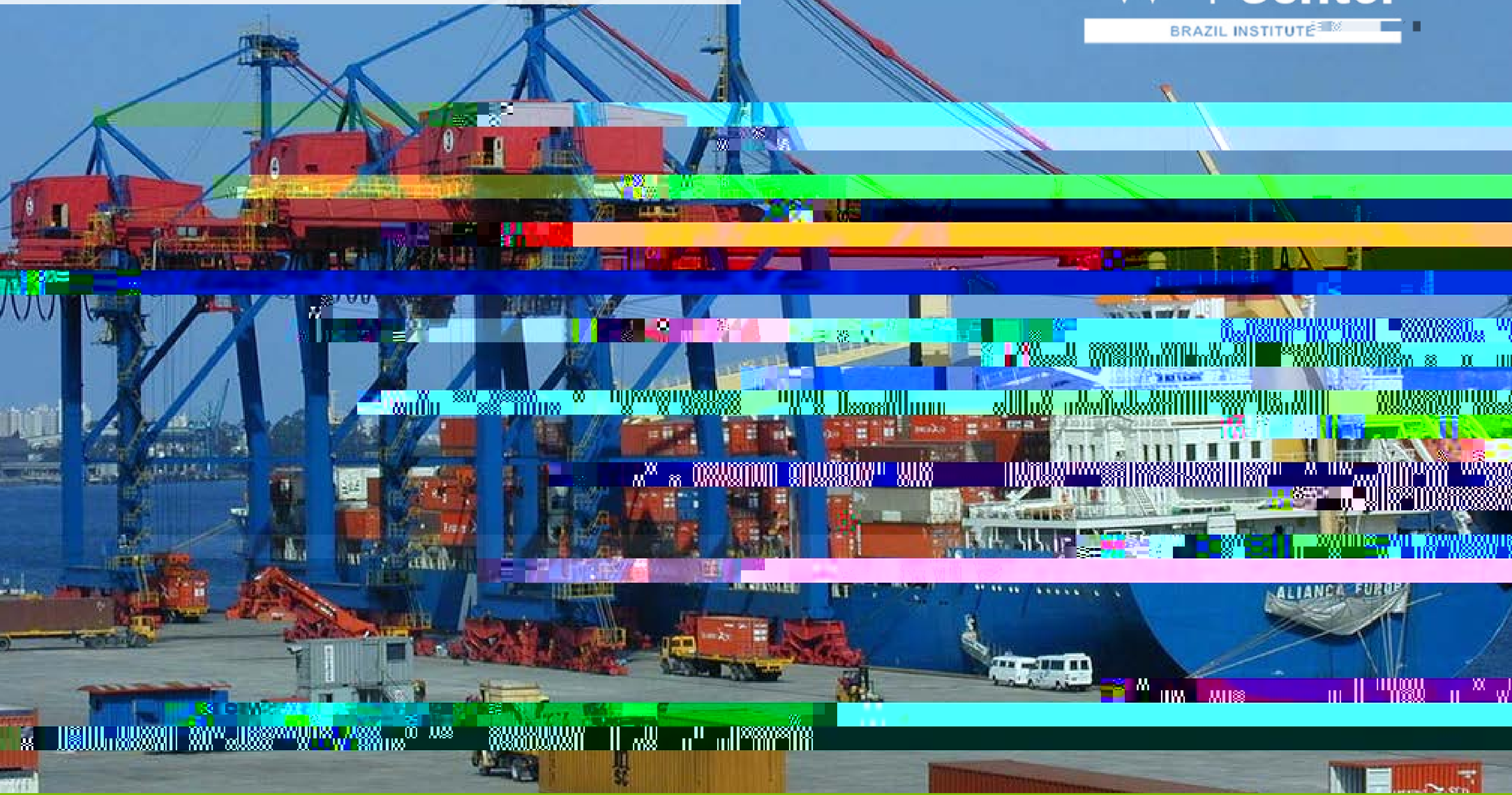

EXECUTIVE SUMMARY

Brazil's strength in agribusiness and desire to forge stronger trade relationships around the globe may present to the country the unique opportunity to benefit from the Trump administration's newly proposed trade policies. Actions by the new U.S. president have threatened the future of the Trans-Pacific Partnership (TPP) and other multilateral agreements, and caused tensions with China and Mexico. Brazil may be ideally positioned to fill the potential gap left by the United States by satisfying demand for agricultural exports in Mexico, China and former-TPP nations. Additionally, the hiatus in global trade integration may allow Brazil to "catch-up" to other countries by negotiating new bilateral agreements, including with the United States. Despite predictions of destabilization in the global financial system, the Temer government may find itself better positioned than most to take advantage of a paradigm-shifting moment in global trade.

Speakers

Gary Hufbauer, Reginald Jones Senior Fellow, Peterson Institute for International Economics
João Augusto de Castro Neves, Director, Latin America, Eurasia Group
Diego Bonomo, Executive Manager of Foreign Trade, Brazilian National Confederation of Industry
Marcos Jank, Vice-President, Corporate Affairs and Business Development, BRF Asia-Pacific
Fernando Pimentel, Deputy Chief of Mission, Economic Affairs, Embassy of Brazil to the United States

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Brazil finds itself in a unique position at the start of the new U.S. administration. The world's most closed economy among middle income countries, Brazil is also a rare case of a nation that runs a trade deficit with the United States. While some see President Donald Trump's protectionist trade policy positions as an obstacle to globalization and international trade, many in the Brazilian media hailed the new

and Brazil, this antiestablishment sentiment originates instead from a rising middle class. The result of this contrast is a shift toward isolationism in the developed world but a shift toward greater openness in the developing world.

The financial risk for Latin America from Trump's domestic policies includes inflationary pressures and weaker currencies if the U.S. Federal Reserve raises interest rates. Brazil is relatively well-shielded from these effects, considering that trade is a small function of its GDP—and Brazil is not on Trump's radar (especially since the United States runs a trade surplus with Brazil). Castro Neves predicted that as long as President Trump

