



REUTERS/ PAULO WHITAKER

## A CHANCE TO BUILD A STRATEGIC ALLIANCE

Obama visit to yield energy and infrastructure deals;  
doubts over trade, UN reform and Brazil's ambitions

BY BRIAN WINTER  
BRASILIA, MAR 15

SINCE TAKING OFFICE ON New Year's Day, Brazilian President Dilma Rousseff has told a procession of surprised American visitors over coffee in her office that she wants to end a decade of mistrust and build a new strategic alliance with the United States.

The shift, which initially shocked U.S. and Brazilian diplomats, is behind President Barack Obama's hastily planned visit to Brazil this week. Both sides see a historic chance to bring the Western Hemisphere's two heavyweights closer together with major implications for energy, trade and defense.

The issues that pushed the two apart -- trade disputes, Brazil's growing clout in

global affairs and its ties with Iran and other anti-U.S. governments -- haven't gone away.

But economic changes including the rise of China and stubbornly high U.S. unemployment have forced new priorities on Obama and Rousseff, and both sides seem convinced they need each other more than ever.

Rousseff told Treasury Secretary Timothy



**LULA AMIGO:** Brazil's President Luiz Inacio Lula da Silva meets U.S. President Barack Obama (R) during the opening plenary session of the G20 Summit in Seoul November 12, 2010. **REUTERS/ERIC FEFERBERG/POOL**

Geithner just that during a visit last month, explaining that Brazil and the United States must cooperate more as the global balance of power tilts toward emerging markets in Asia.

"Brazil is a Western country" and shares a common set of values and interests with the United States, Rousseff told Geithner, according to officials from both countries with direct knowledge of the conversation.

Rousseff said she wants to work with Obama to reverse a relative decline in bilateral trade in the last few years and explore other initiatives that she said could help Brazil become a middle-class country by the end of this decade.

It was a marked departure from the tone of her predecessor, Luiz Inacio Lula da Silva, who is from the same leftist party but pursued alliances with developing nations including China, Venezuela and Iran, a stance that antagonized Washington.

The spontaneity of this weekend's visit -- a Brazil trip was hardly discussed in Washington as recently as January -- is a sign of how eager Obama is to seize the moment. The large delegation reflects the promise Washington sees in Latin America's largest economy -- especially at a time when Obama is touting exports as a path to creating U.S. jobs.

The group is set to include Geithner, Commerce Secretary Gary Locke, Energy Secretary Steven Chu, and U.S. Trade Representative Ronald Kirk. Many will stay

on longer in Brazil rather than follow Obama to Chile and El Salvador.

Brazilian officials believe that a united front could help persuade China to adopt fairer trade practices and slow a wave of cheap imports that is pummeling local industry. Meanwhile, Washington hopes Brazil can become a much-needed counterweight to China in Latin America, Africa and beyond.

"Presidential visits are always important, but this one is critical," a senior Brazilian official said. "The way the stars are aligned, this happens very rarely. It could be years before there is another opportunity this good."

### LEGACY OF MISTRUST

HOWEVER, THE HIGH hopes have put pressure on both sides to make progress in a relationship that hasn't truly been close for 10 years. Some in Rousseff's government still think Brazil's booming economy and ascendancy on the global stage naturally put it at odds with Washington, which they see as a decaying power unwilling to accommodate newcomers.

Rousseff also has a reputation as a tough, results-based taskmaster who will want more than just fuzzy platitudes to point to once Obama leaves town.

Preliminary meetings have convinced both sides that they are unlikely to make much, if any, progress on key trade issues as they are

miles apart on prohibitively high U.S. tariffs on imports of Brazilian ethanol and Brazil's reluctance to allow greater access to its own consumer market.

Instead, they will likely agree on a framework for future trade talks, put more emphasis on initiatives to expand the presence of U.S. companies in Brazil's large new offshore oil areas, and share agricultural and satellite technologies.

The economic value of those deals should give each side a big enough bag of goodies to win over skeptics back at home -- in business as well as in politics.

"This visit is about Obama telling the American political system ... that a successful, strong Brazil is good for the United States. That argument is not obvious. Many people don't believe it in Washington," said Matias Spektor, an expert on U.S.-Brazil relations at the Getulio Vargas Foundation, a think tank in Rio de Janeiro.

