“America First” in Practice:

The Trump Administration and the State of Trade in Brazil and the Americas

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1. A Changing Trade Picture

When a new President of the United States of America takes office, their administration sets new priorities in foreign policy, including trade relationships with foreign nations. Presidents from Franklin Roosevelt to Ronald Reagan to George W. Bush to Barack Obama have certainly differed in both style and substance, requiring different reactions and analysis from Latin American governments, businesses, and academics. Over time, the degree of US intervention in Latin American affairs in defense of business interests varied; from CIA-backed coups to prevent planned expropriation of private landholdings, to the “benign neglect” of the Nixon administration, to the Obama approach of negotiation and tactical use of soft power. Since the end of World War II, however, countries in the region anticipating the next moves of their northern neighbor could reasonably expect the US government to act within well-defined parameters: participation in and leadership of multilateral institutions, increasing openness to foreign investment, an embrace of free trade, and at least a bare minimum of respect for international law. Careful US leadership in negotiating the North American Free Trade Agreement (NAFTA) and the Trans-Pacific Partnership (TPP) exemplified the postwar framework.

This predictability disappeared with the arrival of Donald J. Trump in the Oval Office. A reality TV star and real estate developer who relies on tweets more than press conferences to communicate, Mr. Trump expressed an openly xenophobic and antagonistic position relative to the world outside his country’s borders in the 2016 campaign. His support came from voters tired of the political establishment in Washington, DC and from people living in states that suffered the drawbacks of globalization, particularly those living in former industrial areas that lost manufacturing jobs at a high rate over the last thirty to forty years as production shifted to China, Mexico, and other countries with cheaper labor. He blamed the US trade deficit on supposedly bad trade agreements, claimed latino immigrants were stealing jobs from citizens, and characterized Muslim immigrants as more prone to acts of terrorism.

With a conservative Republican party achieving control of both houses of Congress in the November elections, Mr. Trump seemed poised to initiate a radical shift in US trade policy towards protectionism and the destruction of international trade agreements that have defined the rules of the game in international affairs since the late 1980s. Reactions from the US and international media have ranged from cautiously optimistic predictions on the prospects for deregulation to panicked speculation that the new president will trigger a global trade Apocalypse with his seeming disregard for international and US law, diplomacy, and relationships with key allies.

This paper addresses the following questions: First, what concrete trade policy actions has the Trump administration actually taken in its first six months, and how do these actions compare to the rhetoric of Mr. Trump and his advisors? Second, based on these observations, what might Latin American, and specifically Brazilian, observers expect from this US administration moving forward? The evidence suggests that despite some flashy moves designed to appeal to a core base of voters in the United States, the Trump administration's trade policy does not represent the pending destruction of the international order. It can best be characterized as inconsistent and contradictory, fractured by internal conflicts between Mr Trump's economic advisors. Certain countries in the Western Hemisphere certainly have cause for serious concern. That said, the clearest short-term outcome of "America First" is, in fact, the weakening of US supremacy in commerce and diplomacy. In short, "Mr. Trump has relinquished America's role of stewardship of the global rules-based system."[1]

1.1 Outline of Topics

The paper begins with an overview of official White House positions, executive orders and memoranda, and other actions on trade since Mr. Trump took office. The subsequent section analyzes the positions of the president's cabinet and key economic advisors, noting the competition between a hard-line nationalist and a moderate/globalist faction. Next, the role of the United States Congress in setting trade policy is clarified, as well as the complex and often contentious relationship between this president, Republican Party leaders, and influential congressional committees that may circumscribe the extent of the changes that Mr. Trump can make. Moving on to the hot topic of trade agreements, TPP and NAFTA are discussed in the context of the administration's withdrawal from the former and its announcement of intent to renegotiate the latter.

The focus then expands to the regional impact of Mr. Trump's first six months. Starting with a Brazilian perspective, this portion of the essay outlines prospects in the short and medium term for the bilateral diplomatic and trade relationship with the US, including the possible impact of Operation Lava Jato and the current political crisis. This discussion is followed by a sketch of first contacts between the Trump administration and other key regional players, including Colombia, Argentina, and Chile. The projected effects of proposed US budget cuts on aid and development in the region are also briefly discussed, as well as the impact of less visible policy shifts such as the reinstatement of the "Mexico City Policy." Finally, the paper concludes by summing up the main points that policymakers and other Latin American observers should take away from Mr. Trump's trade policy.

2. Six Months of Trumponomics

The editorial board of the *The Economist* summed up a comprehensive interview with the President on economic policy with the byline, "Donald Trump's economic strategy is

[1] "The Trump Administration Starts to Turn Up the Heat on Trade," *The Economist*, April 27, 2017, www.economist.com.

unimaginative and incoherent."[2] Most commentators agree that Mr. Trump misunderstands fundamental principles of macroeconomics and seems incapable or unwilling to change his preexisting beliefs in the face of evidence. While some economic advisors in the White House have attempted to sway him to moderate his protectionist rhetoric with varying degrees of success, "when it comes to the president's economic policy agenda...it seems only one voice counts: Mr Trump's."[3]

So just what does the President of the United States believe about trade? While he has changed his positions on countless issues many times in the last two years, the White House's policy positions, the President's executive orders and memoranda, and the composition of Mr. Trump's economic council reveal some consistent elements. First, the real estate magnate president approaches international politics like the "zero-sum terms of a property transaction"[4] where his goal is to gain more than the party across the table. This helps explain his preference for bilateral negotiation rather than multilateral agreements. Second, he insists on a very particular concept of fairness in trade relationships, what Peterson Institute of International Economics fellow Gary Hufbauer refers to as "mirror image reciprocity" or "level" reciprocity.[5] That is, a US partner should not have barriers or subsidies in place unless the US does the same. In Mr. Trump's words, "We have nations where...they'll get as much as 100% of a tax or a tariff for a certain product and for the same product we get nothing, okay? It's very unfair."[6]

These first two elements contribute to the third key point: Mr. Trump's general opposition to globalization. Long before he announced his candidacy, he insisted that trade deals have benefitted the rest of the world at the expense of the United States. *The Economist* concluded that "Mr Trump appears not merely to understand, but to share, the unfocused resentment of globalisation...harboured by many working-class Americans."[7] He emphasizes the importance of manufacturing and fossil fuel sector jobs and claims to represent the interests of dispossessed domestic workers in those sectors. The following section summarize the official policy and actions of the president and top administration officials in creating an often vague but consistently nationalistic set of economic goals.

2.1 White House Policy Positions on Trade

The White House website lists several documents laying out Mr. Trump's foreign policy and trade priorities in very general terms that help frame his actions thus far in office. While his administration's rhetoric and actions do not always match, it is worth reading a few brief excerpts to provide context for Mr. Trump's actions.

The section entitled "America First Foreign Policy" emphasizes a principle of "peace through strength," insists on aggressive military action against terrorist organizations, and advocates for a buildup in military equipment. At the same time, the White House claims to "embrace diplomacy," reassuring observers that "the world must know that we do not go abroad in search of enemies, that we are always happy when old enemies become friends, and when old

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[2] "Cooking Up an Economic Policy," *The Economist*, May 13, 2017, www.economist.com.
[3] Ibid.
[4] Ibid.
[5] Gary Hufbauer, "Trade, security, and the U.S.-Mexico relationship" (panel event, Brookings Institution, Washington, DC, May 25, 2017).
[6] "What the President Wants: Excerpts from Our Interview with Donald Trump," *The Economist*, May 13, 2017, www.economist.com.
[7] "Cooking Up."

friends become allies."[8] We have yet to see this alleged softer side of the Trump administration, especially as the president's proposed budget seeks to increase military spending while imposing drastic cuts on the State Department and US funding for international institutions.[9]

Narrowing in specifically on economic issues under the headline "Bringing Back Jobs and Growth," the policy position announces a bold goal to "create 25 million new American jobs in the next decade and return to 4 percent annual economic growth."[10] The administration has since revised that target to 3 percent of GDP per year, a number that most economists agree is still extremely ambitious. This section also identifies manufacturing sector as "the backbone of our economy,"[11] despite the fact that these jobs currently employ just 8.5 percent of American workers.[12]

Finally, Mr. Trump targets NAFTA and the TPP under the headline "Trade Deals that Work for All Americans." Repeating his campaign rhetoric that such agreements in their current from only benefit "insiders and the Washington elite" and have resulted in a "devastated manufacturing base," the president promises to put "tough and fair agreements" in their place.[13] The section states clearly that "President Trump is committed to renegotiating NAFTA" and that if Mexico and Canada refuse, he will trigger a unilateral US withdrawal from the agreement.[14] Since then, the president has indeed announced the US intention to renegotiate and both Canada and Mexico have agreed to the process. Significantly, the president has also followed through on the statement's promise to direct the Secretary of Commerce to find and punish violations of trade deals by partner nations; the sectors and countries affected by this directive will be discussed in further detail below.

2.2 Executive Orders

The President of the United States exercises authority over government agencies through Executive Orders, including general direction on the interpretation of regulations and the enforcement of laws and instructing agencies to start new initiatives. While the US President does not enjoy the same sweeping powers over economic activity as the presidencies of Brazil, Argentina, Mexico, and other Latin American nations, Executive Orders are nevertheless significant for the interpretation and implementation of existing laws and can drive substantial policy shifts. According to the American Presidency Project, Trump has issued 37 Executive Orders as of June 20, 2017. If he continues that pace, he will average 88 Executive Orders per year, compared to an average of 35 per year under Mr. Obama and 36 per year under George W. Bush.[15]

Rather than dramatic policy changes, the Orders ask for reporting on current trade deficits, set agendas for deregulation of domestic firms, and publicly announce Mr. Trump's

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[8] "America First Foreign Policy," The White House, accessed June 7, 2017, https://www.whitehouse.gov/america-first-foreign-policy.

[9] Gregor Aisch and Alicia Parlapiano, "How Trump's Budget Would Affect Every Part of Government," *New York Times*, May 23, 2017, https://www.nytimes.com/.

[10] "Bringing Back Jobs and Growth," The White House, accessed June 7, 2017, https://www.whitehouse.gov/bringing-back-jobs-and-growth.

[11] Ibid.

[12] "Cooking Up."

[13] "Trade Deals that Work for All Americans," The White House, accessed June 7, 2017, https://www.whitehouse.gov/trade-deals-working-all-americans.

[14] Ibid.

[15] Gerhard Peters and John T. Woolley, "Executive Orders," *The American Presidency Project*, ed. John T. Woolley and Gerhard Peters (Santa Barbara, CA: 2017), http://www.presidency.ucsb.edu/data/orders.php.

purposes in trade negotiations. For example, he directed the Secretary of Commerce to tighten enforcement of existing trade policy, especially rules on anti-dumping and countervailing duties. Highlighting the administration's emphasis on bilateral trade deficits as the primary measure of "fairness" and the goal of protecting and revitalizing domestic heavy manufacturing, Mr. Trump further instructed the Secretary of Commerce and US Trade Representative (USTR) to investigation the causes of such deficits and recommend measures to correct them. A "Buy American, Hire American" order instructs federal agencies to prioritize domestic companies in government contracting and procurement processes. Finally, the president rolled back Mr. Obama's previous tightening of environmental regulations and restrictions on fossil fuel exploration, implying a link between deregulation of US oil and natural gas companies, economic growth, and national security. For a full annotated list of Executive Orders on trade and economic issues, see Appendix 2.

