note 100, at 20.
109. Id.
111. Id. at 310.
that the industrial-food system is broken," suggests that the American farming industry needs to necessarily think of alternatives.\footnote{112}{Id.}

The global economic crisis has also impacted the U.S. farm industry. Recent U.S. Department of Agriculture figures suggest the global recession is lowering demand expectations and increasing supplies, particularly in terms of U.S. corn grown for ethanol production.\footnote{113}{Joe Walker, Farmers Could See Declining Receipts: Demand, Energy, Currency to Affect Grain Prices, PADUCAH SUN, Jan. 18, 2009, available at http://www.istockanalyst.com/article/viewStockNews/articleid/2962867 (last visited Apr. 2, 2009).}

Infusion of Brazilian ethanol into the U.S. market could foster the change needed by forcing unfarmed land, subsidized by the government, back into development, it could motivate American farms dedicated to corn-based ethanol to restructure and concentrate on alternatives. Further, it could provide American farmers with an alternative and renewable energy model of production.

Infusion of ethanol into U.S. markets would force the U.S. government to reconsider its vacant farm land subsidy program created by the 1996 Farm Bill and scarcely altered by the 2008 Farm Bill.\footnote{114}{Food, Conservation, and Energy Act, Pub. L. No. 110-246, (2008).} The 1996 Bill's original intent was to gradually eliminate the subsidy system established by Roosevelt's New Deal.\footnote{115}{Dan Morgan, Farm Program Pays 1.3 Billion to People Who Don't Farm, WASH. POST, July 2, 2006, at A1, available at http://www.washingtonpost.com/wp-dyn/content/article/2006/07/01/AR2006070100962.html (last visited Apr. 25, 2010).}

Instead the 1996 Farm Bill expanded the subsidy program and strengthened the farming lobby. According to the Washington Post, "the federal government has paid at least $1.3 billion," between 2000 and 2006 to, "individuals who do no farming at all."\footnote{116}{Id.}

These payments have in large part benefited "millionaire landowners, foreign speculators and absentee landlords, as well as farmers."\footnote{117}{Id.} The 2008 Farm Bill requires subsidy recipients to provide "some documentation to prove that they have played a role in managing a farm," but it does not "set a minimum time commitment" or "measurable standard," making it "easy for people to collect subsidies even if they have limited involvement in farming."\footnote{118}{Id.}

Proponents of this policy argue that the subsidy program is necessary in order to keep the American farm economy stable and ensure a low cost food supply to the American people.\footnote{119}{Philip Brasher, Will Obama Create Limits on Farm Subsidies, Jan. 5, 2009, available at http://www.jacksonsun.com/article/20090105/NEWS01/901050310 (last visited Jan. 19, 2009).}

This belief is further reinforced politically because more than half of all U.S. Sen-
ators come from rural farming states; and symbolically, many people identify with the image of the traditional American farmer. However, this belief is rapidly becoming an antiquated notion as more and more land is commercialized and subsidized, often going unused or underutilized.

Eliminating the subsidies to American farmers producing corn for ethanol production would refocus the industry’s attention on the value of the subsidy system. Miles of unused land currently subsidized could be transformed into land dedicated to the $1 billion in incentives geared towards production of the cellulosic biofuels that the 2008 Bill legislates. Instead of paying landowners not to use their land, the Federal Government could encourage further development of a non-corn-based ethanol industry. The current system of cellulosic ethanol production “is in a transition phase from research to commercial production, with 39 facilities in the construction or planning stage, with production scheduled for this year or next.” If Brazilian ethanol is allowed in and establishes a viable market, farmers could capitalize by severing ties with one form of government payment and accepting alternative forms like loans for cellulosic or other crop development. The 2009 U.S. Recovery Act slotted $786.5 million towards the development of an alternative biofuels U.S. marketplace. This Act corresponds with the development of the “BIOFUELS INTERAGENCY WORKING GROUP,” an interagency organization whose core goals consist of the development of a U.S. biofuel market that includes next generation biofuels and flex-fuel vehicle production. Accordingly, the emphasis on non-corn-based ethanol has begun to take foot in the U.S. Furthermore, since second generation ethanol sources can grow in adverse and non-traditional environments, cropland damaged by the American agricultural industry may have a