Many people don't believe it in Brasilia either. An essay circulating among some in Brazil's foreign ministry, written by a former top strategist in Lula's government, argues that the United States and other "great powers" will stand in the way of Brazil's goals such as greater economic independence and a permanent seat on the United Nations Security Council.

### A PERSONAL BOND

YET ROUSSEFF, so far, seems to think otherwise. Aides say that her life story -- a trained economist who was born to a Bulgarian immigrant father in a relatively privileged enclave of Brazil -- seems to give her a more natural pro-Western tilt than Lula, a former labor union leader who saw the world in terms of class struggle.

Rousseff also participated in a leftist guerrilla movement that fought against a U.S.-backed military dictatorship in the 1960s. But her career since then has been marked by a pragmatic fight against poverty, and she clearly sees an improved alliance with Washington as a means to that end.

It is, in fact, the relative outsider status of both leaders -- Obama as the first black U.S. president, and Rousseff as the first woman to lead Brazil -- that makes diplomats on both sides hope that this week's meeting will produce that all-important click at a personal level.

"Both of them came of age in political systems that excluded them for different reasons," Spektor said. "That is going to produce a bond that is incredibly useful."

# ON THE AGENDA: OIL, TECH DEALS

BY BRIAN WINTER  
BRASILIA, MAR 15

**B**RAZIL AND THE UNITED STATES are hoping for breakthroughs on a range of strategic and economic issues when President Barack Obama visits this weekend.

Here are the main issues that will be discussed, according to senior officials, along with the odds of success:

## OIL

THIS AREA probably offers the ripest opportunity for substantive progress during Obama's visit. Brazil possesses some of the world's biggest offshore oil reserves, but could use help from abroad -- possibly from U.S. oil firms -- to help extract crude that is 6 km (4 miles) below the ocean surface.

Rousseff has told visiting U.S. officials including Republican Senator John McCain the "subsalt" reserves -- so named because they sit beneath a layer of salt on the ocean floor -- could help Brazil become a major energy exporter and provide funds for infrastructure and economic development.

However, Rousseff also said she wants to find outside markets to consume the vast majority of the oil. She believes Brazil should continue to rely on renewable sources such as hydroelectric power and ethanol for most of its energy needs.

The United States is an ideal consumer, Rousseff said.

U.S. Energy Secretary Steven Chu will be part of the Obama delegation, signaling possible negotiations.

The trip could yield preliminary agreement that would lead to technology sharing in the offshore sector or a greater participation of U.S. energy companies in subsalt extraction.

## INFRASTRUCTURE

OBAMA WILL OFFER new funding to help Brazil expand its infrastructure in coming years, and allow more U.S. companies to participate in the expected building boom.

The funding, worth hundreds of millions of dollars or more annually, would help Brazil build infrastructure to host the 2014 World Cup and 2016 Olympics. Some key projects, including stadiums, roads and airports, are well behind schedule.

The proposal would also help fund joint infrastructure ventures in other countries -- mainly in Africa.



**VAST OFF-SHORE RESERVES:** A Petrobras oil platform is seen in Rio de Janeiro's Guanabara Bay September 24, 2010. **REUTERS/BRUNO DOMINGOS**

## TRADE

THIS IS THE ELEPHANT in the room. Despite progress and goodwill in other areas, Brazil and the United States are still at loggerheads on trade issues, continuing a confrontation that characterized most of the last decade.

In a nutshell, Brazil wants greater access for its ethanol and other commodities, and fewer U.S. subsidies in cotton and agriculture generally. On the other side, the United States is pushing for more access for its consumer goods in Brazil.

Preliminary talks, including a recent meeting between U.S. Secretary of State Hillary Clinton and Brazilian Foreign Minister Antonio Patriota in Washington, have convinced both sides to expect scant, if any, progress.

Brazil says it cannot offer greater access to its consumer market, in part because its industries are suffering due to a strong currency and a wave of cheap imports from China.

However, Rousseff has also told visitors the decreased U.S. market share of Brazilian exports and imports in recent years is a negative development, and one that should be reversed.

Both sides are eager to avoid confrontation, so talks are likely to focus on a Trade and Investment Framework Agreement, or TIFA, which both sides could hold up as a clear advance. A TIFA provides a road map for in-depth trade talks.

## CHINA

CHINA'S ECONOMIC EXPANSION is a major reason for Brazil and the United States seeking a stronger bilateral alliance, and it will be a subject of discussion this week. But officials will take care not to upset the Chinese in their statements, and there are differing ideas about what strategy to pursue.

