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The influence of agribusiness on Brazilian WTO policy.

A case study of the role of ABRAPA in the Cotton
Dispute (DS267).

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Declaration

I, Vania De Stefano, declare that this thesis is a result of my research investigations and findings. Sources of information other than my own have been acknowledged and a reference list has been appended. This work has not been previously submitted to any other university for award of any type of academic degree.

Signature.....

Date.....

To my grandmother Berit.

Abstract

Brazil has been the first developing country challenging and winning an economic dispute on agricultural issue against the United State of America (USA).

This thesis is a case study of the Cotton Dispute at the Dispute Settlement Body (DSB) of the World Trade Organisation (WTO). The Cotton Dispute was initiated by Brazil due to certain protectionist subsidies that the USA had on cotton.

The study took as a starting point the Brazilian domestic inequality and the presence of a strong agribusiness sector, and it focused on who lied behind the Brazilian victory at the WTO. The aim was to analyse the role of a strong Brazilian cotton association, ABRAPA, in order to understand whether they had influenced the Brazilian WTO policy. ABRAPA is the Brazilian Cotton Growers Association.

The analysis followed Putnam's theoretical framework and was carried in two levels, the domestic and international levels. In addition, Putnam's theory was integrated with Lukes's first dimension of power.

At the national level ABRAPA played a role in influencing the Brazilian WTO policy by the use of economic, technical, and legal capacities. These represent the association's potential power in influencing the WTO policy.

At the international level, ABRAPA's role was given by its successful contribution in the dispute. The DSB found in fact that the US subsidies were not conformed to the WTO agreement.

However, the study found that ABRAPA's influence to the Brazilian WTO policy can be understood only in cooperation with the Brazilian Government. ABRAPA and the Government were, in this study, the Brazilian domestic constituency and they had shared economic interests.

The interests at stake also contributed in understanding why what started as a dispute in the WTO, ended in a bilateral negotiation. The bilateral negotiation resulted favouring not only the USA, but also ABRAPA and the Government on the Brazilian side. ABRAPA played a role in widening the Brazilian domestic win-set and facilitated the ratification of the bilateral negotiation.

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List of Abbreviations

ABRAPA	Brazilian Cotton Growers Association (Associação Brasileira dos Produtores de Algodão)
ACWL	Advisory Centre on World Trade Organisation Law
AoA	Agreement on Agriculture
APEX	Brazilian Trade and Investment Promotion Agency (Agência Brasileira de Promoção de Exportações e Investimentos).
CAMEX	Foreign Trade Chamber (Câmara do Comércio Exterior)
CNA	National Confederation of Agriculture (Confederação da Agricultura e Pecuária do Brasil)
CONAB	National Supply Company (Companhia Nacional de Abastecimento)
DDR	Doha Development Round
DSB	Dispute Settlement Body
EC	European Communities
ECLAC	United Nation Economic Commission for Latin America and the Caribbean
ETI	Employment Tax Incentive
EU	European Union
FAIR Act	Federal Agricultural Improvement and Reform Act
FHC	Fernando Henrique Cardoso
FRAPE	Economical agricultural model that the US Congress uses to analyse the Farm Bill
FSRIA	Farm Security and Rural Investment Act of 2002
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GSM	General Sales Managers
GT	Technical Group (<i>Grupo Técnico</i>) created by the CAMEX in 2010
G20	Group of developing countries in the World Trade Organisation
ICAC	International Cotton Advisory Committee
IBA	Brazilian Cotton Institute (Instituto Brasileiro do Algodão)
ICONE	The Institute for International Trades Negotiations (Instituto de Estudos do Comércio e Negociações)
IMF	International Monetary Found

IR	International Relations
ISI	Import Substitution Industrialization policies
LDPs	Loan Deficiency Payments
LO	Labour Unions
MAPA	Brazilian Ministry of Agriculture and Supply (Ministério da Agricultura, Pecuária e Abastecimento)
MDIC	Brazilian Ministry of Development, Industry and Foreign Trade (Ministério do Desenvolvimento, Indústria e Comércio Exterior)
MF	Brazilian Ministry of Finance (Ministério da Fazenda)
MPOG	Brazilian Ministry of Planning, Budget and Management (Ministério do Planejamento, Orçamento e Gestão)
MRE	Brazilian Ministry of Foreign Affairs (Ministério das Relações Exteriores do Brasil), also called Itamaraty
NCC	National Cotton Council of America
NGOs	Non-Governmental Organizations
PFC	Production Flexibility contract
SCGP	Supplier Credit Guarantee program
SCM	Subsidies and Countervailing Measures
SRB	Brazilian Rural Society (Sociedade Rural Brasileira)
TRIPS	Trade-Related Aspects of Intellectual Property Rights agreement
UNICA	Brazilian Sugarcane Industry Association (União da Indústria de Cana de açúcar)
USA	United State of America
USDA	United State Department of Agriculture
USTR	United States Trade Representative
WTO	World Trade Organisation

1. Introduction

The global trade system is often criticised for mainly favouring rich countries. However, there have been examples of countries challenging this global order. One is Brazil that won a trade dispute against the United State of America (USA) in an organisation that is mainly considered to favour developed countries over developing countries, the World Trade Organisation (WTO). The WTO is an inter-state organisation based primarily on policies of liberalisation and on lower trade barriers between countries (WTO 2015).

When a disagreement arises between member countries of the organisation, a country can take the case to the Dispute Settlement Body (DSB), an institutional WTO inter-state body with the aim to resolve disputes between members.

The efforts to change the global order are also reflected in the use of the DSB. In the first five year of its existence the body has been used by the USA and counties of the European Union (EU). However, the trend changed in the next five years which saw an increase of disputes raised by developing countries (Davey 2005).

In this way, the DSB of the WTO represented for Brazil a platform to challenge agricultural protectionist measures. Brazil has been an active country in the use of the DSB: it has been the compliant in 29 disputes and the respondent in 16, beside participating 99 times as third country (WTO 2016c).

This thesis is a case study aimed at understanding who lied behind Brazilian success at the WTO. Brazil has in fact been historically suffering for high level of inequality (TheWorldBank 2015; Velez 2004) and it is the second country in South America, after Colombia, that from 2001 to 2015 scores more on inequality, according to the Gini coefficient (TheWorldBank 2016). Even though the country is facing some political and economical challenges nowadays, as the trend of rising inflation (Inflation.eu 2016; TradingEconomics 2016), Brazil experimented a period of economic growth during the 2000s and it had high expectation as an emerging economy (Bajpai 2016; Bastos 2012). The South American country has characteristics of a developing country as much as it has high trade capacity (Evans & Shaffer 2010) and it is especially active in the WTO. It is in this context that Brazil is being analysed in this thesis.

In September 2002, the country initiated a dispute against the USA due to some US protectionism measures on cotton that Brazil meant were unfair and did not comply with the WTO agreement. Not only was Brazil the first country to challenge US agricultural subsidies in the WTO (Wilkes 2016), but it is considered to be the winner of the dispute, as the DSB found the US subsidies not conform to the WTO agreement. The dispute ended with USA paying a large amount of money to Brazil as a result of a bilateral negotiation.

Given the historically high income inequality in the Brazilian society, it is therefore important to analyse more in depth who are the actual actors behind the Brazilian success at the WTO. Kristen Hopewell(2012) argued that behind the Brazilian engagement at the WTO, the exported-oriented agribusiness sector played a central role. This is a very strong sector advocating for market liberalisation that act out of its commercial interests.

The agribusiness sector, in this thesis, refers to the sector responsible for the industrialised production of agricultural goods and will be used interchangeably with the word agro-industrial. This sector has the characteristic of being large-scale industrial agriculture, capital intensive and it requires machineries and increased use of technology.

The aim of this thesis is to analyse the role of this sector, taking as a case study the Cotton Dispute (DS267).

The WTO is an inter-state organization where there is not formal space for the influence of Non-State Actors. However, this does not mean that their influence is not present.

The outcome of what is decided at the WTO dispute affects, in fact, more than the State that is its legitimate actor. Knahr (2007) wrote that behind many decisions taken at the WTO, there are economic and social interests. Non-State Actors, not only seek to influence international trade (Hernandez Lopez 2001), there is also a tendency towards increased integration of Non-State Actors in the WTO's Dispute Settlement Procedures (Knahr 2007).

The term Non-State Actors refers to all the actors that are not governmental and includes among others, civil society organisations, Non-Governmental Organisations (NGOs), Labour Unions (LOs), private institutes, business associations, etc. This thesis will consider only the study of a certain category of Non-State Actors, the Brazilian domestic agro-industrial sector.

Agribusiness is a strong sector in Brazil. The country has, in fact, one of the most sophisticated agro-industrial sectors in the world (Valdes 2006). It represents 23% of the Gross Domestic Product (GDP) and 44% of the country's exports (Bajpai 2016).

Even though it is composed only by 15% of the agricultural producers this sector is responsible for 75% of the agricultural production and export. The other 85% of producers are small-scale farmers, seen as a backwards and declining sector (Hopewell 2014). This dual faces of the Brazilian agricultural sector gives a clear image of the inequality in Brazil and the importance that the agribusiness sector represents for the Brazilian economy.

While the agribusiness sector is strong and would benefit from the market liberalisation, a weak and backwards sector, as the small-scale farmers, would not be able to compete in an international open market. For this reason it is the agribusiness sector that has interest in entering a dispute concerning the liberalisation of agricultural market and is the focus of this study.

Beside their importance in Brazil, the agribusiness is the focus on this thesis because "business is an important lobbyist seeking to influence those institutions charged with the task of ratifying agreements" (Bull 2008 p.200). According to the Article 49 of the Brazilian Federal Constitution, the institution who ratifies the agreement is the Brazilian National Congress (Planalto.gov.br 2016). However, as we will see later in the thesis, this case is a dispute and does not concern the ratification through the National Congress.

Since this thesis takes as a case study the Cotton Dispute between USA and Brazil, the focus is on the role of the Brazilian agribusiness cotton sector, represented by the Brazilian Cotton Growers Association (ABRAPA, *Associação Brasileira dos Produtores de Algodão*). Even though this association is not the only private actor that represents the agribusiness sector, it played an important role in the dispute and it is the biggest and most legitimate agribusiness private actor in the cotton sector. It represents 99% of both the cotton production and is the responsible for the entire Brazilian cotton export in the world (ABRAPA 2008).

In this thesis, the terms cotton sector, agribusiness sector and private sector will be used interchangeably to refer to ABRAPA. In the same way, Government and public sector are used interchangeably. In addition, Brazil and USA will also be referred as the parties.

1. 1. The aim of the thesis

Starting from the high inequality in Brazil and realising the importance of the strong agribusiness sector, the aim of this thesis is to analyse the role of the Brazilian cotton agribusiness sector in order to see whether and how they influenced the Brazilian WTO policy in the Cotton Dispute. The WTO policy is defined as the foreign policy decision making related to the WTO, more precisely on the Brazilian decisions related to the Cotton Dispute. In order to study if this sector had influence on the Brazilian WTO, it is central the analysis on the relation with the Government, that is the legitimate actor in the WTO.

By using Putnam's two level-games theory as a theoretical framework (Putnam 1988), this thesis will focus on two levels: the domestic and international. At the domestic level the analysis is aimed at studying the role of the agribusiness sector and its relation with the Brazilian public actors in formulating the Brazilian WTO policy. It is central the analysis of the actors with their preferences and power. At the international level the thesis includes the investigation on whether the agribusiness' influence contributed to enhance the Brazilian position at the DSB. This study includes also the analysis of the way the dispute ended and if the agribusiness sector's role had contributed to understand the result of the dispute.

The research question of the study is:

What was the Brazilian agribusiness sector's role in the Cotton Dispute of the WTO's DSB?

The sub-questions are:

What was the relation between the private and public sector in the Cotton Dispute?

What was the agribusiness's sector power and how did they exert it?

Did the agribusiness influence contribute to enhance the Brazilian position at the DSB?

How did the role of this sector contribute to understand the way the dispute ended?

This thesis is structured in the following way: After this introduction (chapter 1), chapter 2 presents the historical context in order to understand the macro political-economical situation where the Cotton Dispute took place. While chapter 3 explains the methodology that lay at the basis of this thesis, chapter 4 is the description of the theoretical framework that will be used in the analysis. Chapter 5 introduces the WTO and chapter 6 explains the way the private sector has in order to participate in the Brazilian decision-making process. An empirical description of the Cotton Dispute (chapter 7) precedes the analysis at the national level (chapter 8) and at the

international level (chapter 9). Chapter 10 will then analyse why the Cotton Dispute ended in a bilateral negotiation and chapter 11 is the conclusion of the thesis.

