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Brazil: Background and U.S. Relations

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SUMMARY

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Brazil: Background and U.S. Relations

Occupying almost half of South America, Brazil is the fifth-largest and sixth-most-populous country in the world. Given its size and tremendous natural resources, Brazil has long had the potential to become a world power and periodically has been the focal point of U.S. policy in Latin America. However, uneven economic performance and political instability have hindered Brazil's rise to international prominence. The country experienced a period of strong economic growth and increased international influence during the first decade of the 21st century, but it has struggled with a series of economic, political, security, and health crises since 2014. This domestic turbulence contributed to the controversial impeachment and removal from office of President Dilma Rousseff (2011-2016). It also discredited much of Brazil's political class, paving the way for right-wing populist Jair Bolsonaro to win the presidency in 2018.

Since taking office in January 2019, President Bolsonaro has implemented some economic and regulatory reforms favored by international investors and Brazilian businesses and has proposed measures to ease firearms regulations and promote development in the Brazilian Amazon. Rather than building a broad-based legislative coalition to advance his agenda, Bolsonaro has governed in a populist manner, using social media to communicate directly with his political base; take socially conservative stands on cultural issues; and criticize perceived enemies, such as the press, civil society organizations, and other branches of government. This confrontational approach has alienated potential allies within the conservative-leaning congress and has placed additional stress on the country's already strained democratic institutions. It also has hindered Brazil's ability to address serious challenges, such as the Coronavirus Disease 2019 (COVID-19) pandemic. According to a weighted average of recent polls, as of early May 2022, about 49% of Brazilians rated Bolsonaro's performance in office as "bad" or "terrible," 30% rated it "good" or "great," and 19% rated it "regular." Likewise, Bolsonaro trailed former President Luiz Inácio Lula da Silva (2003-2010) by about 10 percentage points, 33% to 43%, in the presidential election scheduled for October 2022, with several other potential candidates registering single-digit support.

In international affairs, the Bolsonaro administration initially moved away from Brazil's traditional commitment to autonomy and toward closer alignment with the United States. Bolsonaro coordinated closely with the Trump Administration on regional challenges, such as the crisis in Venezuela, and frequently supported the Trump Administration within multilateral organizations. The Trump Administration welcomed Bolsonaro's rapprochement and designated Brazil as a major non-NATO ally. The United States and Brazil also forged agreements on several trade and investment matters, including a Protocol on Trade Rules and Transparency, concluded in October 2020, intended to foster cooperation on trade facilitation and customs administration, good regulatory practices, and anti-corruption measures.

Relations appear to have cooled somewhat under President Biden, potentially suggesting those advances were the result of Bolsonaro's personal and ideological rapport with President Trump rather than a growing alignment between Brazil and the United States. Nevertheless, bilateral merchandise trade reached a record high of $78.2 billion in 2021, and the U.S. and Brazilian governments have maintained frequent, high-level engagement. Among other objectives, the Biden Administration has sought to work with Brazil to enhance bilateral security ties, coordinate approaches to regional and international policy challenges, and strengthen efforts to combat Amazon deforestation and mitigate climate change.

The 117th Congress has maintained interest in Brazil and U.S.-Brazilian relations. Environmental conservation has been one major focus, with Congress appropriating $25 million for foreign assistance programs in the Brazilian Amazon in the Consolidated Appropriations Act, 2022 (P.L. 117-103), up from $17 million in FY2021. Several other introduced bills that focus on U.S. environmental policies globally could affect bilateral relations. For example, S. 1201 would direct the Secretary of State to engage with Brazil on environmental enforcement, sustainable development, and emissions reduction efforts. H.R. 5508 and S. 2950 would prohibit the importation of certain commodities produced on illegally deforested land and would establish a fund to combat deforestation. Some Members also have expressed concerns about the state of democracy and human rights in Brazil. The explanatory statement accompanying the National Defense Authorization Act for FY2022 (P.L. 117-81) called on the Secretary of Defense to ensure any security assistance provided to Brazil complies with U.S. laws and Department of Defense policies regarding adherence to human rights and international law. These and other issues may factor into the Senate's consideration of Elizabeth Frawley Bagley, whom President Biden nominated to serve as U.S. Ambassador to Brazil (PN1691) in January 2022.

For additional information, see CRS Report R46619, *U.S.-Brazil Economic Relations*, coordinated by M. Angeles Villarreal; and CRS In Focus IF11306, *Fire and Deforestation in the Brazilian Amazon*, by Pervaze A. Sheikh et al.

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Introduction

As the 6th-most populous country and the 12th-largest economy in the world, Brazil plays an important role in global governance (see **Figure 1** for a map of Brazil). Over the past 20 years, Brazil has forged coalitions with other large, developing countries to push for changes to multilateral institutions and to ensure that global agreements on issues ranging from trade to climate change adequately protect their interests. Brazil also has taken on a greater role in promoting peace and stability, contributing to U.N. peacekeeping missions and mediating conflicts in South America and further afield. Although recent domestic challenges have led Brazil to turn inward and weakened its appeal globally, the country continues to exert considerable influence on international policy issues that affect the United States.

Brazil at a Glance

Leadership: President Jair Bolsonaro, Vice President Hamilton Mourão, Senate President Rodrigo Pacheco, Chamber of Deputies President Arthur Lira

Population: 214.5 million (2022 est.)

Race/Ethnicity: White—47.7%, Mixed Race—43.1%, Black—7.6%, Asian—1.1%, Indigenous—0.4% (Self-identification, 2010)

Religion: Catholic—54.2%, Evangelical Christian—24.5%, None—13.0%, Other—7.2% (2020)

Official Language: Portuguese

Land Area: 3.3 million square miles (slightly larger than the 48 contiguous U.S. states and the District of Columbia)

Gross Domestic Product (GDP)/GDP per Capita: $1.61 trillion/$7,563 (2021 est.)

Top Exports/Export Markets: iron ore, soybeans, oil, meat, and iron and steel/China (31%), European Union (13%), United States (11%), and Argentina (4%) (2021)

Life Expectancy at Birth: 76.8 years (2020)

Poverty Rate: 18.4% (2020 est.)

Sources: Population, race/ethnicity, land area, and life expectancy statistics from the *Instituto Brasileiro de Geografia e Estatística*; Religion polling data from Latinobarómetro; GDP estimates from the International Monetary Fund; export data from Trade Data Monitor; and poverty estimate from the U.N. Economic Commission for Latin America and the Caribbean.

U.S. policymakers have often viewed Brazil as a natural partner in regional and global affairs, given its status as a fellow multicultural democracy. Repeated efforts to forge a close partnership have left both countries frustrated, however, as their occasionally divergent interests and policy approaches have inhibited cooperation.

The Trump Administration viewed the election of President Jair Bolsonaro as a fresh opportunity to deepen the bilateral relationship. Bolsonaro shifted Brazil's foreign policy to bring the country into closer alignment with the United States, and President Trump designated Brazil a *major non-NATO ally*. The United States and Brazil also concluded a Protocol on Trade Rules and Transparency intended to bolster commercial ties. Nevertheless, relations appear to have cooled somewhat since President Biden took office, suggesting those advances were largely the result of Bolsonaro's personal and ideological rapport with President Trump.

Congress has expressed considerable interest in Brazil in recent years, recognizing Brazil's potential to affect U.S. foreign policy initiatives and interests. Some Members view Brazil as a strategic partner for addressing regional and global challenges. They have called for stronger U.S. economic and security ties with Brazil to bolster the bilateral relationship and counter the influence of extra-hemispheric powers, such as China.[1] Other Members have expressed reservations about a close partnership with the Bolsonaro administration. They are concerned that Bolsonaro is presiding over an erosion of democracy and human rights in Brazil and that his

[1] See, for example, Letter from Marco Rubio, U.S. Senator, to Lloyd Austin, Secretary, U.S. Department of Defense, January 7, 2022, at https://www.rubio.senate.gov/public/_cache/files/7a6d5f3d-b7aa-40b7-a528-2c10a658fdf4/42C29B167B0F43821E5FC296C4FF972A.01.07.22-rubio-letter-to-austin-re-brazil.pdf.

environmental policies threaten the Amazon forest and global efforts to mitigate climate change.[2] Congress may continue to assess these differing approaches to U.S.-Brazilian relations as it considers foreign assistance appropriations and other legislative initiatives and engages in oversight of U.S. policy.

Figure 1. Map of Brazil

Source: Map Resources. Adapted by CRS Graphics.

Note: The Legal Amazon is a region designated under Brazilian law, which includes nine states that fall within the Amazon Basin.

[2] See, for example, Letter from Senator Patrick Leahy et al. to President Joseph Biden, April 16, 2021, at https://www.leahy.senate.gov/imo/media/doc/Letter%20to%20Biden%20re%20Amazon%204-15-21.pdf; and Letter from Henry C. "Hank" Johnson Jr., Member of Congress et al. to President Joseph R. Biden, October 14, 2021, at https://hankjohnson.house.gov/sites/hankjohnson.house.gov/files/documents/Letter%20Urging%20Democracy%20%26%20Human%20Rights%20in%20Brazil.pdf.

Brazil's Political and Economic Environment

Background

Brazil declared independence from Portugal in 1822, initially establishing a constitutional monarchy and retaining a slave-based, plantation economy. Although the country abolished slavery in 1888 and became a republic in 1889, economic and political power remained concentrated in the hands of large rural landowners and the vast majority of Brazilians remained outside the political system. The authoritarian government of Getúlio Vargas (1930-1945) began the incorporation of the working classes but exerted strict control over labor as part of its broader push to centralize power in the federal government. Vargas also began to implement a state-led development model, which endured for much of the 20th century as successive governments supported the expansion of Brazilian industry.

Brazil experienced two decades of multiparty democracy from 1945 to 1964 but struggled with political and economic instability that ultimately led the military to seize power. A 1964 military coup, encouraged and welcomed by the United States, ushered in two decades of authoritarian rule.[3] Although repressive, the military government was not as brutal as the dictatorships established in several other South American nations. It nominally allowed the judiciary and congress to function during its tenure but stifled representative democracy and civic action, carefully preserving its influence during one of the most protracted transitions to democracy to occur in Latin America. Brazilian security forces killed at least 434 dissidents during the dictatorship and they detained and tortured an estimated 30,000-50,000 others.[4]

Brazil restored civilian rule in 1985, and a national constituent assembly, elected in 1986, promulgated a new constitution in 1988. The constitution established a liberal democracy with a strong president, a bicameral congress consisting of the 513-member Chamber of Deputies and the 81-member Senate, and an independent judiciary. Under Brazil's federal structure, the national government shares power with 26 states, a federal district, and some 5,570 municipalities.

Brazil experienced economic recession and political uncertainty during the first decade after its political transition. Numerous efforts to control runaway inflation failed, and two elected presidents did not complete their terms; one died before taking office, and the other was impeached on corruption charges and resigned.