Worried by China's currency and trade policies, Brazil has under Rousseff for the first time joined U.S.-led calls for China to strengthen its currency.

Top officials have complained publicly about cheap Chinese imports hurting Brazilian manufacturers. Brazil's trade and foreign

ministers traveled to China this month in part to log complaints with Chinese authorities.

Some Brazilian officials believe greater cooperation with the United States is their best chance of convincing China to adopt

## BRAZIL MAY BUY F-18 FIGHTERS - ROUSSEFF TOLD GEITHNER



**SOY BOOM:** Harvesting soy on a farm in Bahia state April 1, 2010. **REUTERS/PAULO WHITAKER**

fairer trade practices. Yet Brazil is reluctant to publicly pressure China, as Washington wants, in public forums such as the G20. It is wary of alienating their No. 1 trade

partner and source of foreign investment, and believes the move could be ineffective or counterproductive.

### UNITED NATIONS REFORM

BRAZIL HAS LOBBIED for over a decade for a permanent seat on the U.N. Security Council, saying it deserves a greater role in global affairs because its strong growth could establish it as the world's fifth-biggest economy in coming years.

Officials have recently been careful not to discuss the issue in public, to avoid creating a perception that Obama's visit will be a success or failure based on just one topic. In private, however, they hope for some kind of breakthrough, and are lobbying their U.S. counterparts behind the scenes.

Obama surprised the world by endorsing India's candidacy for a permanent Security Council seat when he was there last year, and Brazil hopes for a similar gesture on this trip. They say Brazil should be a stronger candidate for U.S. support because, unlike India, it does not have a nuclear bomb and it shares common Western values. U.S. officials do not rule out developments but are treating the issue with caution.

Under Rousseff's predecessor, Luiz Inacio Lula da Silva, Brazil alienated the United States and some Western European countries by trying to broker a deal with Iran over its nuclear program. Rousseff has pledged a tougher line on countries with human rights violations -- including Iran -- but skepticism over whether Brazil's foreign policy is pro-Western enough to justify U.S. support for the Security Council remains high, especially among Republicans in the U.S. Congress.

### COMMODITIES

THIS ISSUE is extremely important to Brazil. Rousseff is vehemently opposed to a French proposal that seeks to limit rising commodities prices, and she wants U.S. help to ensure it does not gain support in upcoming forums such as the G20.

Brazil is one of the world's largest producers of commodities such as iron ore, soy and beef, and has benefited enormously in recent years from rising demand from China and other developing economies. U.S. officials are skeptical of the French proposal and appear likely to support Brazil.

### DEFENSE

ROUSSEFF APPEARS to be leaning toward Boeing in a multi-billion dollar Air Force tender, and Washington hopes to advance the bid, although no major developments are expected.

Rousseff's surprise decision in January to restart the bidding process for the tender was one of the earliest signs of the pro-U.S. shift under her administration.

Lula strongly favored a competing bid by France's Dassault. Yet Rousseff told Treasury Secretary Timothy Geithner she believes Boeing's F-18 is the best jet among the finalists, and that the deal could modernize the Air Force and improve strategic and trade ties with Washington.

Rousseff's doubts revolve around Washington's willingness to authorize transfers of proprietary technology that Brazil wants as a way to help develop its own defense industry.

### SATELLITE AND SPACE

OFFICIALS SAY they are working on a deal that could involve transfers of U.S. technology to Brazil's satellite program.

Details are still being negotiated, but the agreement could lay the groundwork for the United States to participate in or assist a launch facility operated by the Brazilian Air Force.

Brazil is eager to build a civilian space and satellite program, but needs to improve its technology first.

### RENEWABLE AND CLEAN ENERGY

BRAZIL IS A PIONEER in the use of biofuels and other renewable energy sources and Washington feels it can learn from Brazil's experience and technology. Environmental Protection Agency chief Lisa P. Jackson is part of the Obama delegation.

Under Lula, talks were characterized by Brazil's anger over high U.S. tariffs that make it nearly impossible in practice for sugar cane ethanol to be exported to the United States.

However, those pressures have abated somewhat recently. Brazil's booming consumer market means that there is less ethanol for Brazil to export.

As a result, the focus will be on other areas for increased cooperation. One proposal under discussion would look at how Brazilian technology and fuels could be used to supply biofuel for jets and other Pentagon hardware.