2.3 Presidential Memoranda

Memos are White House directives to specific federal agencies. They carry less legal force than Executive Orders and tend to focus on more procedural topics. Several of Mr. Trump's Memos nonetheless significantly impact US trade policy.

The first, signed shortly after he took office, directs the acting USTR to withdraw from the TPP. This move was unnecessary, legally speaking, as Congress had not yet ratified the agreement signed by Mr. Obama. Nevertheless, it fulfilled one of Mr. Trump's key campaign promises and put to rest any doubt about US participation in the TPP during his administration. The Memo also amounts to the new president's trade thesis statement, stating: "It is the policy of my Administration to represent the American people and their financial well-being in all negotiations, particularly the American worker, and to create fair and economically beneficial trade deals that serve their interests...in order to ensure these outcomes, it is the intention of my Administration to deal directly with individual countries on a one-on-one (or bilateral) basis in negotiating future trade deals."[16]

The second and third Memos of note, dated April 20 and April 27, instruct the Secretary of Commerce "to determine the effects on national security" of steel and aluminum imports, respectively, and to consider how the United States might negotiate the removal of "foreign government subsidies and other unfair practices" that affect steel prices, domestic steel manufacturers, and defense contractors.[17] Economists and industry observers worry that these Memos indicate that the president is leaning towards what Peterson Institute trade expert Chad Bown calls the "nuclear option:" ignoring WTO rules and imposing stiff blanket tariffs on steel and aluminum imports.[18] Experts worry such a move could lead to a steep price increase on these essential primary materials, force other countries to retaliate, and ultimately hurt rather than help American workers.[19]

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[16] Memo of Jan 23, 2017, "Withdrawal of the United States From the Trans-Pacific Partnership Negotiations and Agreement," 82 Fed. Reg. 8497 (Jan. 25, 2017).
[17] White House Office of the Press Secretary, "Presidential Memorandum for the Secretary of Commerce," press release, April 20, 2017, https://www.whitehouse.gov/the-press-office/2017/04/20/presidential-memorandum-secretary-commerce; White House Office of the Press Secretary, "Presidential Memorandum for the Secretary of Commerce," press release, April 27, 2017, https://www.whitehouse.gov/the-press-office/2017/04/27/presidential-memorandum-secretary-commerce.
[18] "Turn Up the Heat."
[19] "Protecting American Steel from Imports Makes No Sense," *The Economist,* April 27, 2017, www.economist.com.

2.4 Domestic Negotiation and International Trade Disputes

As the head of the executive agencies responsible for enforcing trade agreements and trade rules, the president exercises substantial authority in bilateral and sectoral trade disputes. In late 2016, before taking office, Mr. Trump made the unusual move to contact several US companies directly, pushing for them to maintain facilities and jobs domestically rather than moving operations to Mexico. There are some indications he will seek to continue this practice. In recent months, Secretary of Commerce Wilbur Ross and USTR Robert Lighthizer have also led negotiations on various disputes with Canada and Mexico that suggest a more aggressive US stance than in recent administrations.

In the weeks after his election victory, the president-elect sought a flashy early victory to prove his commitment to protecting domestic manufacturing. He reached out to the leadership of Carrier, which had planned to shut down a plant in Indianapolis, IN, the state where Vice President-elect Mike Pence was still serving as governor. In late November, the company announced a decision to keep about 1000 jobs that had been targeted for outsourcing. CNN reported that the decision may have been influenced by a desire to protect the significant government contracts of Carrier's parent company, United Technologies.[20] The effectiveness of such one-on-one pressure also came into question this May, when further reporting revealed that Mr. Trump had inflated the number of jobs that were originally planned for the move to Mexico. The CEO of United Technologies further announced that automation is set to replace many of the remaining workers at the famous Indianapolis plant anyway.[21] Despite such mixed results, Gary Hufbauer expects that Trump will continue to score points with his voter base by sending the message that government contracts will go to those companies that announce expansion at home rather than abroad.[22]

The efforts of Ross and Lighthizer to stake out a stronger position on sectoral disputes has produced more concrete results. In April, the Commerce Department imposed tariffs ranging from 3 to 24 percent on various Canadian softwood lumber companies, concluding that importers had been "unfairly subsidized" by the Canadian government.[23] The lumber sector has long been a sore spot between the two countries, with US companies claiming unfair practices by their northern rivals. The Canadian government responded with similar language, stating that the decision to levy the "unfair and punitive duty" was "baseless and unfounded." The Canadians are expected to appeal the duty to both NAFTA and WTO dispute resolution boards.[24]

Meanwhile, an ongoing negotiation over Mexican sugar imports pushed right up against a June deadline to reinstate anti-dumping and countervailing duties that had been temporarily suspended in 2014. The *Wall Street Journal* reported in May that the sugar dispute between the two neighbors represented a "dress rehearsal" for the upcoming NAFTA negotiations, with observers waiting to see if the two parties could meet in the middle.[25] On June 6, Ross and Mexican economic minister Ildefonso Guajardo announced an "agreement in principle" to avoid

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[20] Chris Isidore and Eric Bradner, "How Donald Trump Got Carrier to Stay," *CNN Money*, December 1, 2016, http://money.cnn.com/2016/12/01/news/companies/donald-trump-carrier-jobs/index.html.
[21] Chris Isidore, "Carrier Plant that Trump Helped Save Will Cut 300 Jobs Right Before Christmas," *CNN Money*, May 23, 2017, http://money.cnn.com/2017/05/23/news/companies/carrier-layoffs/index.html.
[22] Hufbauer, "U.S.-Mexico relationship."
[23] Janyce McGregor, "U.S. Imposes Preliminary Duties Up To 24% on 'Subsidized' Canadian Softwood Lumber," CBC, April 24, 2017, http://www.cbc.ca/news/politics/wilbur-ross-softwood-tarrif-1.4083968.
[24] Ibid.
[25] Anthony Harrup and Julie Wernau, "How U.S. Settles Sugar Dispute With Mexico Could Signal Nafta Intent," *Wall Street Journal*, May 19, 2017, https://www.wsj.com.

a sugar trade battle.[26] The tentative deal reduces Mexican refined sugar imports into the US to 30 percent of total sugar sent. Minister Guajardo portrayed the deal as preserving Mexico's position as the primary exporter of sugar to the US market. The president of the Mexican sugar industry board seemed circumspect, noting that despite the reduction, "it would have been much worse if there hadn't been agreements."[27] On the other hand, Cornell University professor Eswar Prasad concluded that "The U.S. has gained a tactical advantage in further trade talks by sticking to its hard-line stance and signaling that it is willing to play hardball to extract ostensibly favorable terms."[28] The sugar issue also highlights disagreements between different sectors of businesses within the US. Sugar producers, who have complained of dumping by Mexican firms for years, may seek to toughen the final language of the agreement. Meanwhile, companies producing soda and candy complained that any restriction will drive up prices for their primary production input, hurting their business and forcing them to raise prices. Such internal conflicts threaten to complicate NAFTA negotiations with intense lobbying efforts from both sides directed at Congress and the Commerce Department.

US firms are starting to recognize the benefits of a more nationalist administration willing to challenge existing trade rules. For example, aircraft giant Boeing brought Canadian aerospace company Bombardier before a US International Trade Commission (USITC) board, alleging the Canadian firm benefitted from subsidies that allowed it to sell planes to US airlines at below-market prices. The case cites a $1 billion investment from the government of Quebec amounting to a 49.5% share of Bombardier, as well as a $372 million loan from the Canadian federal government.[29] The American firm is requesting countervailing and anti-dumping charges of up to 80 percent. Bombardier lawyer Peter Lichtenbaum retorted that his firm competes in a different size class of aircraft than Boeing, and that the losses alleged by Boeing's legal team due to subsidies amount to just one-third of 1 percent of the American company's yearly revenue. Said Lichtenbaum, "Boeing's petition in this case is unprecedented in its overreach. If this is a case of David vs. Goliath, Boeing has cast itself in the wrong role."[30] In early June, the USITC nevertheless ruled in Boeing's favor, authorizing the Commerce Department to prepare appropriate amounts of anti-dumping and anti-subsidy duties that will enter into effect later this year.[31]

In marked contrast to these confrontations with the US' NAFTA partners, Mr. Trump seems to be taking a more accommodating stance with certain regional leaders, particularly Mauricio Macri of Argentina. On his first official visit to the White House, Mr. Trump referred to the Argentine leader as "my friend for many years" and defended his economic reforms, while Mr. Macri adopted a much friendlier tone than his previous statement labeling the Republican candidate a "madman" during the U.S. election.[32] Just days later, the U.S. Department of Agriculture (USDA) terminated a longstanding rule that banned Argentine lemon imports,

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[26] Anthony Harrup and William Mauldin, "Mexico to Maintain Sugar Exports to U.S.; Refined to Raw Sugar Ratio Lowered," *Wall Street Journal*, June 6, 2017, https://www.wsj.com.
[27] Ibid.
[28] Ibid.
[29] "Cross-Border Aircraft Rivals Bombardier, Boeing Clash in Trade Hearing," CBC, May 18, 2017, http://www.cbc.ca/news/business/bombardier-boeing-court-1.4121332.
[30] Ibid.
[31] David Lawder, Lesley Wroughton, and Allison Lampert, "U.S. Trade Body Advances Dumping Probe Against Bombardier, Shares Drop," Reuters, June 9, 2017, https://www.reuters.com/.
[32] Joan Faus, "Trump apoia Macri e aposta em aprofundar a relação," *El País*, April 27, 2017, http://brasil.elpais.com/brasil/2017/04/27/internacional/1493318122_998529.html.

infuriating California growers who currently produce 90 percent of the domestic crop. Joel Nelsen, president of a US citrus industry advocacy group, asserted that the move “flies in the face of the administration’s priorities, which are to protect domestic agriculture, U.S. businesses and U.S. jobs.”[33] The move certainly seems contradictory to Mr. Trump’s protectionist rhetoric. The fact that Mexico is another major importer of lemons may play a role here, as does the US president’s personal friendliness with Mr. Macri.

The most telling development in the administration’s handling of trade disputes might be their near-total silence on China, one of Mr. Trump’s favorite punching bags during the campaign. Thus far, he has not followed through on promises to label the US’ biggest trade partner a currency manipulator, nor has he specifically addressed the bilateral trade deficit with them. This toning down of public attacks and the announcement of a tentative agreement to allow US beef companies and credit agencies to access the Chinese market represent a possible softening of the administration’s stance on China.[34] It could also point to Mr. Trump’s desire for Chinese help in confronting North Korea’s nuclear belligerence in the Pacific, a goal that seems unlikely given the failures of previous US presidents to shake Beijing’s support for the North Korean regime. Regardless, most of the Trump administration’s attention on trade at the moment seems to be on the pending NAFTA renegotiation (see Section 4.2 below) and the Commerce Department investigations mentioned above.