The situation began to stabilize under President Fernando Henrique Cardoso (1995-2002) of the center-right Brazilian Social Democracy Party (*Partido da Social Democracia Brasileira*, or PSDB). Initially elected on the success of the anti-inflation *Real* Plan that he implemented as finance minister under President Itamar Franco (1992-1994), Cardoso ushered in a series of market-oriented economic reforms. His administration privatized some state-owned enterprises, gradually opened the economy to foreign trade and investment, and adopted the three main pillars of Brazil's macroeconomic policy: a floating exchange rate, a primary budget surplus, and an

[3] For information on U.S. policy prior to and following the coup, see *Foreign Relations of the United States*, 1964–1968, Volume XXXI, South and Central America; Mexico, eds. David C. Geyer and David H. Herschler (Washington: GPO, 2004), Documents 181-244, at https://history.state.gov/historicaldocuments/frus1964-68v31/ch5.

[4] At least 8,350 Indigenous people in Brazil also were killed during the dictatorship, either directly by government agents or indirectly due to government policies. Ministério Público Federal, Procuradoria Federal dos Direitos do Cidadão, "PFDC Contesta Recomendação de Festejos ao Golpe de 64," press release, March 26, 2019; and *Relatório da Comissão Nacional da Verdade*, December 10, 2014, at http://cnv.memoriasreveladas.gov.br/.

inflation-targeting monetary policy. Nevertheless, the Brazilian state maintained an influential role in the economy.

Brazil's domestic reforms and a surge in international demand (particularly from China) for Brazilian commodities—such as oil, iron, and soybeans—fostered a period of strong economic growth in Brazil during the first decade of the 21st century. The center-left Workers' Party (*Partido dos Trabalhadores*, or PT) administration of President Luiz Inácio Lula da Silva (Lula, 2003-2010) sought to harness that growth to improve social inclusion and reduce inequality. Among other measures, the PT-led government expanded social welfare programs and raised the minimum wage by 64% above inflation.[5] Over the course of Lula's two terms in office, Brazil's poverty rate fell from 38.8% to 21.0%.[6] Economic growth averaged 4.1% per year during the same period, as Brazil's emerging middle class fueled a domestic consumption boom that reinforced the country's economic expansion.[7]

Although living conditions initially continued to improve under the PT-led administration of President Dilma Rousseff (2011-2016), Brazil has struggled with significant economic and political turmoil over the past decade. The country fell into a deep recession in 2014, due to a decline in global commodity prices and the Brazilian government's economic mismanagement.[8] Unemployment spiked as Brazil's real gross domestic product (GDP) contracted by 8.2% over the course of 2015 and 2016.[9] During the same period, a far-reaching investigation reported that it found evidence of systemic corruption dating back to the Lula administration that implicated prominent Brazilian business executives and politicians from across the political spectrum. The scandals further eroded President Rousseff's political support, contributing to her controversial impeachment and removal from office in 2016.[10]

Rousseff's vice president, Michael Temer of the patronage-based Party of the Brazilian Democratic Movement, served out the remainder of her term (2016-2018). His center-right administration enacted a series of investor-backed reforms, including measures to cap government expenditures and weaken worker protections. Those policies had little popular support, however, and they failed to revive the Brazilian economy. At the same time, a decade-long deterioration in security conditions accelerated, with a record-high 64,000 Brazilians (30.9 per 100,000 people) killed in 2017.[11] Temer also faced several corruption charges but his congressional allies shielded him from trial.[12] In mid-2018, 9% of Brazilians expressed

[5] Cristiano Romero, "O Legado de Lula na Economia," *Valor Online*, December 29, 2010.

[6] The poverty line is defined as the minimum amount necessary to satisfy nutritional requirement and meet other basic needs. U.N. Economic Commission for Latin America and the Caribbean (ECLAC), *CEPALSTAT* database, March 2022.

[7] International Monetary Fund, "World Economic Outlook Database, April 2022," April 19, 2022. (Hereafter: IMF, April 2022).

[8] Alfredo Cuevas et al., "An Eventful Two Decades of Reforms, Economic Boom, and a Historic Crisis," in *Brazil: Boom, Bust, and the Road to Recovery*, IMF, 2018; and Pedro Mendes Loureiro and Alfredo Saad-Filho, "The Limits of Pragmatism: The Rise and Fall of the Brazilian Workers' Party (2002-2016)," *Latin American Perspectives*, vol. 46, no. 1 (2019).

[9] IMF, *Staff Report for the 2018 Article IV Consultation*, June 20, 2018.

[10] Felipe Nunes and Carlos Ranulfo Melo, "Impeachment, Political Crisis and Democracy in Brazil," *Revista de Ciencia Política*, vol. 37, no. 2 (2017).

[11] Fórum Brasileiro de Segurança Pública, *Anuário Brasileiro de Segurança Pública*, October 2021, p 20 (Hereafter: FBSP, 2021).

[12] Anna Jean Kaiser, "Brazil's President Temer Avoids a New Corruption Trial," *Washington Post*, October 25, 2017.

satisfaction with the way democracy was working in their country—the lowest percentage in all of Latin America.[13]

Bolsonaro Administration (2019-Present)

Brazilian voters registered their intense dissatisfaction with the situation in the country in the 2018 elections. In addition to ousting 75% of incumbents running for reelection to the Senate and 43% of incumbents running for reelection to the Chamber of Deputies, they elected as president, Jair Bolsonaro, a far-right legislator and retired army captain.[14] Prior to the election, many observers considered Bolsonaro to be a fringe figure in congress. He exercised little influence over policy and was best known for his controversial remarks defending the country's military dictatorship (1964-1985) and expressing prejudice toward marginalized sectors of Brazilian society.[15] Backed by the small Social Liberal Party, Bolsonaro also lacked the finances and party machinery of his principal competitors. Nevertheless, his social media-driven campaign and tough-on-crime message attracted a strong base of support. He outflanked his opponents by exploiting anti-PT and antiestablishment sentiment and aligning himself with the few institutions that Brazilians still generally trusted: the military and the churches.[16] Bolsonaro largely remained off the campaign trail after being stabbed a month before the election, but he easily defeated the PT's Fernando Haddad 55%-45% in a second-round runoff.

Bolsonaro campaigned on a platform pledging to combat corruption, take a hardline approach to crime, enact market-oriented economic reforms, repeal environmental and firearms regulations, and advance conservative social values. Since taking office in January 2019, however, he has struggled to advance portions of his agenda through Brazil's fragmented congress, which includes 23 political parties. Whereas previous Brazilian presidents forged governing coalitions by distributing control of cabinet positions and other government resources to parties in exchange for congressional support, Bolsonaro initially resisted such arrangements. Instead, he adopted a populist approach to governance, using social media to communicate directly with his political base, criticize opponents, and generate pressure for his agenda. Although Bolsonaro ultimately incorporated several large patronage-based parties into his administration to ward off the threat of impeachment, many of his preferred policies remain stalled in congress (see "Economic and Social Policies", "Security Policy", and "Environmental Policies").[17]

By most accounts, President Bolsonaro's approach to governance has placed additional stress on Brazil's already-strained democratic institutions. He repeatedly has escalated policy disputes with the congress, supreme court, and state and local governments, using what is often viewed as confrontational rhetoric and suggesting he could call upon the military for support.[18] The

[13] Corporación Latinobarómetro, *Informe 2018*, November 2018.

[14] Sylvio Costa and Edson Sardinha, "O que Você Precisa Saber para Entender o Novo Congresso Brasileiro," *Congresso em Foco*, October 9, 2018.

[15] See, for example, Brian Winter, "System Failure: Behind the Rise of Jair Bolsonaro," *Americas Quarterly*, vol. 11, no. 1, (January 2018).

[16] Matias Spektor, "It's Not Just the Right That's Voting for Bolsonaro. It's Everyone." *Foreign Policy*, October 26, 2018. As of mid-2018, 58% of Brazilians expressed trust in the military and 73% expressed trust in the churches, according to Corporación Latinobarómetro.

[17] "Brazil: The 'Old Politics' is Back in Fashion," *Latin American Weekly Report*, February 4, 2021.

[18] Ricardo Brito, "Brazil's Bolsonaro Says Military Will Not Remove Elected President," Reuters, June 15, 2020; Marcelo Silva de Sousa, "Brazil Leader Says Army Could be Called if Lockdown Chaos," Associated Press, April 24, 2021; and "Brazil Pres. Oversees Military Display Viewed as Bid to Intimidate Congress," EFE News Service, August 10, 2021.

Brazilian armed forces are now more involved in governance than they have been at any time since the end of the dictatorship in 1985; Bolsonaro has appointed retired and active-duty military officers to lead nearly half of his cabinet ministries and has more than doubled the number of such officers serving in other high-level appointed positions.[19] Bolsonaro also reportedly has sought to exert influence over law enforcement agencies to protect his family from corruption charges and to advance his political interests.[20] In addition to such efforts to intimidate or control government institutions, Bolsonaro has engaged in frequent verbal attacks against journalists and nongovernmental organizations (NGOs), reportedly fueling an increase in threats and violence against such groups.[21]

Pandemic Response

The Bolsonaro administration's response to the Coronavirus Disease 2019 (COVID-19) pandemic has faced widespread criticism, both at home and abroad. Although the Brazilian government enacted significant economic support measures to help households, businesses, and state governments through the pandemic (see "Economic and Social Policies"), Bolsonaro has actively opposed most of the country's public health measures. Throughout the pandemic, he has downplayed the threat posed by COVID-19, flouted public health guidelines, promoted unproven treatments, and spread scientifically baseless information linking COVID-19 vaccines to HIV.[22] He also has sought to overturn restrictions imposed by state and local governments, arguing the economic impact is more damaging than the virus itself.[23] A Brazilian Senate investigation found that such actions "deliberately exposed the population to a concrete risk of mass infection," and recommended criminal charges against President Bolsonaro for nine different offenses, including crimes against humanity.[24] As of May 10, 2022, Brazil had reported more than 30.5 million cases and 664,000 deaths from COVID-19 since the start of the pandemic, giving the country one of the highest COVID-19 mortality rates (312.6 deaths per 100,000 people) in the world.[25]

Even as it has struggled to control the spread of the virus, Brazil has played an important role in the development and production of COVID-19 vaccines. In 2020, the country hosted clinical trials for COVID-19 vaccines developed by AstraZeneca/Oxford, Sinovac, and Pfizer/BioNTech. Brazilian institutions (the Oswaldo Cruz Foundation (Fiocruz), the Butantan Institute, and Eurofarma Laboratórios, respectively) have entered into agreements with those companies to produce hundreds of millions of vaccine doses annually for domestic use in Brazil and for export

[19] Wendy Hunter and Diego Vega, "Populism and the Military: Symbiosis and Tension in Bolsonaro's Brazil," *Democratization*, vol. 29, no. 2 (2022), pp. 337-359.

[20] Guilherme France, *Brazil: Setbacks in the Legal and Institutional Anti-Corruption Frameworks*, Transparency International, November 20, 2019; Ricardo Brito, "Brazil Justice Minister Quits, Accuses Bolsonaro of Meddling in Police," Reuters, April 24, 2020; and Ricardo Brito, "On Tape, Boslonaro Cites Protecting His Family in Push to Swap Top Rio Cop – Source," Reuters, May 12, 2020.

[21] Igarapé Institute, *The 'Agora' is Under Attack: Assessing the Closure of Civic Space in Brazil and Around the World*, Strategic Paper 49, October 2020, p. 14.