(Editing by Kieran Murray)

## BRAZIL'S FIRST WOMAN PRESIDENT



**NO GUERRILLA TACTICS:** President Rousseff stands next to her portrait by Brazilian artist Romero Britto in the Planalto Palace in Brasilia Feb.14, 2011. **REUTERS/UESLEI MARCELINO**

# PRAGMATIC FORMER LEFTIST

**D**ILMA ROUSSEFF, Brazil's first woman president, is a former leftist militant who rose through the ranks of the Workers' Party and now leads one of the world's fastest-growing emerging economies.

Here are some facts about the 63-year-old Rousseff:

- Former President Luiz Inacio Lula da Silva plucked Rousseff from relative obscurity two years ago to be his party's chosen candidate in last year's election, citing her managerial experience and technical capacity.

- The daughter of a well-to-do Bulgarian immigrant, Rousseff was born into a middle-class family and did post-graduate

studies in economics.

- After a 1964 coup gave rise to a military dictatorship, which enjoyed support from Washington, Rousseff joined a radical left-wing resistance group. She says she never engaged in armed conflict but was imprisoned for three years on charges of subversion and repeatedly tortured by her military captors.

- Rousseff proposes a mix of market-friendly policies with a strong role for the state in economic development, particularly in the energy sector as Brazil develops massive new offshore oil fields in the coming decade.

- She is widely seen as having made a competent start to her presidency, dealing

effectively with divisions in her ruling coalition and pushing through about \$30 billion in budget cuts following heavy election-year spending.

- One of the earliest crises facing Rousseff's presidency is a wave of cheap Chinese imports that has caused major problems for Brazilian manufacturers. Rousseff has ordered her economic team to pursue targeted tariff increases and greater use of anti-dumping measures to try to stop the flow.

- Rousseff was treated for lymphoma cancer in 2009 and briefly wore a wig as she underwent chemotherapy. She has been given a clean bill of health by her doctors.

# US-BRAZIL RELATIONS AND BUSINESS TIES

BY BRIAN WINTER  
BRASILIA, MAR 15

**B**RAZIL AND THE UNITED STATES, the two largest economies in the Western Hemisphere, have a history of close business and diplomatic ties -- as well as disputes over trade and other issues.

## HISTORY OF BRAZIL-US TIES

**1876** - Brazilian Emperor Dom Pedro II becomes the first foreign head of state ever to set foot on U.S. soil. He meets President Ulysses S. Grant and visits a fair in Philadelphia to celebrate the U.S. centennial.

**1940s** - Lobbying by Portuguese-American military officers helps convince Brazil to join the Allied effort in World War II. In return, the United States provides financing and technology that help create Brazil's steel industry.

**1964** - Alarmed by close relations between Brazil's democratically elected government and Cuba, the military stages a coup and installs a dictatorship with backing from the U.S. government. The dictatorship arrests and tortures dissidents.

**1985** - Democracy returns to Brazil.

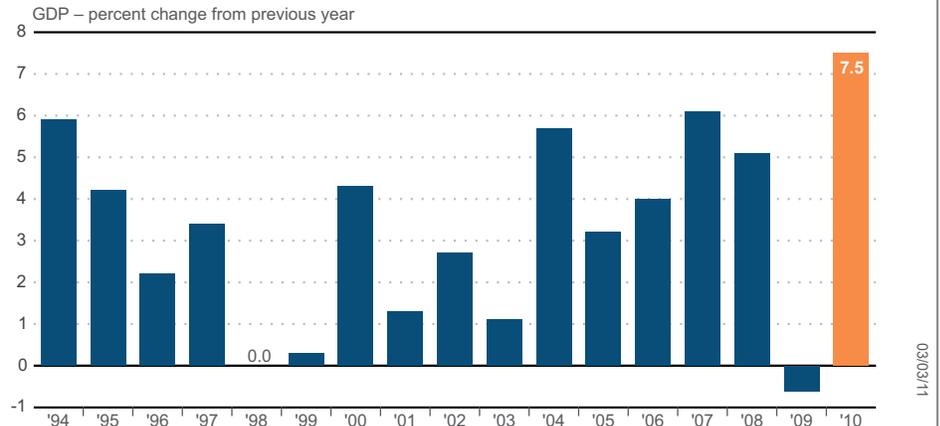
**1990s** - President Fernando Henrique Cardoso embarks on free-market reforms and privatizations that receive enthusiastic support from Washington. However, Brazil's policy of encouraging local pharmaceutical companies to make generic versions of foreign AIDS medicines causes a major rift.