2.5 Mr. Trump’s Economic Advisors

Commentators have observed two factions within Mr. Trump’s advisors and cabinet appointees. On one side are the hard-liners, “outright protectionists” like White House National Trade Council (NTC) director Peter Navarro, USTR Robert Lighthizer, Secretary of Commerce Wilbur Ross, and White House chief strategist Steve Bannon. On the other side are the “globalists,” represented by Mr. Trump’s daughter Ivanka, his son-in-law Jared Kushner, National Economic Council (NEC) chair Gary Cohn, and Secretary of the Treasury Steven Mnuchin, who along with Mr. Cohn worked for many years at investment megabank Goldman Sachs.[35] Secretary of State Rex Tillerson, the former CEO of ExxonMobil, also fits in this group.

This group of advisors represents a variety of views. Mr. Lighthizer “is a hard-line veteran, a protectionist, and in favor of imposing tariffs.”[36] Mr. Navarro wrote, directed, and produced a hysterical documentary on the threat posed by Chinese exports. In contrast, Mr. Cohn is a Democrat and free trade enthusiast. University of Maryland economist Peter Morici echoed economists and academics who worry that the group are relative novices when it comes to macroeconomic policy. While Morici considers Mr. Lighthizer to be a “real trade professional,” he notes that other Trump administration officials “aren’t deeply steeped in the intricacies of American trade policy and of the requirements and opportunities that the World Trade Organization offers us.”[37] Mr. Ross, for example, who arguably occupies the most influential post for trade issues next to Mr. Lighthizer, is a billionaire investment banker whose most

[33] “U.S. Ends Ban on Importing Argentine Lemons, Angering California Citrus Growers,” *Los Angeles Times*, May 2, 2017, http://www.latimes.com/business/la-fi-lemons-argentina-20170502-story.html.
[34] “America’s Trade Policy Has a New Face, Robert Lighthizer,” *The Economist*, May 18, 2017, www.economist.com.
[35] “Cooking Up.”
[36] Víctor Sancho, “Confirman a Lighthizer como representante comercial de EU,” *El Universal* (Querétaro, MX), May 12, 2017, http://www.eluniversalqueretaro.mx/.
[37] Peter Morici, interview by Jacob M. Schlesinger, *Wall Street Journal*, May 9, 2017, https://www.wsj.com/articles/how-trade-will-change-under-trump-1494381661.

notable accomplishments include representing Mr. Trump's bankrupt Taj Mahal casino and selling off US steel companies to an Indian conglomerate.[38]

Despite these concerns, US media outlets speculated that the globalists would be able to sway Mr. Trump to more traditionally free-market positions. This has not proven to be the case. The Secretary of Agriculture did convince the president to renegotiate rather than withdraw from NAFTA after predicting heavy job losses in states that had voted for Mr. Trump in the 2016 election.[39] In general, however, public announcements and policy shifts have been plagued by "continued procedural disarray and conflicting viewpoints," with the various competing personalities in the White House jostling to gain the president's ear.[40] Scattered efforts to push Mr. Trump to the middle have largely failed. In fact, it could be argued that the reverse appears to have happened. As *The Economist* editors note, "it is a sign of the issue's importance to Mr Trump that all his advisers nonetheless speak of trade in Trumpian terms."[41] In light of the preceding discussion of the administration's tariff actions and tough negotiating positions, it seems likely that the president, encouraged by the hard-liners, is imposing his will over the objections of the globalists.

This dynamic was perhaps most starkly revealed in early June, when Mr. Trump announced that the United States would be withdrawing from the Paris Climate Agreement. The decision drew "swift and sharp condemnation from foreign leaders as well as top environmentalists and corporate titans, who decried the U.S. exit from the Paris accord as an irresponsible abdication of American leadership in the face of irrefutable scientific evidence."[42] Mr. Tillerson and Ivanka Trump did not even attend Mr. Trump's announcement, while Mr. Bannon applauded in the audience. The president claimed the move fulfilled his campaign pledge to protect American jobs from excessive international restrictions, despite the fact that the Paris Agreement is based on the good faith of its signatory nations and imposes no penalties for failure to hit carbon emission reduction targets. Tech mogul Elon Musk and Disney CEO Robert Iger resigned from Mr. Trump's economic council in protest, depriving the White House of yet more moderating voices.[43] With this decision, the president signaled more clearly than ever his "deeply held views, sweeping powers, a history of intemperance and a portfolio of promises he thinks he should keep."[44]

3. The Role of the United States Congress

The previous section focused on those actions that Mr. Trump and the executive branch can take unilaterally. This section clarifies the role of Congress in regulating trade, identifies influential committees and legislators with jurisdiction on trade issues, and outlines the nature of

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[38] Ana Swanson, "Billionaire Investor Wilbur Ross Confirmed as Trump's Secretary of Commerce," *Washington Post*, February 27, 2017, www.washingtonpost.com.
[39] "Cooking Up."
[40] Matthew P. Goodman and Daniel Remler, "A Revealing Look into Trump Trade Policymaking," Center for Strategic & International Studies, March 2, 2017, https://www.csis.org/analysis/revealing-look-trump-trade-policymaking.
[41] "Cooking Up."
[42] Philip Rucker and Jenna Johnson, "Trump Announces U.S. Will Exit Paris Climate Deal, Sparking Criticism at Home and Abroad," *Washington Post*, June 1, 2017, https://www.washingtonpost.com.
[43] Ibid.
[44] "Cooking Up."

Mr. Trump's complicated relationship with the legislature. These distinctions will provide context for a detailed discussion of the TPP withdrawal and NAFTA renegotiation.

3.1 The US Constitution and Trade Promotion Authority

The United States Constitution states that "The Congress shall have Power To lay and collect Taxes, Duties, Imposts and Excises"[45] and "To regulate Commerce with foreign Nations."[46] Congress thus has the ultimate authority on trade. For example, any new trade agreement must be approved by a two-thirds majority in the House of Representatives and in the Senate; along the way, either chamber may add amendments.[47] However, subsequent legislation has delegated expansive trade negotiation power to the executive branch. The most relevant of these powers is the Trade Promotion Authority (TPA), originally granted in 1974 and renewed in 2015 to facilitate the TPP negotiations.[48] Under this so-called "fast-track authority," the president is granted the power to negotiate trade deals unilaterally.[49] Congress must approve the final agreement by a simple Yes/No vote and cannot suggest amendments. However, the bill also defines a list of objectives that the president must honor in any trade agenda and specifies that Congress must be consulted regularly throughout the negotiation process. Because of these stipulations, as well as additional restrictions and reporting requirements placed on the executive by earlier legislation, University of Georgia history professor Stephen Mihm asserts that "Congress, not the president, has largely controlled trade policy throughout the nation's history. Trump can negotiate. But it's Congress that is invested with the power to lead."[50]

3.2 Congressional Committees and Leaders

Specific committees in Congress wield this "power to lead" on trade, most notably the Senate Finance Committee and the House of Representatives Ways and Means Committee. Senator Orrin Hatch of Utah heads the Finance Committee; like many Republicans, he tends to favor the deregulation and tax cuts promoted by the Trump administration. However, the Senator's website also states his support for "opening borders to American innovation and lowering tariffs to promote job creation and economic growth for American job creators, farmers and ranchers, and workers," going on to state that "trade agreements are a no-cost stimulus that promotes economic growth and stability throughout the world."[51] This pro-trade stance is at odds with Mr. Trump's rhetoric and aggressive trade actions thus far. Ways and Means Committee chair Kevin Brady of Texas, like Mr. Trump, emphasizes the importance of fairness in agreements and also supports the president's authority to negotiate bilaterally.[52] Yet Mr. Brady has also asserted that "Nafta has been tremendously successful" and that his committee intends

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[45] U.S. Const. art. I, § 8, cl. 1.
[46] U.S. Const. art. I, § 8, cl. 3.
[47] "U.S. Congress and Trade Policy," The George Washington University Institute for International Economic Policy, accessed June 9, 2017, https://www2.gwu.edu/~iiep/signatureinitiatives/governance/US_Trade_Policy/briefs/2Congress.pdf.
[48] Jonathan Weisman, "Trade Authority Bill Wins Final Approval in Senate," *New York Times,* June 24, 2015, https://www.nytimes.com/2015/06/25/business/trade-pact-senate-vote-obama.html.
[49] "U.S. Congress and Trade."
[50] Stephen Mihm, "Congress Has the Power on Trade," *Bloomberg,* January 27, 2017, https://www.bloomberg.com/view/articles/2017-01-27/congress-has-the-power-on-trade.
[51] "Foreign Affairs & Trade," Orrin Hatch, United States Senator for Utah, accessed June 12, 2017, https://www.hatch.senate.gov/public/index.cfm/foreignaffairsandtrade.
[52] "Trade," U.S. Congressman Kevin Brady, accessed June 12, 2017, https://kevinbrady.house.gov/issues/issue/?IssueID=126806.

to accompany the NAFTA negotiation process to "strengthen" the agreement, not weaken it.[53] These statements from the congressional leaders responsible for trade indicate that Republicans are not necessarily going to blindly follow the president if he threatens the key tenets of existing arrangements or ignores Congress' authority on trade.

Mr. Trump has found more support from Speaker of the House Paul Ryan of Wisconsin. Speaker Ryan teamed up with Mr. Trump to lead the passage of a bill through the lower chamber that seeks to repeal Mr. Obama's signature healthcare legislation. He has also aligned with the president on trade, speaking the Trumpian language of fairness and expressing support for more restrictive trade measures. Before the 2016 election, Mr. Ryan introduced a tax reform proposal that included a border adjustment tax (BAT), which would place a duty on imports but not exports.[54] While the BAT seemingly coincides with Mr. Trump's more protectionist trade goals, the current White House position on the idea is unclear. Treasury Secretary Steven Mnuchin communicated both publicly and in private to Republican congresspeople that the president opposes Mr. Ryan's proposal in its current form, but not necessarily the idea of a BAT in principle. In current negotiations on a new tax reform bill, Mr. Ryan has also discussed moderating or eliminating the BAT proposal in the face of skepticism from some House and Senate leaders.[55]

3.3 Executive-Legislative Relations

The positions of Congressional Republican leaders on trade reveal that President Trump is not necessarily dealing with a totally compliant legislature, despite his party controlling both houses. Democrats, of course, openly oppose the president, but as the minority party their power to block legislation is somewhat limited. Meanwhile, despite winning a majority in both houses of Congress in the 2016 elections, Republicans navigate a trickier situation. Individual legislators have to decide how far they will go in supporting a tremendously unpopular, controversial president. At times, Mr. Trump enjoys support for his nationalist agenda. For example, 22 Republican senators, mostly from states with large fossil fuel industries, signed a letter urging the president to withdraw from the Paris Climate Agreement a week before his decision.[56] Speaker Ryan also endorsed the move.[57]

For every small victory, however, President Trump encounters even more resistance. The House and Senate versions of the Republican healthcare bill are both deeply unpopular because of the huge number of Americans expected to lose health insurance under their provisions, and objections from several key Republican senators have repeatedly delayed a vote on the Senate version. Immediately after Mr. Trump's announcement of the Paris Agreement withdrawal, mayors, governors, and business leaders across the US announced that they would nevertheless continue local efforts to reduce carbon emissions and convert to renewable energy sources. The Trump administration has also faced almost weekly demonstrations on a variety of issues, from the president's executive orders banning immigration from certain Muslim-majority countries to a White House budget proposal that slashes funding for popular social programs. Representatives

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[53] William Mauldin, "Trump Administration's Push to Revamp Nafta Faces a Divided Congress," *Wall Street Journal*, May 18, 2017, https://www.wsj.com/.
[54] Naomi Jagoda, "Ryan: House Could Pass Bill that Doesn't Include Border Tax," *The Hill*, May 24, 2017, http://thehill.com/policy/finance/334913-ryan-house-could-pass-bill-that-doesnt-include-border-tax.
[55] Ibid.
[56] Michael Biesecker (Associated Press), "22 GOP Senators Signed a Letter Urging Trump to Pull Out of the Paris Agreement," *Business Insider*, May 25, 2017, http://www.businessinsider.com/.
[57] Rucker and Johnson, "Exit Paris Climate Deal."

and senators who are up for reelection in 2018 are nervously considering how voters in their districts might regard their decisions, weighing loyalty to the president against their reelection chances.