120. Id.
124. Id.
125. Keith Johnson, Next Gen Biofuel: Verenium’s Riva on Cellulosic Ethanol’s Challenges, Wall Street Journal’s “Environmental Capital” blog (May 7, 2009), available at http://blogs.wsj.com (discussing how following the Obama’s administration announcement about U.S. government funding for alternative forms of renewable energy, the market took it as an endorsement of cellulosic ethanol production prompting “[s]hares in Verenium Corp., one of the very few publicly traded cellulosic ethanol companies, [to rise] more than 70% since the new biofuel policy was announced”).
second developmental life. With over $1 billion slated for ethanol development and not nearly enough farmers involved in production, the empty subsidized land could be used in the construction and development of cellulosic ethanol production invigorating the domestic economy and revitalizing the farming industry.

Lifting subsidies on unused land coupled with the glut of government funding available for cellulosic ethanol production could motivate both unused farm owners and farm owners dedicated to corn-based ethanol to restructure and concentrate on alternative models of ethanol production. Cellulosic ethanol is produced “by breaking down the tough cellular material that gives plants [their] rigidity and structure and converting the resulting sugar into ethanol.” American ethanol farming has been overwhelmingly dedicated to corn-based technologies but because cellulosic ethanol demonstrates such an upside, farmers, scientists, and investors are laboring to develop methods to make it as price competitive as corn-based ethanol.

The U.S. Energy Department initially predicted that ethanol produced from cellulosic waste “would be in the market by about 2009 in the same volume as ethanol from the conventional source, corn.” Although inaccurate, this prediction was predicated in large part on cellulosic ethanol’s presence and potential. The basis of cellulosic ethanol is that “cellulose is the world’s most widely available biological material, present in such low-value materials as wood chips and wood waste, fast-growing grasses, crop residues like corn stover, and municipal waste.” The potential of cellulosic ethanol is unlimited since “[a] cellulosic ethanol process would raise the ethanol yields from sugarcane by about one-third an acre by using parts of the sugar plant that are now thrown away as waste,” and the same can be said for “material that is not currently considered a crop, like switch grass or wood chips left over from paper making.” Additionally, less energy is needed than in corn-based ethanol production. The USDA recently announced its first ever guaranteed loan for the development of commercial scale cellulosic ethanol production. The Section 9003 Biorefinery Assistance Program, authorized by the 2008 Farm Bill, approved the $80 million loan to Range Fuels, Inc. in Soperton,

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126. Coyle, supra note 51.
128. Coyle, supra note 51.
129. Wald & Barrioneuvo, supra note 126.
130. Id.
The Biorefinery Assistance Program promotes development of new and emerging technologies for the production of advanced biofuels and the loan reflects a top-down economic commitment to accelerated development of these technologies. Allowing Brazilian sugarcane ethanol into U.S. markets coupled with the immediate possibilities offered by the alternative model of cellulosic ethanol and available government funding should further this development by creating the necessary impetus to inspire widespread restructuring of the American farm system.

3. Foreign Investment Potential

Opening the U.S. markets to Brazilian ethanol product penetration would strengthen the U.S. economy by providing new avenues of direct foreign investment in the rapidly developing Brazilian market. Even with overall reductions in investment due to the global financial crisis, Brazil remains an important destination for foreign investment. The U.S. is already Brazil’s largest trade partner but allowing Brazilian ethanol to penetrate the U.S. market could further strengthen and extend that relationship. In 2007, the U.S. signed a memorandum of understanding to advance cooperation on biofuels with Brazil. This agreement emphasizes the significance of biofuels as “a transformative force in the region to diversify energy supplies, bolster economic prosperity, advance sustainable development, and protect the environment.”