2. The Historical Context: Trade policy and domestic actors in Brazil

This chapter of the thesis will present the Brazilian political-economic historical context that saw the pluralisation of actors in the Brazilian foreign policy. It will start presenting the period from the middle of the 20th century, characterised by protectionist policies, to then describing the liberalisation and pluralisation process that the country underwent in the 1990s. Until this time, in Brazil, the foreign policy was under the monopoly of the Brazilian Ministry of Foreign Affairs (MRE, *Ministério das Relações Exteriores do Brasil*) also known as Itamaraty (Cason & Power 2009). The rise of certain Non-State Actors and the participation of other state actors in the formulation of Brazilian foreign policy will give a background to understand the context where the Cotton Dispute took place.

2.1. The Protectionist period (before the 1990s)

From the middle of the 20th century Latin America was characterized by a high level of protectionism. Most of these countries were big exporters of primary goods and importers of industrial goods. Brazil from the end of the 19th century and the beginning of the 20th century, for example, had control of three-quarters of the production of coffee (Furtado 1963) and was one of the biggest exporters of this raw material. According to the dependency theory, the unequal term of trade, where the developing countries exported agricultural goods while importing industrial goods from developed countries, lead to the former resulting worse off. The assumption has a historical explanation, where developing countries are usually producers of agricultural goods, while developed countries are producers of industrial goods. Raúl Prebisch (1950), from the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), based his thesis on the difference in price between the agricultural goods compared to industrial goods. In a condition of deterioration of terms of trade, the price of agricultural goods will fall faster than the industrial goods.

An agricultural exporter country as Brazil, opening to the international economy, results more affected to the change in the international economy.

It is in this context that the protectionist measures from the middle of the 20th century have to be understood. Industrialisation is seen as the solution of the unequal term of trade, where the state seeks growth from within. Brazil and many other Latin American countries adopted policies of

import control and restriction, called Import Substitution Industrialisation policies (ISI). ISI policies included high level of tariff and non-tariff trade barriers (Rodrik 1992). The idea was that the countries needed to industrialise and not be dependent on the industrial import from high-industrialised countries. While it can be discussed whether these policies had a positive impact or not, they aimed at protecting the internal market and functioned as an attempt to industrialise.

During the ISI period, in Brazil there was a tendency of prioritising the exportation of the manufactured goods. The cotton export, on the other side, was restricted (Buainain & Batalha 2007) and the cotton production, in general, was small-scale (Stolpestad 2011). It is not to exclude that the ISI policies stimulated the industrialisation of the machinery that would be then used in the agribusiness sector. As defined above, the agribusiness sector refers to the industrialisation of the agriculture sector. A reason for such a strong agribusiness could be that by the time the Brazilian economy opened up, in 1990s, the agro-industrial sector was “ready” to compete in the international market.

2.2. The Liberalisation from the 1990s

Brazil opened up for liberalisation in the 1990s during the presidency of Fernando Collor de Mello (Chaddad & Jank 2006). This period was characterised by decreasing governmental expenditures in farm policy, deregulation and elimination of export taxes (Chaddad & Jank 2006). In the international context, the end of Cold War can explain this liberal wave. Davis (2009) writes that since the 1990s the number of trade agreements has increased and continued to grow steadily.

It was during this period that the Brazilian agribusiness underwent the growing of a modern agribusiness sector (Motta Veiga in Halle & Wolfe 2007)(Baer et al. 2006). Other reason that contributed to such a strong agribusiness sector in Brazil are without any doubt attributed to the favourable geographic and climatic conditions that the country disposed, as well as the vast territory and the abundance of water and natural resources.

2.3. Fernando Henrique Cardoso (1994-2003): The Beginning of the Cotton Dispute

It was not until the 1994, the year when Fernando Henrique Cardoso (FHC) (1994-2003) was elected president, and with such a strong agribusiness sector, that Brazil started its aggressive policy against the agricultural trade barriers that the developed countries historically had had.

Internationally, while arguing for the liberalisation of industrial goods, developed countries have always maintained many protectionist policies for their agricultural sectors.

According to many scholars (De Bièvre 2006; Narlikar & Wilkinson 2004; Steinberg 2002), the WTO is an organisation that favours developed countries over developing countries. A good example would be Article 13 of the Agreement on Agriculture (AoA), also known as the Peace Clause. It says that agricultural subsidies committed under the agreement cannot be challenged under other WTO agreements (WTO 2016e). The Peace Clause protected, in specificity, three types of subsidies: export subsidies, green box subsidies and yellow and blue subsidies (Tollini 2014). While the last subsidies distort the market, the green box subsidies are “allowed” subsidies, as far as they comply with some criteria: not distorting trade and not involving price support (WTO 2016f). The Article 13 of the AoA discourages thus agricultural-strong-countries, like Brazil, to challenge other countries on agricultural issues. Hélio Tollini (2004a), the executive director of ABRAPA (2002-2004), wrote that the Peace Clause did not contribute to the development of nations as it protected the countries that distort the global market. As we will see later, this is one of the arguments that Brazil used against the USA during the Cotton Dispute.

With the creation of the WTO, in 1995, Brazil had a platform where to challenge agricultural protectionist measures. In this way the DSB had represented an opportunity for Brazil to challenge the USA.

The protectionist measures in the agricultural sector have been argued against in the Cairns Group. This is a group of countries in which Brazil was part of. Given their large exported-oriented agricultural sector, the countries of this group advocated for freeing up agricultural international trade and for removing both tariff escalation and trade distorting domestic subsidies (CairnsGroup.no n.d.). In the late 1990s, groups “representing agricultural interests organised intense lobbying efforts to push for further agricultural trade liberalisation” (Poletti et al. 2014 p.10). Despite the growing of a strong agribusiness sector, when Brazil opened up the market in the 1990s, it resulted one of the major importer of cotton in the world (Buainain & Batalha 2007; de Moraes 2004). The reasons can be found in liberalisation to an international market where other cotton producer countries were protected with subsidies (de Moraes 2004). It is in this context that the Cotton Dispute between Brazil and the USA started, the 27th September 2002.

2.4. The Pluralisation process in the 1990s

Another important change, in the Brazilian foreign policy, beside the liberalisation process, was the pluralisation of actors in the foreign policy making. This led to an increasing number of actors influencing the Brazilian foreign politics. Now, the MRE shares power with other domestic actors, among others: the Brazilian Ministry of Development, Industry and Foreign Trade (MDIC, *Ministério do Desenvolvimento, Indústria e Comércio Exterior*), the Brazilian Ministry of Agriculture and Supply (MAPA, *Ministério da Agricultura, Pecuária e Abastecimento*), the Brazilian Trade and Investment Promotion Agency (APEX, *Agência Brasileira de Promoção de Exportações e Investimentos*) and the Foreign Trade Chamber (CAMEX, *Câmara do Comércio Exterior*). The latter is an institution under the MDIC (Bezerra 2008) that is responsible for the formulation, implementation and coordination of foreign trade policies and activities (Cantarino da Costa Ramos 2008; Jorge & Barbosa 2009).

The CAMEX was created the same year as the WTO, in 1995, with the aim to create links between the ministries (Bezerra 2008; Cantarino da Costa Ramos 2008) and deal thus with the fragmentary problems of the decision making process in Brazil (da Motta Veiga & Iglesias 2002). The chamber is composed by ministers of the MDIC, the MRE, the MAPA, the Brazilian Ministry of Planning, Budget and Management (MPOG, *Ministério do Planejamento, Orçamento e Gestão*), the Brazilian Ministry of Finance (MF, *Ministério da Fazenda*) and the Chief of Staff of the Presidency of the Republic (*Ministro-Chefe da Casa Civil da Presidência da República*) (Bezerra 2008; Cason & Power 2009).

Created in 2003 under the MDIC, the APEX promotes Brazilian products and services abroad and attract foreign investment (APEX 2016).

It is in this landscape of pluralisation that private actors gained more influential power.

Before looking at the private actors, it is important to clarify that in Brazil there are different kinds of organisations that form the system of representation of interests and influence: the sectorial associations, part of the extra-corporatist system and the official organisations that are the corporative system. The latter is a system that can be found in different sectors, such as: industry, agriculture, commerce, transportation and financial service. It is a pyramidal system where the Confederation is at the top and operates at the national level; right below, at the state level, there are 27 Federations, as many as the Brazilian states. Below the federations there are patronal syndicates that can have municipal or inter-municipal coverage (Mancuso & Oliveira

2006). These Brazilian firms pay a contingent to the Confederation that is not voluntarily, making so a compulsory membership to it (Schneider 2004). The National Confederation of Agriculture (CNA, *Confederação da Agricultura e Pecuária do Brasil*) is part of the corporative system.

Among the extra-corporatist systems that played a role in the Cotton Dispute there are the Brazilian Rural Society (SRB, *Sociedade Rural Brasileira*), the Maeda Group (*Grupo Maeda*) and ABRAPA.

The SRB is a private association created in 1919. It works as a political negotiator of the agribusiness sector with the aim to represent the Brazilian rural product and defend the interests of this sector (SRB 2015). The SRB took part in the WTO meeting and it was from this society that the problem of the agricultural subsidies arose for the first time, with the engagement of Pedro de Camargo Neto. He has been the president of the SRB in the years that preceded the Cotton Dispute, and is an influential agricultural lobby (Becker & Benson 2004). Neto has also been described as the creator of the complain of the Brazilian Cotton Case (Estadão 2004).

The Maeda Group was a big cotton producer, now incorporated in the firm Vanguarda Agro (VanguardaAgro 2016). The Maeda Group took the name of the President Jorge Maeda, the president of ABRAPA (2002-2006) when the Cotton Dispute started.

ABRAPA, founded in 1999, is a cotton association that represent the entire Brazilian cotton export and unifies nine state associations in the cotton sector (ABRAPA 2008). Its aim is to increase the profitability of the cotton sector and make it competitive at the international level (ABRAPA 2008). The association has also participated in international conference as by the International Cotton Advisory Committee (ICAC), as we will see later in the thesis.

The pluralisation process has been important as the participation of more actors in the formulation of the Brazilian foreign policy contributed to a more accurate representation and more transparency of the Brazilian society (de Oliveira 2007).

2.5. Luiz Inácio Lula da Silva (2003-2011): During the Cotton Dispute

The pluralisation of actors in Brazil also includes the increased participation and engagement of the Brazilian presidents in formulating the foreign policy. This trend increased from the 1994 with FHC, who had been minister of the MRE for seven months before becoming president (Cason & Power 2009). The following president, Luiz Inácio Lula da Silva (2003-2011),

continued this engagement. However, Lula was more focused in creating links with developing countries compared to his predecessor who focused on developed countries (Cason & Power 2009).

A similarity between the two governments is instead given by the business friendly policy (Cason & Power 2009). Lula, a former syndicalist, kept the level of Brazilian competitiveness in the international market, increased the investments in infrastructure and had a policy of modest and selective intervention (Chaddad & Jank 2006). His term was also characterised by greater budgetary discipline and relatively liberalized trade (Shaffer et al. 2008). Lula also supported the agribusiness, as he praised Brazil's agribusiness sector as an important contributor to the country's export growth (Baer et al. 2006).

Compared to the former president, Lula's two terms saw a decrease in the global international negotiations. At the international level, this can be attributed to the stalemate at the WTO after the Doha Development Round (DDR). DDR is the latest negotiation round of the WTO which aimed to foster more liberalisation and lower trade barriers that started in 2001 but has not yet been completed (WTO 2016d).

In 2003, the same year Lula became president, a group of developing countries aimed at changing the power structure at the WTO was created, the G20 (Hopewell 2012). The G20 has similarity with the Cairns Group in advocating for more equal trade and abolishing trade subsidies in the agricultural sectors. Brazil is a country that played an important role in the creation of the G20 (Chaddad & Jank 2006), especially with the help of the Brazilian Institute for International Trades Negotiations (ICONE, *Instituto de Estudos do Comércio e Negociações*). The institute was specialized in trade policy (ICONE 2015).

The new Government with Celso Amorim (2003-2010) as minister of the MRE and Roberto Rodriguez (2003-2006) as minister of the MAPA supported the Cotton Dispute (Costa & Bueno 2004).

An important event that happened during Lula's term was the expiration of the Peace Clause the 1st January 2004. This increased the Brazilian leverage over the USA. The President of the American Farm Bureau Federation, Bob Stallman, was aware of it and was concerned that Brazil could initiate disputes also over other commodities such as rice, wheat and other dairy products (Camargo in Poletti et al. 2014).

2.6. Dilma Rousseff (2011-2016): The end of the Cotton Dispute

The last part of the dispute occurred during the Government of president Dilma Rousseff (2011-2016¹).

Rousseff, compared to her predecessors, had been criticized for not having formulated clear foreign trade policies and not having programmed a strategy of systemic competition of internationalized economies (Cervo & Lessa 2014). Her government, in addition, experienced "inertia" in the foreign trade policy and as a consequence she losted trust both from the national and foreign investors and entrepreneurs (Cervo & Lessa 2014).