Perhaps no issue promises to divide Congress as much as the scandal over allegations of collusion between the Trump 2016 campaign organization, administration officials, and Russian agents to influence the outcome of the presidential election. Some Republicans deeply suspicious of Russia, such as Senator John McCain of Arizona, have expressed concern while avoiding open criticism of the president and his advisors. Simultaneous investigations in the FBI, Justice Department, House of Representatives, and the Senate dominate the headlines. Former FBI director James Comey testified that Mr. Trump pressured him to drop an investigation into former National Security Advisor Michael Flynn, and that Comey was fired because he refused this request. A special counsel for the Justice Department, Robert Mueller, is now investigating the president for potential obstruction of justice. This environment naturally complicates Mr. Trump's ability to work productively with legislators. In response, however, Senate Majority Leader Mitch McConnell and his fellow Republican senators seem to be largely ignoring the controversy, pushing ahead with their legislative agenda independent of the drama surrounding the president.[58]

4. Trade Agreements

Unlike the trade disputes described in Section 2.4, which have not received much attention, the TPP withdrawal and NAFTA renegotiation have dominated headlines, opinions, and discussion about the Trump administration's trade policy. Despite a relatively high volume of media coverage, the significance of these agreements and Mr. Trump's moves against them are not well understood by the public. This section outlines the current state of both agreements, highlights the perspectives of Canada, Mexico, and remaining parties to the TPP, and discusses the next steps for the US and its trading partners.

4.1 A TPP Without the US?

As previously mentioned, President Trump's January 23 memorandum ordering the US withdrawal from the Trans-Pacific Partnership did nothing to change the current legal situation. Congress had not yet ratified the deal and its provisions were not in force. However, the election result had already stoked the fear in the international community that a Trump administration would abandon the deal, and led to pessimistic predictions from journalists. Just two weeks after the election, *The Economist* announced that "the world's most ambitious free-trade deal in decades is all but dead" and that the Trump administration was ceding leadership in Asia to China.[59] The official US withdrawal as a signatory in January seemed to confirm this assessment.

The remaining eleven countries in the TPP, however, did not give up. On May 21, trade representatives agreed to push forward on the deal without the United States. Discussing possibilities "on the sidelines of an Asia-Pacific Economic Cooperation meeting" in Hanoi, Vietnam, the eleven countries agreed to further informal discussions in July and formal

[58] Erica Werner (Associated Press), "Many in GOP Unshaken by Comey's Testimony Against Trump," *Washington Post*, June 10, 2017, https://www.washingtonpost.com/.
[59] "The Collapse of the Trans-Pacific Partnership," *The Economist*, November 23, 2016, www.economist.com.

implementation talks at the next APEC meeting in November.[60] New Zealand trade minister Todd McClay even indicated the agreement remains open to other nations to join "if they can meet the high standards" it contains.[61] This was understood to mean that the US could still rejoin if the political winds change in that country. USTR Lighthizer rejected the idea, and a US return to the TPP seems highly unlikely given the administration's stance. This presents a challenge for the "TPP 11" group as they seek to hold together the agreement and attract new members without the attraction of access to the US market.[62] Only the legislatures of Japan and New Zealand have ratified the agreement so far.

Meanwhile, China seeks to make *The Economist* prediction come true and set up their own free trade network in the Pacific, the Regional Comprehensive Economic Partnership. They have few takers so far, but as long as the Chinese pursue a separate deal they also are not a candidate for entry in the TPP. While its future is definitely unsure, the TPP appears to have survived the Trump administration for the moment. Its innovative framework may also have a second life as the basis for provisions in other trade agreements, including everyone's favorite topic: NAFTA.

4.2 Renegotiating NAFTA

From the beginning of his presidential campaign, Donald Trump denounced NAFTA as a bad deal for American workers and an unfair agreement in favor of Mexico and Canada. Combined with his xenophobic emphasis on the supposed danger posed by undocumented immigrants coming over the US-Mexico border, Mr. Trump made it perfectly clear that the relationship between the two countries would significantly change under his presidency and cast doubts on whether NAFTA would survive his term.

Fortunately for free trade advocates and economists, not to mention the millions of jobs and billions of dollars in commerce that rely on it, the Trump administration is going to renegotiate the agreement rather than blow it up. Unlike the TPP, NAFTA was passed by legislation in the US Congress that does not explicitly give the president authority to withdraw. Some experts debate whether Mr. Trump would have even been legally allowed to do so.[63] Perhaps because the White House legal team recognized these barriers, or perhaps because of the projected job losses in his base of support, the president ultimately backed down from his initial bluster about withdrawal.

Instead, USTR Robert Lighthizer sent a letter to congressional leaders dated May 18, 2017 notifying them of the president's intention to renegotiate the agreement. In accordance with the legislation that ratified NAFTA, formal negotiations can begin no earlier than ninety days from this date. Both the Mexican and Canadian government quickly announced their agreement to renegotiate, having expected the move for months. Until the ninety-day waiting period ends in August, Mr. Lighthizer will develop the US negotiating position in cooperation with members of Congress, business leaders, and other US stakeholders.

The notification letter is interesting for its moderation compared to previous White House stances, and even compared to a previous version of the same document which used harsher

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[60] James Hookway, "Dumped by Trump, Remaining TPP Nations Vow to Forge Ahead," *Wall Street Journal*, May 21, 2017, https://www.wsj.com/.

[61] Ibid.

[62] "TPP: 11 Nations Agree to Move Ahead Without the US," *The Economist* Intelligence Unit, May 23, 2017, http://country.eiu.com/Mexico/ArticleList/Updates/Politics.

[63] Matt Ford, "How Easily Could Trump Withdraw the U.S. From NAFTA?" *The Atlantic*, April 26, 2017, https://www.theatlantic.com/politics/archive/2017/04/trump-nafta-withdrawal-order/524463/.

language. Mr. Lighthizer provides rather generic objectives for the negotiation. The letter states, "our aim is that NAFTA be modernized to include new provisions" and that "effective implementation and aggressive enforcement...should be improved in the context of NAFTA."[64] The significance of this wording is that it commits the US negotiating team to making amendments and alterations to the existing agreement ("modernizing") rather than starting over with an entirely new agreement. While the previous draft contained a list of specific NAFTA sections the administration wants to change, the final letter eliminates those sections.[65] This gives Mr. Lighthizer more flexibility once negotiations begin.[66]

Throughout the text, Mr. Lighthizer also repeats several times a promise to "consult closely with Congress in developing our negotiating positions," to commit to "working closely with Congress," and so on.[67] He also formally promises to comply with the trade objectives defined by law in the 2015 Trade Priorities and Accountability Act, the bill that renewed presidential "fast-track" authority. These assurances are targeted at "lawmakers who guard their authority in trade negotiations" who "have been nervous about signs that Trump officials may be marginalizing their role."[68] Tensions in Congress could run high over the negotiation, with one journalist forecasting "a battle that pits some Republicans and industry supporters of the pact against Democrats and some of the president's most ardent backers."[69] In a rare moment of agreement, Mr. Trump's supporters and some Democrats would like to see a tougher NAFTA that protects American workers, for example through stricter labor regulations that would raise production costs in Mexico. Technology and automotive lobby groups would like to see new standards that facilitate production and exports. Meanwhile, some Republicans would rather protect the status quo, "since a significant overhaul or major new provisions could end up eroding the benefits companies and farmers get from reliable, duty-free exports to Canadian and Mexican markets."[70]

Given these competing interests on the US side, what might be on the final US negotiating agenda that comes out of Mr. Lighthizer's consultations this summer? The notification letter mentions the need for new provisions on intellectual property rights (IPR), digital trade, services, environmental and labor regulations, and state-owned enterprises (SOEs).[71] Such updates are not terribly controversial. The US and Mexico previously agreed to language on both IPR and environmental protections as signatories to the TPP, which could serve as a basis for similar additions to NAFTA.[72] US officials have also suggested a ban on currency manipulation. Such an addition would hardly affect Canada and Mexico, who float their currencies, but could serve as a useful precedent for future trade negotiations with currency

[64] Office of the United States Trade Representative, "USTR: Trump Administration Announces Intent to Renegotiate the North American Free Trade Agreement," press release, May 18, 2017, https://ustr.gov/sites/default/files/files/Press/Releases/NAFTA%20Notification.pdf.
[65] For the original draft, see: Office of the United States Trade Representative, "Draft," accessed June 13, 2017, http://online.wsj.com/public/resources/documents/Nafta-draft-Congress-letter.pdf.
[66] Jacob M. Schlesinger, "A Letter Shows President Trump's Evolution on Nafta," *Wall Street Journal*, May 18, 2017, https://www.wsj.com/articles/a-letter-shows-president-trumps-evolution-on-nafta-1495150067.
[67] United States Trade Representative, "Trump Administration Announces Intent."
[68] Schlesinger, "Trump's Evolution on Nafta."
[69] Mauldin, "Push to Revamp Nafta."
[70] Ibid.
[71] United States Trade Representative, "Trump Administration Announces Intent."
[72] "US Begins Process to Renegotiate NAFTA," *The Economist* Intelligence Unit, May 19, 2017, http://country.eiu.com/Mexico/ArticleList/Updates/Politics.

manipulators like China.[73] Apart from these relatively moderate proposals, it remains to be seen whether Mr. Lighthizer has truly abandoned hard-line positions such as tougher rules of origin and stricter labor laws, or whether he simply eliminated that language in his notification in order to give his team room to maneuver at the negotiating table.