**2001** - The September 11 attacks cause Washington to turn its focus away from Latin America, just as Brazil's economy is starting to take off.

**2003** - Former left-wing labor leader Luiz Inacio Lula da Silva becomes president. He maintains cordial ties with Washington but pursues a confrontational stance in the World Trade Organization, cultivates relationships with anti-U.S. countries like Iran and Venezuela, and helps defeat U.S. aspirations for a free trade area across the Americas.

## Brazil GDP

1994, the year Brazil introduced the real, proved to be a turning point in Brazil's economic history.



Source: Banco Central do Brasil

Reuters graphic/Stephen Culp



**2010** - Relations bottom out after Lula tries to broker a deal to end the standoff over Iran's nuclear ambitions.

**2011** - Dilma Rousseff, a top Lula aide and former guerrilla leader who was tortured by her military captors during the dictatorship, is inaugurated as president. She immediately stakes out a more pragmatic path than Lula on some issues and seeks to improve relations with Washington.

acquisitions in the United States in recent years, taking advantage of the economic crisis there to snap up assets on the cheap. Some examples include steelmaker Gerdau and state-owned Banco do Brasil, Brazil's largest bank.

## US COMPANIES IN BRAZIL

THESE ARE SOME of the top subsidiaries or operating units of U.S. companies in Brazil, ranked by sales in 2009:

General Motors	\$11.3 bln
Wal-Mart	\$8.6 bln
Ford	\$8.4 bln
Cargill	\$8.4 bln
AES	\$7.4 bln
Whirlpool	\$3.8 bln
Bunge	\$3.3 bln
Kraft Foods	\$2.7 bln
IBM	\$2.6 bln
Sprint Nextel	\$2.4 bln

SOURCES: BRAZIL TRADE MINISTRY, EXAME MAGAZINE, HISTORICAL TEXTS

## BRAZIL-US TRADE

BILATERAL TRADE HAS diminished in relative terms in recent years, with China surpassing the United States as Brazil's No. 1 trade partner last year for the first time.

In 2010, Brazilian exports to the United States totaled \$19.3 billion -- up significantly from the depths of the global crisis, but still down 30 percent from 2008. Imports from the United States to Brazil were \$27.3 billion, as Brazil's strong currency and the best economic growth in two decades prompted an explosion of purchases by consumers and companies.

Brazil's main exports to the United States in 2010 were: petroleum, iron ore, coffee and automobile tires.

The United States' main exports to Brazil were: diesel, coal, engine parts and airline components.

Brazilian companies have stepped up

# RISING CHINA THREATENS U.S. CLOUT IN LATIN AMERICA

BY STUART GRUDGINGS AND  
SIMON GARDNER

RIO DE JANEIRO/SANTIAGO, MAR 16

LARGELY SHUT OUT BY TRADITIONAL international lenders, Argentina still had a place to turn last year for the billions of dollars it needed to renovate its decrepit railway system -- Beijing.

The \$10 billion package agreed with the China Development Bank was another clear sign of China's surging influence in Latin America, transforming the region's economies and undermining U.S. dominance in its traditional "backyard."

China will loom large over U.S. President Barack Obama's visit to Latin America this week as he sends a message that Washington remains relevant to a region that owes much of its robust economic health in recent years to Chinese demand.

In both Brazil and Chile, the two South American countries that Obama will visit, China has recently overtaken the United States as the number-one trade partner.

Even in those countries where the United States is still the dominant partner, China is catching up fast.

It has lifted growth for years in commodity producers such as Brazil, Argentina, Chile and Peru with its voracious demand for raw goods such as iron ore, copper, and soy.

More recently, it has followed up with a wave of investments and state-backed loans aimed at expanding its access to commodities and tapping demand from Latin America's growing ranks of consumers.

In doing so, China has emerged as an alternative source of funding for Latin American countries' development in areas such as infrastructure and energy that were long dependent on World Bank or IMF loans that came with more strings attached.

"It's a real opportunity for Latin America if they play it right and it's a real challenge to the U.S.," said Kevin Gallagher, an international relations professor at Boston University who co-wrote a book on China in Latin America.

"The Chinese are a kick in the pants for the United States to articulate a little bit more of a serious relationship with the region."



