



Global Political
and Economic
Realignments
Implications
for Brazil

Prospects for the multilateral trading system

Lia Baker Valls Pereira

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Lia Baker Valls Pereira

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Global Political and
Economic Realignment

Implications
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Prospects for the multilateral trading system

Lia Baker Valls Pereira

Senior fellow at CEBRI
Faculty of Economic Sciences/UERJ and PPGRJ/UERJ
Associate Researcher FGV/IBRE

This policy paper reflects discussions
of the CEBRI-KAS Project on the future
directions of multilateralism.

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 **KONRAD
ADENAUER
STIFTUNG**

Introduction

This article is part of one of the themes of the research program on multilateralism developed by the Brazilian Center for International Relations (CEBRI) in partnership with the Konrad Adenauer Foundation (KAS).

In 2020, we analyzed the subject of the crisis and governance of the multilateral trading system (Pereira, 2021). It was pointed out that there are multiple causes to the crisis, such as changes in the distribution of economic and political power in the world due to the rise of new players, especially China. Another element is the intensification of globalization, expressed in the growth of global value chains, demanding new rules for negotiations at the multilateral level. Added to this is the extension of scope of issues that become part of the trade agenda beyond cross-border issues. We are seeing growing criticism of the impacts of what would be a hyper-globalization, with income-concentrating effects on national economies, and the definition of regulatory frameworks that reflect disputes over technological leadership.

In addition to the issues noted above, which have permeated the debate on the multilateral trading system since mid first decade of the 2000s, the international environment in 2019/2020, the Trump administration, and the Covid-19 pandemic have intensified the debate on the issue of multilateralism. The Trump administration's actions clearly signaled the small degree of commitment to a multilateral agenda. Tensions with China were dealt with through unilateral decisions, with the imposition of tariff hikes on imports, which led to retaliation by China. The truce in the trade war was a bilateral agreement with managed trade targets, completely at odds with World Trade Organization (WTO) rules. The United States' blocking of the appointment of new members to the Appellate Committee of the Dispute Settlement Mechanism has paralyzed one of the key elements of the organization's functioning. The message from the United States was that the multilateral system in place was no longer of interest to the country.

The pandemic brought two conflicting trends into the debate. On one hand, the global character of the pandemic pointed to the need to reactivate the cooperation mechanisms in the multilateral system. On the other hand, it has intensified the debate on the theme of global value chains and the importance of policies that ensure a higher degree of nationalization of the productive sectors of countries

In this context of uncertainties, the reflection on trade multilateralism led to the presentation of alternative scenarios: total fragmentation by regions/agreements of the trade rules; selective fragmentation, in which topics that directly affect the global transaction costs remain in the multilateral sphere; and the option of dealing, in the multilateral system, with issues identified as global commons - such as health and environment - that may require measures in the trade area.

Some changes differentiate the international landscape of 2021 from that of 2020. Some examples are the election of a new government in the United States, which conveyed the message of its commitment to the multilateral system, and China's more assertive posture regarding the importance of multilateral organizations, while advancing in bilateral strategies and regional agreements. Other elements are the European Union's commitment to the multilateral system, associated with a firm demand regarding environmental issues and labor clauses, and the growing disintegration of Latin America/South America, which makes it difficult to form common strategies in the face of changes in global geopolitics. In addition, the election of a new WTO Director may signal the possibility of a renewal of the organization.

The structural issues that permeate the crisis of the multilateral trading system are still present. However, to some extent, the directions that the main players in world trade tend to privilege are being outlined, despite the many uncertainties that still remain. The objective of the second stage of the project on trade multilateralism, developed in 2021, was to identify the main players' views in order to propose a reflection on the prospects of the multilateral trading system. Such reflection becomes relevant because, as Valles (2021) pointed out, the debate on trade multilateralism is not limited to the failure of the Doha Round.

In order to explore the possible diagnoses, this article will draw on the analyses carried out by the webinars and Structured Conversations held as part of the project "Global Political and Economic Realignments: Implications for Brazil", as well as other sources of analysis that support the author's reflections.

Besides this introduction, the article is organized as follows: the first section seeks to identify how the main players in world trade think the topic of multilateralism in the general framework of their trade policies. The second section analyzes the topic of the prospects of the multilateral trading system. The third section brings the article's conclusion.