It does not, however, alter the biofuel trade landscape between the two countries. While the U.S. may be advancing cooperative understandings with Brazil, Brazil is developing actual trade relations with other countries. Brazil’s strengthened trade relationships with Russia, India, China, and other nations means that the U.S. stands to lose out on the economic stimulation that investment in Brazil offers. With Brazil’s recent discovery of an oil field containing some five billion to eight billion barrels of crude oil and natural gas that will require roughly $600 billion in capital invest-

132. Id.
133. Id.
135. See generally Chazan & Prada supra note 99.
138. Id.
139. Barrionuevo, supra note 19.
ment,\textsuperscript{140} and the recent announcement that China will loan Brazil a great deal of that capital to develop the field,\textsuperscript{141} the loss of potential U.S. investment is obvious. This loss of investment is further compounded by the fact that U.S. “global exports declined 12 percent in [the last year], the biggest contraction since World War II.”\textsuperscript{142} U.S. reluctance to enhance its reciprocal trade relationship with Brazil has contributed to Brazil’s desire to look elsewhere for foreign investment. Strengthening U.S./Brazilian trade relations by allowing Brazilian ethanol access to U.S. markets could go a long way towards providing Brazil with incentive to pursue U.S. foreign investment which would subsequently stimulate the U.S. economy.

\begin{itemize}
  \item[\textbf{B. Liberalized Trade between the U.S. and Brazil and Geopolitical Influence}]
\end{itemize}

In an increasingly globalized world, economic relations play a critical role in establishing and developing geopolitical influence. America’s trade relationship with Brazil is a crucial modern example of this. Although the U.S.’s international image has rebounded with the election of President Obama, the war in Iraq has taken a heavy toll on U.S. geopolitical influence. A 2006 survey published by The Financial Times revealed that 36 percent of Europeans considered the U.S. the “principal threat to world stability, ahead of Iran (30 percent) and China (18 percent).”\textsuperscript{143} The 2007 Pew Research Center’s release of a forty-five thousand person, seven country survey, demonstrated for the fifth year in a row that the U.S. lost international prestige.\textsuperscript{144} The current global economic collapse has only further damaged the U.S.’s international image with many around the world blaming the U.S. for the crisis.\textsuperscript{145} All this paints a very different picture from the traditional image of the U.S. as world leader and protector. As world opposition to the U.S. mounts, the world’s emerging markets have become increasingly less dependent on the U.S. economically and politically. Allowing Brazilian ethanol penetration into the U.S. market could demonstrate a new approach by a new government that could

\begin{footnotes}
\item[143.] \textit{COHEN-TANUGI}, supra note 4, at 34.
\item[144.] \textit{Id.} at 33.
\end{footnotes}
begin to change the U.S.'s rapidly deteriorating image and geopolitical influence.

A strengthened U.S. policy of engagement with Brazil in terms of trade is a critical step in restoring U.S. global economic and geopolitical influence. As Harvard's Robert Z. Lawrence recently noted, "[i]f you're serious, as the Obama administration is, about being a leader in the multinational system, you can't not provide leadership in the international trade arena."\(^{146}\) Changing the U.S. stance on Brazilian ethanol tariffs and domestic corn ethanol subsidies would send a strong signal to Brazil and the rest of the world about the U.S.'s beliefs about the resiliency of its economy, the ingenuity of its domestic production base, and its relationship with the global marketplace. A changed trade agreement would likely bring the U.S. long term economic gains, but it could also have immediate economic effects. The 2009 WTO decision against the U.S. in favor of Brazil regarding cotton subsidies\(^{147}\) gave Brazil the ability to exercise\(^ {148}\) "retaliatory measures, which could total $591 million." Thus far, Brazil has not commenced with such tactics. A change in U.S. policy would go a long way towards incentivizing Brazil not to pursue those measures, and would go a long way towards demonstrating a U.S. commitment to strengthening ties with all emerging markets including those that share much different political structures and ideologies than the U.S. and Brazil. As it stands, Brazil's continued development of trade agreements with countries other than the U.S., put Brazil in a position to likely be more influenced economically and politically by those countries than by the U.S.

Brazil's economic and geopolitical development jeopardizes its democratic culture by aligning itself too closely with traditionally weak non-democratic countries. Brazil's long awaited economic take-off has helped substantiate President Lula's efforts to put Brazilians to work in record numbers. However, the same mechanisms that have driven the increased job market and domestic growth have established interdependent trade relations with the foreign markets of China, Russia, and Iran,\(^ {149}\) as well as Columbia, Venezuela, and Cuba. China's massive energy demand alone has produced a huge transfer of