**TOP TRADING PARTNER:** China's President Hu Jintao speaks during a news conference for the BRIC summit at Itamaraty Palace in Brasilia April 15, 2010. REUTERS/ROBERTO JAYME

*"A KICK IN THE PANTS  
FOR THE UNITED  
STATES."*

## BEGINNINGS OF A BACKLASH

CHINA'S GROWING ECONOMIC stake in the region may one day raise a threat to Washington's strategic dominance too as its deep pockets bring new friends.

U.S. ally Colombia recently announced it is in talks with China to build a railway linking its Atlantic and Pacific oceans, a possible alternative to the Panama Canal that would boost trade flows with Asia. A network of new highways under construction are due to provide direct links to five ports on Peru's Pacific coast in another sign of how Asian economic power is reshaping regional trade patterns.

While still largely focused on metals and agricultural goods, Chinese investments have begun to spread to the broader economy. China last year became the biggest direct investor in Brazil, the region's largest economy, with about \$15 billion worth of

projects ranging from a \$5 billion steel plant to the purchase of electricity networks for about \$1 billion.

It has also built relations with U.S. nemesis Venezuela, whose firebrand President Hugo Chavez said during a 2004 visit to China he had been a Maoist since childhood. China later launched a \$400 million communications satellite for Venezuela, reducing its dependence on U.S. and European satellites.

The United States remains the main trade and investment partner for Latin America, accounting for about 40 percent of the region's exports in 2009 compared to China's 7 percent, according to the United Nations' Economic Commission for Latin America and the Caribbean.

China is rising fast, though -- from virtually nowhere a decade ago -- and is on course to overtake the European Union as the region's number-two trade partner by 2015.

That has also carried a cost for Latin America as cheap Chinese imports flood domestic markets, provoking a growing backlash from industries like manufacturing and textiles.

Mexico suffered the impact first and more deeply, but Brazil and Argentina are increasingly feeling the pain.

Gallagher calculated that 94 percent of Latin American manufacturing exports, worth more than \$260 billion, were under partial or direct threat from China.

Brazil's new government under President Dilma Rousseff has already taken a much cooler stance toward China than her predecessor, aiming to address a lopsided relationship that has seen imports of Chinese goods quintuple since 2005.

Tensions also surfaced with Argentina last year when China, in apparent anger over protectionist moves, boycotted soybean shipments for six months.

And Chinese companies often face challenges winning local support for their projects in Peru, which critics worry will cause pollution or use scarce water resources.

China may struggle to convert growing economic clout into political influence in Latin America, says Michael Shifter, president of the Inter-American Dialogue think tank in Washington.



**TRADE NOT TRASH:** A security guard walks past a ship carrying containers filled with rubbish from Britain that was sent back from the port of Santos August 5, 2009. **REUTERS/PAULO WHITAKER**

"We may be entering a new phase now in the Chinese relationship with South America, where there are ongoing concerns about Chinese policies and practices and whether Latin America is getting the most favorable terms out of that relationship," he said.  
 "I think that's going to be the case for the

next couple of years, which opens it up again to the United States."

(Additional reporting by Helen Popper in Buenos Aires, Jason Lange in Mexico City, Frank Jack Daniel in Caracas and Terry Wade in Lima; Editing by Kieran Murray)



