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CAMEX AND USTR: AN INSTITUTIONAL ANALYSIS OF THE CONDUCT OF TRADE POLICY IN BRAZIL AND THE U.S.

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1. Introduction

Over the last few years Brazil has become more and more active in world affairs. In various international forums its participation is increasingly noticeable, while in Latin America its political and economic leadership is growing. Such events have given the country a status as a key player in a number of issues that affect international relations, including, among others, management of the international financial crisis, global warming, international security, United Nations peacekeeping operations[1], sustainable development, and free trade.

As one of the members of BRIC and holder of the eighth world GDP in 2009 (WORLD BANK, 2010), Brazil is emerging also as an important economic force among developing countries. The recent oil discoveries in the ultra-deep pre-salt layer have led to new investments in the country. Furthermore, Brazil's response to the challenges of the international financial crisis, also demonstrate the solid foundations of the Brazilian economy and a promising future.

It is true that the financial crisis reached the Brazilian economy, in particular its industrial output slope represented by exports. But it is also true that the effects of the crisis were comparatively minor in Brazil compared to other large world economies, such as the United States and the main economies of the Europe. Brazil continues to have a promising future even though the world economic climate continues to be uncertain.

Although Brazil cannot yet be considered a developed country, it is seeking to achieve this status. In the pursuit of this goal, an important component is international commerce. International trade and economic development (in the broad sense of the term, including social development, sustainability, environmental issues, etc.) are interrelated topics.

Free trade with other countries, of course, is not a simple and magic solution to the development of a country. Several models and theories aim to explain the advantages and disadvantages of foreign trade, and each country has its own form to include in this market. However, it is undisputed that foreign trade can bring great benefits to the development of a country and that the absence of this can have the opposite effect.

Historically there has been a strong correlation between foreign trade and economic development in Brazil. From the 17th century through the beginning of the 20th century, there were successively sugar, gold, and coffee export economic cycles. More recently, in the early 2000s, trade balance surpluses have contributed greatly to the country reaching its current level of economic stability. Also in the beginning of the century, particularly during the first

[1] E.g. MINUSTAH - United Nations Stabilization Mission in Haiti

administration of President Lula, foreign trade played an important role in controlling inflation and improving external accounts.

Increasing a country`s integration into international trade is a necessity. The world is more and more globalized and interdependent, and the benefits of trade are too important and too many to be left unexploited. Although there are different schools of thought about the subject, as could be expected, those who defend international trade as a key element of economic development predominate.

Of course, the way in which each country achieves these benefits depends on its own development policy. In Brazil's case, it is true that its participation in world trade flows (goods and services) is relatively small compared to the size of its economy. It should be mentioned, however, that although not listed among the top 20 world export economies, Brazil is currently one of the largest exporters of agricultural products. Moreover, Brazil is playing an important role in the scope of the Doha Round as one of the main leaders of agriculture's G-20.

The use of trade as a driver of economic and social development cannot be neglected. The difficulty lies in how best to combine trade policy with development policy in a world which is increasingly interconnected and interdependent, but also complex and full of conflicting interests. The formulation, implementation, and coordination of effective trade policy are key.

In Brazil, the institution responsible for these tasks is the Brazilian Chamber of Foreign Trade (Camex). The Brazilian Chamber was inspired by the American model of coordination of trade policy operated by The Office of the United States Trade Representative (USTR). Since its inception in 1995, Camex has played an important role in the conduct of Brazilian trade policy, although less than what was originally expected. Over the years, its capacity to formulate, implement, and coordinate Brazilian trade policy has fluctuated at the mercy of the natural oscillations of political and economic forces, and the inherent characteristics of Brazilian democracy. Currently, despite an extensive and vigorous legal mandate, the fact is that Camex has been unable to exercise its full functions, which are controlled more by the Ministry of Foreign Affairs and the Ministry of Development, Industry and Foreign Trade.

Given this scenario, and considering the historical importance of international trade for Brazilian development, this paper intends to review the origins of Camex, that is, the American model of trade policy coordination operated by The Office of the USTR. The aim is to evaluate how this department, which directly advises the President of the United States, has been involved in formulating, implementing, and coordinating U.S. trade policy, especially regarding the prevailing institutional relationships with other agencies, outside advisors, and Congress.

Thus, after presenting a brief history of the evolution of foreign trade in Brazil, this essay will draw a parallel between Camex and The Office of the USTR and, from there, make suggestions for increasing efficiency and effectiveness in the conduct of Brazilian trade policy, especially with respect to institutional relations. Furthermore, the paper intends to add value to the current discussions in Brazil about the reorganization of foreign trade institutions.

This paper is composed of five chapters. Chapter 2, which follows this introduction, presents a brief description of the importance of foreign trade for Brazilian development. Chapter 3 presents an evaluation of the performance of Camex in the formulation, implementation, and coordination of Brazilian trade policy since its inception, especially regarding its institutional relationships with other agencies and the private sector. This evaluation is based on research developed previously by the author. Chapter 4 contains a brief description of the performance of the office of the USTR in the conduct of U.S. trade policy, especially regarding its institutional relations with other agencies, outside advisors, and Congress. Finally, the conclusions are presented in Chapter 5.

2. Foreign trade and economic development in Brazil

2.1 From cycles of primary exporters to the threshold of 1990s

Historically there has always been considerable correlation between foreign trade and economic development in Brazil. From its discovery in 1500 until the beginning of the 20th century, this correlation contributed also to the maintenance and consolidation of the territorial integrity of the country.

The foreign trade in Brazil began, soon after its discovery, with the exportation of "Brazil wood", a highly valued good during that period. Since this was purely exploratory activity, it did not create great benefits for the local economy (BAER, 2008).

Years later, in order to colonize the country, Portugal found then an economic purpose for its colony: the production of sugar, one of the goods most desired in Europe at the time (FURTADO, 2007). From the middle of the 16th century the sugar export economic cycle began, which was decisive in spurring the settlement of the coastal zone of the Brazilian northeast and of some areas in the southeast of the country. Sugar exports were growing at this time, and Brazil became the leading global provider of the product in the early 17th century.

The sugar economy conferred a new dynamism to the Brazilian economy, maintaining the local economy and colonization for almost two centuries, until the competition from French, English, and Dutch colonies weakened its importance in Brazil.

At the end of the 17th century a new exporting cycle began, the cycle of gold, which extended approximately to the 1760s. This cycle, based in the region named "Minas Gerais" ("general mines"), in the central-south region of the country, spread indirect benefits to other regions of the country, including the central region, the northeast, and the southeast (FURTADO, 2007). The trade routes originating in Europe grew considerably, as did the internal trade routes (FURTADO, 2007), spurring the growth of cities and towns along these routes. Although Portugal and England were the biggest beneficiaries of this gold cycle, it also brought some economic development to Brazil itself and sparked thoughts of independence from Portugal.

With the arrival of the Portuguese Royal family in 1808, Brazil began trading with friendly nations, in what today is called "the first opening of the ports". This measure was influenced by Smithian theory and by the industrial capitalism in broad diffusion in the Europe, both of which preached free trade as a condition for the development of countries, and opposed the practices of mercantilism and the slavery regime which were predominant in colonies like Brazil.

As of the mid 19th century, a new agro-exports cycle began: the coffee exportation cycle. It lasted almost until the end of the Brazilian Old Republic, when the crisis of 1929 caused a reduction in international prices for the product. The measures adopted by the Vargas government to address this crisis were aimed at shifting Brazil from the agro-exports economic model to a model based on industrial development, focusing on the domestic market and the replacement of imports. This model had remained essentially unchanged for decades.

This new model contributed to the reduction of Brazil's participation in the international trade, but not to the point that international trade was deemed unnecessary during the following decades. The necessity of importing large volumes of oil, the two crises in the prices of this product (in 1973 and 1979), and the search for a large trade surplus in the 1980s to deal with vulnerabilities in the balance of payments are all examples of the important correlation, at times favorable and at times unfavorable, between foreign trade and Brazilian development.

2.2 The "second opening of the ports" and the FHC government

The decade of the 1990s began with the unilateral liberalization of Brazilian foreign trade, referred to as the "second opening of the ports". It was promoted by the Collor government, and was followed by the signing of Mercosul Agreement in 1991, and the World Trade Organization Agreement (WTO) in 1994. These events conferred a new reality upon the Brazilian economy and foreign commerce, including the quest for greater competitiveness by domestic industries[2].

With the adoption of the Real Plan (1993-1994) at the end of the Itamar Franco government, the currency was appreciated, internal demand was increased, and the country economy again began to grow. However, the soaring growth of the economy, the high inflation, the crisis in Mexico (which began in late 1994), and the resulting decrease in foreign investments in Brazil led the Brazilian government to adopt new economic measures beginning in 1995, under the command of President Fernando Henrique Cardoso. Government actions included restrictive credit measures, higher interest rates to constrain internal demand, and changes in the exchange rate model, which was replaced by a system of pegged exchange rates. Under this new plan, however, the sharp currency appreciation accumulated since the beginning of the Real Plan was maintained in accordance with its function of an "exchange rate anchor" and economy policy in force.

[2] It should be remembered that the degrees of freedom for the adoption of foreign trade and industrial policies were limited on the basis of the agreements signed.

With regard to foreign trade, the Brazilian government was forced to seek improvements in its balance of trade, in view of the shrinkage of its external financing due to the effects of the Mexico crisis and the deficits in current account. Also, the trade deficits contributed to poor current account performance. These facts indicated, in addition, a predictable imbalance in the Brazilian balance of payments. (GIAMBIAGI et al, 2005)[3].

To improve the balance of trade, the government, primarily, opted for export promotion through the implementation of a specific policy for the sector. The main components of this policy were (1) the creation of Camex to formulate, implement, and coordinate the Brazilian trade policy, (2) the tax relief on exports, and (3) the strengthening of the public mechanisms of financing and insuring of the exports. (VEIGA, 2007)[4].

Underlying the above actions, there was a government goal of keeping the country attractive to foreign capital, in accordance with the objectives of improving the balance of payments, and with the political reorientation through a new governmental role, according to the neoliberal ideas and principles[5], such as free trade, open economy, monetarism, and "minimum State"[6].

However, the combination of current account deficits with domestic real interest rates could only be maintained if it was possible for the government to maintain its external indebtedness capacity. The deterioration of the macroeconomic indicators of the country, the Asian crisis in 1997, and the Russian crisis the following year raised doubts about the solvency of Brazil, leading it to negotiate a loan with FMI at the end of the first Cardoso government, and to change its macroeconomic policy to reduce its external vulnerability.