¹ Rousseff's presidential power has been suspended the 12th May 2016 for 180 days due to a current process of impeachment (theGuardian 2016)

3. Methodology

Chapter three explains the methodology that lays at the basis of the study.

This thesis is a qualitative research of a case study and it focuses on answering questions about “whether”, “how” and “why” the agribusiness sector played a role in influencing the Brazilian WTO policy.

3.1. Research Design

This thesis is a case study of a given dispute at the DSB, the Cotton Dispute that Brazil brought against the USA.

A case study is aimed at investigating an event in order to understand a phenomenon and implies that there is a broader category, from which the case is an example (Berg & Lune 2012). By studying the relation between the public and private actor, as well as between the international and national level, this case study contributes to the knowledge of the factors that may influence the global trade system. More specifically it contributes to the knowledge of the role of private actors in the international trade governance.

This case study helps grasping the inter-country and intra-country dimensions of the Cotton Dispute, which focuses on a certain national actor in an international dispute case. This interconnection between national and international levels of analysis is also what will justify, in chapter 4, the choice of Putnam’s two-level games as a theoretical framework of the study.

This part of the chapter will explain why the thesis took as a case study the Cotton Dispute and why it focused on ABRAPA.

The reason for choosing the Cotton Case is given by the significance of dispute. It is a unique case as it was the first time that the USA was challenged and lost a dispute on agricultural issues (Wilkes 2016).

The Cotton Dispute is not the only dispute where Brazil challenged and won a case against strong economical powers. The same year as the Cotton Dispute started, in 2002, Brazil entered a dispute against the European Communities (EC) related to sugar, the Sugar Dispute (DS265). This dispute also display the important role of another Brazilian agribusiness actor in the Brazilian WTO policy: the Brazilian Sugarcane Industry Association (UNICA, *União da*

Indústria de Cana de açúcar) (Iglécias 2007). However, It would not be possible in this thesis, to analyse the two disputes, given the purpose of the study of being an in-depth analysis. The choice of analysing the Cotton Case has been favoured by the availability of the data.

Despite the many studies on the topic, as far as I have been able to establish, no in depth cases study focused on the role of ABRAPA on the Brazilian WTO policy. It is in this way that this thesis captures elements that other research may overlook (Berg & Lune 2012). In addition, this analysis has been written two years after the official end of the dispute in 2014, while many studies have been carried before this date (among others Azevedo 2007; Nobre 2013; Schimanski 2006; Mariano et al. 2011). This study considers also the role that the agribusiness sector had in the way the dispute ended. It is a study of a post facto event, usual characteristic of the case study (Berg & Lune 2012).

It is important to be aware that, beside ABRAPA, there are other private actors that contributed in bringing capacities to the Brazilian position, among them SRB and ICONE. Both represent the Brazilian agribusiness sector. However, the reason why the analysis is centred on ABRAPA is because the association is a legitimate actor that represents 99% of both the cotton production. In addition it also has direct interests on the result of the dispute, as it is the responsible for the whole Brazilian cotton export (ABRAPA 2008).

3.2. Data collection, validity and reliability of the study

A case study implies also gathering enough information about an event in order to understand how the subject operates. This method requires multiple sources of data in order to examine in depth the case (Berg & Lune 2012). This part of the chapter will explain the method used for data collection.

The thesis is a desk-study and the data collected is not resulting from interviews. The main reason for not carrying an interviewed-based study has been the difficulty in making contacts with the representatives of both the Government and the private sector. The collection of text and documents are the main source of data. This is also considered a research method associated with qualitative research (Bryman 2012).

The sources that this research is based upon are newspapers' articles, academic articles, WTO official documents and reports from the Congressional Research Service of the US Congress,

ABRAPA and other Brazilian public and private actors. These are discussed according to some criteria for assessing the quality of documents: authenticity, related to the origin of the document; credibility, related to the presence of errors and distortions; representativeness and meaning, the latter related to the clarity of the document (Bryman 2012). In addition, a good research has to comply with questions of validity and reliability. This part will thus include the validity and reliability of the data. While validity is concerned with the integrity of the conclusion, reliability is concerned with questions if the result(s) can be repeated (Bryman 2012). Credibility tells us also something about the internal validity of the data.

The description of the dispute process in the DSB is mainly based on official documents from the WTO. These are official reports from the DSB referred with the code DS267 and the number of the document². These documents are available online and this contributes to reliability criteria as they are available for further research. In addition, the availability of these documents contributes to the transparency of the organisation.

Bryman (2012) writes that documents from an organisation may imply problems related with different persons in the organisation having different meaning and thus writing different things. However, using the empirical data from the WTO gives a neutral way of seeing the process as the WTO in this study represented the platform where the dispute took place. Since the DSB is a neutral the body that will decide the final result on who wins the dispute, it is important to consider the WTO interpretation of the process between the countries.

In this way it is difficult to question the documents' authenticity as much as the presence of errors and distortions. This contributes to the internal validity and credibility of the data. The description reported is also clear and comprehensible (meaning), in addition to be really detailed, and representative of the dispute.

The empirical description of the Cotton Dispute is also integrated with articles from both US and Brazilian newspapers, academic articles and information from the Congressional Research

² All the DSB reports referred with the code DS267 are found at the WTO official web page under the section "Document, data and resources" with the link: [https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S006.aspx?Query=\(%40Symbol%3d+wt%2fds267%2f*\)&Language=ENGLISH&Context=FomerScriptedSearch&languageUIChanged=true](https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S006.aspx?Query=(%40Symbol%3d+wt%2fds267%2f*)&Language=ENGLISH&Context=FomerScriptedSearch&languageUIChanged=true) (accessed: 02/01/2016)

Service of the US Congress, ABRAPA and other Brazilian public and private actors. The plurality of the empirical description contribute to the validity of the data

The part where I attempt to study the role of the actors in the process is based on academic articles, newspapers and information from Brazilian domestic actors.

The main contribution to the analysis of the thesis is given by a document that contains the personal testimonies of important persons on the Brazilian domestic side. This document, called “The Cotton Saga, from the first plantation to the action at the WTO” (*A Saga do Algodão, das primeiras lavouras à ação na OMC*) is written in 2004 and it is under ABRAPA’s review.

“The Cotton Saga” is a useful document as it is the direct source of ABRAPA, that is the focus of the study. In addition, it reports also testimonies of the experts that have had a role in the dispute, as well as of individuals from the public sector.

Authenticity problems related to the neutrality of this document may arise due to the origin of the document, ABRAPA. A first problem related to the authenticity of this document can be given by the way ABRAPA interpreted and experimented the dispute. Another issue instead can be given by the testimonies of persons from the public sector in addition to ABRAPA’s representatives. It can in fact be brought into question that what has been written from the former may had to be approved from the association before being published. It is little probable that the organisation would publish something that would put ABRAPA in an unfavourable light. These points lead to problems of Credibility.

However, “The Cotton Saga” represents a good source of information, as it includes the real testimonies written in first person by central individuals. The credibility of this source is given by the informal way the persons write; an expert for example, wrote that he felt asleep in some meetings. This source could therefore be considered close to being “primary data”, given the way the individuals report their experiences.

The problem related with the credibility of the public sector’s individuals that write can be overcome considering the shared interests that ABRAPA and the Government had related to the Cotton Dispute. Both are found to have the same interests in challenging the US subsidies and in bringing the case at the WTO. The lack of conflict of interests contributes to the validity of the data. It can be in fact arguable that a personal interview of the relevant persons would lead to different data. This point contributes also to questions related to the reliability of the research.

Being the data collected by online documents and articles, the research is replicable. Replication is strictly related to reliability (Bryman 2012).

“The Cotton Saga” is a document used also to analyse the result at the DSB. Issues concerning the early date of the document’s publication could be considered a limitation. The document is in fact written after the publication of the Panel Report in 2004. However, as we will see later in this thesis, the other reports from the dispute uphold the result from the Panel Report. This means that a document from 2004 still is valid in order to study the role of ABRAPA at the DSB.

Since the documents collected were not produced for the purpose of social research, this increases their validity (Bryman 2012). The thesis applies an intertextual approach by the use of different documents as data, something that contribute to the validity of the research.

Questions of external validity relates instead on whether the case can be generalised beyond the research context or not (Bryman 2012). The result of the study can contribute to understand the role of private actors in international trade governance.

Reliability problems related to the understanding of the documents and articles written in Portuguese do not affect either the analysis as the researcher speaks Portuguese.

4. The Theoretical Framework

In order to answer the research question if the role of the agribusiness sector had influence on the Brazilian WTO policy in the Cotton Dispute, it is important to analyse the role of domestic actors in an international dispute. For this reason the theoretical background of this thesis is Putnam's two-level games theory that focuses on the interactions between the domestic and international level (Putnam 1988). Central in this theory are the domestic actors, their preferences and their power. The two-level games theory will in addition be complemented with Lukes' first dimensions of power, being power a central component in understanding the role of the agribusiness (Lukes 1974).

The Cotton Dispute between the USA and Brazil can however be analysed in different ways. Realism, Liberalism and Critical theory, among the main theories in International Relation (IR), would approach the case differently. This theoretical framework will start by introducing these IR theories in order to understand the relevance of Putnam's theory in the study of the case.

Given the importance of the agribusiness sector in Brazil, Realism, Liberalism and Critical theory would only partially answer at the research question.

Classical realism focuses on national states as the main actors in international politics. These are seen as monolithic actors that act out of their national interests (Dunne et al. 2013).

The Cotton Case is a dispute between National states that act in order to protect their national interests, mainly economical. By taking the national state as the only actor, Realism would be relevant in order to analyse the international dimension of the dispute. However, by looking at the state as the only actors, a realist analysis would miss the societal interests inside it and it could not be possible to analyse the role that this strong domestic Non-State Actor, the Brazilian agribusiness sector, have had in the Cotton Dispute.

Liberal theory, on the other side, looks at other actors than the state in the international system, among others domestic Non-State Actors (Dunne et al. 2013). According to Moravcsik (2010), domestic groups have interests and influence the State's behaviour in order to achieve their goals. In this way Liberalism would be relevant in analysing the role of the agribusiness sector in the Cotton Dispute.

When we look at the international structure, Realism sees the international system as an anarchical and conflictual arena where there is no space for cooperation between states (Dunne et al. 2013).

The Cotton Dispute is a conflictual case between two countries: Brazil and USA are not engaged in a negotiation but are instead enrolled in a dispute, seeking at maximising their national interests. However, the arena where the dispute takes place is far from the anarchical system that realists consider. The context where the dispute occurs is in fact an international institution aimed at the liberalisation of the market and at facilitating negotiations between countries, the WTO. Institutions, according to Liberal theory, represent an arena for cooperation (Dunne et al. 2013).

Critical theory focuses on the unequal relations. This theory would represent a useful theoretical framework in an analysis centred on the national and international unequal relations. At the national level, the unequal relation would be between the agribusiness sector and the small-scale farmers. At the international level, instead, it will focus more on the inequality between Brazil and the USA.

However, the focuses of this thesis is not to analyse the unequal relation in Brazilian society, but investigating if the role of a given domestic actor, with power and interests, can help understanding the Brazilian WTO policy.

This study takes elements of these theories but focuses on the strict role of the agribusiness sector, a domestic actor capable to influence international politics. It is in this way that the analysis has to be considered actor based.

The structure of the international system may be anarchical, where the national states seek to maximise their interest. However, the presence of international organisations, as the WTO, can provide an opportunity for countries to cooperate. At the national level, the societal interests of the states also play an important role.

Since the aim of this thesis is to study the role of the Brazilian domestic actor in shaping the country foreign policy, the focus is on analysing the role of agribusiness actors in Brazil. On the other side, USA will be considered as a single actor.

4.1. Putnam's two-level games

The thesis employs as a theoretical framework Putnam's theory of two-level games: the interconnection between the international level (Level I) and the national level (Level II) (Putnam 1988). Putnam's two-level games can in some way fall inside the liberal tradition, but his theory is more centred in focusing the domestic politics to study when and how the two levels are related in an international bargain.

Level I is the negotiation phase at the international level: two (or more) countries at the international level are engaged in a bargaining and are aimed at reaching an agreement. Putnam's assumption is that the negotiation is driven by a Level I negotiator for each country that represents a link between the international and domestic politics. This negotiator is assumed to have neutral preferences and full information (Putnam 1988).

Level II is the ratification phase at the national level: actors at the national level, of each country, discuss whether to approve or not the international agreement. These national actors are usually governmental but other non-governmental actors are not excluded. The ratification can be either formal or informal (Putnam 1988).

In his two-level games theory, Putnam takes the example of the Bonn Summit Conference of 1978, where the agreement was possible because a powerful minority adopted domestically (Level II) what was decided internationally (Level I). The result was possible given a mix of international pressure and domestic resonance. The negotiation is a process that goes back and forwards between the two levels.