[22] See, for examples, "Brazil: Bolsonaro Pandemic as Death Toll Reaches New Milestone," *Latin News Daily*, October 12, 2020; "Bolsonaro Rallies with Supporters Amid Virus Surge," Agence France Presse, May 24, 2020; Ernesto Londoño and Mariana Simões, "Defying Science, Brazil's Leader Trumpets Unproven 'Cure'," *New York Times*, June 14, 2020; and "Brazilian President Says COVID-19 Vax and HIV Go Hand in Hand," MercoPress, October 26, 2021.

[23] "Brazil's Sao Paulo to Get Two-Week Coronavirus Shutdown, Bolsonaro Blasts 'Hysteria'," Reuters, March 21, 2020; and "Brazil: Bolsonaro Expands Essential Businesses, Crosses Governors," *Latin News Daily*, May 12, 2020.

[24] Senado Federal, Comissão Parlamentar de Inquérito da Pandemia, *Relatório Final*, October 26, 2021, p. 1271.

[25] Johns Hopkins, Coronavirus Resource Center, "Mortality Analyses," at https://coronavirus.jhu.edu/data/mortality.

to countries throughout Latin America and Africa.[26] Fiocruz and the Butantan Institute are also developing additional COVID-19 vaccines, and the Pan American Health Organization selected Fiocruz to serve as a regional hub for the development of mRNA-based vaccines in Latin America. Although global supply chain disruptions and delays in government planning and procurement initially slowed Brazil's domestic vaccination campaign, more than 77% of Brazilians were fully vaccinated as of May 10, 2022.[27] Brazil plans to donate at least 30 million vaccine doses to low-income countries, delivering an initial 500,000 doses to Paraguay in December 2021.[28]

Economic and Social Policies

President Bolsonaro has had mixed success in advancing the market-oriented economic reforms that he campaigned on and that some economists maintain are necessary to boost Brazil's long-term growth potential. In 2019, the Brazilian government enacted a far-reaching pension reform to reduce government expenditures. It also began implementing an infrastructure and natural resource concession program that generated more than $145 billion in investments and $26 billion in government fees between 2019 and 2021.[29] Those measures built on a 2016 constitutional amendment that froze inflation-adjusted government spending for 20 years in an attempt to reduce the national debt (estimated at 93% of GDP in 2021).[30] Other structural reforms have stalled in the Brazilian congress, including measures to simplify the tax system and decrease compensation and job security for government employees.

Over the past two years, Brazilian policymakers have focused on mitigating the economic and social impacts of the COVID-19 pandemic. In 2020, they suspended the budget cap and enacted a series of emergency support measures that included an expansion of a conditional cash transfer program for low-income Brazilians, new monthly cash transfers for informal and unemployed workers, credit and payroll assistance for small- and medium-sized businesses, and aid for state and municipal governments. Brazil's fiscal response, which amounted to 12% of GDP in 2020, limited the country's economic contraction to 3.9%.[31] It also resulted in Brazil being the only country in Latin America in which the estimated poverty rate declined between 2019 and 2020, falling by nearly two percentage points to 18.4%.[32] Brazil began to withdraw those emergency support measures in 2021, as the economy rebounded with 4.6% growth.[33] Approximately 12 million Brazilians (11.1% of the population) remained unemployed in the fourth quarter of 2021,

[26] Fiocruz News Agency, "Fiocruz and AstraZeneca Make a Commitment for API Acquisition in 2022," press release, November 3, 2021; Instituto Butantan, "Butantan Vai Fornecer CoronaVac para Países da América do Sul e da África, Afirma Dimas Covas," press release, September 29, 2021; and Pfizer, "Pfizer and BioNTech Announce Collaboration with Brazil's Eurofarma to Manufacture COVID-19 Vaccine Doses for Latin America," press release, August 26, 2021.

[27] "Brazil Economy: Country Struggles with Slow Start to COVID-19 Vaccinations," *Economist Intelligence Unit*, January 29, 2021; Diane Jeantet and Débora Álvares, "Sidelining Experts, Brazil Bungled Its Immunization Plans," Associated Press, January 16, 2021; and Johns Hopkins, Coronavirus Resource Center, "Brazil," at https://coronavirus.jhu.edu/region/brazil.

[28] Alex Rodrigues, "Brazil to Donate 10 Mi COVID-19 Shots to Low-Income Nations," Agência Brasil, December 12, 2021; and Ministério das Relações Exteriores, "Joint Press Release by the Ministry of Foreign Affairs and the Ministry of Health on the Donation of COVID-19 Vaccines to Paraguay," press release Nº 182, December 27, 2021.

[29] Bryan Harris, "Brazil's Economic Outlook Buoyed by Big-ticket Investments," *Financial Times*, January 4, 2022.

[30] IMF, April 2022.

[31] IMF, "Policy Responses to COVID-19," July 2, 2021; and IMF, April 2022.

[32] U.N. Economic Commission for Latin America and the Caribbean, *Social Panorama of Latin America, 2021*, January 2022.

[33] IMF, April 2022.

however, and rising energy prices and global supply bottlenecks drove Brazil's annual inflation rate above 10%.[34]

The International Monetary Fund forecasts that Brazil's economic growth rate will slow to 0.8% in 2022, due, in part, to high inflation and rising interest rates.[35] In an attempt to offset the higher cost of living, the Bolsonaro administration has reduced fuel taxes, increased cash transfers to low-income Brazilians, and launched a stimulus program to inject about $34 billion (2.1% of GDP) into the economy by advancing pension payments, expanding access to credit, and allowing workers to access some mandatory savings.[36] The additional expenditures may require the Brazilian government to make cuts to other areas of the budget or readjust the country's spending cap.

Security Policy

President Bolsonaro has had some difficulty advancing the hardline security platform that was a centerpiece of his 2018 electoral campaign. The Brazilian congress enacted measures to modernize police investigations and impose more severe criminal sentences in 2019, but it has yet to approve Bolsonaro's proposals to shield from prosecution police who kill suspected criminals or to roll back the country's strict firearms regulations. With legislation stalled, Bolsonaro issued more than 30 decrees to ease gun ownership during his first three years in office.[37] Although the Brazilian supreme court overturned some of those decrees, the number of newly registered firearms in Brazil reportedly quadrupled from 2018 to 2021.[38]

In general, violence in Brazil has been trending downward in recent years. The number of Brazilians killed annually declined nearly 22% between 2017 and 2020 to just over 50,000 (23.6 per 100,000 residents).[39] During the same period, however, femicides (gender-motivated murders of women and girls) increased by 26% and the number of individuals killed by police increased by 24%.[40] This violence disproportionately affects Afro-Brazilians, who comprised approximately 56% of Brazil's total population in 2020 but were the victims of 62% of femicides, 76% of homicides, and 79% of police killings.[41] Preliminary data suggests homicides continued to decline in 2021, reaching a 15-year low, but there was a slight increase in sexual violence.[42]

The Bolsonaro administration has claimed credit for the falling homicide rate, but security analysts have identified a variety of other factors that have contributed to the decline, including shifting dynamics among the country's criminal organizations.[43] Over the past decade, several

[34] Instituto Brasileiro de Geografia e Estatistica (IBGE), "Continuous PNAD: Unemployment Rate is 11.1%, Underutilization Rate is 24.3% in Quarter Ending in December," press release, February 24, 2022; and Letter from Roberto Oliveira Campos Neto, Presidente, Banco Central do Brasil, to Paulo Roberto Nunes Guedes, Ministro de Estado da Economia, January 11, 2022.

[35] IMF, April 2022.

[36] "Bolsonaro's Social Spending Package Targets October Election," *Economist Intelligence Unit*, March 24, 2022.

[37] Lais Martins, "Bolsonaro's Pro-Gun Agenda May Become Law," *Foreign Policy*, February 8, 2022.

[38] "Registro de Novas Armas de Fogo por Civis Bate Recorde," *O Globo*, February 22, 2022.

[39] FBSP, 2021, p. 20.

[40] FBSP, 2021, pp. 59 and 91.

[41] FBSP, 2021, pp. 40, 67, and 98.

[42] G1, Monitor da Violência, "Número de Assassinatos Cai 7% No Brasil em 2021 e é o Menor da Série Histórica," February 21, 2022; and FBSP, "Violência Contra Mulheres em 2021," March 7, 2022, p. 9.

[43] Samira Bueno and Renato Sérgio de Lima, "Queda de Assassinatos Mostra que Estados Regiram e Colocaram em Prática Programas de Enfrentamento à Violência," *G1, Monitor da Violência*, February 21, 2022.

large, well-organized, and heavily armed criminal groups in Brazil—such as the First Capital Command (*Primeiro Comando da Capital*, or PCC) and the Red Command (*Comando Vermelho*, or CV)—have increased their transnational operations. The PCC is now among the world's most powerful organized crime groups, according to the U.S. Treasury Department, which imposed sanctions on the group in December 2021.[44] Violence in Brazil spiked in 2016 and 2017 as a long-standing truce between the PCC, CV, and their local affiliates broke down and the organizations battled for control of strategic trafficking corridors. Violence has since declined in areas where a single group has consolidated territorial control.[45]

October 2022 Elections

Brazil is scheduled to hold presidential, legislative, and state elections on October 2, 2022. President Bolsonaro has joined the center-right Liberal Party in advance of the election in an attempt to expand his base and forge alliances with several of the county's large patronage-based parties. He abandoned his previous Social Liberal Party in 2019 due to disagreements with the party's leadership, and his efforts to establish a new Alliance for Brazil party were unsuccessful.

At this juncture, Bolsonaro appears to face a difficult path to reelection. According to a weighted average of polls, as of May 9, 2022, 49.3% of Brazilians rated Bolsonaro's performance in office as "bad" or "terrible," 30.0% rated it "good" or "great," and 19.3% rated it "regular."[46] As his popular support has declined, Bolsonaro has repeatedly questioned the legitimacy of Brazil's electoral system, raising concerns that he may seek to discredit or overturn the results of the October elections.[47]

The political opposition, which has been fragmented for the past three years, has begun to coalesce behind former President Lula (2003-2010) of the center-left PT. Lula was convicted on corruption charges in 2017 and imprisoned for nearly two years, but the Brazilian supreme court annulled those convictions on procedural grounds in 2021, making him once again eligible for public office. The supreme court subsequently ruled that the judge presiding over the case for which Lula was imprisoned had acted with bias.[48] The 76-year old former president remains popular among many Brazilians due to the significant improvements in living standards that

[44] U.S. Department of the Treasury, "Treasury Uses New Sanctions Authority to Combat Global Illicit Drug Trade," press release, December 15, 2021.

[45] G1, Monitor da Violência, "Número de Assassinatos Cai 7% No Brasil em 2021 e é o Menor da Série Histórica," February 21, 2022.

[46] UOL, "Agregador de Pesquisas UOL," at https://noticias.uol.com.br/reportagens-especiais/pesquisa-eleitoral-eleicoes-2022-agregador/#page3.

[47] Flávia Milhorance and Ernesto Londoño, "Brazil's Leader Attacks Electronic Ballots and Threatens to Suspend Vote," *New York Times*, August 11, 2021; "Bolsonaro Interrompe Trégua e Retoma Ataques ao Sistema Eleitoral," *Folha de São Paulo*, February 12, 2022; and Mauricio Savarese, "Brazil's Bolsonaro Says He Will Seek Audit of Voting System," Associated Press, May 5, 2022.