The second government of Fernando Cardoso began in this context. The loan from FMI was not sufficient to boost confidence in Brazil, causing the country lose quickly good portion of its international reserves in early 1999. Faced with this situation, the government adopted the floating exchange rate system, and replacing the "exchange rate anchor" by the "inflation targets system" that persists until today. Furthermore, the government began a

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[3] It is important to note that, on the one hand, the government wished to develop exports and to reduce trade deficits. On the other hand, however, imports helped to control inflation and to increase the competitiveness of certain segments of the domestic industry, such as the automotive industry.

[4] To promote trade the government created shortly after (1997) the Agency for Promotion of Exports (APEX).

[5] These neoliberal ideas formed the basis of movements known as Thatcherism and Reaganism, implemented by the respective governments of England and the United States and spread to several countries worldwide (PAULA, 2005)

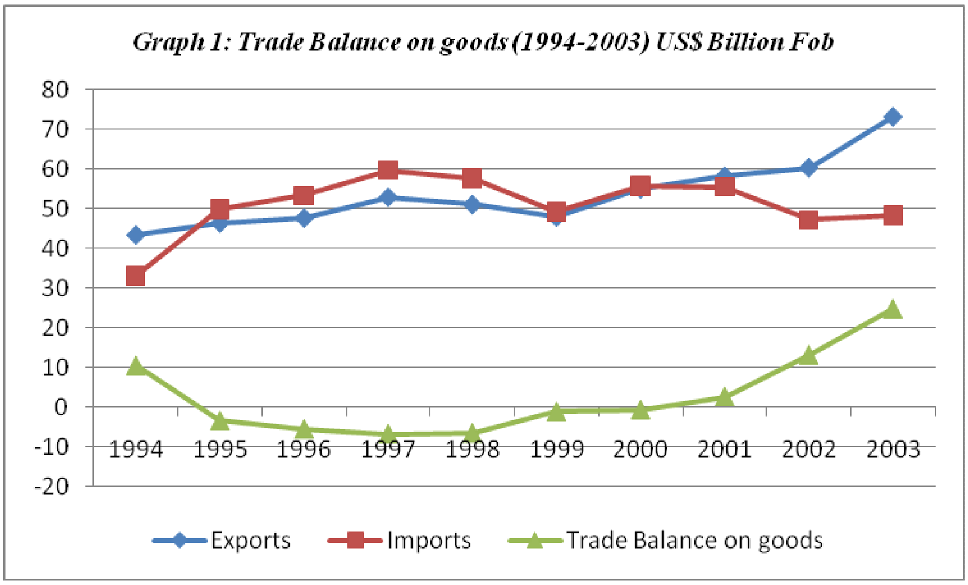
[6] The privatizations occurred in the country, mainly in telecommunications and energy (1988 e 1989), fit into this context.

rigorous process of fiscal adjustment in its public accounts, setting goals for primary surplus, and approving the Fiscal Responsibility Law in 2000[7].

The change in the exchange rate regime, by allowing the devaluation of the national currency, contributed decisively to the trade balance`s recovery. Although its effects were not immediate, it is a fact that this structural change in the economy contributed to a trade balance surplus after 2001, reaching the value of US$ 13.1 billion in 2002. This amount was fundamental in reducing the current account deficit of that year, and in avoiding problems in the balance of payments accounting.

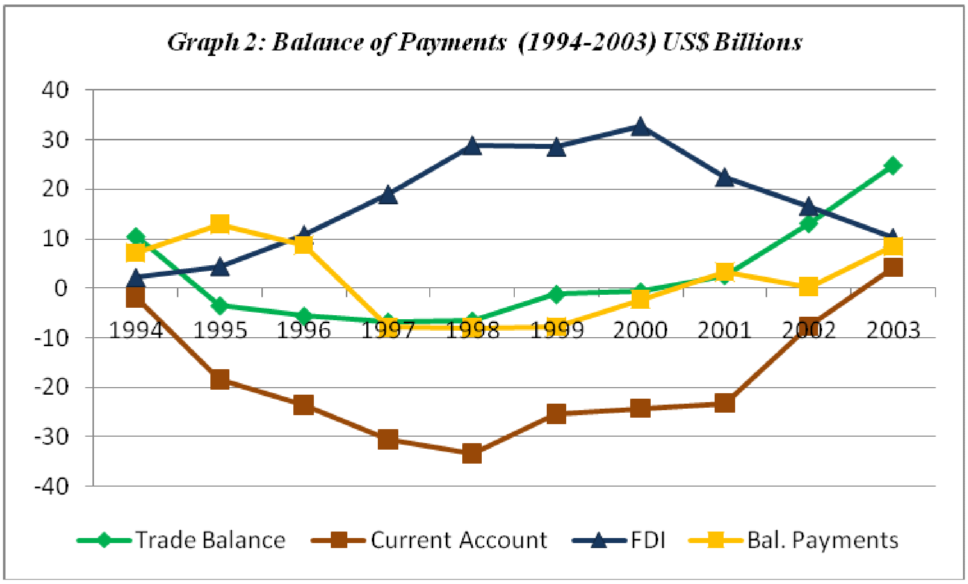
The follow graphs 1 and 2 shows an overview about net exports of goods evolution, current account and balance of payments during the Fernando Cardoso government (1995-2002). These graphs show clearly the trade deficits from 1995 to 1998 that somehow contributed to fight inflation (it should remember that imports were boosted by the appreciated currency at this period), as well the importance of foreign direct investment to increase the balance of payments during the both Fernando Cardoso terms.

The trade balance surplus (of goods) in 2001 and 2002 can also be observed. This reproduces the effects of trade policy aimed at increasing exports and, especially, the adoption of floating exchange rates since 1999, whose effects were seen years later. The rapid growth of the world economy in the early 21st century, and the favorable prices of Brazilian commodities contributed even more to increase the trade balance surplus.



Source: Brazil, MF(2010). Bacen.Time Series.Balance of payments.

[7] These measures were very important to keep inflation under control and to contribute to the resumption of economic growth, reaching domestic product growth of 4.3% in 2000 after two years of near-zero growth. This movement, however, was aborted in 2001, the result of a combination of factors involving, among others, the energy crisis in the country and the terrorist attacks of September 11 (Giambiagi et al., 2005).



Source: Brazil, MF(2010). Bacen.Time Series.Balance of payments.

2.3 Lula government: economic development and financial crisis

The presidential campaign in 2002 was surrounded by expectations about the way in which economic policy would be conducted in the future. Considering the anti-neoliberal history of the Party of Workers ("Partido dos Trabalhadores – PT"), it was unclear whether the economic policy of the Fernando Cardoso government would be maintained if opposition candidate Luiz Inácio Lula da Silva were elected.

Upon taking power in 2003, President Lula faced resurgent inflation and currency devaluation, coupled with distrust by the financial community of the trend in public debt/GDP ratio and the country`s capability to manage it well. From his election to April 2003, the new government adopted a series of measures in line with the recognition that both stability and fiscal austerity implemented by the previous government should continue to be the policies of the federal government, regardless of which political party was in power.

The adoption of monetary and fiscal restrictions at the beginning of the government led on the one hand to a necessary reduction of inflation during the year, but on the other contributed to the shrinkage in economic growth. This shrinkage was not bigger, however, due to exports, which were encouraged by the government and grew 21.1% in 2003, at the mercy of a favorable international economic scenario.

With regard to trade policy, the first measure taken was the creation, in January 2003, of the Brazilian Trade and Investment Promotion Agency (ApexBrasil)[8], which reported directly to the Ministry of Development, Industry, and Foreign Trade (MDIC). Regarding government policy, guidelines for the Industrial, Technological and Foreign Trade Policy ("Política Industrial, Tecnológica e de Comércio Exterior - PITCE") were released later that year, formulated under considerable influence from the Minister of Development at the time.

Officially launched at the beginning of the following year, PITCE implemented several measures to increase the efficiency of the productive structure, to enhance businesses' innovative capacity and competitiveness, and to expand exports. During the formulation of this policy it was thought that the expansion of foreign trade, and the reduction of the foreign debt/exports ratio could have positive consequences for reducing the economy`s vulnerability to external shocks, relaxing the external constraint to economic growth, and, therefore, for economic growth.

To strengthen PITCE some political-institutional measures were taken. Camex was strengthened politically by restoring, later in 2003, its legal mandate to formulate Brazilian trade policy, which had been withdrawn at the end of the Cardoso government. The Brazilian Agency for Industrial Development ("Agência Brasileira de Desenvolvimento Industrial – ABDI"), related to MDIC, was created in December 2004, as was the National Council for Industrial Development ("Conselho Nacional de Desenvolvimento Industrial – CNDI"), which was linked directly to the President. The ABDI has been responsible ever since for the promotion and implementation of the industrial policy in Brazil, which has strong correlation with the trade, science, and technology policies. The CNDI is responsible for proposing to the President national policies and specific measures to promote industrial development. In this way, CNI oversees the ABDI performance.

The policy measures brought important benefits to the country, although they were not immune to some criticisms from experts. Suzigan e Furtado (2006), in an evaluation carried out at the end of Lula's first term, highlighted some positive and negative aspects of these new policies.

The first positive aspect of PITCE was the fact that it was able to restore economic growth and the functionality of the industrial policy. Since the 1970s the government could not develop and implement a policy of this scale, despite many attempts, which were sometimes greatly hampered by adverse national and international circumstances.

The second positive aspect concerns the effects of this policy on the growth of the Brazilian economy. As mentioned earlier, the internal demand in the beginning Lula's

[8] The Brazilian Trade and Investment Promotion Agency (Apex-Brasil) succeeded the Agency for Promotion of Exports (APEX). This new agency has greater budgetary flexibility and greater political power than the previous APEX.

government fell as a result of the economic measures adopted. The combination of this contraction with PITCE's implementation, however, encouraged domestic entrepreneurs to seek new markets abroad. The government and businessmen were also aided by the international environment, leading to the rapid growth of exports and the achievement of a growing trade surplus in the years that followed. Moreover, such surpluses contributed greatly to the improvement of national accounts and macroeconomic indicators in the country, with all the resultant benefits.