Putnam's theory is a framework that analyses an international economic negotiation, aimed at satisfying both countries (Putnam 1988). However, as we have seen, the case study of this thesis is not a pure international negotiation and it can be discussed whether the two parties, Brazil and the USA, are aimed at reaching a mutual beneficiary agreement. It is in fact, a dispute where Brazil takes an offensive stand against the USA.

By analysing the relation between the Brazilian public and private domestic actors at Level II, I will study what role the agribusiness sector had in the dispute and how they contributed in the ratification process. Since this case study is an international dispute, instead of a negotiation, there is the need to redefine ratification. In this thesis ratification will refer to the national

decision making related to concrete action at the Cotton Dispute rather than a formal approval of international negotiation.

In addition, this study will analyse if the agribusiness sector had a successful role in influencing the Brazilian WTO policy and actually contributed to enhance the Brazilian position at the DSB. The last part of the thesis will use Putnam's theory to analyse why the dispute ended with a bilateral negotiation rather than with Brazil retaliating against the USA and if the role of the agribusiness sector can contribute to understand this result.

The Level I negotiator, in this dispute is not a single person with neutral preferences and full information, as theorised by Putnam(1988). It is represented by the Government who, not only is the link between public and private, but also the legitimate actor in the WTO.

The relevance of using Putnam is even more evident given that what started as a dispute ended as an actual negotiation between countries. The game between the national and international levels is a useful framework in order to analyse the role of the Brazilian agribusiness sector in the Cotton Dispute, as it focuses on the role that the domestic actors had in international policies and in the interconnections between the two.

The analysis of the Cotton Case on a barely international level would not answer at the final aim of the thesis: looking at role of the agribusiness sector and analysing whether or not they have influenced the Brazilian WTO policy. On the other side, a national analysis would not be sufficient, given the international dimension of the case and the inter-state arena where the process take place, the DSB of the WTO. The two levels have to be analysed simultaneously.

At the international level, government actors seek to satisfy their domestic demands and minimising "the adverse consequences of foreign developments" (Putnam 1988 p.434). Putnam (1988) writes that an agreement between countries is successful when it falls within the win-sets of each part. The win-set is the set of possible agreement that could win for the two parties' domestic level. It represents the country's foreign policy and in our case the country's WTO policy.

The larger the win-sets, the more likely the two countries' win-sets overlap, and the more likely for the negotiation to be ratified (Putnam 1988). However, this does not imply a better deal. There are different determinants that shape the domestic win-set of a country: the domestic constituency, the distribution of preferences and power, the capacity to create coalitions, and the strategy of the negotiator at the Level I.

4.2. The Brazilian domestic level

4.2.1. The actors at the Brazilian domestic level

The first determinant that shape a country's win set is what Putnam calls "domestic constituency", i.e. how many domestic actors have the power to ratify or reject the agreement (Putnam 1988). As we have seen, in the 1990s, Brazil underwent a process of pluralisation of decision of its foreign policy with an increase of actors involved in foreign policy making (Cason & Power 2009). Even though there are many actors involved in the Brazilian WTO policy, given their power and interest in the case, the private agribusiness cotton sector is the focus of this study. ABRAPA and the Government compose the Brazilian domestic constituency in this thesis.

4.2.2. The preferences at stake at the Brazilian domestic level

According to Putnam (1988), a bigger constituency implies more preferences at stake, and a tighter win-set. Preferences are another determinant that shape the win-set (Putnam 1988). In this thesis the term preference and interest are used interchangeably.

The actors' preferences may not be homogeneous inside the country: while some domestic actors are more prone to ratifying an agreement (having larger win-sets) others may be less prone to doing it. Putnam (1988) differentiates between homogeneous and heterogeneous interests. In the former the domestic preferences are the same: the more gains a negotiation provides, the easiest to ratify it at the domestic level. In the latter, there are different preferences domestically.

The Cotton Dispute is not an international negotiation, rather an international dispute. The dispute, compared to a negotiation, is different in a way that while the latter seeks an agreement between two (or more) actors, the former is a conflictual situation between two countries where the aim is winning. It is important, then, that the domestic actors of a country work together in order to win over the other country.

The Cotton Case is a dispute started by Brazil who accused the USA of having unfair US subsidies. On the Brazilian side, the actors that participate in the dispute have the same interests in the removal of these US protectionist measures. These preferences are central for both ABRAPA (ABRAPA 2012) and the Government. The latter is both an actor that form the domestic constituency as well as the legitimate actor in the WTO. Including the interests of the

latter is essential as the Government represent the link between ABRAPA and the Brazilian WTO policy making.

4.2.3. The power at the Brazilian domestic level

Actors' preferences are what drive their actions. Putnam (1988 p.434) wrote "domestic groups pursue their interests by pressuring the Government to adopt favourable policies".

It is a question of power between national actors and what kind of power the agribusiness sector had in order to pressure the Government. The distribution of actors' preferences and power is what contribute in shaping the size of the win-set (Putnam 1988). Given the importance of power in understanding the strength of the agribusiness sector and its role in the Cotton Dispute, Putnam's theoretical framework is complemented with Lukes' theory of power (Lukes 1974).

Lukes' writes about three dimensions of power: the decision-making power, the non-decision-making power and the ideological power. The choice to include Lukes in the theoretical framework is given by the need to understand that there are different types of power. The study regards a specific type: the first dimension.

The first dimension draws on Dahl's *Concept of Power*, a pluralist view of power (Lukes 1974). It focuses on the behaviour of decision-making over concrete issues, where the preferences are assumed to be consciously made and exhibit in actions. This dimensions of power, according to Lukes (1974), occurs under a situation where there is an observable conflict between the actors. However, in Dahl's definition this implication is not required (Lukes 1974). In the Cotton Dispute, as we have seen, the actors that form the domestic constituency have homogeneous interest, meaning that there is not an explicit, observable conflict domestically.

In the Cotton Dispute, the power relation between the Government and the agribusiness sector is not related to setting an agenda: both of the actors have an interests in entering the dispute and neither of the actors is engaged in creating social or political values that will hinder the action of the other (Lukes 1974). The non-decision making power related to the agenda setting constitutes Lukes' second dimension of power. Even though the Government is the legitimate actor in making WTO policy, it does not limit the operation of the agribusiness sector by preventing them to behave in a determinate way.

Lukes' third dimension is the ideological power. This concerns the influential power through a discourse: by making the other wanting things opposed to their self-interests (Lukes 1974). The starting point of this thesis is that both ABRAPA and the Brazilian Government have a homogeneous interest in entering the dispute and protecting the Brazilian domestic economy.

An analysis using the third dimension of power will instead be relevant in a study that focuses in the difference between the agribusiness sector and the small-scale farmers. The reason is that, according to Lukes (1974), this dimension of power includes those interests held by those excluded by the political process. In this case, the small-scale farmers do not have a strong voice in the policymaking and are not part of the constituency that influence the WTO policy. In addition, the small-scale farmers would have different interests in removing agricultural subsidies. This implies the analysis of an underling conflict that is not the focus of this thesis.

In this case, the Government and ABRAPA articulate a common political agenda and there is not an ideological domestic conflict about the decision of challenging the USA at the DSB. Hence, the first dimension of power is going to be the theoretical framework of the thesis. The focus is, in fact on the decision making process, where the domestic actors acts according to their interests.

Lukes' first dimension of power implies two kinds of power: the potential and the actual power (Lukes 1974). The distinction between these two kinds of power is useful in analysing the two levels. The potential power is useful in understanding both the power of the agribusiness sector at the domestic level and the relation that ABRAPA had with the Government. The actual power is used instead to focus on if the influence of the agribusiness sector helped in enhancing the Brazilian position at the DSB at the international level.

4.2.4. The potential power

The potential power includes both the possession and the exercise of power. The analysis at the Level II is thus aimed at analysing the power that the agribusiness sector possesses and how they use it.

The possession of power is defined as the possession of certain capacities. The agribusiness sector has economical, technical, and legal capacities. It is a strong sector with large economic resources that managed to finance the cost of the dispute as well as the outsourcing of technical

and legal experts. ABRAPA managed thus to provide the technical and legal capacities and was central in providing relevant information needed to argue against US subsidies.

The exercise of power is when power is translated into influence. It is given by the definition that actor A gets actor B to do something that B would not otherwise do (Lukes 1974). However, as we have seen, the interests of the domestic constituency are homogeneous and there is no observable conflict domestically. The concept of exercise of power found in Lukes's first dimension will thus be redefined in this thesis as when actor A affects the decision of actor B. Brazilian agribusiness sector has potential power in shaping the win-set in the moment it uses its capacities to affect the public sector in the WTO policy making process.

4.3. The international level

4.3.1. Actual power

While the potential power is useful in the analysis at Level II, aimed at analysing the role of the agribusiness sector in relation to the Government in shaping the WTO policy, the actual power will tell us if the influence of the agribusiness sector was successful in making a relevant contribution to enhance the Brazilian position at the DSB.

The actual power, in Lukes' first dimension of power, is defined as a successful attempt of A to get B to do something that B would not otherwise do (Lukes 1974). As clarified above, there was no domestic conflict between the agribusiness sector and the Government. They had instead homogeneous interests. In the same way as I redefined the exercise of power, the actual power is redefined as the successful attempt of actor A to affect the decision of actor B. The actual power is thus the successful influence that leads to a relevant contribution at enhancing the Brazilian position at the international level.

In term of actual power, the focus is not on the capacities that the agribusiness had in influencing the Government, but instead on finding whether or not the influence contributed to the Brazilian victory in the Cotton Dispute.

4.4. Putnam's context of uncertainty

Putnam's theory is used also to study why the dispute ended with a bilateral negotiation rather than with Brazil retaliating against the USA, and if the role of the agribusiness sector can help to understand this result.

Even though the negotiator is assumed to have neutral preferences and full information, Putnam recognises the challenges to it. According to Putnam's theory, the negotiations at the international level occur in a condition of uncertainty, given by the lack of complete flow of information. This makes it difficult for a country to analyse whether the other country's defection is voluntary or not. Putnam writes that it is the task of the Level I negotiator to act strategically and his strategy is a determinant that shapes the domestic win-set (Putnam 1988). The assumption is that the negotiators are aimed at expanding one another win-set and maximising the domestic interests of its own country. Expanding the opponent win-set increases in fact the chance of a better result for the Level I negotiator. However, a condition of uncertainty implies lower expectations and demand of more generous payments (Putnam 1988).

In addition, the Level I negotiator does not either have full information of his country's win-set. He will need to consult with its domestic actors in order to know the domestic preferences (Putnam 1988).

It is a question of bounded rationality as the Level I negotiator cannot act in a rational way given the partial knowledge of both country's win-set (Putnam 1988). While in rational theory the structure of the issue is specified in advance, here the two parties attempt to restructure the game by bringing new arguments to the dispute.

In this part of the theoretical framework, I would like to underline a time-aspect that a negotiation process can imply. Putnam's two-level games theory does not include a time-aspect in the negotiation process: the countries are negotiating at the present time.

It may be the case that a country acts in a certain way due to expectation of some changes in the future. Another case may be that a negotiation takes place thanks to some compensation for a past damage. In this way the negotiation is analysed to some extent through a time-aspect.

4.5. Limitation of the analysis

Putnam (1988 p.444) writes that “transnational alignment may emerge, tacit or explicit, in which domestic interests pressure their respective government to adopt mutually supportive policies”. However, this thesis takes as a starting point the analysis of the domestic capacities of agribusiness actors in influence of the Brazilian WTO policy and look away from further transnational connections.

5. Understanding the WTO

This chapter of the thesis will clarify the organisation where the Cotton Dispute took place, the World Trade Organisation. As we have seen, the WTO is an inter-state organisation based on policies of liberalisation between countries (WTO 2015). It was established in 1995, from the General Agreement on Tariffs and Trade (GATT). The GATT was a multilateral trade agreement that came into force in 1948 (GATT 1986). Under the GATT there was no body where member countries could start a legal dispute: when a disagreement between parties arose, the country in question could enter a consultation process and an agreement could be reached only if there was a positive consensus. This system implied that if it was not convenient for a country to discuss the dispute, it could simply block the process by not agreeing on the consultation (Knahr 2007).

The DSB of the WTO on the other hand provides a legal framework for disputes among WTO countries (Knahr 2007). Under this body, the negotiations take place under a negative consensus: meaning that decisions will be made even though there is no consensus between all the parties (Knahr 2007). Under the DSB, there are different stages after an initial consultation. The typical stages in a DSB process are: the Consultation stage, the Panel stage, the Appellate Body stage, the implementation of the decisions and the imposition of possible countermeasures.