[48] Lula faced numerous corruption charges, was convicted in two cases, and was sentenced to more than 25 years in prison. The first conviction was upheld by a circuit court panel and Brazil's superior court of justice, which resulted in Lula being imprisoned in April 2018 and barred from running for a third presidential term. Lula was released from prison in November 2019, however, after Brazil's supreme court ruled that most individuals convicted of nonviolent crimes should remain free until they have exhausted the appeals process. In April 2021, the supreme court annulled Lula's convictions on procedural grounds, and, in June 2021, the supreme court ruled that Judge Sergio Moro, who presided over Lula's initial conviction and went on to serve as minister of justice and public security in the Bolsonaro administration, had acted with bias. As of March 2022, Brazilian courts had acquitted Lula in three cases and dismissed or suspended the remaining charges against him. Ernesto Londoño and Letícia Casado, "Ex-President of Brazil Is Freed from Prison After Ruling by Supreme Court," *New York Times*, November 9, 2019; and Paulo Roberto Netto, "Lula Se Livra de Processos, Mas Teve Só 3 Absolvições," *Poder360*, March 15, 2022.

occurred during his eight years in office. Although there continues to be a strong current of anti-PT sentiment among some sectors of the population, Lula has taken steps to broaden his coalition. In April 2022, for example, Lula selected Geraldo Alckmin—one of the founders of the center-right PSDB and Lula's 2006 presidential opponent—to serve as his running mate.[49]

According to one poll aggregator, as of May 4, 2022, Lula was leading Bolsonaro 43.3% to 32.8%, with several other potential candidates trailing with single digit support.[50] Additional challengers could emerge before the August 15 registration deadline. If no candidate wins more than 50% of the valid votes, a runoff between the top two candidates is scheduled for October 30.

Amazon Conservation and Climate Change

Significant increases in fires and deforestation in the Brazilian Amazon over the past three years have led many Brazilians and international observers to express concern about the rainforest and the extent to which its destruction is contributing to regional and global climate change.[51] Covering nearly 2.7 million square miles across seven countries, the Amazon Basin is home to the largest and most biodiverse tropical forest in the world.[52] Scientific studies have found that the Amazon plays an important role in the global carbon cycle by absorbing and sequestering carbon. Some estimates suggest it may hold 123 billion tons of carbon—an amount equivalent to about 12 years of global carbon emissions.[53] The Amazon also pumps water into the atmosphere, affecting regional rainfall patterns throughout South America.[54] An estimated 17% of the Amazon Basin has been deforested, however, and some scientists have warned that the forest may be nearing a tipping point at which it is no longer able to sustain itself and transitions to a drier, savanna-like ecosystem.[55] This cycle of deforestation and warming may reduce the forest's capacity to store carbon and could result in the Amazon becoming a net carbon source.[56]

Efforts to conserve the forest often focus on Brazil, since the country encompasses about 69% of the Amazon Basin.[57] Within Brazil, the government has established an administrative zone known as the Legal Amazon, which is comprised of nine states that fall within the Amazon Basin (see **Figure 1**). Although rainforest covers most of the Legal Amazon, savanna (*Cerrado*) and

[49] Alckmin left the PSDB in December 2021 and joined the center-left Brazilian Socialist Party in March 2022 in anticipation of the alliance with Lula.

[50] UOL, "Agregador de Pesquisas UOL," at https://noticias.uol.com.br/reportagens-especiais/pesquisa-eleitoral-eleicoes-2022-agregador/#page2.

[51] For more information, see CRS In Focus IF11306, *Fire and Deforestation in the Brazilian Amazon*, by Pervaze A. Sheikh et al.

[52] Portions of Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru, and Venezuela are located in the Amazon Basin. The rainforest extends beyond the Amazon Basin into Suriname and French Guiana. United Nations Environment Programme, G*lobal International Waters Assessment: Amazon Basin*, GIWA Regional Assessment 40b, Kalmar, Sweden, 2004, p. 15 (Hereafter: UNEP 2004).

[53] Luciana V. Gatti et al., "Amazonia as a Carbon Source Linked to Deforestation and Climate Change," *Nature*, vol. 595 (July 15, 2021), p. 388; and Pierre Friedlingstein et al., "Global Carbon Budget 2021," *Earth System Science Data*, Preprint (November 4, 2021), p. 26.

[54] D. C. Zemp et al., "Deforestation Effects on Amazon Forest Resilience," *Geophysical Research Letters*, vol. 44, no. 12 (2017).

[55] Thomas Lovejoy and Carlos Nobre, "Amazon Tipping Point: Last Chance for Action," *Science Advances*, vol. 5, no. 12 (2019).

[56] Luciana V. Gatti et al., "Amazonia as a Carbon Source Linked to Deforestation and Climate Change," *Nature*, vol. 595 (July 15, 2021), pp. 388-393.

[57] UNEP, 2004, p. 16.

wetlands (*Pantanal*) are also present in portions of the region. The Legal Amazon was largely undeveloped until the 1960s, when the military-led government began subsidizing the settlement and development of the region as a matter of national security. Partially due to those incentives, roads, logging, mining, agriculture, and other activities proliferated in the region, and the Legal Amazon's human population grew from 7.1 million in 1970 to 28.1 million in 2020.[58] About 19.5% of the Amazon forest located within Brazil had been lost as of 2020.[59]

Environmental Policies

In 2004, the Brazilian government adopted an action plan to prevent and control deforestation in the Legal Amazon.[60] It increased surveillance in the Amazon region, began to enforce environmental laws and regulations more rigorously, and took steps to consolidate and expand protected lands. More than 22% of the Legal Amazon now has some sort of federal or state protected status, and the Brazilian government has recognized more than 23% of the region as Indigenous or *Quilombola* territories.[61] Brazil's forest code also requires private landowners in the Amazon biome to maintain native vegetation on 80% of their properties.

Other Brazilian initiatives have sought to support sustainable development in the Amazon while limiting the extent to which the country's agricultural sector drives deforestation. In 2008, the Brazilian government began conditioning credit on farmers' compliance with environmental laws; in 2009, the government banned new sugarcane plantations in the Legal Amazon. The Brazilian government also supported private sector conservation initiatives. Those included a 2006 voluntary agreement among most major soybean traders not to purchase soybeans grown on lands deforested after 2006 (later revised to 2008) and a 2009 voluntary agreement among meatpackers not to purchase cattle raised on lands deforested in the Amazon after 2008.

Brazil's public and private conservation efforts, combined with economic factors that made agricultural commodity exports less profitable, led to an 83% decline in deforestation in the Legal Amazon between 2004 and 2012.[62] Deforestation has increased significantly in recent years, however, rising from a low of 1,765 square miles in 2012 to 5,110 square miles in the 12-month monitoring period that ended in July 2021 (see **Figure 2**). Analysts have linked the increase in deforestation to a series of government policy reversals that have cut funding for environmental enforcement, reduced the size of protected areas, and relaxed conservation requirements.[63] Market incentives, such as the growth in Chinese imports of Brazilian beef and soybeans and record-high gold prices, also have contributed to recent deforestation trends.[64]

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[58] Daniel Santos, Rodney Salomão, and Adalberto Veríssimo, *Fatos da Amazônia 2021*, Amazônia 2030, March 2021, p. 10 (Hereafter: Amazônia 2030, March 2021).

[59] Amazônia 2030, March 2021, p. 16.

[60] Presidência da República, Casa Civil, *Plano de Ação para a Prevenção e Controle do Desmatamento na Amazônia Legal*, March 2004.

[61] Quilombolas are inhabitants of communities founded by individuals who escaped or were freed from slavery. Amazônia 2030, March 2021, p. 21.

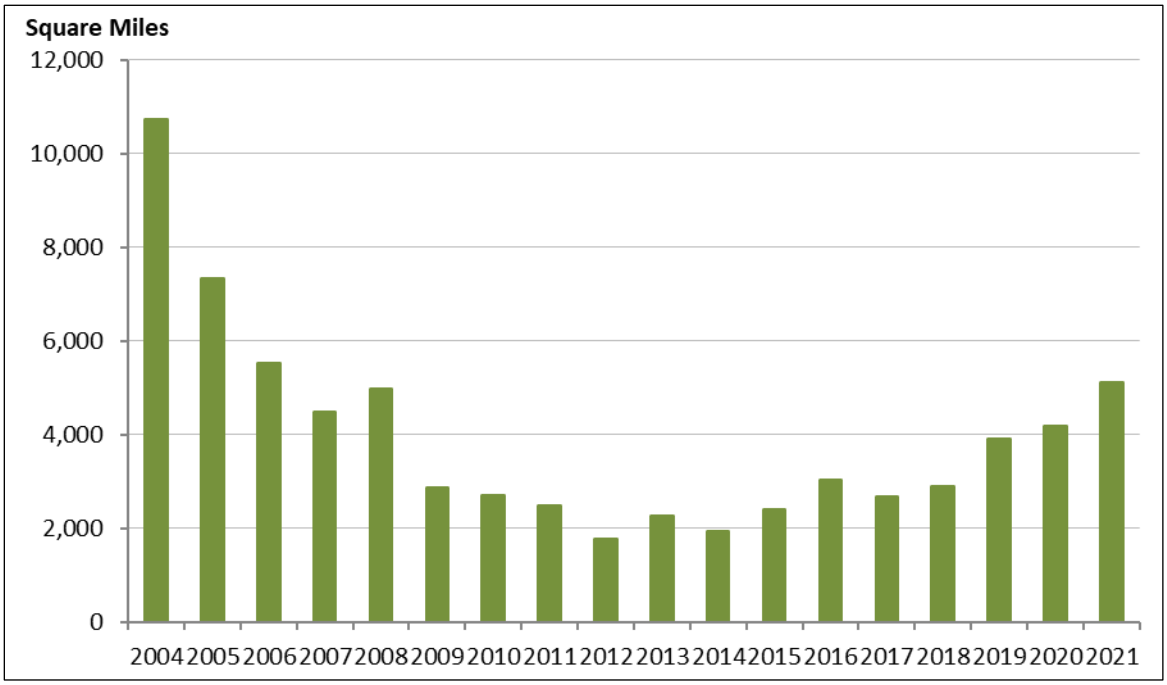
[62] Philip Fearnside, "Business as Usual: A Resurgence of Deforestation in the Brazilian Amazon," *Yale Environment 360*, April 18, 2017 (Hereafter: Fearnside, "Business as Usual."); and Instituto Nacional de Pesquisas Espaciais, "Taxa PRODES Amazônia – 2004 a 2021 (km²)," November 19, 2021.

[63] Fearnside, "Business as Usual"; and William D. Carvalho et al., "Deforestation Control in the Brazilian Amazon: A Conservation Struggle Being Lost as Agreements and Regulations Are Subverted and Bypassed," *Perspectives in Ecology and Conservation*, vol. 17, no. 3 (2019).