Among the negative aspects mentioned by the authors, it is interesting to note, at first, the concern with reducing manufactured goods, especially high-technological goods, as a percentage of export products (this is a controversial issue in Brazil). The second negative aspect concerns the institutional conduction of trade policy in Brazil. Although the creation of the ABDI and of the CNDI has contributed to efforts to implement the industrial and trade policies, the political leadership remained diffuse within the organizational structure of the government due to the multiplicity of agencies which advise the President on inter-related issues. This situation contributed to the implementation of PITCE, as well as its interaction and coordination with other related policies, would be hindered and impaired.

Finally, the authors point out other factors that hindered implementation of this policy, among them, the precariousness of the economic infrastructure (interest rates, taxation, etc.), the imperfections of a political nature, which are present in the public administration, and the inadequacies of the Brazilian system of science, technology, and information.

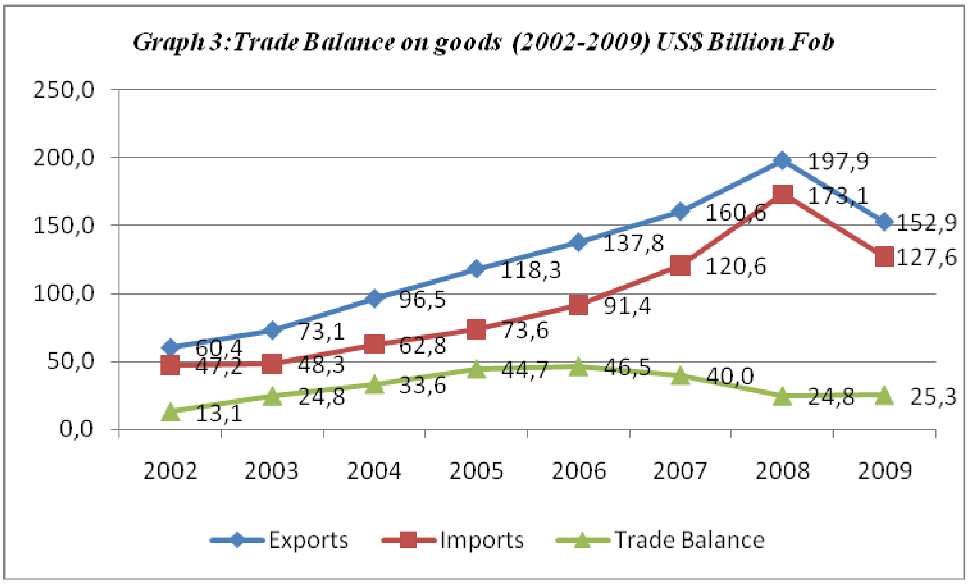
Even faced with the above limitations, it can be seen in graphic 3 that Brazilian exports rose steeply from 2003, leading to a trade surplus which also increased until 2006, when the surplus began to decline. This behavior of exports in the period contributed greatly to the revival of national economic growth since 2004, consolidating a movement that began in Cardoso's second term, with a replacement of the interventional band exchange rate by the "floating exchange rate"(1999).

According to Filgueiras and Gonçalves (2007) the relative contribution of exports to GDP growth, which in Cardoso's first term (1995-1998) was only 8.3%, grew in his second term to 41,1% (1999-2002). In Lula's first term of office (2003-2006), the relative share of GDP reached a remarkable 45.3%, thus demonstrating the growing dependence of GDP on exports in this period[9].

The international environment is seen as the major factor for this favorable performance of exports from 2003. Others endogenous factors, however, also contributed to this process. Among these, it is interesting to note the change of exchange rate system in 1999, increasing productivity and competitiveness of domestic industry, and low growth in

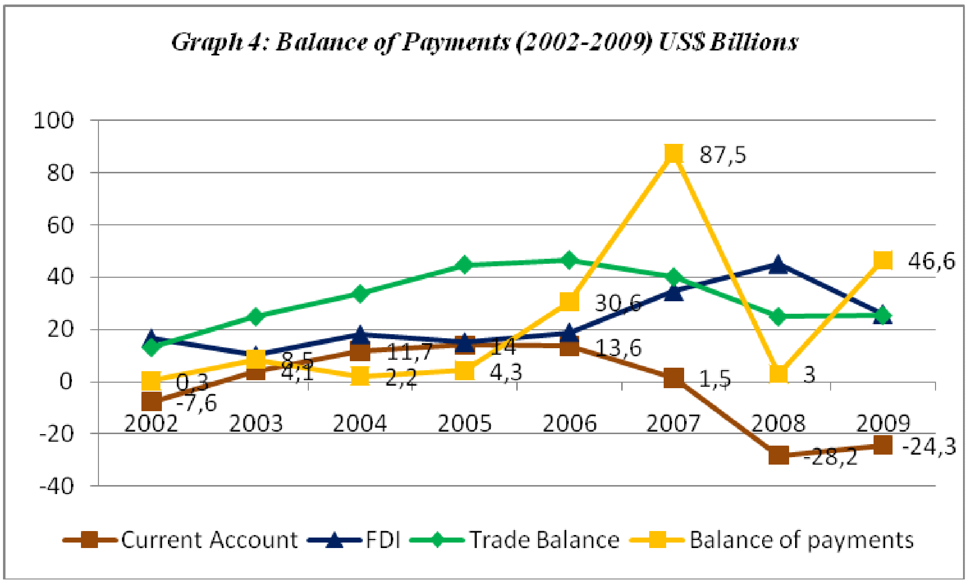
[9] In 2007 the share of exports to GDP growth decreased to 14%, largely due to growth in domestic demand. With the international crisis, this share was close to zero in 2008 and negative in 2009.

domestic market in the early years of the century, which stimulated the Brazilian businessmen to seek buyers for their products abroad.



Source: Brazil, MF(2010). Bacen.Time Series.Balance of payments.

The national accounts showed substantial improvement during this period. The considerable trade surpluses (net exports of goods) obtained from 2003, as shown in graphic 4, were fundamental to the reversal of the negative balance in current accounts. This was reflected positively in the balance of payments, in the increase in international reserves, in the macro-economic rates, in the level of foreign investment, and finally, in the Brazil image abroad.



Source: Brazil, MF(2010). Bacen.Time Series.Balance of payments.

From 2007 the trade balance began to show a declining trend, although it has reached the significant value of $ 40 billion, enough to offset the net exports of services deficit and to provide a small surplus of $1.5 billion in the current account. Two factors in particular contributed to this reduction in 2007. The first was the increased volume of imports due to the growth of the national economy and domestic demand. The second was the increase in foreign investment (capital account and financial account), which caused a large influx of foreign currency. The excess of foreign currency contributed to the appreciation of the exchange rate and, consequently, to encourage imports and discourage exports.

From the second half of 2007, when the first signs of the international financial crisis were already apparent, the government began to formulate a new industrial policy, the Productive Development Policy (“Política de Desenvolvimento Produtivo – PDP”). Launched in May 2008 by President Lula, this new policy, whose main proponents are the Ministry of Development, Industry, and Foreign Trade (MDIC), ABDI, and the National Bank of Social and Economic Development (“Banco Nacional de Desenvolvimento Econômico e Social – BNDES”), has as its main objective “sustaining the cycle of economic expansion already underway”.

Considering the potential risks posed by the global financial crisis, the PDP has identified as key challenges to the sustainability of the Brazilian economy the expansion of supply capacity, maintaining the strength of the balance of payments, high innovation capacity, and the strengthening of micro and small enterprises. Four macro goals were established to address these challenges: (1) increase in gross fixed capital formation – rate of investment; (2) increase in private spending on research and development; (3) greater participation of Brazilian exports in world trade; and (4) expansion of export activities of micro and small enterprises.

Shortly after the official launch of the PDP by President Lula and the Minister of Development, Camex and ABDI made public the National Strategy for Simplification of International Trade. This strategy, which is part of the PDP, has the purpose of facilitating and simplifying the operations of export and import by improving processes, routines, and procedures of foreign trade control. The Technical Group on Trade Facilitation (GTFAC), a part of Camex, is responsible for monitoring the implementation of this strategy (BRAZIL, 2008).

In August, 2008, the Brazilian Export Strategy was launched by the Minister of Development in order to expand Brazilian international trade, through active policies to increase the international competitiveness of enterprises. To achieve this overall objective, the following goals were established: (1) to increase the competitiveness of the Brazilian export base; (2) to add value to exports; (3) to increase the export base; (4) to expand access to market; and (5) to increase services exports (BRASIL, 2008).

Brazil has not been immune to the international crisis and its impact on Brazil's foreign trade, although the country sought to adopt a series of preventive measures to reduce its impact.

From mid 2008, the effects of the crisis became more pronounced in Brazil. Exports, which had been affected by the unfavorable exchange rate, began also to suffer the constraints of international funding and falling international demand. The downward trend in the trade balance has been accelerated, as has the deterioration of the current account. The trade balance ended the year of 2008 with a surplus of $24.8 billion (down 40% from the previous year) and the current account declined to a deficit of approximately $28.2 billion, after five years of surplus.

The decline in exports led to important consequences for the economy as a whole. According to research conducted by Filho and Puga (2009, p. 78), the reduction of Brazilian exports "explain half of the decline of the industry activity of the Brazilian industry in the six months following the worsening of the crisis, i.e., from October 2008 to March 2009" (free translation).

The return of negative balances on current accounts from 2008 sparked concerns in Brazil and reignited the debate about the potential return of external vulnerability, which for decades limited the country`s economic and social development. As Ribeiro and Markwald (2009, p. 76) summarized in a recent study on the composition of the trade balance and current account in Brazil,

> The framework presented in this article leaves no doubt: the only way to prevent a continued deterioration of the current account balance, and the eventual return of external vulnerability, is to make Brazilian exports re-grow at a fast pace, considering the prospects for maintaining import growth and rising trade deficit in services. Otherwise, at some point in the future the country will again face a dilemma: to allow a steady increase in the current account deficit, implying a return to external vulnerability, or using a traditional external adjustment, characterized by contraction of domestic demand and devaluation, with negative consequences on economic growth and inflation (free translation).

Although exports reduced in 2009, the trade balance was almost equal to the balance of 2008, which is a good result if we consider the effects of international financial crisis for world trade. Furthermore, the current account deficit decreased to approximately $ 24.3 billion (- 14%) in 2009, showing a significant improvement in this regard. In this sense, the behavior of exports in 2010 will be very important to build a trend for the country's current account in coming years.