The Consultation stage gives an opportunity for the parties to discuss and clarify the issue before entering the Panel stage. The Panel stage is a legal process that includes the establishment of a Panel that, after a careful investigation, will publish a Report. If not satisfied with the result, the parties can request the establishment of the Appellate Body. Further they can appeal to a Compliance Panel, another Appellate Body and Arbitration, as it occurred in the Cotton Dispute. The Appellate body is a body that deals with appeals related to the Panel decisions and it has the power to modify the finding of the Panel (WTO 2016a). The member countries can resort to an arbitration procedure when the country that is found violating the WTO agreement does not comply with the recommendation of the DSB (WTO 2016b).

The DSB is the body responsible for all these stages and for the surveillance of implementation of what is decided during the dispute process (Knahr 2007).

The WTO, however, has been criticised for not being a legitimate institution (Knahr 2007). What could provide more legitimacy is the inclusion on Non-State Actors (Knahr 2007), and more focus on the relation between the public and private (de Oliveira 2007). In addition, the inclusion of Non-State Actors in the WTO procedures would provide more openness, transparency and better flow of information (Knahr 2007).

6. Private sector's informal ways of participating in Brazilian decision-making

Before analysing the dispute and the role of the agribusiness sector, it is important to understand how the private and public sector are related to each other in Brazil, and what opportunities the Government leaves open for the private sector to influence. Bull (2008 p.203) wrote “whether business participation is channelled through business organisations or not depends in large part on the incentives provided by government”.

There are no international laws saying that a state is obligated to bring national issues into an international arena. It is a decision of the state on whether it wants to bring them internationally or not. This decision will then affect the domestic private sector.

The USA, for example, has a legislation that provides for indirect form of participation for certain groups, as Non-State Actors, to pursue their interests through national legal proceeding. These can potentially lead to the initiation of the dispute settlement proceedings at the WTO (Knahr 2007). The North American country has an inter-ministerial review of trade policy decisions, to make sure that no important interests are ignored when decisions are made: the United State Trade Representative (USTR). The USTR manages the cooperative trade barrier assessment and the dispute settlement. However, the cases are usually brought only if the local private industry agrees to pay for an outside counsel that provides research assistance (Shaffer et al. 2008). The local industry in the USA has thus an important role and is represented by the USTR.

While the USA has a mechanism that guarantees the private sector to be represented, in Brazil the participation of private actors, is based on political evaluation (Barral 2004). This means that there are no official mechanisms that connect the public and private sectors and it is in the interests of the private sector to act and influence politics in order to protect its interests. Given this context the way the private sector can influence is informal. Colsera (2004) wrote that Brazil has a minimal intervention from the Government, related to the adoption of national subsidies for example. According to Doctor (2015) it is a mistake to think that the MRE is open to broad societal interest representation. She wrote that the exchange between the Government and the private sector are on the MRE's terms and focused on knowledge and information-sharing (Doctor 2015).

The relationship between ABRAPA and the public sector related to WTO policies will be better investigated in chapter 8 of the thesis. Before entering into the analysis, chapter 7 will present the empirical description of the Cotton Dispute.

7. The Brazilian Cotton Case

The Cotton Dispute, between USA and Brazil, concerned the US use of some protectionist measures on cotton that had negative effect on the Brazilian cotton market. In this chapter of the thesis I will clarify what were the reasons that led Brazil to complain, and the description of the dispute, starting from a failed attempt in the 1990s, to the end of the case in 2014.

7.1. The reasons behind the dispute

From the beginning of the 1990s USA adopted certain measures supporting the domestic cotton industry and its export. These, along with other subsidies³, were inconsistent with the obligations under several articles⁴ of the Subsidies and Countervailing Measures (SCM) Agreement, the Agreement on Agriculture (AoA) and the GATT 1994 Agreement, mainly in the years from 1999 to 2002 (DS267/1). US subsidies on the local produced cotton were so high that they were equal to one fourth of the total production (Habka 2010). Over a period of 4 years, USA provided subsidies for around US\$ 12,9 billion, an amount much higher than the US\$ 8 billion permitted during the Uruguay Round in 1995 (de Oliveira 2007).

³ **Other subsidies:** marketing loans; Loan Deficiency Payments (LDPs); commodity certificates; direct payments; counter-cyclical payments; conservation payments; Step 2 certificate program payments; export credit guarantees; production flexibility contract payments; exporter assistance; export and market access enhancement; General Sales Managers (GSM)-102; GSM-103; Supplier Credit Guarantee Programs (SCGP); Step 1 and Step 2 certificate programs; subsidies that have trade-distorting effects or effects on production by the US cotton industry; subsidies that have an effect of providing price support for cotton; subsidies that are otherwise not exempt from the reduction commitments of the United States because they do not meet the policy-specific criteria and conditions set out in paragraphs 2-13 of Annex II of the AoA (*i.e.* they are not so-called green box subsidies); subsidies provided contingent; subsidies relating to crop, disaster or other types of insurance to the US cotton industry; and any other assistance to the US producers. (DS267/1).

⁴ **Articles:** 3.1(a) (b), 3.2, 5 (c), 6.3(b) (c) (d) of the SCM Agreement, Article 3.3, 7.1, 8, 9.1, 10.1, of the AoA and Article III: 4 of GATT 1994. (DS267/1).

Among some of the USA subsidies measures⁵ that were highly criticized there was the Farm Bill. This bill provided commodity programs as income support, export assistance programs and farm credit (Johnson 2008). The subsidies from the USA 2002 Farm Bill lowered the cotton price on the world market by 15%. US-producers could sell the cotton at a lower price and thus taking market shares from Brazilian producers (de Oliveira 2007) to the disadvantage of both the Brazilian cotton industry and certain African countries (Costa & Bueno 2004).

The effects of US protectionist measures were price depression in the markets both in Brazil and other parts of the world and over-production of high-cost US cotton, something that reduced Brazil's export market share. In the marketing year of 2001 alone, the estimated losses suffered by Brazil were more than \$ 600 million⁶ (DS267/1).

7.2. First failed attempt in the 1990s

The first time the cotton issue was raised was in the 1990s by Maeda, and Neto (Habka 2010). In order to enter a dispute with such a strong country as the USA, Brazil needed to be sure about its own resources. De Lima-Campos (2004), the economics advisor of the Brazilian Embassy in Washington, wrote that in the 1990s attempt there was not enough organizations and national coordination in the Brazilian agribusiness sector to win the case. A reason why the antidumping action was not successful may be because they did not represent the whole sector (Maeda 2004) and they did not have experts working on the case (Maeda in (Habka 2010). Neto (2004), as well, wrote about the need of an active, organised private sector that had suffered from the US subsidies and would thus have a real engagement in the case.

In addition, there was the need of a strong political decision, that added to econometrical studies and factual proofs, could demonstrate the Brazilian losses caused by the US Farm Bill (Estadão

⁵**Some of the subsidies measures:** Farm Security and Rural Investment Act of 2002 (FSRIA), Agricultural Risk Protection Act of 2000, Federal Agricultural Improvement and Reform Act (FAIR Act), the Agricultural Trade Act of 1978, Agricultural Act of 1949, Employment Tax Incentive (ETI) Act, Agriculture, Rural Development, Food and Drug Administration and Related Agencies Appropriation Act of 2002, 2001, 2000, 1999, the Crop Year 2001 Agricultural Economic Assistance Act. (DS267/1).

⁶ Including lost revenue, lost production, losses of related services, lost federal and state revenue, higher unemployment and losses in Brazil's trade balance. (DS267/1).

2002). Neto (2004) recognized the need of presenting the dispute through the WTO and his main challenge was to convince the MRE that they could win even though USA was traditionally stronger and no developing country had ever challenged a superpower in this way before (de Oliveira 2007). It is in this context that ABRAPA played an important role, as a private organisation that represent the whole cotton sector (ABRAPA 2008) who contributed with economic, technical and legal capacity.

7.3. Who initiated the dispute

It was in the 2000s that the issue took form, when Neto entered the Government and became the vice-minister of the MAPA and Secretary of Production and Trade (2000-2002) (ICTSD 2015). He managed to coordinate both the Government and private sector, advised the private sector on agricultural trade talks (Becker & Benson 2004) and incentivised the participation of the cotton association (Costa & Bueno 2004). From his role since the 1990s, Neto was already in contact with ABRAPA, in addition to having obtained the support of SRB and other mayor producers of the country (de Oliveira 2007).

It was the MAPA's minister Marcus Vinícius Pratini de Moraes (1999-2002) who authorized Neto to act (Costa & Bueno 2004). The minister of Agriculture also recognised the importance of the private sector, saying that starting the dispute would depend on the support of the cotton sector. Moraes invited the president of ABRAPA, Maeda, and the executive director, Tollini, to discuss the possibility of ABRAPA supporting the case (Costa & Bueno 2004).

Rubens Barbosa, a former Brazilian ambassador in the USA, convinced João Luiz Ribas Pessa, executive adviser of ABRAPA, that the issue had to be brought at the WTO (Maeda 2004; Neto 2004). This happen at the Conference on Cotton and Global Trading in Washington in July 2002, organised by ICAC. After ABRAPA's internal consultation with the producers, there were no doubt that the cotton producers would stay together in the cause (Maeda 2004).

Setting in motion a dispute of this magnitude against a superpower is extremely expensive and requires high economical support that the public sector alone could not sustain. The economical support from ABRAPA was central in raising funds for the dispute (Ceolin 2010; Costa & Bueno 2004). However, this did not alleviate the worries of Roberto Azevêdo, when Tollini came in contact with him (Costa & Bueno 2004). Azevêdo was Brazil's chief-litigator in many

important disputes at the WTO and the head of the Dispute Settlement Unit (2001/2005). The Dispute Settlement Unit was a unit created in 2001 that works with the public and private sectors. Azevêdo concerns were related to the real engagement and support of the cotton sector, as starting the dispute and abandoning it would mean a legitimization of the US agriculture policy (Azevêdo 2004). In fact, according to the chief-litigator, Brazil could not start the action without the economical and legal support of ABRAPA (Tollini 2004 in Habka 2010).

However, ABRAPA's engagement was not limited in financing the dispute. The association provided important information and outsourced economist and legal experts (ABRAPA 2012; Maeda 2004; Shaffer et al. 2006). The provisions of these capacities contributed to start the dispute and to support the Brazilian state during the process. The work of ABRAPA, together with the MAPA, eventually convinced not only Azevêdo, but also the president FHC and certain sceptical sectors of the MRE in entering the dispute. The sceptical sectors of the MRE believed in fact, that moving a dispute against the USA at that time could affect the negotiations at the WTO round in Cancun in 2003 (Rodrigues 2004). The result was that in September 2002 the CAMEX issued a favourable opinion to the demands of the cotton producers (Mariano et al. 2015) and at the end of the same month the Government of Brazil requested consultation with the USA Government (DS267/1).

7.4. The start of the dispute.

It was Neto who discovered a central argument in favour of Brazil: USA could not use Article 13 of the AoA to justify its subsidies. These subsidies were either higher than what was allowed (Neto 2004) or they could not be applied (Oliveira 2010).

After four unfruitful consultations between the USA and Brazil through December 2002 and January 2003, Brazil requested the establishment of a Panel. It was established in March 2003 (DS267/15). Between the establishment of the Panel and the publication of the Panel Report, as we have seen, there is the expiration of the Peace Clause, the 1st January 2004.

In September 2004, the Panel Report published that USA was providing support to its cotton industry that exceed what was allowed under the WTO agreement: some of USA's domestic and export subsidies did not satisfy some articles of the AoA, SCM Agreement and GATT 1994

Agreement; among others, the Article 13 of the AoA⁷ (DS267/R). The consequence was the cotton price suppression in the world market (DS267/30). This had negative effects for the Brazilian economy. The Panel required USA to withdraw some export credit guarantees to its upland cotton industry and payments to domestic users of upland cotton in order to provide conformity with the WTO agreements (DS267/R).

In response, in October 2004, USA appealed to the Appellate Body on certain issues of law and interpretation developed by the Panel (DS267/17).

In March 2005, the Appellate Body published a Report with the argument that USA's measures were not green box measures (DS267/AB/R). This confirmed that the US subsidies were of prejudice for the Brazilian cotton industry (DS267/AB/R). The USA was requested again to bring its measures into conformity with its obligations under the WTO Agreements (DS267/AB/R). In July 2005 the two parties agreed that Brazil would have the right to adopt countermeasures if the USA would not implement the recommendation of the DSB. USA could object to the level of countermeasures and bring the issue to arbitration, without Brazil opposing it (DS267/22).

Countermeasures are measures that a WTO member can adopt (if authorised by the DSB) against another member if the latter does not comply with WTO obligation(s). In this case the countermeasures are suspension of tariff concessions and imposition of additional customs duties on a list of products imported from the United States, to be defined by Brazil (DS267/21).