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146. Chan, supra note 141.
148. Chan, supra note 141.
149. See Alexei Barrionuevo, Obama Writes to Brazil's Leader about Iran, N.Y. TIMES, Nov. 24, 2009, at A6; Brazil Rebuffs US Pressure for Iran Sanctions, BBC News, Mar. 3, 2010 http://news.bbc.co.uk/2/hi/8547150.stm (both discussing the increasing U.S. concerns over the developing relationship between Brazil and Iran).
wealth into Brazil. Brazil’s recent agreement to supply China with 100,000 to 160,000 barrels of oil per day in exchange for a loan to pay for Brazil’s offshore oil development represents a long-term relationship between the two countries. Brazil’s desire to secure non-Western and non-International Bank funding for its development correlates with China’s need to secure energy sources for its rapidly expanding domestic market. Brazilian Foreign Minister Celso Amorim hailed the agreement as evidence of the strong economic and political ties between the two countries, describing it as “the most important South-South relationship.” This relationship creates “opportunistic diplomacy, often opposed to Western policies, values, and interests.” Brazil’s economic dependence on a country like China, which has a poor democratic track record, and a country like Iran which has obvious anti-American sentiment, presents practical problems in terms of geopolitical influence and complicity.

The strengthening of democratic practices and institutions in Latin America depends on further development of international relations with democratic countries like the U.S. The lessening of U.S. geopolitical influence in the region has corresponded to the strengthening favor for non-democratic principles and countries. Venezuelan President Hugo Chavez nationalized the country’s oil, telephone and electric companies. Bolivian President Evo Morales took control of the country’s natural gas reserves. Ecuadorian President Rafael Correa won a referendum that substantially elevates his control over the country’s economy. David Rothkopf, the Clinton Administration’s head of the International Trade Administration, contends that all these actions are partially justified within the region by pointing to U.S. economic failure and U.S. government intervention in its economy. All this represents a trend in the region that runs counter to American interests. Strengthening a relationship with Brazil and President Lula whom President Obama recently called “the most pop-

150. COHEN-TANUGI, supra note 4, at 22-23 (arguing that China’s need for oil has propelled Latin American source countries towards a “economic nationalism” that threatens to undermine Western, in particular, American influence in the region).
151. BRAZZIL MAG, supra note 144.
152. Id.
153. COHEN-TANUGI, supra note 4, at 66.
155. Id.
156. Id.
157. Id.
ular politician on the earth,” is essential if the U.S. desires to stem the tide of leftist revival and strengthen its geopolitical influence in the region. Allowing Brazilian ethanol in to the U.S. market would represent a new perspective that would send a message about the U.S.’s commitment not only to its relationship with Brazil, but with the region as a whole.

IV. Conclusion

The U.S. should foster a policy of engagement with Brazil by meeting their demands for liberalized trade through reductions in American farm subsidies and tariffs on Brazilian ethanol. Doing so would provide the U.S. with the opportunity to improve its domestic economy and its international position. The current economic crisis threatens not only the U.S.’s domestic economy, but also its international position. The recent 2009 London G20 pact and the protests that accompanied it reflect deeply rooted differences about economic policies and the need for new approaches. The continuing wars in Iraq and Afghanistan, and the ongoing political instability in the greater Middle East speak to the dangers that derive from relationships with the oil-rich countries abroad. The ongoing oil leak in the Gulf of Mexico reiterates the perils associated with off shore drilling and domestic oil production. The U.S. finds itself amidst a radically new playing field threatened domestically by problems created by the previous administration and internationally by the emergence of new markets and new ideologies. It is essential that the U.S. respond with an innovative approach to the crisis that combines both domestic economic reinvigoration and development of U.S. international geopolitical relations. Allowing Brazilian ethanol to penetrate the U.S. market without the constraints of tariffs or domestic subsidies would represent a concerted effort to do both. Removing these barriers would eliminate dependence on foreign oil from countries without stable democratic systems while simultaneously providing support for the overall development of Latin American democratic principles. Additionally, this would stimulate the U.S. domestic economy by creating jobs, increasing domestic competition for alternative and renewable fuel sources, revitalizing the American farm system, and providing opportunities for increased American investment in Brazil. Finally, strengthening its relationship with Brazil would strengthen the U.S.’s geopolitical position with the rest of the world. By fostering a further

developed relationship with Brazil, the largest, wealthiest, and most influential South American country, through liberalization of Brazilian ethanol trade, the U.S. can help stabilize the Western Hemisphere’s economy and the U.S.’s position within it as a primary global influence.