3. Brazilian Trade Policy and Camex

3.1 Trade policy and origins of Camex

After a succession of exporting primary cycles that characterized the Brazilian economy until the 1930s, the country began trying to change the agro-export model of development to an industrial development model focused on the domestic market (TAVARES, 1975). In this context, and with regard to foreign trade, exchange rate control and the restricting of imports were used to implement this new model. These measures were initially managed by the bureau of Exports and Imports at the Bank of Brazil ("Carteira de Exportação e Importação do Banco do Brasil – Cexim"), established in 1941. Beginning in 1953, these control procedures began to be managed by the new bureau at the Bank of Brazil called "Carteira de Comércio Exterior do Banco do Brasil – Cacex". A few years later, this function was shared with the Customs Policy Council ("Comissão de Política Aduaneira – CPA"), established in 1957.

In 1966 the inter-ministerial Foreign Trade Council ("Conselho de Comércio Exterior – Concex") was created to formulate trade policy and to determine, guide and coordinate the implementation of necessary measures for the expansion of the commercial transactions with other countries. In this new context, the Cacex was chosen to serve as Secretariat of this new board, and the president of Cacex to be one of the board members.

From the mid-1960s to late 1980s, however, the institutional model that led to Brazil's trade policy was rooted in the performance of the Cacex. In theory, Cacex should acquiescence to Concex. In practice, however, despite the fact that Cacex was just a Secretariat, and its President just one of the members of this Council, its performance prevailed in the elaboration, formulation and implementation of policy. In this way, the Cacex exercised the lawful mandate that should have been Concex's during approximately 25 years.

The above model brought good results considering the historical context of the time. Regardless of the merits of the proposed economic development strategy and the related trade policy adopted by Brazil, the fact is that Cacex managed efficiently its role within a government policy that favored protectionism, the development of national industry, the substitution of imports and, in the late 1980s, the earning of mega-trade surpluses to face the vulnerability of the balance of payments.

At the beginning of the Collor government (in 1990), however, Cacex was defunct, and with it the organizational model that had led for several years Brazilian trade policy. The functions of formulating and implementing foreign trade policy were initially assigned to the Ministry of Economy, Finance and Planning (MFEP) and, soon after, as in the Itamar Franco government, to the Ministry of Industry, Commerce and Tourism (MICT), the forerunner of the current Ministry of Development, Industry and Foreign Trade (MDIC). Meanwhile, several organizational arrangements were designed to manage Brazilian foreign trade, although none of them could have been considered very representative or could mean a high priority of the administration to this segment of commerce.

This institutional gap in the conduct of trade policy continued until early 1995. At the beginning of this year, the newly elected President Fernando Henrique Cardoso created The Brazilian Chamber of Foreign Trade (Camex) in order to formulate policies and coordinate activities related to foreign trade in goods and services. As an organ of the Government Council, the Board was physically located in the same building as the President (called “The Planalto Palace”). The Chamber was composed mainly of a Council of Ministers (political sphere), an Executive Secretariat (technical sphere), and a Committee of Executive Management (“Comitê Executivo de Gestâo – Gecex”), which is the core executive board.

The Council was composed of the (1) Ministry of Presidential Staff Office (“Casa Civil”), who was the president of the Chamber, (2) Ministry of Foreign Affairs, (3) Ministry of Finance, (4) Ministry of the Planning and Budget, (5) Ministry of Industry, Trade and Tourism, and (6) Ministry of Agriculture, Supply and Agrarian Reform.

The Executive Secretariat is responsible for preparing the meetings of the Council of Ministries and of the Gecex (which is composed of representatives from diverse ministries and agencies), to consult the private sector and professional associations, and to gather elements for trade negotiations, keeping ministers informed of its progress. In the institutional framework it was also provided that any requirement on the foreign trade operations created by agencies of the Federal Government would be subject to prior approval of Camex.

During its early years, the Chamber exercised active participation in the Brazilian trade policy. Faced with the adverse macroeconomic and negative expectations regarding the behavior of the trade balance (and therefore the current account and balance of payments), the Cardoso government initiated a series of efforts to rebuild the export policy, and thus, the trade policy as a whole, which was considered an important piece in the process of fiscal and economic adjustment in the country.

Camex was created in this context. With it, the government aimed to provide the country with better institutional coordination between the various ministries and agencies with decision-making power in the Brazilian foreign trade. With the contribution of this new forum during the first Cardoso government, important measures were developed for encouraging exports, among them the creation of the Brazilian Insurance Export Credit (“Seguradora Brasileira de Crédito de Exportação – SBCE”), the creation of the Agency for Promotion of Exports (APEX) in 1997, and the creation of the Special Export Program (“Programa Especial de Exportações – PEE”) in 1998.

Since 1999, with the transformation of the Ministry of Industry, Trade and Tourism (MICT) into the Ministry of Development, Industry and Trade (MDIC), the Minister of Development serves as the chairman of Camex. In the same 1999, the location of the Executive Secretariat of Camex in the government organization chart was altered, changing their subordination and physical location to the MDIC.

Such alterations represented the politics of the time, and were influenced by the appointment of the then Minister of Presidential Staff Office (Casa Civil) for the new Ministry of Development. The mission of this new Ministry was to seek the resumption of economic growth by encouraging the production focused both on the internal and external markets.

This change in the organizational model, nonetheless, gave rise to a hybrid institutional formation. The Chamber, as an organ of the Governing Council, remained under the President, but its Executive Secretariat, who was responsible for technical and managerial matters, was subordinated to a Ministry and therefore assumed a lower hierarchical level. This model is a source of periodic reviews by academics and others familiar with Brazilian foreign trade. This situation is well demonstrated in research conducted by the author (RAMOS, 2008), and whose comments about it will be made later on.

Despite this organizational configuration being weaker than the previous one, the legal mandate of Camex was strengthened in February 2001. In this new situation, Camex has become responsible not only for trade policy formulation, but also for its coordination. Moreover, the board has also become a deliberative forum for several issues related to its authority.

Near the end of the second Cardoso government (1999-2002), however, the legal mandate of Camex was weakened and, consequently, their political power. In this new scenario, the Chamber lost the authority to formulate trade policy, and it became an executing agency, rather than a Brazilian trade policy "think tank", as was envisioned at the time of its creation.

At the beginning of the Lula government (2003), the legal mandate of Camex was again strengthened. The economic policy implemented by the government sought to promote exports in order to compensate for the reduction of the domestic market and, therefore, to reduce the country's external vulnerability. In the absence of an internal market that could sustain the country's economic growth, the government decided, at first, to encourage sales of Brazilian products abroad. President Lula himself included the topic in its international agenda, starting to act as an important promoter of Brazilian products in his international travels.

In this context, the presidential Decree n°. 4732, June 2003, changed the Camex structure and its legal mandate, reinstating its responsibility to formulate trade policy. In addition, the President increased the "political power" of the Camex Council of Ministries and mainly of the Minister of Development, Industry and Foreign Trade, who also chairs the Council.

Regarding the organizational structure, the number of representatives of various ministries and government agencies in the Committee of Executive Management ("Comitê Executivo de Gestão – Gecex") increased considerably, from 14 to 26. Another important change in the structure of Camex was the creation of the Advisory Board Private Sector (Conselho Consultivo do Setor Privado - Conex"), composed of 20 private sector representatives, to advise the Gecex. In early 2004 another important innovation was introduced: the creation of the Committee of Finance and Guarantee of Exports ("Comitê de Financiamento e Garantia das Exportações – Cofig"), which was the unification of two government agencies, which previously dealt separately with issues related to financing and insurance of exports.

All these changes are closely correlated with the guidelines of industrial and foreign trade policy (PITCE), launched at the end of 2003, which had among its objectives the growth of exports. The organizational model presented above remains to this day. The same is not true, however, with the conformation policy that gave rise to it, as we shall see.

3.2 Institutional Relationship between Camex, other agencies and private sector

As previously mentioned, Camex is an agency of the Government Council, which directly advises the President. The main institutional forum, which makes up the network of relationships of the Camex, especially in its political aspect, is the Council of Ministers. Their composition is almost the same as when it was created, but it is interesting to note two observations. The first concerns the President of the Chamber, which since 1999 has ceased to be the Chief Minister of Presidential Staff Office and became the Minister of Development, Industry and Foreign Trade. The second refers to the inclusion of the seventh advisor, the Minister of Agrarian Development since 2005. This is a select group of officials, representing, except for the last member, ministries historically and politically very strong in the country.

The Executive Secretariat is the technical authority of the Camex. It leads a number of other forums for debate especially within the executive branch. Nonetheless, in the spheres of legislative, private sector and other external advisers this connection is still comparatively low.

Within the executive branch, the first collegiate forum to mention in this way is the Gecex, which exercises the functions of core collegiate executive of the Chamber. This forum meets regularly. Chaired by the Minister of Development, this Committee is composed of 26 representatives from various areas of public administration, which would include the Executive Secretaries of various ministries, the Secretary of the Federal Revenue of Brazil, and representatives from BNDES and Apex-Brazil.

The second forum to point out is the Committee of Finance and Guarantee of Exports (Cofig). The creation of this Committee was fundamental in facilitating the trade of and increasing security for Brazilian exports of high values, especially for products with higher added value, such as the aviation industry.

The network of relationships of the Camex with other government departments also extends to a number of technical working groups established to address specific issues of foreign trade and advising the Council`s decisions. To advise Gecex, Chamber has (1) the Technical Group of Commercial Defense (“Grupo Técnico de Defesa Comercial – GTDC”), which examines proposals for the setting of anti-dumping, countervailing duties and safeguards, and (2) the Technical Group in Support of the Mercosur Resolution GMC No. 69/00 (“Grupo Técnico de Acompanhamento da Resolução do GMC n.º 69/00 - GTAR – 69”), whose objective is to examine proposals for a temporary reduction, in exceptional circumstances, of the Common External Tariff (“Tarifa Externa Comum – TEC”) of Mercosur, in order to avoid the shortage of goods in the member countries.

The most recent group in this executive branch net of relationships is the Technical Group on Trade Facilitation (GTFAC), which since 2008 works as a technical advisory group of the Council of Ministers of Camex in formulating and implementing policies affecting the rationalization, harmonization and trade facilitation with other countries.

Camex’s institutional relationship with the ABDI is also very important. As a result of the joint work of both, the National Strategy for Simplification of Foreign Trade was launched in 2008, which brings a set of measures and proposals in line with the objectives of GTFAC. This strategy is also part of the PDP policy launched by President Lula in May 2008.

