

Zoellick Warns Brazil Not to Pursue Sanctions

By Joel Brinkley, The New York Times

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BRASÍLIA Both countries called it coincidental, but the same day that Robert Zoellick, the U.S. deputy secretary of state, arrived here for a good will visit, Brazil asked the World Trade Organization for the right to impose trade sanctions against the United States for just over \$1 billion because of a longstanding argument over cotton subsidies.

Zoellick, who was the U.S. trade representative before taking his current job this year, warned that Brazil ought to think carefully about requesting sanctions, suggesting that they could incite a trade war.

"Frankly I think retaliation is counterproductive," he said in a meeting with Brazilian journalists on Thursday afternoon, shortly after arriving in the country.

Later, at a news conference, he suggested that Washington could choose to eliminate trade preferences that allowed Brazil to ship more than \$2 billion in goods to the United States duty free, adding, "When one side retaliates, who knows what the other side will do?"

Secretary of State Condoleezza Rice, who visited Brasília last spring, and other senior Bush administration officials have worked hard in recent months to portray relations with Brazil as uniformly warm, friendly and improving. But even without the trade sanctions dispute, Zoellick's visit is providing a view of a darker underbelly.

"In the last four years the momentum was lost," said Rubins Barbosa, who was Brazil's ambassador to the United States until last year. "There have been many missed opportunities. In bilateral relations not much has happened."

The United States and Brazil have established committees to address various joint concerns, he said. But he added: "They have not advanced. We are dragging our feet."

Barbosa spoke during a meeting between Zoellick and about 20 prominent Brazilians from business, politics and academia. Under the meeting's ground rules, comments from participants other than Zoellick could be quoted but without specific identification. Separately, Barbosa agreed to be quoted by name.

Zoellick told the Brazilians that American businesses repeatedly complain about high trade barriers and closed markets in Brazil, rampant intellectual-property theft and off-market sales of name-brand computers and other equipment.

"If you try to break in, it's not an open, competitive market," he said.

A Brazilian businessman acknowledged: "It's very tough to break into the market here. That is a fact. But if you can, you will make a lot of money."

On Brazil's sanctions request, made in Geneva on Thursday, Zoellick noted that the U.S. Congress was debating a bill to overhaul the cotton-subsidy program, which the Brazilians say provides generous subsidies to American cotton farmers. Trade sanctions, he said, should be used only against countries that are unresponsive or making no efforts to resolve the dispute.

"A step toward retaliation may make it harder to fix the problem," he said.

The sanctions request could anger Congress and make it less likely to pass the cotton-subsidy bill, he said.

Zoellick offered praise for Luiz Inácio Lula da Silva, the Brazilian president, and declined to offer a view of the corruption scandal that is the all-consuming topic of conversation in Brasília. Like Rice, he said several times that it was remarkable that a liberal leader like da Silva had stuck with the democratic process, unlike some other leftist leaders in Latin America.

Still, Zoellick was equivocal when he assessed the broad relationship between the United States and Brazil.

"It's not bad," he said. "It just hasn't lived up to its potential."