[64] Gustavo Faleiros, "China's Brazilian Beef Demand Linked to Amazon Deforestation Risk," *Diálogo Chino*, October 23, 2019; André Vasconcelos, "Uncovering the Deforestation and Climate Risks of Chinese and EU Soy and Beef

Although changes that weakened Brazil's environmental policies began under President Rousseff and continued under President Temer, some analysts argue that the Bolsonaro administration's approach to the Amazon has emboldened individuals engaged in illegal logging, mining, and land grabbing.[65] Bolsonaro has fiercely defended Brazil's sovereignty over the Legal Amazon and its right to develop the region. Since taking office, his administration has lifted the ban on new sugarcane plantations in the Legal Amazon and called for an end to the soy moratorium. It also has proposed measures—to date, not enacted by the Brazilian congress—to provide property titles to individuals illegally occupying public lands and to allow commercial agriculture, mining, and hydroelectric projects in Indigenous territories. The Bolsonaro administration argues that such economic activities would benefit those living in the region and reduce incentives for illegal deforestation.

Figure 2. Deforestation in Brazil's Legal Amazon: 2004-2021



Source: CRS presentation of data from the Brazilian government's Instituto Nacional de Pesquisas Espaciais, "Taxa PRODES Amazônia – 2004 a 2021 (km²)," November 19, 2021, at http://www.obt.inpe.br/OBT/assuntos/programas/amazonia/prodes.

Note: Annual monitoring periods run from August to July (e.g., 2021 data include deforestation from August 2020 to July 2021).

At the same time, Bolsonaro has questioned the Brazilian government's deforestation data and scaled back environmental enforcement. Between 2018 and 2021, Amazon deforestation increased by nearly 76% (see **Figure 2**), while Brazil's primary environmental enforcement agency reportedly issued 40% fewer fines for crimes against flora, imposed 70% fewer embargos on rural properties for illegal deforestation, and conducted 81% fewer seizures in 2021 than it had

Imports from South America," Woodrow Wilson International Center for Scholars, January 2022; and Joshua Howat Berger and Valeria Pacheco, "New Gold Rush Fuels Amazon Destruction," Agence France Presse, November 9, 2021.

[65] Philip M. Fearnside, "Brazil's Amazon Gold Mining to be 'Stimulated' by Bolsonaro's Decree," *Mongabay*, February 22, 2022; and Gil Alessi, "The Amazon Rainforest Under Bolsonaro: A Story of Fire and Violence in Brazil," *El País*, September 16, 2021.

in 2018.[66] Although the Bolsonaro administration deployed the armed forces to the Amazon in a series of operations, critics contend the military presence was ineffective and even hindered some enforcement efforts due to the armed forces' lack of experience in detecting and responding to environmental crimes.[67]

Paris Agreement Commitments

The rising levels of Amazon deforestation may call into question whether Brazil will meet its commitments under the Paris Agreement on climate change. In 2016, Brazil committed to reduce greenhouse gas emissions by 37% below 2005 levels by 2025 and by 43% below 2005 levels by 2030.[68] As of 2016, Brazil was on track to meet those commitments. Greenhouse gas emissions declined by 12% per year from 2006 to 2016, as significant reductions in deforestation offset slight increases in emissions from other sources.[69]

Although President Bolsonaro pledged to withdraw from the Paris Agreement during his 2018 election campaign, he reversed course following his inauguration, reportedly stating that Brazil would remain in the agreement "for now."[70] In 2020, Brazil submitted an updated Nationally Determined Contribution (NDC) that reaffirmed its previous Paris Agreement commitments but recalculated the 2005 baseline, allowing higher absolute emissions in each of the target years (see **Table 1**). Many observers criticized Brazil's updated NDC as contrary to the spirit of the Paris Agreement, which calls for countries to adopt increasingly more ambitious goals.[71]

Table 1. Evolution of Brazil's Paris Agreement Commitments

	2025 Target		2030 Target		
NDC Date	Compared to 2005	$GtCO_2e$	Compared to 2005	$GtCO_2e$	Net Zero Emissions Target Date
2016	-37%	1.30	-43%	1.20	none
2020	-37%	1.79	-43%	1.62	2060
2022	-37%	1.61	-50%	1.28	2050

Source: CRS presentation of data from "Natalie Unterstell and Nathália Martins, *NDC: Analysis of the 2022 Update Submitted by the Government of Brazil*, Instituto Talanoa, 2022, p. 5.

Notes: NDC = Nationally Determined Contribution; $GtCO_2e$ = gigatonnes of carbon dioxide equivalent. Brazil's calculation of its 2005 baseline emissions changed from 2.10 $GtCO_2e$ in 2016 to 2.84 $GtCO_2e$ in 2020 to 2.56 $GtCO_2e$ in 2022.

[66] Observatório Do Clima, *The Bill Has Come Due: The Third Year of Environmental Havoc Under Jair Bolsonaro*, February 2022, pp. 12-13.

[67] Terrence McCoy and Heloísa Traiano, "Bolsonaro Sent Soldiers to the Amazon to Curb Deforestation. Here's How the Effort Failed," *Washington Post*, January 3, 2021; and Jake Spring, "Special Report-Brazil's Military Fails in Key Mission: Halting Amazon Deforestation," Reuters, March 24, 2021.

[68] Federative Republic of Brazil, *Intended Nationally Determined Contribution*, September 21, 2016.

[69] UNEP, *Emissions Gap Report 2018*, November 27, 2018, p. 9.

[70] "Brazil to Remain in Paris Agreement 'for Now,' Bolsonaro Says," *Valor International*, January 22, 2019.

[71] Observatório Do Clima, *NDC and the Carbon Trick Maneuver: How Brazil Reduced the Ambition of Its Goals under the Paris Agreement*, December 10, 2020; and WWF-Brazil, "New Brazilian NDC Reduces the Country's Climate Ambition, Against the Spirit of the Paris Agreement," December 11, 2021.

In the face of growing international scrutiny over its environmental policies, the Bolsonaro administration pledged to strengthen its Paris Agreement commitments at the November 2021 U.N. climate change conference. In March 2022, Brazil submitted an updated NDC that reaffirms Brazil's 2025 target, commits to reduce greenhouse gas emissions by 50% below 2005 levels by 2030, and sets a goal of net zero emissions by 2050.[72] Due to another recalculation of the 2005 baseline, however, Brazil's absolute emissions targets for 2025 and 2030 remain 0.31 gigatonnes of carbon dioxide equivalent ($GtCO_2e$) and 0.08 $GtCO_2e$ higher, respectively, than the levels assumed in the country's 2016 NDC.[73]

A 2021 U.N. Environment Program report assessed that Brazil was unlikely to achieve its original 2016 NDC targets under current policies.[74] In 2020, the most recent year for which comprehensive data are available, Brazil's annual greenhouse gas emissions increased by an estimated 9.5% (to 2.16 $GtCO_2e$). The increase was driven by a 23.7% increase in emissions from the forestry and other land use sector, which accounted for 46% of Brazil's total emissions.[75] Conversely, emissions from the energy sector declined by 4.5% in 2020, as renewable energy sources accounted for 40% of Brazil's primary energy production and 83% of the country's installed electricity generation capacity.[76]

Brazil has adopted some new emission mitigation measures over the past two years. In 2021, it enacted a national policy on payments for environmental services to regulate voluntary agreements that compensate individuals and communities for protecting forests and other natural resources. Brazil also launched an "Adopt a Park" program to attract private funding for conservation efforts. A bill to establish a voluntary carbon market in line with the international carbon markets established by the Paris Agreement is under consideration in the Brazilian congress. Although Brazil has reiterated its call for higher income countries to fund these types of conservation and sustainable development projects, the Bolsonaro administration has yet to reach agreements with the governments of Norway and Germany to release more than $580 million donated through Brazil's Amazon Fund for such efforts.[77] The funding has been frozen since 2019, when the Bolsonaro administration unilaterally restructured the governance of the fund and Amazon deforestation began to accelerate.

U.S.-Brazilian Relations

The United States and Brazil historically have enjoyed robust political and economic relations but the countries' divergent perceptions of their national interests have inhibited the development of a close partnership. That began to change, to a certain extent, after President Bolsonaro took office. Whereas previous Brazilian governments generally sought to maintain autonomy in foreign affairs, Bolsonaro called for alignment with the United States. He coordinated closely with the

[72] Federative Republic of Brazil, *Nationally Determined Contribution*, March 21, 2022.

[73] "CO_2e" is a metric used to express the impact of emissions from differing greenhouse gasses in a common unit by converting each gas to the equivalent amount of CO_2 that would have the same effect on increasing global average temperature. Natalie Unterstell and Nathália Martins, *NDC: Analysis of the 2022 Update Submitted by the Government of Brazil*, Instituto Talanoa, 2022.

[74] UNEP, *The Heat Is On, A World of Climate Promises Not Yet Delivered*: *Emissions Gap Report 2021*, October 26, 2021, pp. 13-14.

[75] Observatório do Clima, "Análise das Emissões Brasileiras de Gases de Efeito Estufa do Brasil e Suas Implicações para as Metas de Clima do Brasil 1970-2020," 2021, pp. 3-4.

[76] Ibid; Ministério de Minas e Energia, *Brazilian Energy Balance: Year 2020*, 2021, pp. 20, 23.

[77] "COP26: Brazil's Climate Vows 'Not Enough' to 'Unblock Resources' for Amazon Fund," BBC Monitoring, November 17, 2021; and Amazon Fund, "Portfolio Report," February 28, 2022.

Trump Administration on regional challenges, such as the crisis in Venezuela, and frequently supported the Trump Administration within multilateral organizations.

The Trump Administration welcomed Bolsonaro's rapprochement and sought to strengthen bilateral ties. In 2019, for example, the Trump Administration designated Brazil as a major non-NATO ally (see "Defense Cooperation"). The Trump Administration also pursued trade negotiations with Brazil, concluding a Protocol on Trade Rules and Transparency in 2020, which aims to foster cooperation on trade facilitation and customs administration, good regulatory practices, and anti-corruption measures (see "Commercial Relations").

Relations appear to have cooled somewhat under President Biden, suggesting those advances in bilateral ties reflected Bolsonaro's personal and ideological rapport with President Trump rather than a growing alignment between Brazil and the United States. Bolsonaro was among the last world leaders to recognize President Biden's election, and, as of April 2022, the two leaders had yet to speak directly.[78] Although some Members of Congress have called on the Biden Administration to condition U.S. relations with Brazil on Bolsonaro's environmental policies and respect for democracy and human rights, the Biden Administration generally has avoided direct confrontations with the Brazilian president.[79] Instead, the Administration has sought to foster positive engagement on such issues. The Administration invited Bolsonaro to participate in the April 2021 Leaders Summit on Climate (see "Environmental Cooperation") and the December 2021 Summit for Democracy, and relaunched the U.S.-Brazil Human Rights Working Group. The Administration also has continued to support Brazil's COVID-19 response, with total assistance to Brazil since the start of the pandemic amounting to more than $58 million and 5 million vaccine doses.[80] Moreover, U.S.-Brazil commercial ties have continued to expand, with bilateral merchandise trade reaching a record high in 2021 (see "Trade and Investment Flows").