Regarding the institutional relationship between Camex with the other agencies of the executive branch, it is interesting to note a curious fact that occurred on the occasion of the publication of Camex Resolution No. 70, at the end of 2007. This resolution mandated that all agencies involved in the control of Brazilian foreign trade should comply with Articles 1 and 3 of Decree 4.732, on 2003 - these articles require, in general, that the said agencies should refer to Camex before issuing any legal acts that affect the foreign trade of Brazil.

In this situation, curiously, was issued a Resolution to enforce what was already mandated in a Decree. Underlying this "legal curiosity", however, remains a possible explanation: that the main goal of this resolution was to give political support to the Camex. In this sense, the “legal support” had been granted by Decree, and “political support” was given by the political sphere of the Camex, which contains what are historically the most powerful ministries of the country.

Regarding of the relationship between Camex and the Legislative branch are needed some additional information, starting with that contained in the Federal Constitution. According to Article 84, section VIII, it is incumbent upon the President "to conclude treaties, conventions and international acts". In this situation, however, it should be observed that

Congress must endorse such legal acts. The legal provision for the performance of legislative branch in international agreements is confirmed and supplemented by Article 49, section I, of the Constitution which defines the exclusive jurisdiction of Congress to "resolve definitively on treaties, agreements or international acts which result in charges or commitments that affect the national heritage’’(free translation).

It happens, however, that unlike what happens in the United States and the European Union, in Brazil Congress has no negotiating mandate to determine the extent of bilateral trade negotiations or multilateral agreements. The negotiations are as a practical matter conducted in the scope of the executive branch, and the legislative acting in most cases, as merely countersigning these agreements.

Such a situation puts Congress in the uncomfortable position of having to accept or reject the agreement as a whole, even without having accompanied and influenced the negotiation process. Seeking to fill this gap, Senator Eduardo Suplicy filed a bill in 2003 with the intention of giving effectiveness to the jurisdiction of the legislative branch in foreign trade, and regulating the participation of the Brazilian government in international trade negotiations.

Under the bill, trade negotiations must be guided permanently “by the need to use international trade as a basic instrument of economic and social development of the country" (free translation). In addition, the project provides a set of goals to be achieved through trade agreements and close monitoring of the ongoing negotiations by the relevant committees of Congress.

For Senator Suplicy, the approval of the project (1) provides guidance to negotiators regarding the national interests to be protected, (2) protects the negotiators from undue pressures and constraints from other negotiating partners, and (3) allows the Congress to exercise with full knowledge its prerogative to endorse an agreement or not. After being approved by committees in the Senate, the bill was referred to the House of Representatives at the end of 2004, where it has been analyzed since then by committees that deal with this subject (BRAZIL, House of Representatives, 2010).

Although there does not exist in Brazil the negotiating mandate given by Congress, there are important signs that the Legislative has been increasing concern with the foreign trade lately. A good example was the debate between the government and the opposition in the process of accepting Venezuela to Mercosur. This took place during the second half of 2009 and demanded considerable effort by the government for Venezuela’s entry to be approved (BRAZIL, Senate, 2009). Another good example is the regional initiatives for the consolidation of the Mercosur Parliament (Parlasur) and the performance of the Brazilian Joint Parliamentary Committee, created by Congress to represent the country in this political forum.

Finally, with regard to the institutional relationship of the Chamber with external advisors, we should mention the Advisory Board Private Sector (Conex), which is composed of 20 private sector representatives and is intended to assist the Gecex. There are other contact forums with organized society, among which the newly created Forum of Multimodal Transport of Loads, with the participation, beyond the Camex, the National Agency of Inland Transportation ("Agência Nacional de Transportes Terrestres – ANTT"), the National Agency of Waterways Transportation ("Agência Nacional de Transportes Aquaviários – ANTAQ") and the Brazilian Foreign Trade Association ("Associação de Comércio Exterior do Brasil – AEB").

The creation of Conex and other forums involving the public and private sectors is a major initiative to create more and more institutionalized channels between the Chamber of Foreign Trade and organized society. This situation, if developed and implemented well, enables the development of policies increasingly representative of society.

That does not mean, nonetheless, that the private sector does not influence this process nowadays. This influence exists in some degree, for example, through the ministries that are members of its political sphere (Council of Ministers) and through informal contacts between public civil servants and private sector representatives. Although this type of informal relationship has been successful in some areas, it is important to note that it is not institutionalized and permanent, as would be desirable to improve governance and transparency in the formulation and implementation of Brazil's trade policy.

In summary, is possible to state that during the formulation of Brazilian trade policy prevailing comparatively institutional relations between the Camex and executive branch agencies. The direct institutional relationship with Congress and with the organized society is still comparatively fragile, but has been increasing over the years, as Brazil's democracy has strengthened.

3.3 Camex political and organizational structure

As discussed above, Camex is one of the chambers of the Governing Council. This Government Council is responsible for advising the Brazilian President in the formulation of governmental policies and acts on two levels. The first, and more important, is chaired by the President and integrated by the Ministers of State and senior officials. The second consists of a group of chambers created by the Executive Branch - among them Camex- with the aim of formulating government policies whose scope goes beyond the powers of a single Ministry.

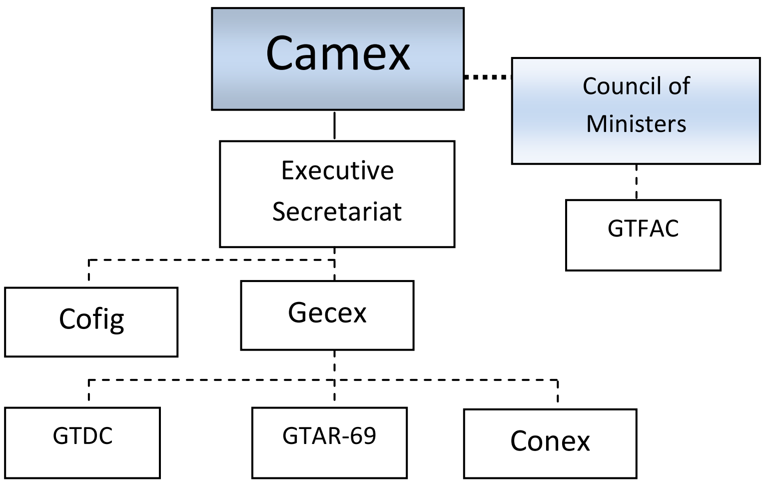
In addition to the Governing Council, other councils and agencies advise the Brazilian President, among them the Council of Economic and Social Development (Conselho de Desenvolvimento Econômico e Social - CDES), the National Council of Energy Policy ("Conselho Nacional de Política Energética –CNPE"), the Attorney General of the Union

("Advocacia-Geral da União – AGU") and the Special Secretariat of Ports ("Secretaria Especial dos Portos - SEP).

Camex has an extensive list of tasks relating to the formulation and coordination of Brazilian trade policy[10]. These tasks are closely linked with several other policies, among them customs, tariffs, transport, trade promotion, financing, and trade protection policies. More recently, issues related to labor policy and environmental policies have also influenced their assignments.

Although it has to deal with such complexity the Board has a permanent structure very small, with approximately 30 servers in its Executive Secretariat. All other forums that make up the Camex are not permanent and have periodic meetings with the support of the Executive Secretariat. Below is an organizational chart for Camex:

Figure 1: Organizational chart



In theory, the formulation, implementation and coordination of trade policy would be up to Camex, in particular the Council of Ministers. In practice, however, this is not what has happened over the years. Although acting actively in important issues related to this policy, the Board has been unable to fully exercise its legal mandate as the main "think tank" of Brazilian foreign trade. The real power to formulate, coordinate and influence policy has oscillated, at the mercy of the prevailing political and economic circumstances. Veiga, commenting on the issue in recent international book[11] that evaluated and compared two by two, the trade policies of the U.S. and the European Union, Mexico and Chile, and Brazil and Argentina, spoke on the Brazilian case as follows (2007, p. 83):

> In general, it is the responsibility of Camex to define broad guidelines and policies to guide the different areas involved in foreign trade and trade negotiations. However, since its inception, Camex faced

[10] Decree N.° 4.732, June 2003

[11] Comparative Trade Policies: Organizational Models and Performance (2007).

> significant difficulties performing its mission. On the one hand, its institutional status on the Presidency Board was called into question by its transfer to the MDIC, which naturally limited its power of inter-ministerial coordination. Otherwise, its decision-making capacity is explicitly limited by established powers, especially in the Ministry of Finance, which also called into question its ability coordinate to inter-ministerial affairs. Furthermore, having few technical and human resources, Camex has difficulty in monitoring the implementation of measures it has adopted and in offering feedback to the government on the results and impacts of its policies (free translation).

Regarding the institutional relationship of the Camex with the Ministry of Finance, it is important to emphasize that the supervision and control of foreign trade is the responsibility of this ministry, as provided for in Article 237 of the Constitution. This constitutional provision, if not managed well, turns out to be a potential source of conflict between the Camex, Ministry of Development and the Ministry of Finance, as it was in some situations, considering the natural intersections between the commercial, industrial, customs, and tax policies.

Another important conclusion by Veiga concerns the need for a political mandate for the Chamber to exercise its legal mandate (2007, p.72):

> … the original conception of Camex – that of an inter-ministerial body linked to the presidency and having a political body composed of the Ministers, another technical[12] and an Executive Secretariat - still seems very appropriate for this task. To function effectively as the institutional locus for defining trade strategies, the most important is that Camex receive the President's explicit mandate to that effect (free translation).

In academic research conducted by the author of this paper (RAMOS, 2008), it was possible to identify some conclusions about Brazilian foreign trade and the performance of Camex, as well as about the political-institutional setting in the context of Brazilian trade policy over the past years.

The first conclusion reached by the research relates to the rapid growth of Brazilian exports in the early years of the century. Although Camex contributed to this process, the major inducer of this growth was the international situation, which was very favorable to Brazilian products until the advent of the subprime crisis started in late 2007 in the United States, whose effects were felt in the Brazilian foreign trade mainly from the middle of 2008. Trade policy launched in the first year of Lula's administration (PITCE) also played an important role in this process of growth of exports. In this sense, Camex played a marginal role in formulating, conducting and coordinating foreign trade policy during this period.

The second conclusion was to consider Camex as the ideal forum for the formulation of Brazilian trade policy, although it has not exercised this role fully since its inception. The results indicated that the Board has had a supporting role - not a leading one - in the formulation and coordination of trade policy, along with the Ministries of Foreign Affairs and

[12] Gecex

Development and other governmental agencies and bodies, such as ABDI, Apex-Brazil, and BNDES. The process of preparing and monitoring of the PDP launched in May 2008 is a good example of this political-institutional role.