REUTERS/JASON REED

## OBAMA IN BRAZIL

**BRASILIA, MARCH 19** - Meets Rousseff and other Brazilian officials. Addresses U.S.-Brazil business conference.

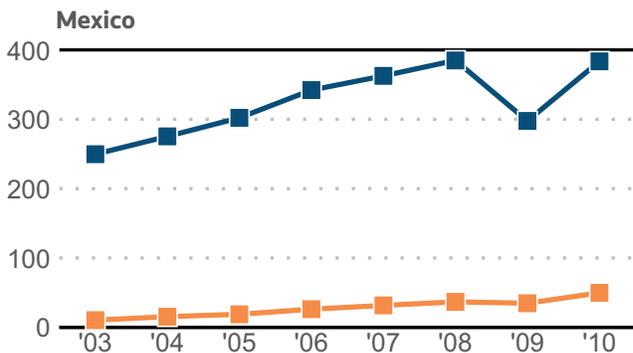
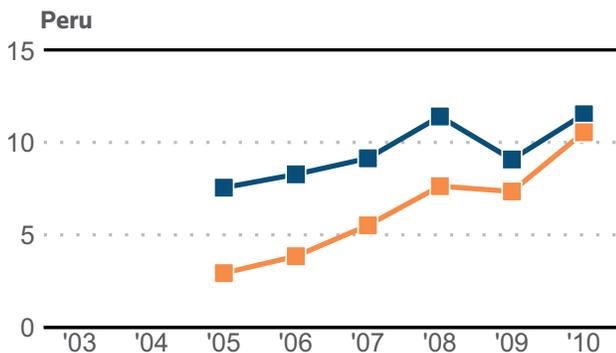
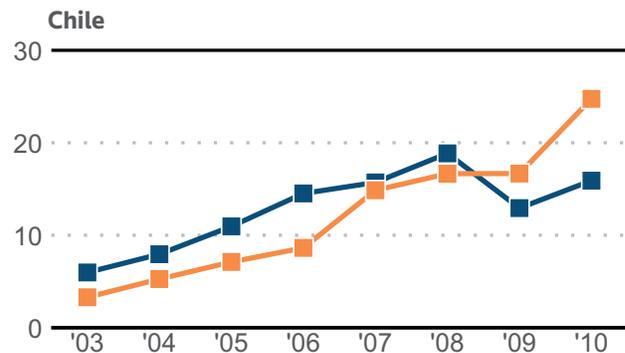
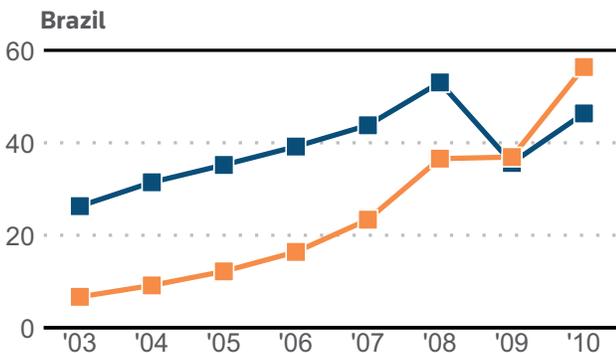
**RIO DE JANEIRO, MARCH 20** - Visits Christ statue overlooking Rio, goes to City of God slum and gives speech in public at Cinelandia square.

# Latin America trade with U.S., China

Trade flows with China have grown faster than commerce with the United States in key Latin American economies.

Trade in \$ billions:

■ With U.S. ■ With China



Source: Mexico, Brazil, Chile and Peru government and central bank data



Reuters graphic/Stephen Culp

15/03/11

# OBAMA TO REFOCUS ON LATIN AMERICA AMID CHINESE PUSH

BY MATT SPETALNICK

WASHINGTON, MAR 16

PRESIDENT BARACK OBAMA travels to Latin America this week seeking to reassert economic leadership in a region Washington once dominated but where it now faces growing competition from China.

On his first trip south of the border in nearly two years, Obama will visit countries where many are skeptical a president preoccupied with Middle East unrest, Japan's nuclear crisis and U.S. domestic problems can offer much to an increasingly independent-minded Latin America.

His March 19-23 tour takes him to South American powerhouse Brazil, free-market success story Chile and tiny El Salvador.

Obama's challenge will be to convince Latin Americans, who have long chafed at U.S. perceptions of their countries as Washington's "backyard," about his commitment to making the region a priority for trade and investment at a time when China is seizing the initiative there.

The trip also has important political implications at home. The White House is touting Latin America as a fertile market for

increased exports that Obama sees as a path to creating U.S. jobs, considered crucial to his 2012 re-election chances.

But Latin America, buoyed by growth outstripping the U.S. recovery, is not only diversifying economically but showing it is no longer as willing to take its cues from Washington.

"We can't ignore the Western Hemisphere nor can we take it for granted, because other people are moving in very quickly and very effectively," said Eric Farnsworth, vice president of the Council of the Americas.

## UNMET EXPECTATIONS

OBAMA RAISED EXPECTATIONS at the 2009 Summit of the Americas in Trinidad when he promised an "equal partnership" with Latin America based on mutual respect and shared values.

It was seen as a welcome change of tone

*"OTHER PEOPLE ARE MOVING IN VERY QUICKLY AND VERY EFFECTIVELY."*

in a relationship that was often marked by heavy-handed use of U.S. military and economic power for much of the 20th century and evolved into a policy of neglect over the past decade after many countries underwent democratic transformations from military rule.