Q&A Session

From le f to right: Diego Bonomo, Marcos Jank, Gary Hu f auer, and João Agusto de Castro Neves

reminded the audience that the United States remains the largest agricultural exporter, followed by Europe, in value-added products, and only then Brazil. Therefore, Brazil needs to start engaging in talks now that there is an opening —especially as the Temer government does not have the ideological opposi t on to trade that characterized much of the Workers' Party [of former Presidents Luiz Inácio Lula da Silva and Dilma Rousse f].

Gary Hu f auer stated that if Brazil wants to explore trade rela t ons with the United States, it should do what Switzerland and Japan are doing by adver t sing the U.S. jobs that would be created as a result Paulo Sotero noted that there are around 70,000 Americans employed by Brazilian owned companies in the United States, many of them in Colorado.

asserted that Asia is moving to regional deals, such as the TPP, the Associa t on of Southeast Asian Na t ons (ASEAN), and Regional Comprehensive Economic Partnership (RCEP). In terms of compe t t on between Brazil and the United States, the f rst sector is soybeans. Brazil, Argen t na, and the United States control the global soybean export market. Meat is another area: China imports most of its meat from Brazil, but the United States is also a compe t tor. Any escala t on of reciprocal trade protec t onism between the United States and China would bene f t Brazil.

Gary Hu f auer stated that Trump has been unclear so far on what his tax policy will be. Trump has spoken a great deal about implemen t ng some type of border tax, but he will not want to be blamed for higher prices on cheap imported goods. Hu f auer believes President Trump will be able to slash the U.S. corporate tax rate, expense capital equipment, and pass some form of territorial system. These measures will make the United States an extremely a t rac t ve place to invest in, which will a f ect other na t ons' tax policies. He also added that the border adjustment tax rate is actually less important than the corporate tax rate.

Diego Bonomo asserted that companies in Brazil are concerned, but many of them are already invested in the United States. Although they may be concerned from an export point of view, they may also be interested in tax reforms for their own opera t ons. An important aspect of this rela t onship is that while exports to China are usually goods that go to end users, exports to the United States are usually in the form of investments or inputs in value chains.