As for the US' NAFTA partners, both Canadian prime minister Justin Trudeau and Mexican president Enrique Peña Nieto publicly support the NAFTA renegotiation. Both governments have begun their own consultation processes.[74] Mexico Ambassador to the United States Gerónimo Gutiérrez has asserted that the US-Mexico relationship is at a "critical juncture," but that NAFTA renegotiations represent an opportunity to address issues not foreseen in the original agreement, such as e-commerce.[75] He also expressed a hope that the three parties might include updates to facilitate joint production chains for export *outside* of NAFTA, rather than only targeting the specifics of goods traded within NAFTA.[76] Mexican foreign minister Luis Videgaray announced shortly after Mr. Lighthizer's official notification that the Mexican team is ready to begin as soon as possible and that their objective is to conclude negotiations before the end of 2017 to avoid overlap with the 2018 Mexican presidential campaign.[77]

In the same press conference, Canadian foreign minister Chrystia Freeland concurred with Mr. Videgaray on the need for a rapid and efficient negotiation and emphasized that Canada and Mexico intended to engage in trilateral negotiations rather than one-on-one discussions with US representatives.[78] Said Ms. Freeland, "We don't even feel this is a contentious issue. It's just a matter of common sense. NAFTA can be modernized only with the agreement of the three parties."[79] Meanwhile, both governments have engaged in an aggressive, data-driven lobbying campaign targeting US legislators and government officials. The Canadian and Mexican efforts seek to communicate the trade, employment, and revenue benefits of NAFTA for US cities and states, pushing the US Congress to protect the core of NAFTA from the Trump administration's more hard-line tendencies.[80]

Despite this publicly optimistic response from its NAFTA partners and the time pressure of the already contentious Mexican elections, some observers note that Mr. Trump has incentives to drag out negotiations as long as possible. Brookings Institution fellow Mireya Solís notes that the president's confrontational style is based on the premise that "uncertainty provides leverage" in any negotiation by keeping the other party off-balance and holding withdrawal over their head as a bargaining tactic.[81] Hufbauer further speculates that as Congressional representatives whose states benefit from NAFTA begin to speak out more forcefully in defense of the agreement, the administration's prospects for a quick, radical revision will diminish. Mr. Trump might

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[73] C. Fred Bergsten, "Currency Manipulation in the NAFTA Renegotiation," *Trade & Investment Policy Watch* (blog), Peterson Institute of International Economics, May 19, 2017, https://piie.com/blogs/trade-investment-policy-watch/currency-manipulation-nafta-renegotiation.
[74] "US Begins Process to Renegotiate."
[75] Gerónimo Gutiérrez, "Mexico-U.S. Relations Today: Opportunities and Challenges" (speech, Georgetown University, Washington, DC, April 12, 2017).
[76] Ibid.
[77] Ariadna García, "Videgaray: comicios dificultan la negociación del TLCAN," *El Universal* (Mexico City), May 24, 2017, http://www.eluniversal.com.mx/.
[78] Ibid.
[79] Mike Blanchfield, "Canada Dives Deep Into Data to Make Case to U.S. on NAFTA, Says Freeland," CBC, May 23, 2017, http://www.cbc.ca/news/politics/freeland-mexico-canada-trump-1.4128400.
[80] Ibid.
[81] Mireya Solís, "Trade, security, and the U.S.-Mexico relationship" (panel event, Brookings Institution, Washington, DC, May 25, 2017).

nevertheless receive a political benefit from such objections because they lengthen talks. As soon as the agreement is concluded, he can no longer use NAFTA as a rhetorical punching bag.[82] Mexican academic José Carreño Carlón goes even further, asserting that the US president hopes to distract Congress and the public from the ongoing Russia investigations with relatively more positive news on the NAFTA renegotiation.[83]

Whatever Mr. Trump's political incentives, Mr. Lighthizer and Commerce Secretary Ross have both stated their commitment to a short and efficient timeline for negotiations. With an agreement of this scope and complexity, the possibility of fulfilling that promise depends on the substance of the agenda that the US negotiating team brings to the table in mid-August. For former Mexican diplomat Antonio Ortiz-Mena, the NAFTA negotiation thus represents "trade politics" for the Trump administration as much as "trade policy."[84]

5. Prospects for the US-Brazil Relationship

In the context of the substantial changes in US trade policy and rhetoric discussed above, the discussion now turns to the prospects for the trade relationship between the US and Brazil. During the terms of Partido dos Trabalhadores (PT) presidents Lula da Silva and Dilma Rousseff, relations between the two countries varied from cordial to antagonistic, especially given Lula's friendly diplomatic relationship with Hugo Chávez and Fidel Castro and leaked evidence of US spying on Brazilian government communications during Dilma's tenure. With Dilma's impeachment and the installation of wealthy businessman Michel Temer of the Partido do Movimento Democrático Brasileiro (PMDB), observers expected Brazil to adopt a pro-trade, pro-US, and pro-foreign investment stance. An unpredictable Trump administration and the ongoing Operation Lava Jato investigation engulfed Temer and his government, casting a shadow over this initial optimism. This section lays out relevant observations and projections for Brazil's trade position in the early days of the new US administration, followed by analysis of the current investment environment in Brazil in the context of the political crisis.

5.1 Perspectives on the "Era Trump"

With the election of Donald Trump to the White House, Brazilian businesses and government leaders wondered what to expect from the bilateral relationship with the United States. Some observers in the first weeks of the administration took a decidedly pessimistic view. Celso Lafer, professor emeritus at the Universidade de São Paulo (USP), held that "bullying seems to be a part of his (Trump's) personality" and that his "trajectory" as president would be defined by macho aggression.[85] This bullying, Lafer predicted, would manifest in economic policy with protectionism and trade wars with major US partners and lead to a backlash from Latin American countries against the Trump administration. Professor Carlos Alberto Primo Braga of Fundação Dom Cabral agreed, raising the possibility that President Trump would go so

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[82] Hufbauer, "U.S.-Mexico relationship."
[83] José Carreño Carlón, "El TLC no tiene quién lo 'cubra' (y qué bien)," *El Universal* (Mexico City), May 24, 2017, http://www.eluniversal.com.mx/.
[84] Antonio Ortiz-Mena, "Trade, security, and the U.S.-Mexico relationship" (panel event, Brookings Institution, Washington, DC, May 25, 2017).
[85] Celso Lafer, "Os EUA na Era Trump: Impactos para o Mundo," (speech, Escola da Economia de São Paulo da Fundação Getúlio Vargas, São Paulo, Brazil, February 10, 2017, http://ccgi.fgv.br/sites/ccgi.fgv.br/files/file/Events/1-Ebook-EUA-Trump-Impactos.pdf).

far as to unilaterally withdraw from NAFTA and from WTO trade commitments, which would hurt the region as a whole by undermining international trade law and investor expectations.[86]

Beyond the general belligerence of the US administration, Brazilian academics and officials expressed concerns about its specific policy proposals. For example, if Mr. Ryan's BAT was to go ahead as planned, it would certainly hurt Brazilian exports. Following Mr. Trump's order to investigate possible national security implications from steel imports, Brazilian steel companies could find their profits at risk if the Commerce Department decides on protective measures.[87] In June, the USDA also temporarily blocked imports of fresh beef from Brazil after large shipments failed safety inspections. *Globo* cited worries among executives and experts that although the US is only the eighth largest market for Brazilian beef exports, the ban could damage the industry's credibility.[88]

Despite these challenges, a more cautiously optimistic view of the Trump presidency has emerged. Brazilian International Trade Scholars Institute chairman Aluisio de Lima-Campos considers it unlikely that Congress would pass broad punitive taxes on foreign goods, given the impact on states that rely on foreign trade and the increase in prices for consumers.[89] USP associate professor Gustavo Vettori noted that the US and Brazil both have corporate tax rates well above the average for Organization for Economic Cooperation and Development (OECD) countries. In response, House of Representatives Speaker Paul Ryan and President Trump want to cut taxes on corporate income and eliminate regulations in certain sectors. Such a move could make the US more attractive for Brazilian companies and other international investors.[90] Diego Bonomo of the Brazilian National Confederation of Industry (CNI) wagers that since Brazilian "exports to the United States are usually in the form of investments or inputs in value chains," Brazilian companies operating in the US would benefit from lower corporate taxes even if exports become more expensive with a possible BAT.[91]

Moreover, Brazil and the US have several existing arrangements that could serve as a strong foundation for future cooperation. A 2011 Air Transport Agreement set the groundwork to eventually eliminate cargo and passenger number limits, although the Brazilian Congress has not yet ratified it. The Programa de Aceleração do Crescimento (PAC), the set of infrastructure development projects that began under Lula, laid out a framework for US business participation. A 2012 aviation partnership connects "US companies to airport expansion, airspace management, safety, and security projects" and a transportation infrastructure partnership signed

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[86] Carlos Alberto Primo Braga, "Os EUA na Era Trump: Qual é a estratégia com relação ao comércio internacional," (presentation, Escola da Economia de São Paulo da Fundação Getúlio Vargas, São Paulo, Brazil, February 10, 2017, http://ccgi.fgv.br/sites/ccgi.fgv.br/files/file/Events/1-Ebook-EUA-Trump-Impactos.pdf).
[87] Julia Decerega and Colton Wade, "Can Brazil Benefit from President Trump's Trade Policy?" Brazil Institute at the Woodrow Wilson Center, published March 2017, https://www.wilsoncenter.org/sites/default/files/trade_event_publication_draft_3_0.pdf.
[88] Luiz Patroni, "Estados Unidos suspendem importação de carne fresca do Brasil," *Globo,* June 25, 2017, http://g1.globo.com/.
[89] Aluisio de Lima-Campos, "A Política Comercial de Trump" (presentation, Escola da Economia de São Paulo da Fundação Getúlio Vargas, São Paulo, Brazil, February 10, 2017, http://ccgi.fgv.br/sites/ccgi.fgv.br/files/file/Events/1-Ebook-EUA-Trump-Impactos.pdf).
[90] Gustavo Vettori, "Os EUA na era Trump: questões tributárias e seus impactos" (presentation, Escola da Economia de São Paulo da Fundação Getúlio Vargas, São Paulo, Brazil, February 10, 2017, http://ccgi.fgv.br/sites/ccgi.fgv.br/files/file/Events/1-Ebook-EUA-Trump-Impactos.pdf).
[91] Decerega and Wade, "Can Brazil Benefit?"

in 2014 does the same for ground transit.[92] Free trade zones accessible to US companies have been operating for several years in the North and Northeast regions of the country.[93]

Keeping these efforts in mind, the Trump administration's actions over the last few months provide more evidence for the optimistic than for the pessimistic view. Woodrow Wilson Center Brazil Institute director Paulo Sotero noted that the US withdrawal from TPP actually benefitted Brazilian industries that would have been cut out of TPP members' export markets with a functioning agreement.[94] Hufbauer has also pointed out that President Trump's preference for bilateral agreements can only serve to benefit countries, like Brazil, that have a trade surplus with the US.[95] Eurasia Group Latin America director João Augusto de Castro Neves goes even further, stating that the Trump administration's intense focus on Mexico and the NAFTA negotiations leaves the door open for Brazil to operate freely in trade matters. "The country that has the most to lose to Trump is Mexico," says Castro Neves. "Brazil is somewhat shielded. We're not on Trump's radar...As long as Mexico is bad in Latin America, Brazil tends to be on the good side."[96] Indeed, Mexico-US tensions have not interfered with simultaneous Mexico-Brazil trade negotiations. And exports to the US account for just 1.2 percent of Brazil's GDP, leaving it much more insulated from possible protectionist barriers than the US' NAFTA partners and smaller neighbors in the region.[97]

Overall, Brazil's prospects for trade under the Trump administration present "opportunities in the near future, but overall uncertainty in the long run," according to Marcos Jank of Brazilian food conglomerate BRF.[98] It is hard to make accurate trade predictions when a chaotic, understaffed Trump administration is burdened by scandals and Congress is busy with healthcare and tax reform. On the one hand, both Mr. Trump and Mr. Temer are businessmen, a shared background that seemed to work in Argentina's favor in the case of lemon exports. The Brazilian and US leaders did speak via telephone shortly before President Trump took office. On the other hand, the two did not cover many specific issues; part of the reason is probably because "Brazil is not on Trump's priority list and the Temer government has less than two years left in office."[99] The domestic situations in both countries has pulled focus and energy from any substantial progress in bilateral trade relations, leaving the status quo relatively unchanged for the moment.