Though Washington's image has improved from the lows of the Bush era and Obama remains personally popular in Latin America, diplomatic advances have failed to materialize along with hopes for significant easing of a longstanding U.S. embargo on communist Cuba and reform of U.S. immigration laws.

There has also been disappointment at Obama's failure so far to win congressional approval for stalled trade pacts with Colombia and Panama, and over what was widely seen as a muddled U.S. response to the 2009 coup in Honduras.

Preoccupied with crises abroad, budget battles in Congress and his own re-election bid, Latin America seems to have slipped down Obama's agenda, although the White House insists he has been "deeply engaged," meeting the region's leaders regularly at world summits.

"The other countries very much want to see the U.S. engaged in international economic affairs and show leadership." Obama's deputy national security adviser, Mike Froman, told reporters before the trip. "I think the president has done that."

U.S. officials hope that Obama's trip -- his most extensive to the region since taking office -- will reassure America's closest neighbors and help bolster ties.

## NEW REALITY

WHILE THE VISIT WILL BE sweetened with business deals and side agreements, it will yield more symbolism than substance.

It will also underscore that the era when the United States held unquestioned economic sway is over.

China and India are making deeper inroads. Their appetite for raw materials at home is helping to spur growth in the Latin America, which once lagged behind the United States.

Recognition of this trend is reflected in the choice of Brazil, the region's top economy



U.S. NEMESIS: Venezuelan President Hugo Chavez speaks after a meeting with Brazilian counterpart Luiz Inacio Lula da Silva at Itamaraty Palace in Brasilia April 28, 2010. REUTERS/JOSE VARELLA

and an emerging world power, as Obama's main stop on his tour.

He wants to take advantage of a chance to repair ties since President Dilma Rousseff took office in January, U.S. officials say. Tensions rose under former President Luiz Inacio Lula da Silva over, among other things, Brazil's overtures to Iran.

Rousseff, a pragmatic leftist, has veered back toward Washington and away from anti-U.S. leaders like Venezuela's Hugo Chavez, but she will likely insist on results with Obama.

With China having overtaken the United States as Brazil's leading trade partner, the Obama administration is determined to use the trip to push U.S. interests.

"This trip fundamentally is about the U.S. recovery, U.S. exports, and the critical relationship that Latin America plays in our

economic future and jobs," Froman said.

But he made clear that China would be up for discussion between Obama and Rousseff, especially both governments' concerns about what is widely seen as an undervalued yuan.

Obama's visit to Chile will showcase the country as a U.S.-backed model of market reform and stability since it emerged from military dictatorship in the 1980s. He will use Santiago as the setting for a Latin American policy address.

The political counterpoint to Chile, governed by the center-right, will be Obama's stop in El Salvador. Its new elected government, led by members of a former leftist rebel movement Washington opposed in the Central American country's civil war, is seeking closer ties with the United States.

Obama's itinerary sends a message that he wants to avoid viewing Latin America

through the ideological prism that prevailed under his Republican predecessor, George W. Bush.

But while the visit to El Salvador is also likely to focus on concerns about poverty and the spillover of Mexico's drug war to its neighbors, expectations are low for new aid commitments because of U.S. budget constraints.

There could be hard feelings in countries Obama bypasses. Argentina's media have depicted his choice of two market-friendly neighbors as a snub to President Cristina Fernandez's interventionist economic policies.

(Additional reporting by Alister Bull in Washington, Brian Winter in Sao Paulo, Simon Gardner in Santiago, Helen Popper in Buenos Aires, Daniel Wallis in Caracas, Jeff Franks in Havana; Editing by Kieran Murray)

#### NEW CONSUMERS:

Brazilian Indian Chief Raoni drinks a Coke during a protest in Brasilia May 7, 2009. REUTERS/ROBERTO JAYME



**COVER PHOTO:** Rousseff speaks in front of the Planalto Palace in Brasilia the day she was sworn in as the first woman to become Brazil's president January 1, 2011. REUTERS/PAULO WHITAKER

#### FOR MORE INFORMATION CONTACT:

**TODD BENSON,**  
BUREAU CHIEF, BRAZIL  
+55 11 5644 7703  
todd.benson@thomsonreuters.com

**BRIAN WINTER,**  
CHIEF CORRESPONDENT, BRAZIL  
+55 11 8160 4235  
brian.b.winter@thomsonreuters.com

**ANTHONY BOADLE,**  
WORLD DESK, AMERICAS  
+1 202 898-8457  
anthony.boadle@thomsonreuters.com