Environmental Cooperation

President Biden has placed conservation of the Amazon forest and other efforts to mitigate global climate change at the center of his policy toward Brazil. During his presidential campaign, Biden proposed a $20 billion international fund to support conservation in the Amazon, and asserted that Brazil would face "significant economic consequences" if it did not curb deforestation.[81] President Bolsonaro rejected that idea, reportedly stating that he "does not accept bribes ... or coward threats toward [Brazil's] territorial and economic integrity."[82] Since President Biden's inauguration, however, Bolsonaro has expressed a willingness to work with the United States to combat deforestation and climate change.[83]

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[78] White House, "Press Briefing by Press Secretary Jen Psaki," April 25, 2022.

[79] Letter from Patrick Leahy, U.S. Senator et al. to President Joseph Biden, April 16, 2021; Letter from Henry C. "Hank" Johnson Jr., Member of Congress et al. to President Joseph Biden, October 14, 2021; Brian Winter, "The Silent Partner," *Revista Piauí*, September 2021.

[80] U.S. Embassy & Consulates in Brazil, "U.S.-Brazil High Level Dialogue 2022: Economic Growth & Prosperity," April 25, 2022.

[81] "CNN and Univision Host Democratic Presidential Candidates Debate in Washington, D.C.," *CQ Newsmaker Transcripts*, March 15, 2020; and "Case Western Reserve University and the Cleveland Clinic Hold the First 2020 Presidential Debate in Cleveland," *CQ Newsmaker Transcripts*, September 29, 2020.

[82] Mauricio Savarese, "Brazil President Calls Biden's Amazon Comments 'Disastrous," Associated Press, September 30, 2020.

[83] Letter from Jair Bolsonaro, President of the Federative Republic of Brazil, to Joseph Biden, President of the United States of America, April 14, 2021.

Biden Administration officials, led by Special Presidential Envoy for Climate John Kerry, have engaged extensively with Brazil to encourage the country to strengthen its environmental policies and to explore potential areas for cooperation. During the April 2021 Leaders Summit on Climate, Bolsonaro pledged to double funding for environmental enforcement efforts, reiterated Brazil's commitment to end illegal deforestation by 2030, and stated that Brazil would reduce its net greenhouse gas emissions to zero by 2050—10 years earlier than the country's previous goal.[84] The Brazilian government announced more ambitious targets at the November 2021 U.N. climate change conference, pledging to eliminate illegal deforestation by 2028 and reduce greenhouse-gas emissions by 50% compared with 2005 levels by 2030.[85] Brazil has incorporated those emission cuts into its updated NDC (see "Paris Agreement Commitments").

In November 2021, the Biden Administration released a *Plan to Conserve Global Forests: Critical Carbon Sinks*, which calls for the United States to dedicate $9 billion by 2030 to efforts to halt forest loss, restore critical carbon sinks, and improve land management worldwide.[86] The plan was issued pursuant to Executive Order 14008, "Tackling the Climate Crisis at Home and Abroad," which directed the Secretaries of State and the Treasury—in coordination with other agencies—to develop a plan for promoting the protection of the Amazon and other critical ecosystems.[87] Nevertheless, the Administration's foreign assistance funding requests for Brazil have remained relatively limited. For FY2023, the Administration is requesting $35 million to support conservation and natural resource management in the Brazilian Amazon, which is $10 million more than Congress appropriated for such programs for FY2022 (P.L. 117-103) and $18 million more than Congress appropriated for FY2021 (P.L. 116-260).[88] Administration officials have indicated that more extensive U.S. financial support would be contingent on Brazil achieving concrete results in reducing illegal deforestation.[89] As noted previously, deforestation in the Brazilian Amazon reached a 15-year high between August 2020 and July 2021 (see **Figure 2**).

The Biden Administration's FY2023 funding request would build on decades of U.S. support for conservation efforts in Brazil. The U.S. Agency for International Development (USAID) is the lead U.S. agency responsible for implementing environmental assistance activities in Brazil. USAID coordinates activities under the U.S.-Brazil Partnership for the Conservation of Amazon Biodiversity (PCAB), launched in 2014 to bring together the U.S. and Brazilian governments, private sector companies, and NGOs to strengthen protected area management and promote sustainable development in the Amazon. In addition to providing assistance for federally and state-managed protected areas, USAID works with Indigenous and Quilombola communities to strengthen their capacities to manage natural resources and improve their livelihoods. USAID also supports the private sector-led Partnership Platform for the Amazon, which facilitates private investment in innovative conservation and sustainable development activities.[90] In FY2020, as

[84] "Confira Discurso do Presidente Bolsonaro na Cúpula do Clima," Agência Brasil, April 22, 2021.

[85] Embassy of Brazil, "Brazil Announces New, Ambitious Climate Goals at COP26," November 1, 2021.

[86] White House, *Plan to Conserve Global Forests: Critical Carbon Sinks*, November 2021, p. 4.

[87] Executive Order 14008, "Tackling the Climate Crisis at Home and Abroad," 86 *Federal Register* 7619-7633, February 1, 2021.

[88] U.S. Department of State, *Congressional Budget Justification, Department of State, Foreign Operations, and Related Programs, Fiscal Year* 2023, March 2022, pp. 90, 158.

[89] Ned Price, Department Spokesperson, "Department Press Briefing," U.S. Department of State, April 20, 2021; and Jake Spring, "Brazil Demand for U.S. to Pay Upfront Stalls Deal to Save Amazon Forest," Reuters, April 15, 2021.

[90] USAID, "Brazil: Bilateral Biodiversity Conservation," January 19, 2022, at https://www.usaid.gov/brazil/our-work/environmental-partnerships.

deforestation increased overall in Brazil, it decreased by 29% in protected areas and by 49% in protected areas receiving USAID support.[91]

Several other U.S. agencies are engaged in Brazil, often in collaboration with USAID. The U.S. Forest Service, for example, provides technical assistance to the Brazilian government, NGOs, and cooperatives intended to improve protected area management, reduce the threat of fire, conserve migratory bird habitat, and facilitate the establishment of sustainable value chains for forest products. NASA has provided data and technical support to Brazil to help the country better monitor Amazon deforestation. Other agencies, such as the U.S. Fish and Wildlife Service, have provided law enforcement support to Brazil to help the country combat wildlife trafficking, illegal logging, and other conservation crimes.

Some Members of Congress have called on the Brazilian and U.S. governments to do more to conserve the Amazon. The United States Climate Leadership in International Mitigation, Adaptation, and Technology Enhancement (CLIMATE) Act of 2021 (S. 1201), introduced in April 2021, includes a provision that would direct the Secretary of State to engage with Brazil on environmental enforcement, sustainable development, and emissions reduction efforts. It also would express the sense of Congress that the President should consider Brazil's land use policies in the Amazon when negotiating bilateral agreements with Brazil or engaging with Brazil in international forums.[92] The Fostering Overseas Rule of law and Environmentally Sound Trade (FOREST) Act of 2021 (H.R. 5508/S. 2950), introduced in October 2021, could also affect U.S. relations with Brazil. Among other provisions, the measure would prohibit the importation of certain commodities produced on illegally deforested land—including cattle and soybeans—and establish a fund to assist foreign governments and civil societies in combatting deforestation.

Defense Cooperation

Although the United States and Brazil are both parties to the Inter-American Treaty of Reciprocal Assistance, a collective security pact signed in 1947, the countries' independent foreign and defense policies historically have limited bilateral security cooperation.[93] During the 1970s, for example, Brazil withdrew from a series of military agreements with the United States in response to U.S. criticism on human rights issues and U.S. opposition to a Brazilian nuclear agreement with West Germany. The countries did not conclude a new umbrella Defense Cooperation Agreement until 2010. That same year, Brazil and the United States signed a General Security of Military Information Agreement intended to facilitate the sharing of classified information. The Brazilian congress did not approve either of those agreements until 2015, however, due to a cooling of relations after press reports revealed that the U.S. National Security Agency had engaged in extensive surveillance in Brazil.[94]

In 2019, President Bolsonaro took office pledging to pursue closer ties with the United States and the Trump Administration designated Brazil as a major non-NATO ally for the purposes of the Foreign Assistance Act of 1961, as amended (22 U.S.C. §2321k), and the Arms Export Control

[91] USAID, *Report to Congress on Programs in Forestry and the Conservation of Biodiversity during Fiscal Year 2020: Results and Funding*, February 2, 2022, p. 3.

[92] S. 1201, §507.

[93] Cooperation was closer during the first half of the 20th century, when Brazil was the only Latin American country to deploy forces to Europe during World War II. The 25,000-strong Brazilian Expeditionary Force fought as a division within the United States Fifth Army in Italy.

[94] "Brazil President Postpones US Visit over Spying," *Voice of America*, September 17, 2013.

Act (22 U.S.C. §§2751 et seq.).[95] The Secretary of Defense, with the concurrence of the Secretary of State, had previously designated Brazil as major non-NATO ally for the purposes of 10 U.S.C. 2350a. Among other benefits, those designations grant Brazil privileged access to U.S. military training and equipment, and eligibility for cooperative research and development projects.[96]

The Biden Administration has sought to continue strengthening U.S.-Brazilian defense ties. To enhance interoperability among U.S., Brazilian, and partner forces, the Administration has invited Brazil to host the 2022 UNITAS multinational maritime exercise conducted annually in Latin America and the Caribbean and has expressed support for Brazil's participation as a NATO global partner.[97] U.S. and Brazilian officials are also exploring potential collaboration to train troops contributed by other countries to U.N. peacekeeping operations. During the Fourth Annual U.S.-Brazil Strategic Defense Talks, held in December 2021, U.S. and Brazilian officials identified steps to deepen cooperation in the areas of space, cyber, and research and development.[98]

In FY2021, the U.S. government provided Brazil $650,000 of International Military Education and Training (IMET) assistance to strengthen military-to-military relationships, increase the professionalization of Brazilian forces, and enhance the Brazilian military's capabilities. The Biden Administration is requesting $800,000 of IMET for Brazil in FY2023 (FY2022 allocations are not yet available).[99]

Geopolitical Issues

Although recent bilateral defense agreements and the U.S. designation of Brazil as a major non-NATO ally have laid a foundation for closer U.S.-Brazilian military ties, the long-term trajectory of the defense relationship may depend on broader geopolitical considerations. In recent years, the U.S. Southern Command has expressed increasing concern about the presence of China and Russia in the Western Hemisphere and has called for enhanced security cooperation with Brazil and other Latin American countries to counter such "malign actors."[100] Many within Brazil's military and foreign policy establishments are wary of becoming embroiled in global power rivalries, however, and view diversified diplomatic, economic, and military ties as the best way to advance the country's interests and national development.[101]

These differing perceptions of their national interests have led the United States and Brazil to diverge on certain international security issues. For example, the Trump and Biden Administrations urged Brazil to exclude equipment from Chinese companies like Huawei from

[95] White House, "Designation of the Federative Republic of Brazil as a Major Non-NATO Ally," Presidential Determination No. 2019-21 of July 31, 2019, 84 *Federal Register* 43035, August 19, 2019.

[96] For more information, see U.S. Department of State, Bureau of Political Military Affairs, "Major Non-NATO Ally Status," fact sheet, January 20, 2021, at https://www.state.gov/major-non-nato-ally-status/.

[97] NATO global partners are not formal members of the alliance, but work with NATO on common security challenges.