5.2 Brazil's Investment Environment and the Effects of the Political Crisis

Part of Brazil's problem in negotiating trade agreements with the US and other trade partners is its high barriers to entry for foreigners to invest or start a company. The World Bank rated it 123 of 190 countries in ease of doing business in 2016.[100] According to the Brazilian finance ministry's Secretary of International Affairs, Marcello Estevão, "Brazil is the fourth most closed economy to international trade in the world, and the first among middle-income

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92 PRS Group, *Brazil: Country Report* (East Syracuse, N.Y.: PRS Group, Political Risk Services, 2016), Country Conditions, 3.
93 Ibid., 4.
94 Decerega and Wade, "Can Brazil Benefit?"
95 Ibid.
96 Ibid.
97 Ibid.
98 Ibid.
99 Ibid.
100 "Ease of Doing Business in Brazil," Trading Economics, last modified June 2017, https://tradingeconomics.com/brazil/ease-of-doing-business.

countries."[101] Once goods enter the country, slow and expensive transportation eats into profits and productivity. Brazil averages a "logistics cost" equal to 20% of its GDP, more than twice the cost in the US.[102]

Part of the problem is the country's 1988 constitution. While many Brazilians fiercely defend the document's progressive social protections, it also contains what journalist Michael Reid calls "an absurd level of detail."[103] Its 250 articles are highly specific, requiring amendments for any substantive change to the labor, pension, education, or healthcare systems. As Mr. Temer discovered in 2016 and 2017, these amendments are highly controversial and demand a huge effort to collect enough votes to pass both houses of Congress.

For years, economists and academics have warned of two long-term dangers in Brazilian law: an extremely complicated labor code that dissuades investors; and what Reid refers to as the "pension time-bomb." As Brazil's population ages and the proportion of retired people increases relative to working-age people, pension payouts could threaten to sink the economy.[104] Changes in trade policy, the thinking goes, might accompany labor and pension reforms by opening up to other markets and attracting new investment. Dr. Vera Thorstensen of Fundação Getúlio Vargas has noted that Lula's attempt to sustain Brazil through trade relationships on a "south-south axis," primarily with Mercosul members and other developing countries, has largely been exhausted. The strategy failed to fully shield the country from the crash in commodity prices that began with the 2008-2009 worldwide financial crisis.[105] Thorstensen suggests a shift to incorporate Brazil into "mega-agreements" like the TPP and highlights the need to reach out either to the US or to the European Union (EU). These moves would necessitates overhauling Brazil's complex labor laws, as well as the confusing web of regulatory agencies responsible for commerce, trade, health and safety, and transportation.[106]

Other observers counter that given the immense institutional challenges within Brazil, as well as growing populist backlash in the US and Europe, multilateral trade arrangements are no guarantee of long-term economic growth and stability.[107] Marcos Troyjo of Columbia University's BRICLab suggests that a "globalization shock" might be needed to stimulate Brazilian interest in insertion into the global economy, perhaps through strengthening import/export chains with China or reorganizing how federal, state, and municipal agencies regulate foreign commerce.[108]

Looking to stimulate this kind of globalist shift, the Temer government has sought to eliminate some barriers to trade with Brazil. At the Davos forum in January 2017, Henrique Meirelles, now serving as Mr. Temer's finance minister, asserted that Brazil was "facing up to its problems" with fiscal reforms passed in 2016, including a constitutional amendment to cap public spending for the next twenty years.[109] Brazil also ended 2016 with a $47.9 billion trade

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[101] Colton Wade and Camila Veloso, "Brazil's Insertion in the Global Economy in Challenging Times," Brazil Institute at the Woodrow Wilson Center, published April 2017, https://www.wilsoncenter.org/sites/default/files/brazil_intl_engagement_w_marcello_estevao.pdf.
[102] PRS Group, *Brazil: Country Report*, Country Conditions, 10.
[103] Michael Reid, *Brazil: The Troubled Rise of a Global Power* (New Haven: Yale University Press, 2014), 119.
[104] Ibid., 272-275.
[105] Vera Thorstensen, "Impactos de Acordos Comerciais com EUA e UE" (speech, American Chamber of Commerce for Brazil (Amcham), São Paulo, Brazil, May 11, 2016).
[106] Ibid.
[107] Marcos Troyjo, "Integração do Brasil no Comércio Global" (speech, American Chamber of Commerce for Brazil (Amcham), São Paulo, Brazil, May 11, 2016).
[108] Ibid.
[109] LatinNews Reports, "Latin American Weekly Report," January 19, 2017, https://www.latinnews.com/.

surplus with the United States, one of its biggest trade partners, according to estimates by the Ministério da Indústria, Comércio Exterior e Serviços (MDIC).[110] Mr. Estevão explains that the administration sees international trade agreements and opening to foreign capital as complements to domestic economic reform, with proposed pension, labor, and tax reforms as necessary components to both increase national productivity and attract investment from abroad.[111] In contrast to the current US administration, Brazil seeks greater participation in international institutions such as the World Bank, G20, and WTO and is currently pursuing membership in the OECD.[112]

Whether in response to these measures or possibly due to a small rebound in exports, the country's economy slowly stabilized through the first quarter of 2017, achieving positive GDP growth for the first time in two years.[113] However, unemployment remained at 13.6 percent, with a staggering 14 million Brazilians out of a job.[114] Latin American Weekly Reports also noted that "the recession caused by political uncertainty amid continued fallout from the Petrobras investigation is proving to be deeper and more protracted than expected," adding that "whether Brazil can continue to court global investors hinges on its ability to push through more fiscal reforms."[115] Since the release of a recording of President Temer allegedly approving hush money payments to imprisoned former congressman Eduardo Cunha, corruption investigations returned with a vengeance to the center of national and international attention. The day after the incriminating tape's content was reported by media giant Globo, the real's value plummeted from 3.09 against the dollar to 3.39.[116] Further reflecting investor fears, the São Paulo stock exchange (Bovespa) lost US$150 billion after a court ruling that there was sufficient evidence to proceed with a criminal investigation into Mr. Temer.[117]

Mr. Meirelles asserted in the face of this new scandal that "the reform agenda would continue 'regardless of anything.'"[118] At the same time, mass protests and violent clashes with military and police in the capital of Brasilia demonstrated public rage against the extent of corruption and cast doubts on the government's ability to survive the situation. USP Professor Alex Ferreira commented that "the economy, especially in terms of reducing high levels of public debt, is still very dependent on any political developments. While bad fiscal policies can hit a country hard, so too does a high level of uncertainty regarding the country's leadership."[119]

Perhaps exacerbated by the continued recession and recurring political crisis, citizen security concerns also preoccupied observers. A May 8 DataFolha poll stated that fifty million Brazilians, or one-third of the population, have lost a friend or family member to homicide. Just a few weeks earlier, a Mexican criminal justice reform organization released a list of the world's most dangerous cities; nineteen of the top fifty are in Brazil.[120] The security situation ought to

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[110] Ibid.
[111] Wade and Veloso, "Brazil's Insertion."
[112] Ibid.
[113] "Brazil GDP Growth Rate," Trading Economics, last modified June 1, 2017, https://tradingeconomics.com/brazil/gdp-growth.
[114] "Brazil Unemployment Rate." Trading Economics, last modified May 31, 2017, https://tradingeconomics.com/brazil/unemployment-rate.
[115] LatinNews Reports, "Latin American Weekly Report," January 19, 2017.
[116] "Brazilian Real," Trading Economics, last modified June 20, 2017, https://tradingeconomics.com/brazil/currency.
[117] LatinNews Reports, "Latin American Weekly Report," May 25, 2017, https://www.latinnews.com/.
[118] Ibid.
[119] LatinNews Reports, "Latin American Regional Report: Brazil & Southern Cone," May 2017, https://www.latinnews.com/.
[120] Ibid.

temper the current administration's enthusiasm for dismantling trade protections without also providing some form of alternative employment or social assistance, especially in the light of recent research that suggests a link between exposure to foreign competition and temporary increases in local crime rates during Brazil's previous period of trade liberalization in the 1990s.[121]

Despite widespread coverage in US and European media, including a CBS 60 Minutes segment on Operation Lava Jato, the initial shock of the newest corruption allegations against the president appears to have calmed somewhat. Former US Ambassador to Brazil Tony Wayne still sees opportunity, asserting that "despite the difficulties that Brazil now faces, I believe that the crisis can leave Brazil stronger if it results in a more open and competitive economy."[122] Former International Monetary Fund (IMF) official Teresa Ter-Minassian sees "significant improvements in performance by the main financial and non-financial federal enterprises," including the national development bank BNDES, Banco do Brasil, and even the embattled Petrobras.[123] US investors in certain sectors seem to agree. Venture capital firm Kaszek Ventures for example, has two-thirds of its investments in Brazilian tech startups and recently raised US$200 million, forty-eight percent more than its previous fundraising effort in 2013.[124]

Brazil remains in crisis, however. The real is still at an anemic 3.34 against the dollar as of June 20, after continued setbacks for Mr. Temer's proposed labor reform in the Senate.[125] The US media coverage has helped bring attention to Brazil somewhat, but the Trump administration's own scandals have largely drowned out scattered calls for increased US government assistance to Brazil and for support to international financial institutions. Desmond Lachman of the conservative think tank American Enterprise Institute notes that "Brazil's troubled political and economic outlook should be of considerable concern to the Trump administration insofar as it is occurring right in the United States' own backyard."[126] Ter-Minassian further stresses "that Brazil is the only country that can effectively lead a process of greater regional integration in Latin America, an appropriate response to possible protectionist trends in the United States and perhaps in Europe."[127] So far, these warnings have fallen on deaf ears in Mr. Trump's cabinet, as they occupy themselves with NAFTA preparations and deal with almost daily fallout from the Russia investigation. With the fate of two presidential administrations still in the balance in both the US and Brazil, domestic crises currently outweigh the forging of stronger regional trade bonds.