Since the USA did not meet two deadlines for withdrawing the agreed subsidies and implement the recommendation of the WTO, there have been two arbitration proceedings and two Brazilian's requirements to adopt countermeasures (DS267/26). On both occasions USA opposed the countermeasures and required arbitration (DS267/23&27). However, USA and Brazil jointly requested the suspension of the arbitration proceedings since USA claimed that they would implement the recommendation of the DSB (DS267/25& 29).

⁷ **US subsidies:** The Production Flexibility Contract (PFC) payments, DP payments, the legislative and regulatory provision which establish and maintain the DP program, the domestic support considered in Section VII:D, USA GSM 102, GSM 103, SCGP export credit guarantee programs related to export of cotton and Section 1207(a) of the FSRIA Act of 2002 providing for user marketing (Step 2) payments to exporters of cotton.

Even though the US introduced some measures to comply with the DSB recommendations, Brazil argued that they were either inexistent or inconsistent with the AoA and the SCM agreement as they failed to remove the adverse effects in Brazil (DS267/30). Since there were disagreements about the existence and consistency of certain measures that the USA should have (had) adopted, in August 2006 Brazil requested the establishment of a Compliance Panel (DS267/30). Its aim was to examine whether or not the USA were taking the appropriate measurements in order to comply with their duties. The result, again, was that the USA acted inconsistently with its obligation, as it had not withdrawn all of the recommended subsidies (DS267/RW).

The Compliance Panel concluded that the recommendations of the present and the previous reports were operative until the USA would comply with the recommendations (DS267/RW). Again, the 12 February 2008 USA appealed to the Appellate Body on certain law issues covered in the Panel Report (DS267/33). The same month Brazil also required the establishment of the Appellate body (DS267/34) and the 2 June 2008, the Appellate Body uphold the finding of the Compliance requiring the USA to bring its measures into conformity (DS267/AB/RW).

7.5. The end of the dispute

Since (most of) the US measures were found inconsistent to comply with the WTO agreements, the 25 August 2008, Brazil request the resumption of the arbitration proceeding (DS267/38) and two months later the country submitted a Methodology Paper for the calculation of the proposed countermeasures (DS267/ARB/1). Imposing countermeasures is a form for retaliation.

Retaliation is the consequence on WTO members that not implement the recommendations of the DSB. After asking several questions to the parties, the Arbitrator published a report the 31 August 2009 (DS267/ARB/1), providing a formula of allowed countermeasures and specifying when Brazil was entitled to use cross-retaliation. Cross-retaliation are part of retaliation measures. These are countermeasures in sectors outside of the trade in goods, for example in the area of copyrights and patent. Brazil was in fact entitled to suspend certain obligations under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) (DS267/ARB/1). The TRIPS agreement regards the protection of intellectual property right and the relative payments for using patentable knowledge (Gervais 2003). With the suspension of TRIPS, Brazil would not have to pay several copyrights and patents.

The USA on the other side had to provide recent data on US export prices in order to calculate the countermeasures allowed. At the same time, the North American country could object to the countermeasures adopted if they were considered not “appropriate” (the arbitrator reported that “appropriated” depends on the circumstance of the case) (DS267/ARB/1). Brazil was allowed to impose cross-retaliation measures in addition to countermeasures due to the difference of the economies between Brazil and USA. Imposing countermeasures only to tradable goods would in fact hurt the Brazilian economy especially in imported goods that Brazil was dependent, as it would lead to high input cost and higher inflation (Schnepf 2010).

In order to calculate the retaliation, the CAMEX created a Technical Group (GT, *Grupo Técnico*) (MDIC 2014; Schmidt 2013) and in March 2010, after consulting the private sector, the Foreign Trade Chamber presented a retaliation list that had one of the highest cost in the history of the WTO: US\$ 591million on 222 US imported goods (DS267/43)(Ceolin 2010; MDIC 2014; Oliveira 2010; Rodrigues da Cunha & Spindola 2013). In addition, they imposed cross-retaliation measures in the area of US copyrights and patents for US\$ 238,3 million, for a total of US\$ 829.3 million (DS267/43).

Brazil would impose retaliation measures unless USA removed the protectionist subsidies, or the two countries reached an agreement.

Given the current Farm Bill in the USA, the North American country was not able to comply with the WTO requirement. Hence, Brazil and USA managed to reach a temporary agreement where the South American country would get a monthly compensation for the damages caused by the US subsidies (Schnepf 2011). This is in fact what happened in April 2010, when Brazil and USA agreed on a Memorandum in order to make some progression on the Cotton Dispute. The USA had to pay a monthly sum of money to the Brazilian cotton sector in order to compensate their losses (ABRAPA 2012; MDIC 2014). Brazil on its side should provide a recipient entity, that had to be a non-profit civil association, in order to receive the money transfers from the USA (MoU 2014). The conditions for this agreement were that Brazil would not require neither countermeasures nor further consultation, but provide reasonable opportunity for bilateral consultation without going through the WTO dispute. Brazil should also provide transparency and ensure that the money was used only for authorized activities. The authorized activities are reasonable administrative expenses, technical assistance and capacity building activities, excluding research, related to the cotton sector in Brazil (MoU 2014).

The memorandum was written as mutually satisfactory for both countries. As agreed in the Memorandum, in April Brazil informed the DSB its wish to suspend the countermeasures against USA(DS267/44).

In 2010 Brazil did not use the right of retaliation and accepted the compensation provided by the *Framework for a Mutually Agreed Solution to the Cotton Dispute in the World Trade Organization*. The Framework did not constitute a mutually agreed solution to the dispute; it set instead the parameters for discussions on a solution with respect to domestic support programs for cotton in the USA (about the annual limit on US trade distorting domestic support). In this framework the parties would exchange information on U.S. cotton support (DS267/45). In June 2010, Brazil created the entity institute that would receive and administrate the USA money transfer: The Brazilian Cotton Institute (IBA, *Instituto Brasileiro do Algodão*) (Ceolin 2010). Wilkes (2016) stated that the money transferred would placate Brazilians since the USA subsidies would remain in place until the next Farm Bill. As long as the *Framework* was current, Brazil would not impose the countermeasures authorized by the DSB (DS267/45).

However, in 2013 the USA stopped transferring money to IBA (IBA 2015) and the Brazilian Government started analysing meticulously the options available, in order to solve the dispute in a favourable way for the Brazilian producers (ABRAPA 2014; MDIC 2014). This left again Brazil with the option to retaliate against the USA. However, they chose not to, and the two parties came to a mutually agreed negotiation outside the WTO institution. In this agreement the USA had to pay US\$ 300 million to IBA, give more flexibility for the use of the money (ABRAPA 2014; Estadão 2014a) and lower some US subsidies (Schnepf 2014).

The following part of the thesis concerns the analysis of the Cotton Dispute. It is divided in two chapters and will follow Putnam's two-levels games: Chapter 8 is the analysis at the national level, Level II, and chapter 9 is centred at the international level, Level I.

8. The analysis at the domestic level

At the national level, the analysis is aimed at studying the role of the agribusiness sector and its relation with the Brazilian public actors in formulating the country's WTO policy. The chapter analyses some of the determinants that shape the Brazilian domestic win-set: the domestic constituency, their preferences, their potential power and the strategy of the Level I negotiator.

8.1. The Brazilian Domestic Constituency

The principal Brazilian actors that are involved in this dispute are the agribusiness cotton sector and the Brazilian Government. As we have seen, there is a strong engagement from ABRAPA as the representative of the agribusiness sector, with Maeda, Tollini and Pessa, and of the MAPA especially with the work of Neto and de Moraes in questioning the US protectionist measures. These two actors, together, managed to convince the MRE.

Together with Maeda, Neto is without any doubt a central person since the first attempt in the 1990s. Through the dispute, he helped with the coordination of the public and private actor, as well as he provided useful argument as that USA could not justify their subsidies through the Peace Clause (Neto 2004). Another important role is played by the Director of the Department of Policy and Agreement of Agricultural Trade of the MAPA, Colsera, who prepared a technical note which was used to justify the start of the Cotton Case (Tollini 2004b). De Lima-Campos, finally, helped in identifying the problems related to the subsidies, collected econometrical studies, demonstrated the impact of the international prices and the effect for the Brazilian cotton sector through seminars, articles and interviews (de Lima-Campos 2004).

In the MRE it was central the role of the MRE's ministries Celso Lafer (2001-2003) and Celso Amorim. The latter had high knowledge of the case for being twice the Chief of the Brazilian Mission at the WTO (Tollini 2004b).

ABRAPA and the Government form the studied Brazilian domestic constituency in this study.

8.2. The preferences of the Brazilian domestic constituency

As we have seen a determinant that contribute in shaping the national win-set is given by the actors' preferences (Putnam 1988). In addition to the Government interest, the foreign policy is also shaped by the interests of the private sector (Ceolin 2010). This part of the analysis will focus on understanding the interests of the Brazilian domestic constituency.

Defining the real interest of an actor in an international dispute is not an easy task and requires depth investigations. The following thesis is not aimed at investigating all interests of these actors, however, it will present some of their claimed interests.

The minister of the MAPA, in 2004, stated that Brazil had to defend their economic interests that were threaten by commercial or protectionist actions (de Moraes 2004). The economic interests of a country are important and can be considered national interests as they can lead to development (Ceolin 2010).

In addition, by challenging a superpower, the dispute has also been seen as an attempt for Brazil to demonstrate the negative effects that developed countries agricultural subsidies had on some developing countries' economies, as certain African countries were also suffering from the US subsidies (Azevêdo 2004; Langevin 2010). In this way it can be argued that Brazil has acquired the image of an advocator of the developing countries' interests against the developed countries (Furlan 2004).

The South American country's engagement in favour of the agricultural liberalisation can be also seen in its participation first in the Cairns Group and then in the G20.

Brazil's advocating for more equal and fair trade in the WTO is analysed also by Hopewell (2012). However, the scholar individuates that behind Brazilian discourse of development lied the agribusiness sector, whose real interests were pure economical: the expansion of their export-market. Hopewell uses the metaphor "wolves in sheep's clothing" in order to describe these hidden interests of the agribusiness sector (Hopewell 2012).

ABRAPA's aim is guaranteeing the profitability of the cotton sector (ABRAPA 2008). In the Cotton Dispute this is translated to the reduction of the US subsidies that distort the cotton price (ABRAPA 2012).

Whether there are other preferences than pure economic interests behind the action of the cotton association is difficult to define and will required further investigation. Azevêdo (2004), for example, wrote that the Brazilian cotton sector went beyond their sectorial interests and contributed to the national interests. What can be clearly seen in this case is that both the private and public sectors shared the economic interest in challenging the unfair US cotton subsidies, and in entering into the dispute. This interests can be considered what Putnam called homogeneous interest inside a country's constituency (Putnam 1988).

As we have seen, the agricultural sector in Brazil also includes a small-scale, weak, backwards sector (Hopewell 2014). This sector would not have the same interests as the agro-industrial sector in entering the dispute and arguing for agricultural trade liberalisation. The reason is that they would not be able to compete in an international open market as well as the strong agribusiness sector. The interests of small-scale farmers compared to the agribusiness preferences would thus be heterogeneous.

However, this thesis is not aimed at studying the different actors' preferences that form the Brazilian domestic constituency. It is centred instead in investigating the role of a sector that have a clear interest in fighting the US agricultural protectionist measures, the agribusiness.

Analysing the interests is important because they drive actions. As we have seen, in Brazil the private sector does not have a formal way to influence the Government. However, the private sector can still exercise their potential power to the MRE and have thus a role in the ratification process. According to Putnam (1988) this process can either be formal or informal.

The next part of the chapter regards the analysis of the potential power that the agribusiness sector had in influencing the Government. In this way it will be possible to discover what was the role of ABRAPA and its relation to the public sector in formulating Brazil's WTO policy.

8.3. The agribusiness potential power

Maeda (2004) wrote that ABRAPA had a fundamental role in the articulation of this case. This role can be understood by analysing the capacities of the association: the economic, the technical and legal capacities.

8.3.1. The agribusiness's economic potential power

Even though ABRAPA was an association relatively new (created 3 years before the official start of the dispute), it represented the whole cotton sector and had the economic resources to sustain the cost of a dispute. The economic resources represent here the possession of the first capacity: the economic capacity. In the moment that ABRAPA uses economic resources to finance the dispute, the possession of this economic capacity is translated into influence and ABRAPA will have potential power.

The Brazilian states associations that form ABRAPA participated economically proportionally to the size of their cotton sector (Pessa 2004). The cotton producers have been described as tenacious in sustaining the cause (de Aquino 2004) as they even proposed a higher budget than the predicted (Pessa 2004). The cost that the private sector paid until the settlement of the Panel was US\$ 2 million (Habka 2010; Tollini 2004b).