[98] U.S. Department of Defense, "Readout of the 4th Annual U.S.-Brazil Strategic Defense Talks," press release, December 16, 2021.

[99] U.S. Department of State, *Congressional Budget Justification, Department of State, Foreign Operations, and Related Programs, Fiscal Year 2023*, March 28, 2022, p. 176.

[100] General Laura J. Richardson, Commander, United States Southern Command, "Statement Before the 117th Congress, House Armed Services Committee," March 8, 2022.

[101] "Bolsonaro Wants Closer Security Ties with Washington. Does Brazil's Military?" *World Politics Review*, April 5, 2019; Benoni Belli and Filipe Nasser, "Brazil: Coupling Multipolarity with Multilateralism," in *The Road Ahead: The 21st Century World Order in the Eyes of Policy Planners* (Brasília: Fundação Alexandre de Gusmão, 2018); and Adriana Erthal Abdenur, "Brazil as a Rising Power: Coexistence through Universalism," in *The BRICS and Coexistence: An Alternative Vision of World Order* (Routledge, 2015), pp. 49-74.

Brazil's fifth-generation (5G) telecommunications infrastructure. U.S. officials warned their Brazilian counterparts that such equipment could compromise Brazil's national security and intellectual property and potentially jeopardize military and intelligence cooperation with the United States.[102] U.S. officials also offered financing to assist Brazilian telecommunications companies in purchasing 5G equipment from other providers.[103] Many Brazilian officials and businesses, however, were concerned that excluding Huawei could increase costs, delay the rollout of 5G technology, and damage relations with China—Brazil's top trade partner.[104] The Bolsonaro administration ultimately decided to allow Huawei equipment in the country's commercial 5G infrastructure but to exclude it from a separate network for government communications.[105]

The United States and Brazil also have differed in their responses to Russia's invasion of Ukraine. The Biden Administration criticized President Bolsonaro's February 2022 trip to Moscow, where he met with President Vladimir Putin and expressed solidarity with Russia as it amassed troops along the Ukrainian border.[106] Among other objectives, Bolsonaro reportedly hoped to obtain Russian technical support for Brazil's efforts to build a nuclear-powered submarine.[107] Since the invasion, Brazil, which is serving on the U.N. Security Council for the 2022-2023 term, has voted in favor of U.N. resolutions demanding Russia's unconditional withdrawal from Ukraine while criticizing other countries' "indiscriminate application of sanctions and the deployment of arms" to Ukraine.[108] Brazil also opposed or abstained from voting on several U.S.-backed measures to expel Russia from international organizations, asserting that such measures impede the dialogue needed to resolve the situation.[109] Beyond their impact on the conflict itself, the Bolsonaro administration has expressed concerns that sanctions could negatively affect Brazil's agribusiness sector, which is dependent on Russia for about 20% of its fertilizer supply.[110]

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[102] U.S. Embassy & Consulates in Brazil, "Under Secretary Keith Krach's Remarks on Economic Security," November 11, 2020; and "Brazil Report: US Insists on Keeping China's Huawei Out of Brazilian 5G Market," BBC Monitoring, July 14, 2021.

[103] "U.S. Offers Brazil Funding to Buy 5G Gear from Huawei Rivals-Diplomat," Reuters, June 23, 2020; and Export-Import Bank of the United States, "EXIM Signs $1 Billion Memorandum of Understanding with Brazil Ministry of Economy in Ceremony with President Bolsonaro of Brazil and U.S. National Security Advisor Robert O'Brien," press release, October 20, 2020.

[104] "Maia in Favor of Chinese Suitors for 5G Technology," *Valor International*, June 16, 2020; and "Teles Defendem Huawei no 5G para Evitar Repasses de Custos ao Consumidor," *Folha de São Paulo*, December 8, 2020.

[105] Anne Warth, "Huawei Está Descartada de Rede do Governo, Diz Ministro," *Estado de São Paulo*, March 10, 2021.

[106] White House, "Press Briefing by Press Secretary Jen Psaki, Deputy National Security Advisor for Cyber and Emerging Technology Anne Neuberger, and Deputy National Security Advisor for International Economics and Deputy NEC Director Daleep Singh," February 18, 2022.

[107] Anthony Boadle and Vladimir Soldatkin, "Boslonaro Says Brazil Keen on Russian Nuclear Reactors, No Mention of Ukraine," Reuters, February 16, 2022; and "US Refusal Made Bolsonaro Ask Putin for Help with Nuclear Submarine," *Folha de São Paulo*, March 17, 2022.

[108] Ministério das Relações Exteriores, "Explanation of Vote by the Permanent Representative Ambassador Ronaldo Costa Rilho in the General Assembly Debate on Ukraine," Press Release N. 36, March 2, 2022.

[109] Ministério das Relações Exteriores, "Resolução da Assembleia Geral da ONU sobre a Suspensão do 'Status' da Rússia como Membro do Conselho de Direitos Humanos," Press Release N. 60, April 7, 2022; and Mariana Sanches, "Nos EUA, Guedes Diz que 'Brasil é Contra Guerra e Contra Sanções' e que País 'Pertence aos BRICS, Não à OCDE'," *BBC News Brasil*, April 19, 2022.

[110] Gabriel Stargardter, "Bolsonaro Won't Condemn Putin, Says Brazil Will Remain Neutral Over Invasion," Reuters, February 27, 2022; and "Fertiliser Shortage Jeopardizes Agricultural Output in 2023," *Economist Intelligence Unit*, April 4, 2022.

Human Rights Concerns

Some Members of Congress have sought to ensure that U.S. military engagement with Brazil does not contribute to human rights abuses. They have expressed particular concern that a 2019 technology safeguards agreement, which enables the launch of spacecraft and satellites that use U.S. technology from Brazil's Alcântara Space Center, could result in the expansion of the center and the forced relocation of hundreds of Quilombola families.[111] The House-passed version of the National Defense Authorization Act for FY2022 (NDAA, H.R. 4350) would have prohibited the use of any Department of Defense-managed security assistance to support Brazilian security forces in the involuntary relocation of Indigenous or Quilombola communities in Brazil. That provision was not included in the final FY2022 NDAA legislation (P.L. 117-81), but the accompanying explanatory statement called on the Secretary of Defense to ensure any security assistance provided to Brazil is in compliance with U.S. laws and DOD policies regarding adherence to human rights and international law.[112] The draft explanatory statement accompanying the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2022 (S. 3075) included a similar provision for State Department-managed security assistance, although it was not included in the final foreign operations appropriations legislation (P.L. 117-103, Division K).[113]

Commercial Relations[114]

Trade policy often has been a contentious issue in U.S.-Brazilian relations. Since the early 1990s, Brazil's trade policy has prioritized integration with its South American neighbors through the Southern Common Market (*Mercosur*) and multilateral negotiations at the World Trade Organization (WTO).[115] Brazil is the industrial hub of Mercosur, which it established in 1991 with Argentina, Paraguay, and Uruguay. Although the bloc was intended to advance incrementally toward full economic integration, only a limited customs union has been achieved thus far. Mercosur also has evolved into a somewhat protectionist arrangement, shielding its members from external competition rather than serving as a platform for insertion into the global economy, as originally envisioned. Within the WTO, Brazil traditionally has joined with other developing nations to push the United States and other developed countries to reduce their agricultural tariffs and subsidies while resisting developed countries' calls for increased access to developing countries' industrial and services sectors. Those differences blocked conclusion of the most recent

[111] See, for example, Representative Deb Haaland, "Haaland, Sanders, Castro, Johnson Call for Protection of Afro-Brazilian Communities," press release, October 7, 2020.

[112] For example, U.S. security assistance is subject to legal provisions (codified at 22 U.S.C. §2378d and 10 U.S.C. §362) that require the State Department and the Department of Defense to vet foreign security forces and prohibit funding for any military or other security unit if there is credible evidence that it has committed "a gross violation of human rights." "Explanatory Material Statement Submitted by Mr. Smith of Washington, Chair of the House Committee on Armed Services, on House Amendment to S. 1605," *Congressional Record*, vol. 167, no. 211—Book II (December 7, 2021), p. H7335.

[113] The draft explanatory statement is available at https://www.appropriations.senate.gov/imo/media/doc/SFOPSREPT_FINAL.PDF.

[114] For more information, see CRS Report R46619, *U.S.-Brazil Economic Relations*, coordinated by M. Angeles Villarreal.

[115] João Augusto de Castro Neves, *Brazil's Slow and Uncertain Shift from Protectionism to Free Trade*, Inter-American Dialogue, working paper, January 2014.

round of multilateral trade negotiations (the WTO's Doha Round), as well as U.S. efforts in the 1990s and 2000s to establish a hemisphere-wide Free Trade Area of the Americas.[116]

Recent Trade Negotiations

The Bolsonaro and Trump Administrations negotiated several agreements intended to strengthen the bilateral commercial relationship. During Bolsonaro's March 2019 official visit to Washington, the United States endorsed Brazil's accession to the Organisation for Economic Co-operation and Development in exchange for Brazil agreeing to gradually give up its "special and differential treatment" status, which grants special rights to developing nations at the WTO. The United States and Brazil also agreed to take steps toward lowering trade barriers for certain agricultural products. Brazil agreed to adopt a tariff rate quota—implemented in November 2019—to allow the importation of 750,000 tons of U.S. wheat annually without tariffs. Brazil also agreed to adopt "science-based conditions" that could enable U.S. pork producers to export to Brazil, though preliminary discussions have not resulted in U.S. access to the Brazilian market.[117] In exchange, the United States agreed to send a U.S. Department of Agriculture Food Safety and Inspection Service (FSIS) team to Brazil to audit the country's raw beef inspection system.[118] In February 2020, FSIS determined that "Brazil's food safety inspection system governing raw intact beef is equivalent to that of the [United States]," and lifted a suspension on U.S. imports.[119] A bill introduced in the Senate in August 2021 (S. 3230) would suspend all beef imports from Brazil while a working group evaluates the extent to which those imports pose a threat to U.S. food safety.

In March 2020, Presidents Trump and Bolsonaro agreed to accelerate bilateral trade negotiations under a 2011 Agreement on Trade and Economic Cooperation (ATEC). Although a majority of Members on the House Committee on Ways and Means expressed strong opposition to "pursuing any type of trade agreement with the Bolsonaro government" due to human rights, labor, and environmental concerns, the Trump and Bolsonaro Administrations ultimately concluded a Protocol on Trade Rules and Transparency in October 2020.[120] The protocol adds three annexes to the ATEC intended to foster cooperation on trade facilitation and customs administration, good regulatory practices, and anti-corruption measures.[121] Brazil's congress ratified the protocol in November 2021 and it entered into force in February 2022; the protocol did not require U.S. congressional approval.

The Biden Administration has expressed interest in further strengthening economic ties with Brazil, but it appears unlikely to pursue negotiations toward a comprehensive free trade

[116] For background on the stalled negotiations, see CRS In Focus IF10002, *The World Trade Organization*, by Cathleen D. Cimino-Isaacs, Rachel F. Fefer, and Ian F. Fergusson; and CRS Report RL33162, *Trade Integration in the Americas*, by M. Angeles Villarreal.