[121] Rafael Dix-Carneiro, Rodrigo Soares, and Gabriel Ulyssea, "Economic Shocks and Crime: Evidence from the Brazilian Trade Liberalization" (NBER Working Paper 23400, National Bureau of Economic Research, Cambridge, MA, 2017, http://www.nber.org/papers/w23400), 34-35.
[122] Wade and Veloso, "Brazil's Insertion."
[123] Ibid.
[124] Vinod Sreeharsha, "A $200 Million Bet on Brazilian Tech Start-Ups Amid Political Upheaval," *New York Times*, May 30, 2017, https://www.nytimes.com/.
[125] "Brazilian Real," Trading Economics.
[126] Desmond Lachman, "Brazil's Woes Are 'Exhibit A' for Why Trump Shouldn't Batter IMF," *The Hill*, May 24, 2017, http://thehill.com/blogs/.
[127] Wade and Veloso, "Brazil's Insertion."

6. The Trump Administration and International Development

This paper has thus far focused on the Trump administration's actions affecting international trade agreements, imports to the US, and trade disputes in specific sectors. However, other Trump administration foreign policy and diplomatic actions also have implications for Brazil and the wider region, particularly for the state of future investment in development and aid projects. This final section briefly touches on contacts between President Trump and Latin American leaders not discussed above, including Colombia and Peru. It subsequently outlines the projected impacts of the president's budget proposal, cuts and reorganization of federal departments responsible for diplomacy, aid, and investment, and other policy changes relevant to international development.

6.1 Regional Contacts

Outside of the heavy focus on Mexico and NAFTA negotiations, President Trump and his cabinet have largely ignored the rest of Latin America. However, some diplomatic and aid relationships have been established over the first six months of his presidency that bear mentioning.

First on the list is Colombia, which has been intimately tied to the US since the beginning of the so-called "War on Drugs" in the early 1980s. Through Plan Colombia and other measures, the two countries established deep, complex, and often controversial military and economic relations. Most recently, Mr. Obama's administration provided essential support in the peace talks with the Fuerzas Armadas Revolucionarias de Colombia (FARC) and consistent public backing abroad for the administration of President Juan Manuel Santos. With a new president that seems to favor shows of force over diplomacy, the Colombian government was unsure whether the US would continue to back the implementation of the peace accords with the FARC. In February, both President Trump and Secretary of State Tillerson reassured President Santos and Foreign Minister María Ángela Holguín that the US will continue its support for the peace process as it moves forward. However, it is unclear whether the $450 million that Mr. Obama appropriated in assistance for the Colombian peace process will make it into the 2018 budget, as the US Congress has yet to tackle a budget bill for next year.[128] Any reduction in funding could seriously compromise reintegration, rebuilding, and transitional justice efforts included in the peace implementation plan.

In the Southern Cone, there is more optimism on the prospects for relations with the US. As previously mentioned, President Macri of Argentina succeeded in convincing Mr. Trump to lift the ban on lemon imports from his country, setting a good precedent for future contacts. Across the Andes mountains to the west, Chileans initially lamented the US administration's withdrawal from the TPP and renewed hostility towards Mexico, a key Chilean trade partner. By May, meetings between the Chilean foreign minister Heraldo Muñoz and Mr. Tillerson had calmed the waters. The two agreed that "the links between the two countries rely on a solid base of democratic principles, economic and political liberties, respect for human rights, and free trade," and Chilean newspaper *El Mercurio* characterized the US Secretary of State and H.R. MacMaster, the US National Security Advisor, as officials with "high prestige, pragmatic, and with a broad understanding of international affairs."[129] It remains to be seen if Chile's long-

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[128] "Por segunda vez en la era Trump, la Casa Blanca se comunica con Colombia," *El Espectador* (Bogotá), February 17, 2017, http://www.elespectador.com/.
[129] "El canciller en Washington," *El Mercurio* (Santiago, Chile), May 7, 2017, http://impresa.elmercurio.com/.

standing acceptance of free trade orthodoxy will clash with Mr. Trump's more nationalist/protectionist orientation in future trade interactions.

The first Latin American leader to visit the Trump White House was in fact not Mr. Santos or Mr. Macri, but Pedro Pablo Kuczynski of Peru. He gently criticized Mr. Trump's push for stronger immigration restrictions, stating that Mr. Kuczynski "prefers bridges to walls and favors the free movement of people across borders."[130] The Peruvian president also "only briefly discussed" Peru's outstanding request to the US to extradite former president Alejandro Toledo, who is wanted on corruption charges connected to alleged payments from the Brazilian construction firm Odebrecht.[131] Nevertheless, the two parted on what seemed to be good terms, with Trump announcing that Peru was a "fantastic neighbor."[132] The State Department reaffirmed its commitment to good relations with an announcement in late March that the US was committing $750,000, disaster relief teams, helicopters, and equipment to assist in the recovery from devastating floods that hit the country earlier in the month.[133]

These friendly interactions were overshadowed in June by President Trump's "cancelling" of Mr. Obama's carefully crafted opening of relations with the Castro regime in Cuba.[134] The move appeared designed to appeal to Cuban exiles and other voters in the Miami area who supported Mr. Trump in the 2016 campaign. The action does not amount to a full policy reversal. Commercial air and ship traffic will continue, Cuban Americans can still travel and transfer money to the island, and the US and Cuban embassies will remain open. However, the administration is reinstating stricter travel restrictions for American citizens going to Cuba and bars them from spending money at establishments linked to the Cuban military, which includes most of the country's hotels and many retail stores. Mr. Trump also halted any further openings in the US economic embargo. This freeze will likely hurt average Cubans who rely on tourism to sustain small businesses and earn a meager income. The president's return to harsh criticism of the Castro government, meanwhile, gives ammunition to hard-liners in Cuba looking to resist the slow but steady process of moderation that accompanied normalization of relations with the US under Mr. Obama.[135] The administration's Cold War-style grandstanding jeopardizes a fragile but mutually beneficial opening between the two countries.

6.2 The Impact of Budget Proposals and Agency Reorganization on Development and Aid

Along with this hardening stance towards Cuba, the White House budget proposal released in May reveals a very different story to the perceptive Latin America observer than its public assurances of friendship and minor trade concessions to certain partners. The President of the United States proposes a budget each year indicating the administration's priorities. While Congress has the sole power to pass the actual budget, the White House proposal often serves as a starting point for debate.

So what are Trump's priorities? Essentially, the president seeks to increase spending on military equipment while drastically reducing or outright eliminating the size and reach of almost

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130 "Peru's President Tells Trump He Favors Bridges to Walls," Reuters, February 24, 2017, http://www.reuters.com/article/us-peru-usa-idUSKBN1632F8.
131 Ibid.
132 Ibid.
133 US Department of State, "Flood Relief Support to Peru," press release, March 30, 2017, https://www.state.gov/r/pa/prs/ps/2017/03/269336.htm.
134 Michael J. Bustamante, "Trump's Rollback on Cuba," *Foreign Affairs*, June 19, 2017, https://www.foreignaffairs.com/articles/cuba/2017-06-19/trumps-rollback-cuba.
135 Ibid.

every other department in the federal government. The *New York Times* compared the White House budget proposal to current spending levels, forecasting its effects over the next ten years. The report found the following projected reductions in international affairs: a 42.3 percent cut to State Department operations; 43.1 percent from international organizations; 74.2 percent from refugee programs; 51.2 percent from development and humanitarian assistance, including global health, disaster assistance, development banks, and the US Agency for International Development (USAID); and 37.5 percent from international security assistance, including a key economic support and development fund.[136] If enacted, such extreme reductions would spell disaster for aid organizations and foreign governments worldwide which use US government dollars to fund their projects, not to mention the average citizens who depend on those services.

Legislators from both political parties immediately rejected the White House budget as unnecessarily harsh in its slashing of key federal programs. Senate Democratic Minority Leader Chuck Schumer quipped that "just like comic books, it relies on a fantasy to make all the numbers work," and Republican Senators John Cornyn and John McCain both flatly stated the proposal was "dead on arrival."[137] Even ultra-conservative Representative Mark Meadows claimed the budget went too far in cuts to healthcare, social services, and education.[138] With overwhelming bipartisan opposition, there is essentially zero chance of any significant portion of the White House budget becoming law.

There is still plenty that Mr. Trump can do without Congress' approval to achieve his campaign promise to reduce the size of the federal government. Early in his administration, he ordered a temporary freeze on federal hiring and instructed all cabinet officials to find ways to streamline operations. The State Department has experienced particularly severe reductions in jobs and funding. The move has been heavily criticized by business executives who rely on government cooperation to promote products and open factories abroad, as well as retired generals who consider a strong diplomatic corps to be a necessary component of US national security.[139] Despite opposition from Congress, the military, and business groups, Secretary Tillerson has said he is seeking to cut up to 2500 jobs from the agency.[140] The State Department even went so far as to retract promised offers of fast-track jobs to winners of the prestigious Rangel and Pickering fellowships that benefit minority and economically disadvantaged applicants to the agency.[141] While that decision was later reversed, such actions contribute to the plummeting morale of an already demoralized agency. Moreover, a reduced State Department restricts the aid and programming that embassies can provide and will likely result in declining US engagement abroad. Senator Christopher Coons worries that the US is "going to lose the very best of our Foreign Service," resulting in a severely weakened exercise of soft power in foreign policy.[142]

Beyond budget cuts, Mr. Trump also issued one other order that could have widespread implications, specifically for non-governmental organizations (NGOs) in the public health and

[136] Aisch and Parlapiano, "Trump's Budget Would Affect."
[137] Bob Bryan, "Trump's Budget is Facing Massive Blowback in Congress- and Republicans Are Some of the Loudest Complainers," *Business Insider*, May 23, 2017, http://www.businessinsider.com/.
[138] Ibid.
[139] Julia Horowitz, "Business Leaders to Tillerson: State Department Funding = Jobs," CNN, May 22, 2017, http://money.cnn.com/2017/05/22/news/business-leaders-tillerson-budget-letter/index.html.
[140] Ibid.
[141] Emily Shugerman, "Trump's State Department Denies Jobs to Winners of Prestigious Scholarship for Disadvantaged and Minority Students," *The Independent* (London), June 20, 2017, http://www.independent.co.uk.
[142] Ibid.

development sectors. Just a few days after taking office, the president reinstated the so-called "Mexico City Policy," which has been enforced by Republican presidents and lifted by Democratic presidents since Ronald Reagan first instituted the measure in the 1980s. The policy requires NGOs to certify that they will not "perform or actively promote abortion as a method of family planning" as a precondition for receiving US government health and family planning assistance.[143] If they cannot do so, they must refuse the funding. Mr. Trump's memo expands the scope of this order to "global health assistance furnished by all departments or agencies," greatly increasing its impact.[144] In 2016, the US dispensed $8 billion in funding to health services and projects that would now be affected by this order, compared to the $600 million in family planning services that were previously impacted.[145] The expansion now affects a variety of services worldwide, such as maternal and child health, nutrition, family planning, and the prevention of HIV/AIDS, tuberculosis, and tropical diseases.