The final conclusion of the research concerns the need to seek a new organizational model for Camex to eliminate the factors currently limiting the proper exercise of its legal mandate. One new model which has been suggested would create a Special Secretariat for Foreign Trade at the "ministerial level", directly linked to the Presidency as a way to give political power to foreign trade (configuration similar to the USTR in U.S). The Secretariat should continue having an inter-ministerial council, representing the areas of government which are most directly involved in foreign trade. This council would be responsible, as it should be now, for formulating, implementing and coordinating the Brazilian trade policy.

The research also identified the following factors limiting the performance of the Camex: (a) hybrid organizational positioning, (b) a lean organizational structure and insufficient for the task, (c) constitutional limitation and (d) lack of a strong political mandate. These limitations have fluctuated over the years since the creation of the Cmaber according to the following political and institutional conditions: (a) physical proximity to the President and whether the Board reported directly, or not, to him, (b) greater or lesser comparatively political power of the Ministry of Presidential Staff Office, Ministry of Development (Camex presidents) and Ministry of Foreign Affairs, (c) the need for macroeconomic growth in exports, (d) party ideologies and (e) political support to the Executive Secretary of Camex.

Another important point to note in the conduct of Brazilian trade policy refers to actions of the executive branch and its ministries in the negotiations involving issues of international trade. According to Article 21 of the Constitution, the Union is responsible for maintaining relations with foreign States and participating in international organizations. Subsequently, the Constitution stipulates in article 84, sections VII and VIII, that the President has the exclusive authority to maintain relations with foreign countries, accredit their diplomatic representatives, and conclude international agreements.

As a result of this framework, the executive branch not only assumes the role of main actor in international negotiations, but also the role of formulator of trade policy. Among the ministries that make up the Council of Ministers of the Camex, the most active in this scenario over the years have been the Ministries of Foreign Affairs, Development, Agriculture and Finance. Depending on the political and economic circumstances prevailing, the influence of each of these ministers, as well as of Camex, with the President of the Republic has fluctated over the years.

Operationally, however, it must be remembered that the executive branch is represented in international forums by diplomats of the Ministry of Foreign Affairs. This arrangement gives to this ministry a prominent role not only in the act of the negotiations, but also in considering the formulation and the conducting of Brazilian trade policy. This fact, however, did not prevent the strong influence of the Ministry of Finance in trade policy during the FHC government. An analogous situation occurred at the beginning of Lula's first term, when the Ministries of Development and Agriculture each played key roles - through Camex – in the growth of Brazilian exports and for the formulation and the conducting of trade policy. Lately, however, in this author's view, the political force of the Ministry of Foreign Affairs has prevailed, implemented by its high-level diplomats.

In all cases above, however, one fact remains: that Camex has not yet been able to become a permanent forum for trade policy-making in Brazil, though it has always participated in this process, with varying degrees of influence.

As noted, trade policy in Brazil has been decided and implemented as a practical matter within the executive branch. This fact does not mean, as we said before, it was not influenced by the private sector. This influence occurs through a variety of ways, including through exchange of information between the Brazilian negotiators, the private sector, the National Confederations (Industry, Commerce and Agriculture, for example) and the Federation of Industries of São Paulo, Rio de Janeiro or other states. These channels of information exchange are not, however, overseen by Camex. Regarding Camex's relationship with the legislative branch and the conduct of trade policy, one can say that the relationship is still tenuous, but in the process of strengthening.

Finally, it should be noted that the institutional reorganization of foreign trade is currently on the political agenda of organized society. Recently it was even the subject of an important forum for discussion of Brazilian foreign trade. During the 29th National Meeting of Foreign Trade ("Encontro Nacional de Comércio Exterior – Enaex") [13], held in late 2009, an initial proposal for the modernization of Brazilian foreign trade was presented for discussion. It includes a new organizational model proposing four main agencies in the conduct of trade policy. Among these it is important to note the creation of the National Council for Foreign Trade (Concex) [14] to be composed of the Ministers of State for areas that interact with foreign trade - equivalent to the current Council of Ministers - and of the Ministry of Trade, Services and Waterways Transportation, to coordinate the operational activities affecting trade in goods and services.

Another indication that the idea of institutional reorganization has been gaining strength in the country was provided by the current opposition candidate for president in 2010 elections, the current governor of São Paulo, José Serra. During the Special National Forum (September 2008) sponsored by the National Institute of Advanced Studies ("Instituto

[13] Organized by the Brazilian Foreign Trade Association on November, 2009

[14] The creation of this new "Concex" can be considered a new edition of the inter-ministerial Foreign Trade Council established in 1966. This new Council, however, would be more politically powerful than the previous.

Nacional de Altos Estudos – INAE”), whose theme was "In the global crisis, how be the best of the BRICs” the governor mentioned that (2009, p.23):

> During the government of Fernando Henrique, we created Camex(…) At that time, we envisioned it as an instrument of coordination of foreign trade, but that was insufficient, without a doubt.
>
> We have to have a Brazilian USTR. That is, a Ministry of Foreign Trade of Brazil. Today there are 23 ministries involved in trade, 10 departments, 3900 laws; we really do not have a very clear direction. The Foreign Ministry does negotiating, the Ministry of Development does other things, the Ministry of Finance does others, and Customs is part of the “Receita Federal” (note: like IRS in U.S.); finally, there is not an integrated foreign trade policy, and this is a point of vulnerability for the future (free translation).

4. The Office of the USTR and politics: a brief description

4.1 Trade policy and origins of the USTR

Under the U.S. Constitution, Congress is given the power to regulate the country's trade with foreign nations (United States, Senate, 2009[15]). Until the early 1930s, this power was been monopolized by Congress, and the American trade policy was characterized by a succession of predominantly protectionist tariff laws consistent with the then prevailing political forces (LIMA-CAMPOS, 2006).

According to Destler (2007), this trend began to undergo considerable change at the beginning of the administration of President Roosevelt (1934), when Congress granted powers to the President to negotiate tariff reductions in exchange for reciprocal concessions on U.S. exports. At the time, Congress believed that the Executive branch had better institutional arrangements to balance internal pressures from the various interest groups, and external pressures from allied countries that had been advocating liberal measures for international trade.

This change in the American trade policy was strongly influenced by the crisis of 1929. To combat the economic crisis and the consequent high level of unemployment at the beginning of the crisis, the government decided to increase the tariffs applied to imports through the Smoot-Hawley tariff act. In a few months trading partners of the United States also began to increase their tariffs in retaliation for the U.S. initiative. International trade between countries fell sharply, the economic crisis deepened, and unemployment, which at the beginning of the crisis was 8.9%, reached 24.9% in the United States in 1933 (SURANOVIC, 2010).

To reverse the negative effects of this trade policy, the Reciprocal Trade Agreements Act (RTAA) was approved in 1934, during the administration of President Roosevelt. Under this act, the president was authorized to negotiate reciprocal tariff reductions with other countries, aiming to stimulate the economy and thereby reduce the rate of unemployment. In this way, the country began to consider the importance of having a consumer market across borders, rather than being much restricted to the domestic market, as was the tone of American economic policy until the early 1930s (RATTI, 2000).

[15] United States Constitution, Article 1, Section 8: " The Congress shall have power (…) to regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes".

Thus began a new period in American trade policy, where the interests of American exporters also had to be taken into account in the negotiations involving the U.S. foreign trade. Until then, the interests of domestic producers prevailed in the negotiations, who feared international competition and, because of this, were advocating protectionist measures.

In the post-World War II, political thought was dominated by the strong economic interests, which sought the construction of rules and institutions to manage a new and more liberal international economy. This new economic order, known as the Bretton Woods system, was grounded in greater freedom for the movement of capital, in the system of fixed exchange rates, and in international trade liberalization on a multilateral basis (GILPIN, 2008). The World Bank and the International Monetary Fund (IMF) were created to support these ends. The International Trade Organization (ITO) was designed to further promote international trade, but it was not approved by the US Congress and never materialized. Instead, the General Agreement on Tariffs and Trade (GATT) was signed, which for decades gave support to international trade negotiations.

The U.S. trade policy, which until then focused on bilateral agreements, began to be conducted multilaterally under the auspices of GATT. From the mid-1930s until early 1960s, trade negotiations were conducted by the State Department, under the strong influence of the Executive branch. Such negotiations have been characterized, especially in the “GATT Era”, through successive rounds of negotiations to reduce tariff barriers.

In 1962, however, President Kennedy was pressured by Congress to change the institutional model that had been directing international trade negotiations. At this time, the model in force was considered insufficient for the defense of American interests. Kennedy then created in 1963, the Office of the Special Trade Representative (STR), which became part of the Executive Office of the President and “whose task was to balance foreign trade and domestic economic interests, coordinate the executive branch as a whole, and bargain with both Congress and foreign governments” (DESTLER, 2007, p. 360).

During the 1970s, the power of the STR was significantly expanded by Congress. The Trade Act of 1974 made it a part of the Executive Office of the President and gave to this office the responsibility for several international negotiations under the Trade Acts of 1930, 1962 and 1974. This same Trade Act of 1974 created the Fast-Track Procedures (FTA), an important innovation in coordinating U.S. trade policy, which was sometimes discredited by the fact that some international negotiations conducted by the executive branch had not been approved by the legislature. The creation of the FTA allowed the constitutional authority of Congress to be maintained while allowing the executive to participate in the negotiations more comfortably and with more credibility (DESTLER, 2007).

Shortly after the introduction of the FTA, and once again under pressure from Congress, President Jimmy Carter launched a redesign of institutional control of the U.S. trade policy (1979-1980). The STR was renamed The Office of the United States Trade

Representative (USTR), which acquired more responsibility in national issues related to U.S. foreign trade. The structure of the organization was expanded, assigning it the responsibility for leading the process of developing and coordinating U.S. trade policy, and for conducting international negotiations.

In addition, the USTR was designated as a principal advisor to the President on matters relating to foreign trade as well as (1) Vice Chairman of the Overseas Private Investment Corporation (OPIC), (2) a non-voting member of the Export-Import Bank Board of Directors, and a (3) member of the National Advisory Committee on International Monetary and Financial Policies, which together served to greatly enhance the power of the office (UNITED STATES, USTR, 2009).