However, the economic capacity is not to be attributed solely to ABRAPA as it was strengthened by the Government's provision of some resources by Dorothea Werneck, the executive director of APEX, and of Antônio Ernesto de Salvo, president of CNA (Iglécias 2007; Pessa 2004; Tollini 2004b).

The economic capacity of ABRAPA in exercising power is also given by financing and providing technical capacity that the Government needed (Shaffer et al. 2006) through outsourcing technical and legal experts (ABRAPA 2012; Maeda 2004).

8.3.2. The agribusiness's technical potential power

ABRAPA employed the economists Daniel Sumner e Bruce Babcock, ironically both US citizens (Maeda 2004; Mariano et al. 2011). Sumner is an economist professor and researcher of the University of California and ex-secretary of United States Department of Agriculture (USDA) specialised in agriculture politics, while Babcock is a Professor in the department of economics of the Iowa State University. In order to demonstrate the negative effects of the US subsidies for the Brazilian cotton sector, they used the model FRAPE, an economic agricultural model that the US Congress uses to analyse the Farm Bill (Sumner 2004). The technical potential power of the association is given by its capacity to find competent experts, even if this meant seeking outside the Brazilian borders. Sumner, as an US citizen working for Brazil in the cotton case, had also been accused of betrayal (Costa & Bueno 2004) although he justified its involvement as being purely professional (Azevedo 2007).

While the economist were defending the Brazilian position through the FRAPE model, ABRAPA contributed directly with technical capacity through gathering information from the US Congress, the USDA and the National Cotton Council of America (NCC) (Sumner 2004). ABRAPA provided information in a way that Brazil could be properly prepared before entering the dispute (Costa & Bueno 2004; Rodrigues da Cunha & Spindola 2013) and in order to formulate a request for consultation (Schimanski 2006).

The Government also contributed to the provision of information through a public company that acts below the MAPA, the National Supply Company (CONAB, *Companhia Nacional de Abastecimento*), given its knowledge in the agricultural production of cotton (de Aquino 2004).

In order to understand the association's engagement and its capacity to gather information, it is worth mentioning that ABRAPA presented 16 pages full of questions to the USA during the first two DSB consultations (Tollini 2004b). USA answered these questions in an unclear way by referring to web pages (Schimanski 2006) or by saying that they did not have the requested information (Tollini 2004b). According to Macdonald (2004), president of the Liverpool Cotton Association working for Brazil, the US tactic was to delay the Brazilian arguments in order to be better prepared for the dispute. The reason why the consultation stage was not successful can be attributed to the difficult flow of clear information.

Despite the lack of clear information provided by USA, once the Panel was established, ABRAPA managed to demonstrate to the Panel that the USA had the requested information on cotton (Azevêdo 2004).

ABRAPA's role is demonstrated by its capacities to find competent experts and its contribution to review data and resources (Tollini 2004b). Central in the Panel stage is also the contribution of Sumner, the economist contracted by ABRAPA, who presented a quantitative simulation to demonstrate how the US protection measures were prejudicing the Brazilian cotton industry (DS267/R). The professor concluded that if it was not for the US subsidies, the USA production between the 1999 and 2002, would have been 28,7% less, its exportation 41,2% less and the international prices would be 12,6% higher (Costa & Bueno 2004).

ABRAPA's potential technical power is also demonstrated in the association participation in meeting with Brazilian cotton producers. ABRAPA collected written testimonies on how the Brazilian producers were affected by the US subsidies (Azevêdo 2004; Rodrigues da Cunha & Spindola 2013). In addition, the association sent the producer Christopher Ward to Geneva (headquarter of the WTO), in order to testify in front of the WTO Panel. Ward had high knowledge of the cotton and international market, and he made an essential contribution (Andersen 2004; Schimanski 2006).

ABRAPA managed to provide what according to Neto (2004) was needed: an active sector that had suffered from the US subsidies and would have real engagement in the case. The knowledge

and testimony of the producers represents a technical capacity that goes from the national level directly through the international level.

The technical capacity of the private sector has to be understood as a contribution to the Governmental capacity in providing incentives for the private sectors to participate to WTO-related issues. Brazil's high capacity in the WTO is in fact given by the Government's creation of a "three pillars" structure in order to respond to the challenges and opportunities of WTO dispute settlement. The first pillar is a specialised body on WTO dispute settlement in Brasilia, the second pillar is in Geneva and it is a coordination unit between the first pillar and Brazil's WTO mission. The third pillar is instead a body that coordinates the first two pillars with Brazil's private sector and has the aim to defend Brazil's immediate interests at the WTO disputes (Shaffer et al. 2006).

A strong mission in Geneva and the creation of a specialised Dispute Settlement Unit contributed to the Brazilian high capacity and specialisation in the DSB (Evans & Shaffer 2010). The Dispute Settlement Unit is a body created one year before the start of the Cotton Dispute, in 2001, and works closely with the affected private sector (Shaffer et al. 2006). The aim of this unit is to develop local capacities, bring expertise and follow the disputes (Habka 2010). Even though there are no formal ways for the private sector to influence the Government, in issues that are related to the WTO the Brazilian private and public sectors have a connection through the third pillar and the Dispute Settlement Unit.

8.3.3. The agribusiness's legal Potential power

Beside the outsourcing of the economists and the provision of witnesses, ABRAPA made a relevant contribution also by providing and financing legal support (Mancini 2008; Mariano et al. 2011).

According to Neto (2004) and Amorim (2004), it was not sufficient to "be right" and have all the econometrical study, if there were not competent lawyers that could argue for it.

ABRAPA's role was to choose a law firm that was familiar with the US law and had an office in Geneva (Pessa 2004). The cotton association, after consulting over 30 law firms, both Brazilian and international, employed the US law firm of Sidley Austin Brown & Wood (Maeda 2004; Mariano et al. 2011; Rodrigues da Cunha & Spindola 2013). Many of those who worked for this firm had previously worked for the USTR and they had therefore a high knowledge of the US

agricultural policy (Andersen 2004). Among the lawyers contracted by ABRAPA, central was the work of Scott D. Andersen, who wrote many presentations of the case (Rossi 2004).

An important role during the dispute was played also by Mark Somers, a young intern of the US law firm of Sidley Austin Brown & Wood from Stanford University. He managed to collect important information through phone calls to the USDA. In addition, during a Panel meeting, he accused the USA of lying about the lack of some information. The law firms worked intensely from March 2003 until the USA finally provided information in March 2004 (Andersen 2004).

The Brazilian Government contributed also with legal capacities. It provided of internships in Geneva at the Advisory Centre on World Trade Organisation Law (ACWL) (Evans & Shaffer 2010).

However, according to a study carried out by Busch et al. (2009), the availability of the ACWL is not a sufficient feature without the legal capacity of a country in using of private firms. Here it is where ABRAPA's potential power plays an essential role. The association contributed to the opportunities provided by the Brazilian Government in acquiring knowledge and experiences in international trade law at the ACWL (Azevedo 2007). The Government's legal capacity can be seen in both its contribution for the financial expense of the legal defence (Rodrigues 2004) and for clarifying the cotton issues to the lawyers contracted by ABRAPA (de Lima-Campos 2004).

8.4. The agribusiness potential power over one Level I Negotiator

During the dispute, in the Panel meeting that occurred in 2003, the Brazilian public representative at the WTO, Azevêdo, used arguments based on legal information and econometric studies provided by the US law firm and Sumner, respectively (Andersen 2004). Azevêdo in this way, represented a connection between the national and international level and could be considered as one Level I negotiator. However, as defined before, it is important to remember that the role of the Level I negotiator is not given by a single person. It is represented by the Government who is the link between the public and private sectors.

In March 2009 ABRAPA was in Geneva with Azevêdo and it was prepared to support the Government for a possible retaliation against the USA (Rodrigues da Cunha & Spindola 2013). ABRAPA is not a legitimate actor at the DSB, however, through its capacities in providing experts in law and economic, the association managed to exercise this power on Azevêdo.

ABRAPA's indirect contribution, through the experts' work, influenced this Level I negotiator and contributed thus to shape the Brazilian win-set. The strategy of the Level I negotiator is in fact a determinant that shape the domestic win-set of a country (Putnam 1988).

8.5. Conclusion of the analysis at the domestic level

The cooperation of the public and private actor is a component that is present from the beginning to the end of the dispute. When the MAPA asked for ABRAPA's support in 2002, the association agreed on sustaining such a relevant case, as well as ABRAPA supported the Government in a possible retaliation process.

In the Cotton Dispute, ABRAPA played a central role in contributing with economic, technical and legal capacities. The association contributed economically during the dispute and financed the work of competent experts. The Government's provisions of resources enhanced this economic capacity. In addition, the Government also incentivised the participation of the private sector in the WTO-related issues by the creation of a three pillars structure, the Dispute settlement Units and providing internships at the ACWL.

The role of the agribusiness sector is also given by their contribution with technical and legal capacities in outsourcing competent experts in law and economics and in providing relevant testimonies and information. The provision of the latter was also complemented by the Government through the work of CONAB.

Other examples of this cooperation are found when the CAMEX, in 2010, consulted the private sector in order to calculate retaliation and given the shared administration of IBA, under both ABRAPA and the MAPA, the MRE and the MDIC (IBA 2013).

There was frequent contact between the public and private sectors (Costa & Bueno 2004).

The agribusiness sector's role in the formulation of WTO policies is given by their potential power through the use of economic, technical and legal capacities. In Brazil, the private sector's influence on the Government is informal, and the exchange between the public and the private sector related to foreign policy are on the MRE's terms (Doctor 2015). However, in the Cotton Case the contribution of ABRAPA was relevant. Habka (2010) wrote that without ABRAPA the case could not be brought.

It was in the interest of both the Brazilian private and public actors to provide strong capacities in order to challenge a strong actor such as the USA (Neto 2004). The agribusiness sector and the Government's homogeneous interests in winning the case and arguing for the removal of US subsidies led to the cooperation of these two actors. This cooperation can be seen as the capacity to form domestic coalition. According to Putnam (1988), coalition is another determinant that contributes in shaping the domestic win-set.

If the Cotton Case was a negotiation where there were different interests at stake, as the agribusiness interests versus the small-scale farmers, and the latter had power in influencing the foreign policy making, the national win-set would be smaller. However, the case started as a dispute where the participation of the domestic constituency implied the shared interest in arguing against US subsidies.

According to Putnam (1988), shared preferences imply a larger win-set, something that facilitates the ratification process. The homogeneous interests that led to cooperation did not make the Brazilian national win-set smaller. Hence, the participation of ABRAPA does not imply a tighter win-set.

Putnam (1988) wrote that the Level I Negotiator, represented here through the Ministries involved in the case, does not have complete knowledge of its national win-set. However, with the shared interest, the cooperation and consultation between public and private, the Level I Negotiator has more information and ratification becomes easier. It is through the cooperation of ABRAPA and the Ministries involved that the ratification occurs at the national level.

Putnam's theory, that homogeneous interests in the domestic constituency facilitate the ratification process, results relevant even in a context where there is an international economic conflict rather than a negotiation between countries. The dispute context implied that the domestic constituency had a homogeneous interest in winning the dispute, something that led the domestic actors to share information and having a less uncertain situation at the Brazilian domestic level.

The result from the analysis at Level II is that the agribusiness sector played a role in influencing the Brazilian WTO policy in the Cotton Dispute by providing capacities, by cooperating with the public sector and by contributing to the ratification process. The next question will be: Can these

factors be attributed to the Brazilian success at the DSB? This will be analysed in the next chapter (9).

9. Analysis at the international level

The analysis at Level I is aimed to study if the influence of the agribusiness sector successfully contributed to enhance the Brazilian position at the DSB. It is a question on whether the agribusiness potential power is translated to actual power in the international dispute.

9.1. The agribusiness's actual power

There are different moments in the dispute where the use of the capacities of the agribusiness sector demonstrated a relevant contribution to the dispute. ABRAPA's technical potential power in outsourcing expert created complicated econometric equation that hampered the US capacity (Tollini 2004b). According to Tollini the association contributed essentially to the dispute (Mariano et al. 2011; Tollini 2008). The economist Sumner (2004) wrote that an important factor that contributed positively to the dispute was that the USA did not understand and sometimes confused the econometric model presented by Brazil.

ABRAPA's contribution was also successful in gathering information before the dispute. USA in comparison resulted less prepared and missed some deadlines for handing in certain documents (Costa & Bueno 2004). In addition, Brazil, through the contribution of ABRAPA, presented numerous econometric studies, methodology papers, and arguments from competent lawyers. At the Panel stage, the testimony of the Brazilian cotton producers affected by the US subsidies also contributed to the decision of the Panel favourable for Brazil (Costa & Bueno 2004). This contribution convinced the DSB, which required the USA to bring their subsidies into conformity with the WTO agreement.

9.2. Conclusion of the analysis at the International level

All these successful contributions lead to a positive result at the DSB and are to be considered as the actual power of the agribusiness sector in influencing the Brazilian WTO policy.