[117] Office of the United States Trade Representative (USTR), *2022 National Trade Estimate Report on Foreign Trade Barriers*, March 31, 2022, p. 61.

[118] White House, "Joint Statement from President Donald J. Trump and President Jair Bolsonaro," March 19, 2019.

[119] The United States had suspended imports of raw beef from Brazil in June 2017, after Brazilian investigators discovered that some of the country's top meat processing companies, including JBS and BRF, had bribed food inspectors to approve the sale of tainted products. USDA, Food Safety and Inspection Service, "Eligibility of Brazil to Export Raw Intact Beef to the United States," FSIS Notice 09-20, February 24, 2020.

[120] Letter from Honorable Richard E. Neal, Chairman, House Committee on Ways and Means et al. to Honorable Robert Lighthizer, U.S. Trade Representative, June 3, 2020.

[121] The text of the protocol is available at https://ustr.gov/sites/default/files/files/Press/Releases/ATECProtocolUSBREnglish.pdf.

agreement. In addition to overcoming U.S. congressional opposition, a potential free trade agreement would need to be negotiated with the broader Mercosur bloc. In February 2022, the U.S.-Brazil CEO Forum issued a series of recommendations to strengthen bilateral commercial ties, which ranged from collaborating on supply chain resiliency to promoting the regulation of carbon markets.[122]

Trade and Investment Flows

U.S.-Brazilian trade has suffered from economic volatility over the past decade, including Brazil's 2014-2017 recession and the 2020 pandemic-driven downturn (see **Figure 3**). Total bilateral merchandise trade bounced back in 2021, however, growing nearly 35% compared with 2020 to reach an all-time high of $78.2 billion. U.S. goods exports to Brazil totaled $46.9 billion, and U.S. goods imports from Brazil totaled $31.3 billion, giving the United States $15.6 billion trade surplus. The top U.S. exports to Brazil were mineral fuels (primarily refined petroleum), civilian aircraft and parts, machinery, pharmaceutical products, and plastics. The top U.S. imports from Brazil included mineral fuels (primarily crude oil), iron and steel, machinery, wood, and aircraft. In 2021, Brazil was the ninth-largest export market for U.S. goods, accounting for 2.7% of total U.S. goods exports.[123] The United States was Brazil's second-largest export market, accounting for 11.1% of Brazil's total goods exports, compared to 31.3% for China.[124]

Brazil benefits from the Generalized System of Preferences (GSP) program, which provides nonreciprocal, duty-free tariff treatment to certain products imported from designated developing countries.[125] Brazil was the third-largest beneficiary of the program in 2020, with duty-free imports to the United States valued at $2.2 billion—equivalent to 9.4% of all U.S. goods imports from Brazil.[126] The GSP program expired on December 31, 2020. Several bills to reauthorize the program have been introduced in the 117th Congress. For example, the United States Innovation and Competition Act of 2021 (S. 1260), which passed the Senate in June 2021, and the America COMPETES Act of 2022 (H.R. 4521), as passed by the House in February 2022, would reauthorize GSP until January 1, 2027 while tying eligibility to certain environmental and human rights standards, among other criteria.[127]

U.S.-Brazilian services trade is also significant, though it decreased significantly during the first year of the COVID-19 pandemic. In 2020 (the most recent year for which data are available), total bilateral services trade amounted to $19.7 billion—a 36% decline compared with 2019. U.S. services exports to Brazil totaled $14.9 billion, and U.S. services imports from Brazil totaled $4.7 billion, giving the United States a $10.2 billion surplus. Telecommunications, computer, and information services was the top category of U.S. services exports to Brazil; professional and management consulting services was the top category of U.S. services imports from Brazil. Travel, which had been the top U.S. services export to Brazil in 2019, declined by 74% in

[122] For the full set of recommendations, see International Trade Administration, "U.S.-Brazil CEO Forum Recommendations Report," February 7, 2022, at https://www.trade.gov/us-brazil-ceo-forum-2022-joint-recommendations.

[123] U.S. Census Bureau data, as made available by *Trade Data Monitor*, April 2022.

[124] Brazilian Ministry of Development, Industry and Trade data, as made available by *Trade Data Monitor*, April 2022.

[125] For more information on GSP, see CRS In Focus IF11232, *Generalized System of Preferences (GSP)*, by Liana Wong.

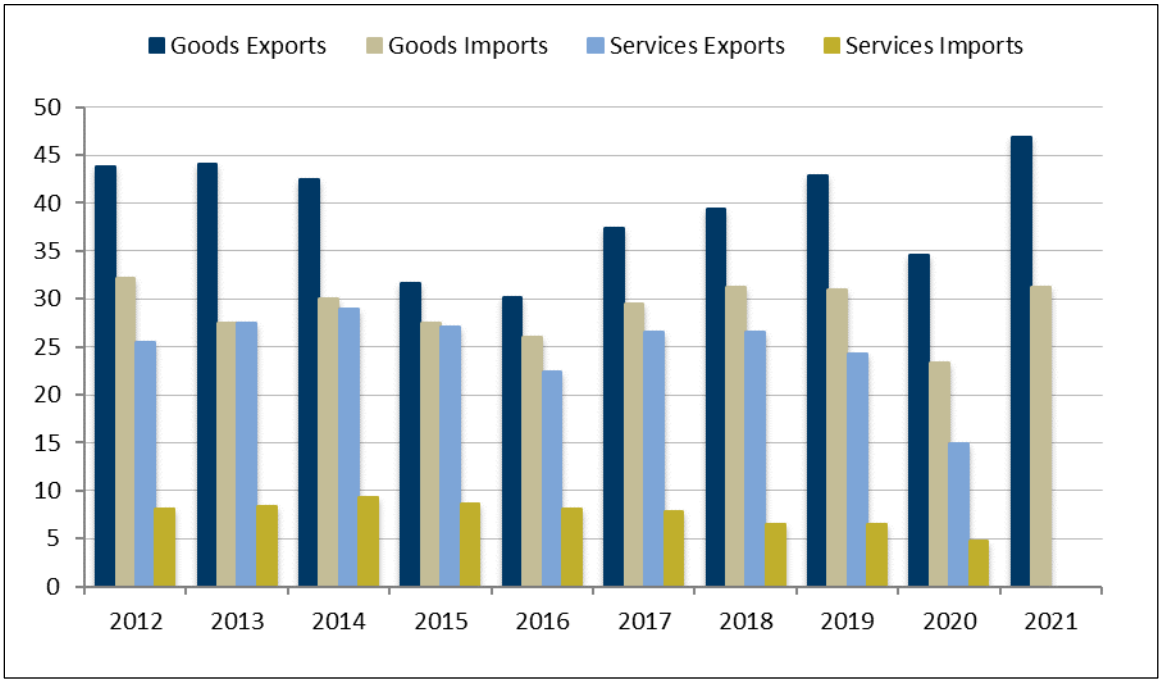
[126] U.S. Department of Commerce, Census Bureau data, as made available by the U.S. International Trade Commission, "Interactive Tariff and Trade DataWeb," accessed in April 2022.

[127] S. 1260, Title IV, Subtitle A; and H.R. 4521, Title IV, Subtitle A.

2020.[128] Due to widespread transmission of COVID-19 and the emergence of new variants in Brazil, the United States denied entry to most Brazilians from May 2020 until November 2021.[129]

Figure 3. U.S. Trade with Brazil: 2012-2021

(billions of U.S. dollars)



Source: CRS presentation of U.S. Department of Commerce data, as made available through *Trade Data Monitor* and the Bureau of Economic Analysis, accessed April 2022.

Note: Services trade data are not yet available for 2021.

According to the U.S. Department of State, the Brazilian government actively encourages foreign direct investment (FDI) in certain sectors, such as automobiles, renewable energy, and oil and gas, but imposes restrictions on FDI in others, such as telecommunications, aerospace, and rural property.[130] As of 2020 (the most recent year for which data are available), the accumulated stock of U.S. FDI in Brazil was $70.7 billion, with significant investments in manufacturing, finance, and mining, among other sectors. The same year, the stock of Brazilian FDI in the United States totaled $6.9 billion.[131]

[128] U.S. Department of Commerce, Bureau of Economic Analysis, "U.S. Trade in Services, by Country or Affiliation and by Type of Service," July 2, 2021.

[129] Executive Office of the President, Proclamation 10041 of May 24, 2020, "Suspension of Entry as Immigrants and Nonimmigrants of Certain Additional Persons Who Pose a Risk of Transmitting 2019 Novel Coronavirus," 85 *Federal Register* 31933-31936, May 28, 2020; Executive Office of the President, Proclamation 10143 of January 25, 2021, "Suspension of Entry as Immigrants and Nonimmigrants of Certain Additional Persons Who Pose a Risk of Transmitting Coronavirus Disease 2019," 86 *Federal Register* 7467-7470, January 28, 2021; and The President, Proclamation 10294 of October 25, 2021, "Advancing the Safe Resumption of Global Travel During the COVID-19 Pandemic," 86 *Federal Register* 59603-59608, October 28, 2021.

[130] U.S. Department of State, *2021 Investment Climate Statements: Brazil*, July 21, 2021.

[131] U.S. Department of Commerce, Bureau of Economic Analysis, "Balance of Payments and Direct Investment Position Data," accessed in April 2022.

Outlook

Nearly eight years after the country fell into a deep recession, Brazil remains mired in difficult domestic circumstances. The COVID-19 pandemic abruptly halted the country's slow economic recovery and Brazil's per capita income and employment rates remain below pre-recession levels. Although widespread vaccination has allowed Brazil to rollback public health restrictions, rising international fuel and food prices have weakened the country's economic growth prospects. Political polarization is likely to increase in advance of Brazil's October 2022 elections as President Bolsonaro seeks to rally his base for reelection and former President Lula attempts to mount a political comeback. Such polarization could weaken the credibility of the election results among some sectors of the electorate, particularly if candidates—such as Bolsonaro—continue to question the legitimacy of the electoral system. Whoever wins is likely to remain focused on the country's internal challenges for the next several years, limiting Brazil's ability to take on regional responsibilities or exert its influence internationally.

U.S.-Brazilian relations initially improved following President Bolsonaro's inauguration but now threaten to return to their historic pattern, in which heightened expectations give way to mutual disappointment and mistrust. Both countries took steps to enhance bilateral security cooperation and bolster commercial ties during 2019 and 2020, based, in part, on the personal and ideological rapport between President Bolsonaro and President Trump. Relations appear to have cooled since President Biden took office in 2021, however, as the countries have struggled to bridge policy differences over sensitive issues, such as natural resource management and relations with China. The future of the bilateral relationship may depend on the extent to which the United States and Brazil are able to reconcile their sometimes-divergent economic and geopolitical interests and identify shared priorities.

The 117th Congress may continue to shape U.S.-Brazilian relations using its legislative and oversight powers. Although there appears to be considerable support in Congress for forging a long-term strategic partnership with Brazil, many Members may be reluctant to advance major bilateral commercial or security cooperation initiatives in the near term, given their concerns about the erosion of democracy, human rights, and environmental protections under Bolsonaro. For the time being, Congress may continue appropriating funding for programs with broad support, such as Amazon conservation efforts, while Members continue to advocate for divergent policy approaches toward the Bolsonaro administration.

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