The responsibilities of the agency continued to grow over the years. Through the Trade Act of 1984, the USTR has also been responsible for developing and coordinating policy for services trade. Years later, through the Omnibus Trade and Competitiveness Act of 1988, the partnership between Congress and the Executive Branch was strengthened in subjects related to the conduct of U.S. trade policy. In this context, the USTR has become responsible for, among others, (1) coordinating trade policy with other agencies, (2) heading an inter-agency committee which advises the President on matters related to U.S. trade policy, (3) administering trade agreements, and (4) implementing the actions set forth in Section 301 of Trade Act of 1974 (UNITED STATES, USTR, 2009).

Underlying the continued strengthening of the USTR, however, was a power struggle between the executive branch and the legislature regarding the formulation, coordination and negotiation of the U.S. trade policy. In this context the former was reluctant to transfer power to the latter. Indeed, the increased power of the USTR in some situations was just a response by Congress to the Executive branch's attempts to reduce the power of the agency.

This happened, for example, during the term of President Nixon, who sought to subordinate the agency to another office, and again under President Reagan, who proposed giving the powers of the agency to the Department of Commerce in 1983. And during the transition period for the administration of President George W. Bush (2000/2001), when then his advisors proposed rescinding USTR's Cabinet-level status

In the first case, Congress responded with the Trade Act of 1974, which transformed the former STR into a statutory agency of government. In the second, the Senate resisted the change and, years later, in 1998, further strengthened the USTR, transferring some powers of the presidency to the agency. In the last example, the idea of reducing the status of the USTR was rejected by a chorus of lawmakers and businessmen (DESTLER, 2007).

Although the USTR is subordinate to the President's office, its close connection with the Congress is clear in the formulation and conduct of U.S. trade policy. This institutional arrangement has not always been a comfortable one. In assessing the political-institutional process that resulted in the current institutional arrangement for the conduct of U.S. trade policy, Destler said as follows (2007, p. 361):

> Central to protecting and buttressing the USTR were the trade committees: the House Committee on Ways and Means, and the Senate Committee on Finance. When US trade policy was effective, it was due to cooperation between these committees and the office they saw as "their" agent within the executive branch. Presidents weren't always eager to buy into this arrangement, and retaining Presidential support has been a recurrent problem for United States Trade Representatives. But the basic system has endured for over forty years, and there is no strong current pressure to change it.

4.2 Institutional Relationship between USTR, Congress, other agencies and the private sector

Institutionally the USTR is located in the Executive Office of the President (EOP) and has a wide network of contacts within the legislature, other executive's agencies, and external consultants.

The USTR's relationship with Congress is fundamental to the effective exercise of U.S. trade policy. Though Congress has a constitutional mandate to regulate U.S. trade with other countries, the executive branch has to implement, enforce and monitor the policy adopted by the country.

In negotiations involving only tariffs, coordination between the two powers is easier. Congress sets the limits, and the officials of the executive work following these in their negotiations. In doing so, there is no need for further authorization from Congress.

In situations involving issues beyond tariffs, the coordination between the executive branch and Congress requires greater attention. In this context, the Trade Promotion Authority - TPA[16] is one of the main mechanisms used to define the limits and the time within which the President and his agents can act in the international negotiating forums. The approval follows a special rite of adoption, in which Congress can approve or reject, as a whole, the agreement negotiated.

The close connection between the USTR and Congress is mainly through (1) the House on Ways and Means Committee, (2) the Senate Finance Committee, (3) the Leadership Offices of the Senate and the House, and (4) through official trade policy advisors from Congress (five members from each house). Connections to Congress also include several other committees and, more recently, the Congressional Oversight Group, to whom the USTR must provide regular briefings on its activities (UNITED STATES, USTR, 2009).

[16] During the George W. Bush government the Fast-Track Procedures (FTA) was renamed to Trade Promotion Authority (TPA) (Destler, 2007)

Within the executive branch, the USTR uses mainly two important groups to consult other agencies of the government: the Trade Policy Review Group (TPRG) and the Trade Policy Staff Committee (TPSC), both headed and administered by the USTR. The TPSC, with representation at the senior civil service level, coordinates a network of more than 90 different subcommittees and task forces responsible for issuing opinions on a wide variety of subjects related to U.S. trade policy.

In the event that an agreement is not achieved in this sphere, the matter is sent to TPRG, composed of the Deputy USTR and officials at the under-Secretary level. The ultimate decision maker in this mechanism of consultations between government agencies is the National Economic Council (NEC), which is chaired by the President.

The TPSC and TPRG are composed of representatives of the following agencies: (1) Council of Economic Advisors, (2) Council on Environmental Quality, (3) Department of Agriculture, (4) Department of Commerce, (5) Department of Defense, (6) Department of Energy, (7) Department of Health and Human Services, (8) Department of Homeland Security, (9) Department of Interior, (10) Department of Justice, (11) Department of Labor, (12) Department of State, (13) Department of Transportation, (14) Department of Treasury, (15) Environmental Protection Agency, (16) Agency for International Development, (17) National Economic Council, (18) National Security Council, (19) Office of Management and Budget, and (20) U.S. International Trade Commission[17] (non-voting member).

It is important to highlight also the roles played by the Departments of Commerce and Agriculture. The Department of Commerce, which focus on issues not related to agriculture, is considered by Destler (2007) as the second most important agency of the executive branch in matters of international trade (after only USTR). The department is responsible for managing the application of countervailing and anti-dumping duties (dumping and countervailing duty laws), which gives it considerable influence in the negotiations involving trade policy, especially of manufactured goods. The Commerce Department also manages The U.S. and Foreign Commercial Service, whose function is to promote U.S. exports. About Department of Agriculture it is important to note that it has played a growing role in subjects related to U.S. trade policy in recent years, as the subject of agriculture takes on greater importance in world forums under the Doha Development Round.

The USTR's relationship with outside advisors is composed of a network of committees consisting of three levels, with approximately 700 citizen advisors and 28 advisory committees. This external advisory system was created by Congress in 1974 with the

[17] The U.S. International Trade Commission (USITC) is an independent regulatory body of the President. It is composed of six members appointed by the President and approved by Congress. Among their duties include the confirmation that a company would suffer economic damage for the purposes of the escape clause provided for in Section 201.

aim of ensuring the adequacy of U.S. trade policy to the public and private interests. Over the years this system has been strengthened by Congress.

The highest level of this system is the President's Advisory Committee for Trade Policy and Negotiations (ACPTN), composed of up to 45 members appointed by the President. Its members serve for two years and are chosen to broadly represent the main economic sectors affected by trade. In giving their opinion the committee should take into account the national interests as a whole.

The second level of external advice is based on the following political committees, which provide their position within their corresponding areas: Intergovernmental Policy Advisory Committee (IGPAC), Agricultural Policy Advisory Committee (APAC), Labor Advisory Committee (LAC), and Trade and Environment Policy Advisory Committee (TEPAC).

The third level of this institutional external assessment consists of a set of 22 technical and sector committees, which cover several areas related to international trade. Noteworthy among these are the Agricultural Policy Advisory Committees for Trade (ATAC) and the Industry Trade Advisory Committee (ITAC), which covered currently issues of extreme interest of American society.

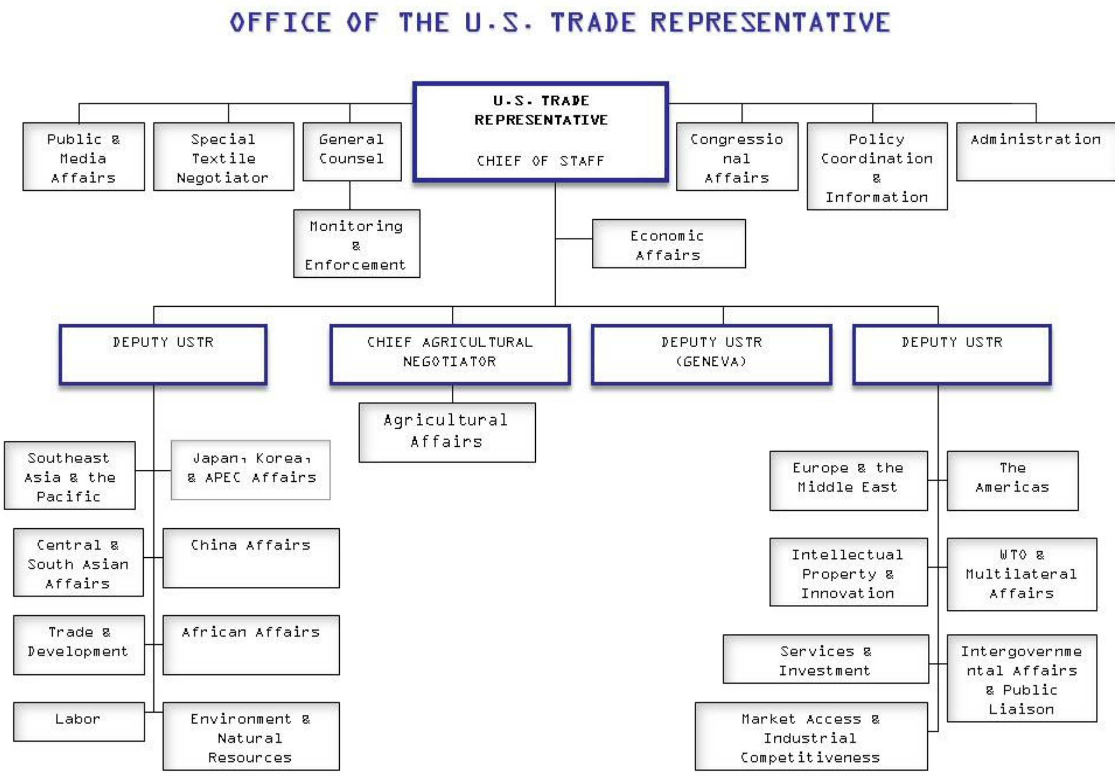
Finally, it is important to make some comments about how the USTR manages its activities. Considering the multiplicity of issues involved in trade policy and the small number of employees (compared to the size of the U.S. economy), the agency adopts a matrix management model, where, depending on the subject of ongoing negotiation or tasks, other department and agencies are scheduled to assist. In this sense, negotiations are conducted by the USTR, but with technical support of other government sectors and external advisers

4.3 The USTR's political-institutional structure

The organizational structure of the Office of The USTR is complex, as are their activities in the conduct of U.S. trade policy. To carry out its tasks the USTR has approximately 250 servers, all the top level.