However, the positive result at the DSB cannot be attributed barely to ABRAPA. As we have seen, the Government provided also economic, technical and legal capacities. Tollini (2008) wrote that the public and private sector, by working together, enhanced the Brazilian position. This result can in fact be seen as a collective victory of both the private and public sector (Azevêdo 2004; Furlan 2004).

The contribution of ABRAPA in the Dispute, even through informal channels, made a relevant contribution to the Brazilian victory at the WTO. By providing capacities ABRAPA demonstrated what Knahr (2007) wrote: that the inclusion of Non-State Actors in the WTO would contribute to better flow of information. However, it is also true that the capacities that ABRAPA provided were aimed to enhance the Brazilian position in a dispute and not for the aim of creating a less uncertain situation at the international level.

It is the work of both the private and public sector that contributed to enhance the Brazilian position against the USA. The DSB found in fact the US subsidies not conform to the WTO agreement and authorised Brazil to retaliate the USA.

10. International level: Why negotiation instead of retaliation?

The Cotton Dispute has been a long and complex dispute between the USA and Brazil. This process has similarities with Putnam's negotiation process that goes back and forward. A reason that can show this complexity at the international level is the condition of uncertainty (Putnam 1988). There is no complete flow of information and the parties have to work constantly to find arguments to contest each other. This chapter analyses some reasons that can help to understand why the dispute ended in a bilateral agreement outside the WTO and not with retaliation. In addition it will shortly analyse if the agribusiness sector played a role in the way the dispute ended.

10.1. Uncertainty at the international level

In 2009, when Brazil was authorised to retaliate against the USA it found itself with the question on whether to retaliate or believe that the USA would comply with the DSB recommendations. The Brazilian Government did not have complete information. Therefore, Brazil could not be certain whether the USA was really unable to comply with the recommendation or whether the North American country was just using domestic politics as a justification for its international behaviour. According to Putnam's theory, the two parties attempt to restructure the game in order to maximising their interest and expanding the other country's win-set (Putnam 1988). This is in fact what occurred in 2010, when the parties found an agreement: the USA had to pay a monthly amount of money to the Brazilian Cotton Institute (IBA).

However, in 2013, USA stopped paying IBA, and Brazil could again consider the decision on whether to retaliate or not against the USA. The decision again implied restructuring the game, as Brazil signed a bilateral agreement with the North American country.

In this part of the chapter, I will recall the time-aspect that a negotiation can have, in order to contribute in the understanding of why the dispute ended in a bilateral negotiation rather than retaliation.

Retaliation included the adoption of countermeasures and cross-retaliation that Brazil was allowed by the DSB in 2010 and the adoption of only countermeasures in 2014.

As we have seen, in 2010 Brazil was authorised to retaliate for a total of US\$ 829,3 million, where US\$ 591million would be the imposition on countermeasures for US imported goods and US\$ 238,3 million in the area of US copyrights and patent.

Retaliation in 2014 would instead imply the imposition of lower level of countermeasures for US imported goods(Schnepf 2014). Schnepf (2014) wrote that since the first calculation of the retaliation allowed in 2008, there had been macroeconomic changes in favour of the USA. Based on data from 2011, in fact, Brazil could be allowed to retaliate for a total of US\$ 500 million compared to the previously permitted US\$ 829,3 million. A possible retaliation from Brazil in 2014 would thus imply the adoption of a lower level of countermeasures. In addition, based on the data from 2011, Brazil would not be allowed to impose cross-retaliation at all.

Retaliation here can be seen, as a way to incentivise USA to remove the protectionist measures on cotton in the future. ABRAPA's president, in fact, affirmed that the retaliation had a function of pressing the US to change their subsidies in order to comply to the WTO agreement (Macedo 2010).

On the other side, the bilateral negotiation between the countries implied a repayment by the USA to Brazil: the USA paid US\$ 300 million directly to IBA. This can be seen as a compensation of a past damage represented by the negative effects US subsidies had on Brazilian cotton market.

The back and forward process of the Cotton Dispute between USA and Brazil, as well as the situation of uncertainty, might have contributed to lowering the Brazilian expectation that the USA would comply with the DSB requirements. This may be a reason why the South American country accepted the compensation agreed in the bilateral negotiation, rather than starting a retaliation process. Putnam in fact, writes that a condition of uncertainty led to a lower expectation and demand of more generous payments (Putnam 1988). Compensation at the present time would be more attractive to Brazil rather than trusting the USA that they would remove future subsidies.

10.2. Interests at stake

This part of the chapter will analyse the end of the dispute by comparing the reasons why both USA and Brazil preferred to negotiate.

From the US side, Schnepf (2011) wrote that several US trade associations were focused on taking measures in order to avoid being retaliated. Retaliation for the USA in 2010 would cost a total of US\$ 829,3 million (Bjerga 2014; Estadão 2014b) and in 2014 US\$ 500 million (Schnepf 2014).

From the Brazilian side a retaliation process would also be negative. The adoption of countermeasures on important good would lead to the high input cost and higher inflation, something that would hurt the Brazilian domestic economy. In addition, with the data from 2011, Brazil was not allowed to impose cross-retaliation at all (Schnepf 2014). Imposing cross-retaliation is in fact what Brazil would have gained more from the retaliation process, as the countermeasures on imported goods were actually something that hurt the internal market.

The economical consequences that retaliation implied would damage both the Brazilian public and private sector, as the economic interests were shared by both sectors. The MRE's minister Luiz Alberto Figueiredo (2013-2015) said that Brazil would rather receive payments from the USA rather than implement a retaliation (Schnepf 2013). This would be more convenient also for ABRAPA, as the high input cost and higher inflation would damage directly their profitability.

Negotiation, on the other side would be more convenient for both countries. USA would pay less than the cost that retaliation implied. For Brazil, retaliate without being able to cross-retaliate, given the data from 2011, would not be convenient for either public or private sector. The imposition of countermeasures to US imported goods would actually have a negative impact on the domestic economy.

What was agreed in the negotiation at the end of the dispute would not hurt the Brazilian economy: the USA would pay directly IBA US\$ 300 million.

In addition, compared to the previous money transfer to the institute (from 2010 until 2013), Brazil would have more flexibility to the use of the money (ABRAPA 2014; Estadão 2014a) and USA would lower some of the subsidies (Schnepf 2014). ABRAPA considered the negotiation as the best solution for the Brazilian cotton producers (Stanley 2014).

10.2.1. How does the agribusiness role contribute to understand the end of the dispute?

This last part of the chapter will analyse how the Brazilian agribusiness sector can contribute to understand why the dispute ended in a bilateral negotiation.

As we have seen, retaliation would lead to high input cost and higher inflation, something that would damage both the Brazilian public and private sector. The shared economic interests of ABRAPA and the Government led to a larger win-set in the domestic decision to accept a bilateral negotiate.

In addition, the bilateral negotiation implied a direct benefit for both ABRAPA and the Government. USA transferred the money to the IBA that is under the administration of the Brazilian cotton association as well as the MAPA, the MRE and the MDIC. Putnam (1988) wrote that side payments to the domestic constituencies will gain domestic support and are aimed at ratification. The money transfer from USA to IBA here can be considered as a side payment. It is in this way that the agribusiness role can contribute to understand why the Cotton Dispute ended in a bilateral negotiation.

However, the way the dispute ended has to be understood thanks to the shared interests of both ABRAPA, as much as the Government.

Putnam condition of uncertainty, the lack of trust for a future adjustment, and the economic damages that retaliation implied led Brazil to choose negotiation over retaliation. The bilateral agreement between the parties implied the overlapping of the two countries' win-sets. However, this thesis was not aimed to analyse the international negotiation between Brazil and the USA. Such an investigation would need to analyse also the domestic constituency of the USA.

11. Conclusion

This thesis took as a starting point the inequality between and inside countries. Brazil has been the first developing country challenging and winning an economic dispute on agricultural issue against the USA at the WTO. However, the domestic inequality and the presence of a strong agribusiness sector led to study who lied behind the Brazilian victory at the WTO.

The aim of this study was to analyse the role of the Brazilian agribusiness sector in order to understand whether and how they had influenced the Brazilian WTO policy.

This thesis takes as a case study the Cotton Dispute that Brazil initiated against the USA at the DSB of the WTO and it focuses on the role of a strong Brazilian cotton association, ABRAPA.

The analysis followed Putnam's theoretical framework and was carried in two levels, the domestic and international levels. In addition, Putnam's theory was integrated with Lukes's first dimension of power

At the national level the focus was the agribusiness influence on the Brazilian WTO policy and the relation between the public and private domestic actors. At this level, I analysed the Brazilian domestic constituency, their preferences at stake and their power.

In this case ABRAPA and the Government shared the same interest that led Brazil to start the Cotton Dispute: the interest related to the removal of US agricultural subsidies on Cotton. The results showed that ABRAPA played a role in influencing the Brazilian WTO policy by the use of its potential power. This included the use of the economic, technical and legal capacities.

However, the contribution of the Government with the same interests and their use of certain capacities has also been important.

The shared interests led to a larger-win set that facilitated the ratification process at the domestic level. The result from the analysis at the domestic level is the cooperation between ABRAPA and the Government.

The focus at the international level was to investigate whether ABRAPA's potential power was successful in enhancing Brazil's position at the DSB. The result showed that ABRAPA had an actual contribution in the dispute, as the DSB found the US subsidies not conform to the WTO agreement. However, this success has also to be attributed to the Government contribution. The victory at the DSB results therefore from the work of the two sectors combined.

Even though Brazil does not guarantee the participation of private actors, through formal canal of influence, the agribusiness sector had the power to participate in shaping the Brazilian WTO policy and gave a relevant contribution in the Cotton Dispute, together with the Government.

This study also contributed to understand why the dispute ended in a bilateral negotiation instead of Brazil retaliating the USA.

A negotiation process, according to Putnam, is characterised by a situation of uncertainty, which lowers a country's expectation over the other. This may be the reason why, for Brazil, the compensation at the present time resulted more attractive than the expectation of a change in the future. In this case the bilateral negotiation represented compensation at the present time while retaliation would have been an incentive for a change in the future.

In addition, the bilateral negotiation satisfied better the shared economic interests of both the Brazilian public and private actors, as it would not hurt the Brazilian domestic economy. This homogeneous interest can again be a reason that contributed to widening the domestic win-set at the Brazilian domestic level. ABRAPA played a role in widening the Brazilian domestic win-set and facilitate the ratification of the bilateral negotiation. The result of the dispute can be attributed to the shared interests of ABRAPA and the Government.

In this case, the Brazilian Cotton agribusiness association played a role in shaping the Brazilian WTO policy. However, this role has to be understood in cooperation with the Government. This cooperation has been important through the dispute, both at the DSB and in the way the dispute ended. In addition, it is mainly attributed to the interests shared by ABRAPA and the Government.

The private actor did not hinder the Brazilian Government actions at the WTO. They instead contributed successfully with the provision of useful capacities.

Despite being the WTO an organisation considered to favour developed countries over developing countries, it represented for Brazil a platform for challenging the USA. This case study showed that a developing country can win against a strong economy in an economic dispute.

However, there are certain factors to take into account. Brazil is a country with a high trade capacity. It has a strong sector that that contributed with important capacities and it shared an

essential interest with the Government, the economic interest of removing agricultural protectionist measures that distort the Brazilian market.

When studying the Cotton Dispute, one can also to be critical on both the national and international results related to who the winner of the dispute is.

At the national level, the Brazilian success is the clear victory of the agribusiness sector. ABRAPA worked in partnership with the government and both resulted satisfy from the way the dispute ended.

On the other side, the small-scale farmer not only did not have the power to influence in the decision making process, they were not even the beneficiary of the US direct repayment to IBA. Future studies could investigate more in depth what this victory really meant for an agricultural sector that did not have interest in the liberalisation of the agricultural market, the small-scale farmers.

At the international level, one can argue if Brazil actually won the Dispute Case. In twelve years of dispute the USA did not actually remove all its illegal protectionist measures, as requested by the DSB. The disputed ended instead with a bilateral negotiation. This, under certain aspect, can be considered as a partial victory of Brazil. It is true that Brazil accepted a bilateral negotiation instead of retaliating the USA. However, the Brazilian large win set and the choice to enter a bilateral agreement does not imply the best deal. A “complete” victory would be if the USA removed of all the illegal subsidies. This would not only be a victory for Brazil, but also for all the African countries suffering from the US protectionist measures on cotton. Future studies could focuses on whether the dispute would end in the same way if it was between two rich countries.

The analysis on the role of ABRAPA in influencing the Brazilian WTO policy can contribute to the knowledge of domestic actors that may influence the global trade system. In addition, this study underlines the importance to look inside the state and analyse what role domestic actors can have in a decision making process.

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