Existing evidence on the policy suggests it may have unintended and severe consequences for the people that rely on NGOs for health services. One study of the Mexico City Policy's effects in sub-Saharan Africa found that abortions actually increased, probably because organizations that were forced to refuse US funding had to cut back on contraceptives and family planning services.[146] Anecdotal and qualitative evidence also suggests that providers who fall under the policy have to close clinics, interrupt medical supply chains, and restrict their activities because of lack of funds. As a result, women experience reduced access to healthcare generally and family planning and maternal care specifically, leading to poorer health outcomes.[147]

In sum, the Trump administration's turn inward has yielded potentially damaging budget proposals and short-sighted actions in the diplomacy and international development spheres. The US has made small overtures to Colombia, Argentina, and Peru, and Mr. Tillerson claims the US wants to maintain friendly relations with Latin American nations. Mr. Trump and Mr. Ross have thus far focused most of their attention on protectionist trade dispute decisions and positioning for the NAFTA renegotiation. Meanwhile, cuts to the State Department and the restriction of aid through the Mexico City Policy inhibits US diplomacy efforts and leaves it reliant on more blunt foreign policy instruments such as tariffs, immigration crackdowns, and military action. This shift will also disproportionately harm people that depend on NGO-led health and development projects in developing countries in Latin America, Africa, and Asia.

7. Conclusion

The preceding discussion of trade in the Era of Trump leads to a few solid conclusions amidst all the uncertainty generated by this US administration. First, Mr. Trump's government reverses a seventy-year trend in US foreign policy towards globalism and multilateral cooperation. The president has distanced the United States from international organizations and

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[143] "The Mexico City Policy: An Explainer," The Henry J. Kaiser Family Foundation, published June 1, 2017, http://www.kff.org/global-health-policy/fact-sheet/mexico-city-policy-explainer/.
[144] Memo of Jan 23, 2017, "The Mexico City Policy," 82 Fed. Reg. 8495 (Jan. 25, 2017).
[145] "The Mexico City Policy: An Explainer."
[146] Eran Bendavid, Patrick Avila, and Grant Miller, "United States aid policy and induced abortion in sub-Saharan Africa," *Bulletin of the World Health Organization* 89 (Sept. 27, 2011): 873-880C.
[147] "Impact of Trump's Global Gag Rule on Women's Health," Center for Health and Gender Equity, last updated May 2017, http://www.genderhealth.org/files/uploads/change/publications/GGR_Fact_Sheet_UPDATED_March_7_2017.pdf.

agreements, as evidenced by his withdrawal from the TPP and the Paris Climate Agreement and his intent to renegotiate NAFTA. Second, his nationalist and protectionist public statements are not merely rhetoric, but represent a true inward-looking reorientation of US policy. Beyond international agreements, the multiple examples given in this paper of Commerce Department investigations into foreign imports of sugar, steel, aircraft, and lumber prove that Wilbur Ross' department has taken a hard-line stance in keeping with Mr. Trump's obsession with "fairness." The appointment of the tough but savvy Robert Lighthizer as Trade Representative sends a clear signal that the administration intends to take a firm hand in NAFTA renegotiations as well. Third, the Trump administration prefers to negotiate bilaterally. The president and some of his key advisors believe that any multilateral institution operated by foreigners can only serve to drain resources away from the US and constrain its freedom of action. Any approach to this government that goes through international organizations or agreements will be seen with suspicion in the Trump White House.

Latin American nations eyeing their northern neighbor with alarm can still find reason for hope. Yes, the recent anti-globalization trend in the US and Western Europe threatens an opposing trend in the Global South toward greater integration and cooperation. However, intelligent negotiators like Argentina's Mauricio Macri have already found openings to deal on more or less favorable terms with the Trump administration. The Trump administration has thus far moderated its tone and lines of approach just enough to avoid the catastrophic trade wars predicted by some journalists and academics just after the 2016 election. Meanwhile, the survival of the TPP indicates that "mega-agreements" still have a role to play as templates for future multilateral trade negotiations. Brazil and its neighbors also have a safety net of other export options in China, India, Europe, and Southeast Asia. With the election of centrist Emmanuel Macron to the French presidency and the strong showing by Britain's Liberal Party in June parliamentary elections, Europe in particular might yet survive as a world leader of the globalist agenda and a target for new trade partnerships based on international cooperation.

Several other matters are important to understand in concluding this discussion on Trump and trade. The first is that the United States federal government is still missing hundreds of key employees, as the White House has yet to nominate candidates for a wide variety of high-level and mid-level positions. This leaves federal agencies like the State Department and the Commerce Department short-staffed and less able to execute on the president's agenda. On a purely logistical level, the government is thus somewhat handicapped in how much it can assert itself on the world stage. The second is that, by all accounts, Donald Trump is profoundly uninterested in the subtleties and difficulties of actually governing as the President of the United States. White House aides seem to spend most of their time trying to distract him enough so that he doesn't insult another country's leader on Twitter or leak sensitive intelligence to foreign diplomats. Reports even indicate that government agencies have resorted to inserting Mr. Trump's name as many times as possible into memos so that he will stay interested while reading them.

The combination of these two factors results in a paradox: the US President does not want to take an active role in the day-to-day affairs of government, but he also lacks the necessary staff under him to fully execute his agenda on trade and other issues. With the constant threat of the Russia investigation also occupying Mr. Trump's time and attention, cabinet officials like Commerce Secretary Ross and USTR Lighthizer have even more responsibility and authority than they might under a typical US administration. As Mexican and Canadian negotiators are already aware, it is essential for foreign nations to establish relationships directly with these officials and with individual members of Congress. With a United States government in such disarray, the door is open for another nation or group of nations to take the lead in world trade and diplomacy.

Appendix 1: Abbreviations and Acronyms

APEC: Asia-Pacific Economic Cooperation
BAT: Border adjustment tax
BNDES: Banco Nacional de Desenvolvimento Econômico e Social
FARC: Fuerzas Armadas Revolucionarias de Colombia
IMF: International Monetary Fund
IPR: Intellectual property rights
MDIC: Ministério da Indústria, Comércio Exterior e Serviços
NAFTA: North American Free Trade Agreement
NEC: White House National Economic Council
NGO: Non-governmental organization
NTC: White House National Trade Council
OECD: Organization for Economic Cooperation and Development
PAC: Programa de Aceleração do Crescimento
PMDB: Partido do Movimento Democrático Brasileiro
PT: Partido dos Trabalhadores
SOE: State-owned enterprise
TPA: Trade Promotion Authority
TPP: Trans-Pacific Partnership
USAID: US Agency for International Development
USDA: United States Department of Agriculture
USITC: United States International Trade Commission
USP: Universidade de São Paulo
USTR: United States Trade Representative
WTO: World Trade Organization

Appendix 2: Donald Trump's Executive Orders on Trade and Other Economic Issues

March 28, 2017: "Promoting Energy Independence and Economic Growth"[148]

- Negates Barack Obama's Exec. Orders on stricter pollution and energy regulations and directs the Department of the Interior, the Department of Energy, and the Environmental Protection Agency to cut regulations on US energy companies.

March 31, 2017: "Establishing Enhanced Collection and Enforcement of Antidumping and Countervailing Duties and Violations of Trade and Customs Laws"[149]

- Notes that importers who evade US duties cost the federal government $2.3 billion in 2015.
- Directs The Secretary of Homeland Security to develop a plan to penalize importers who evade antidumping or countervailing duty liability, including proposed interdiction methods.
- Directs the Attorney General to reallocate more resources to the prosecution of trade law violations.

March 31, 2017: "Omnibus Report on Significant Trade Deficits"[150]

- States that "free and fair trade is critical to the Nation's prosperity," and asserts that the United States has not gotten its fair share under WTO rules and other international agreements, citing the country's $700 billion trade deficit.
- Instructs the Secretary of Commerce and the US Trade Representative to produce a report on the causes of bilateral trade deficits within 90 days of the Order. The report will:
    - Identify trade partners with whom the United states had a trade deficit in 2016.
    - Assess causes of deficit, including: "differential tariffs, non-tariff barriers, injurious dumping, injurious government subsidization, intellectual property theft, forced technology transfer, denial of worker rights and labor standards."
    - Determine if the trade partner's practices discriminate against US companies.
    - Assess impact on "manufacturing and defense industrial bases," employment, and wages.
    - Identify the specific imports and practices "that may be impairing the national security of the United States."

April 18, 2017: "Buy American and Hire American"[151]

- "It shall be the policy of the executive branch to maximize...through terms and conditions of Federal financial assistance awards and Federal procurements, the use of goods, products, and materials produced in the United States."
- "The Secretary of State, the Attorney General, the Secretary of Labor, and the Secretary of Homeland Security shall...propose new rules and issue new guidance...to protect the interests of United States workers in the administration of our immigration system, including through the prevention of fraud or abuse."

[148] Exec. Order No. 13,783, 82 Fed. Reg. 16,093 (Mar. 31, 2017).
[149] Exec. Order No. 13,785, 82 Fed. Reg. 16,719 (Apr. 5, 2017).
[150] Exec. Order No. 13,786, 82 Fed. Reg. 16,721 (Apr. 5, 2017).
[151] Exec. Order No. 13,788, 82 Fed. Reg. 18,837 (Apr. 21, 2017).

April 28, 2017: “Implementing an America-First Offshore Energy Strategy”[152]

- Ease regulations and roll back previous Exec. Orders that placed barriers to expansion of oil exploration in protected marine areas.

April 29, 2017: “Addressing Trade Agreement Violations and Abuses”[153]

- “Every trade agreement and investment agreement entered into by the United States, and all trade relations and trade preference programs of the United States, should enhance our economic growth, contribute favorably to our balance of trade, and strengthen the American manufacturing base.”
- Blames previous trade agreements for “large and persistent trade deficits, a lack of reciprocal treatment of American goods and investment, the offshoring of factories and jobs, the loss of American intellectual property and reduced technological innovation, downward pressure on wage and income growth, and an impaired tax base.”
- USTR and the Secretary of Commerce will conduct “performance reviews” of every trade agreement and every WTO country with which the US has a bilateral trade deficit in order to identify:
    - Violations “that are harming American workers or domestic manufacturers, farmers, or ranchers; harming our intellectual property rights; reducing our rate of innovation; or impairing domestic research and development;”
    - “Unfair treatment by trade and investment partners;”
    - “Instances where a trade agreement, investment agreement, trade relation, or trade preference program has failed with regard to such factors as predicted new jobs created, favorable effects on the trade balance, expanded market access, lowered trade barriers, or increased United States exports.”

April 29, 2017: “Establishment of Office of Trade and Manufacturing Policy”[154]

- Establishes the OTMP “to defend and serve American workers and domestic manufacturers while advising the President on policies to increase economic growth, decrease the trade deficit, and strengthen the United States manufacturing and defense industrial bases.”
- The office will also “help improve the performance of the executive branch's domestic procurement and hiring policies, including through the implementation of the policies described in Executive Order 13788” (“Buy American and Hire American”).

[152] Exec. Order No. 13,795, 82 Fed. Reg. 20,815 (May 3, 2017).
[153] Exec. Order No. 13,796, 82 Fed. Reg. 20,819 (May 4, 2017).
[154] Exec. Order No. 13,797, 82 Fed. Reg. 20,821 (May 4, 2017).

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