As can be seen in Figure 2 below, the USTR is equipped with a set of sector departments intended to deal with a range of topics related to its political and institutional mandate.

Figure 2: USTR organizational chart



In recent years the USTR has led and managed the main issues affecting U.S. foreign trade. The agency is placed within a framework of technical excellence that which permit it to function effectively even in the face of party pressures. In the words of Destler (2007, p.361),

> USTR typically leads and manages on major trade issues. It is politically attuned–to Congress, to interested industries. But even in a highly partisan era it has retained a priority to technical competence and a preference to work across party lines. Lawyers are prominent among its staff, some of whom move back and forth to the staffs of the Congressional committees. And former USTR officials are prominent among the trade bar.

In assessing this structure in his book American Trade Politics, Destler (2005) made some important considerations. The first concerns the expansion of The Office of USTR initiated in the 1980s. This, according to the author, "created an organizational hybrid, too large for the flexible-negotiation coordinating staff but too small to be the executive branch central repository of online expertise and responsibility" (p.323).

The author also mentions the tenuous support of the President to the USTR that he observed so far, and the fact that the division of tasks between the USTR (international trade policy development, coordination, and negotiation) and the Department of Commerce (operational nonagricultural trade responsibilities) remain a potential source of conflict in the process of driving the U.S. trade policy.

Even with these caveats, the same author in the book "Comparative Trade Policies: Organizational Models and Performance (2007)", reported that the current institutional framework for the conduct of U.S. trade policy is good. The functions of the Congress are well accommodated, and the structure set up around the USTR captures the diverse positions of the agencies involved in the process.

There is a potential threat to USTR from the Department of Commerce, which would seek to lead the trade policy in the event of political support coming from the President. However, despite this possibility, the main concern of the author regards the legislative process in Congress, especially in the House of Representatives.

This is because, for several years, the Committee on Ways and Means has succeeded in taking a bipartisan leadership in issues related to U.S. trade policy. However, the political climate has become increasingly strained between Democrats and Republicans since the end of the 1990s. The partisan rancor increased during this time, making the obtaining of a consensus on foreign trade more and more difficult. With parties increasingly cohesive and ideologically influenced by major domestic issues, it has become increasingly difficult to negotiate commitments in the area of foreign trade.

The above situation can be exemplified by the difficulty in passing the approval for the TPA in 2001 by only one vote difference (215-214), and its renewal in 2005 (valid until mid-2007), with a difference of two votes (217-215). The influence of protectionist interests tends to prevail, while trade liberalization tends to suffer more and more resistance.

At the time of publication of the book "American Trade Politics", Destler reported, however, that it would be possible to reduce this resistance to free trade and globalization. For him, the public would be willing to accept the expansion of free trade if the government, in return, took steps to cover losses for the American worker on the basis of international competition. Among possible measures, he suggested the adoption of governmental programs for retraining, health insurance, and wage insurance for displaced workers. The challenge lies in the possibility of combining these programs with all other issues on the American agenda (Destler, 2005).

This challenge was made far more difficult with the advent of the international financial crisis and its impact on Main Street. By the time this essay is written, it can be said that the priorities of the White House is more focused on the domestic agenda than on foreign trade. This agenda includes a lot of complex issues, like health care reform, unemployment and budget deficit. Because of these issues, the adoption of further multilateral free trade measures in the framework of the Doha round will be increasingly difficult in the short term. Furthermore, the political environmental does not seem to be favorable for the adoption of a any kind of TPA

5. Conclusions

In an increasingly globalized and interdependent world, international trade and development are two sides of the same coin. For many years, trade has not been an option, but a condition for improving the standards of living of countries. To understand the potential advantages and disadvantages of this trade, and to manage them well is an arduous task, but crucial to the economic and social development of any country. In the continuum between free trade and protectionism, Brazil, like any other country, has to evaluate and choose the best policy to be adopted for its benefit.

This essay was developed in this context. More specifically, this paper aimed to assess the institutional aspect of this policy, by drawing a comparison between the main agencies involved in the conduct of trade policy in the United States and Brazil. Thus, it seeks to add value to the debate about the institutionalization of Brazilian trade policy.

In order to contextualize the essay's subject, it was demonstrated initially that throughout Brazil's history a strong correlation has existed between foreign trade and Brazil's economic and social development, from the primary cycle exports (sugar, gold and coffee) until today. More recently, especially from the "second opening of the ports" in the early 1990s, it is important to highlight the contribution of imports to controlling inflation, and to increasing the competitiveness of domestic industry and the country's macroeconomic balance. At the beginning of the century, great emphasis was assigned to increasing exports, which contributed to the desirable balance of external accounts, for the improvement of macroeconomic indicators in the country and, therefore, for economic and social development in Brazil.

This sequence of events in the sphere of foreign trade, combined with the adoption of a stable macroeconomic policy over the past two decades, has allowed the country to cope more calmly with the effects of the global financial crisis and to resume growth in 2010.

As the volume of foreign trade is directly affected by the trade policy adopted by each country, we chose to evaluate one of its aspects, namely, the institutional dimension of this policy. We chose to make a comparison and draw a parallel between CAMEX and the USTR in the conduct of its trade policies. The main findings are presented below.

The first conclusion concerns the time needed for the institutionalization of an inter-ministerial agency that wants to drive the complex task of formulating and conducting trade policy. In the American case, it took some decades for the present structure headed by The Office of the USTR to be consolidated. Throughout this process there were disputes between the executive and legislative powers, and even inside the executive branch, to see who would primarily lead trade policy. This fact, however, can be considered as inherent in the political game that characterizes the maturation of any democracy, and the various political and economic times experienced by the United States since the post-1929 crisis, from which the country began to devote greater attention to foreign trade and its trade policy.

Currently, the agency has institutionalized an extensive network of contacts that allows it to capture and represent well the wishes of society, the government and the American State in the conduct of U.S. trade policy. Some observations can be made regarding the natural tendency of business to be generally better represented than the interests of ordinary people in these forums, according to the perception of international economic theory. However, although some doubt may remain about the varying degree of representation in setting U.S. trade policy, the fact is that The Office of the USTR was strengthened as an institution over the years and today is an agency very representative of American society, the executive branch and Congress.

In Brazil, the situation of Camex is quite different from the American agency that inspired its creation. Although created to act in a manner analogous to the USTR, the Brazilian agency still cannot fully exercise its legal mandate as the main agency for the formulation and conduct of Brazilian trade policy. As happened throughout the history of the USTR, Camex has also been undergoing a process of political and institutional maturity. Power struggles were and still are present, mainly to see who will lead the Brazilian trade policy.

However, some differences between the democracies of the two countries should be taken into consideration when evaluating this process of institutional maturation, among them the higher degree of maturity of American democracy and the fact that the U.S. Congress, constitutionally, has great power to influence and determine foreign trade. Furthermore, we must remember that Camex has only 15 years of life, while the USTR "system" has been in existence approximately three times longer if we consider its inception as the creation of the STR.

Regarding Camex's network, it is important to note another important difference. Although over the years the Brazilian agency will strengthen its network of relationships with other ministries, agencies of the executive branch, Congress and organized society, the fact is that this network has comparatively less power than the U.S. agency for influencing Brazilian trade policy as a whole. The executive branch exercises the greatest power in the formulation and conduct of trade policy. The predominance of executive power in this process, however, is consistent with the characteristics of Brazilian democracy, where the Union has a great concentration of political power.

Nonetheless, it is important to note that the private sector can influence in some degree Brazilian trade policy, but this influence is mainly through the Ministries, and not through institutionalized channels with Camex, as is the American model which has an extensive network of private advisors.

A second conclusion concerns the organizational structure of agencies and management tasks in the day-to-day trade policy. As seen, the USTR has a structure much larger than Camex, its younger sister, starting with the number of employees: while the former has approximately 250 employees (all high-wage level), the second has approximately 30, here including employees with all levels of income.

In addition, the organization chart of the first is complex and flat, which allows USTR to cover a range of institutionally related issues, which is a common situation in foreign trade policy. At the same time, this chart enables greater agility in decisions, which is not normally possible in vertical structures with various levels of decision.

The quality of the employees of the USTR is also quite impressive. In the American government they are recognized as very dedicated to their tasks, in addition to possessing high technical standards. The rigorous selection process contributes to this situation, as does the USTR’s standard of wages, which is comparatively high in the executive branch.

Another aspect that deserves attention is how the USTR performs its tasks. Considering the multiplicity of issues involved in trade policy and the small number of employees (compared to the size of the U.S. economy), the agency adopts a matrix management model, where, depending on the subject of ongoing negotiation or services, other departments and agencies are scheduled to assist the task. In this sense, negotiations are conducted by the USTR, but with technical support of other sectors of the U.S. government and advisers.

In the case of Camex, it should be noted that the small number of employees prevents the agency from having experts to handle the full range of subjects covering foreign trade. Within the structure of the agency are few employees to handle such a diversity of issues (perhaps no more than 15). Moreover, the concept of matrix management is still not well understood in the Brazilian public administration as a whole, making the agency's mission sometimes even more difficult.

The third conclusion concerns the location of the agency in the organization chart. Considering that trade policy has a correlation with several other policies (fiscal, tax, environmental, foreign affairs etc.), it is desirable to have a close proximity with the Presidency in the organization chart. This actually happens in the U.S., where the USTR is an agency of the President's Office, giving it greater political power of inter-ministerial coordination, as well as with Congress and other stakeholders in society. In this sense, the agency is effectively included as a key agency for advice the President on matters of foreign trade.

In Brazil the situation is somewhat different. At its inception the agency was located in the Palace of the President, which gave them great political and institutional power. In 1999, however, the agency’s Executive Secretariat was transferred to the organization chart of the MDIC, giving rise to a hybrid organization. Its Council of Ministers remained in the chart as a political council to advise the president, but its technical body, which performs the tasks of everyday life, was reduced hierarchically to the level of secretary of the ministry. With this organizational change, Camex as a whole came to be seen frequently by the other ministries as a secretariat in the Ministry of Development, and not as an agency directly advising the President.

Finally, considering the complexity of trade policy, we conclude that the institutional model of management of Brazilian trade policy should be strengthened to benefit the economic and social development of the country. In this context, we believe that Camex should be strengthened, as the USTR has been strengthened since its inception. One possible suggestion in this sense would be to create a Special Secretariat for Foreign Trade at the "ministerial level", directly linked to the Presidency, as a way to give more representativeness and political power to foreign trade.

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