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1 Multilateralism: A reflection on the views of major countries and regions in world trade

The analysis begins with the European Union. The reasons for this choice are based on two considerations. The first derives from the webinar promoted by the CEBRI-KAS partnership, in which the Director in the European Union's Directorate General for Trade described the European Union's vision and strategy regarding trade policy (Bercero, 2021). The second is the hypothesis that the European Union plays a crucial role in preventing the sharpening of bipolarity between the United States and China and thus contributes to preserving the multilateral trading system. Next, we analyze the contributions of the consulted experts on the position of South America in relation to the theme of multilateralism and possible strategies, based on the Structured Conversations¹. Finally, we present the main issues that are present on the agenda of China and the United States in relation to the issue of trade multilateralism.

EUROPEAN UNION²

Bercero (2021) points out that the European Union's foreign trade policy strategy is based on the new geopolitical scenario in which the following points stand out: the conflict between the United States and China, which shows a high degree of resilience; the transformations in production brought about by the digital economy; and the priority given to the issue of climate change on the trade policy agenda.

Based on this scenario, the European Union's priorities are:

- i) Proposals for the reform of the World Trade Organization (WTO);
- ii) Advancing the free trade agreement agenda in terms of new partners and modernization of existing agreements; and,
- iii) New agreements and modernization meaning that the climate issue and issues related to labor rights clauses are an integral part of the European Union's trade policy.

On the subject of the WTO reform, all three pillars - the dispute settlement mechanism, negotiation, and transparency and monitoring - need to be reviewed.

The importance of the multilateral system is the production of consensual rules that ensure predictability in world trade. In a context in which the formation of rules agreed upon by all members of the organization encounters difficulties, it is necessary to move forward with other forms of consensus building. One example is the Ottawa Group, formed by like-minded groups that prioritize the strengthening of the WTO³. Brazil is part of this group, which has been presenting proposals to ensure that no obstacles are created and that trade channels for goods and services related to Covid-19 are facilitated (See Box 1: The Ottawa Group).

Issues such as e-commerce, investment facilitation, the treatment of industrial subsidies, the role of state-owned enterprises, and technology transfer

1. The Structured Conversations are comprised of questions sent to experts and that are published by CEBRI. The publication can be accessed at: <https://www.cebri.org/br/doc/226/conversas-estruturadas-ii-o-comercio-e-as-transformacoes-na-economia-politica-internacional>.

2. The comments by Bercero, Árabe Neto and Mendes mentioned in this section were made during the event "The European Union's Trade Agreements", which content is available at: <https://www.cebri.org/br/evento/298/the-european-unions-trade-agreements>.

3. *Like-minded countries*: countries with similar views.

issues are integral to the modernization of the WTO. On many of these issues, such as the role of state-owned enterprises, the positions of the European Union and the United States are similar, according to Bercero (2021).

In June 2021, the United States and the European Union released a text entitled “*Towards a Renewed Transatlantic Partnership*” that covers issues of climate change, technology, pandemics, security, and trade (White House, 2021). The text states a commitment to seek ways to strengthen the WTO. And the issues of the Dispute Settlement Mechanism, industrial subsidies, state-owned enterprises, and the use of plurilateral agreements are highlighted. It is, however, a text of intentions. In this sense, it is important to monitor whether, at the 12th WTO Ministerial Conference at the end of November, the United States and the European Union will present any proposals regarding the issues mentioned.

It is noteworthy that Director Bercero’s main message is that in the European Union’s bilateral and regional trade agreements, clauses on climate change, the environment, and workers’ rights are an essential part of the European vision on the role of trade. It is necessary to take a holistic view on the subject of trade, taking into account issues such as sustainability and social inclusion. This same spirit must be present in multilateral

negotiations. In addition, it was stressed that any reform of the WTO needs to integrate China and solve the mentioned impasses on state enterprises, subsidies and technology.

It is a broad agenda, and it will be difficult to be conducted in a consensual manner by all WTO members (Árabe Neto, 2021). Under this aspect, as suggested by Mendes (2021), the WTO could be the institutional umbrella for agreements of variable geometries in terms of topics and countries.

BOX 1: THE OTTAWA GROUP

Created in 2018, it brings together “like-minded member countries proactive in WTO reform”. The members are: Australia, Brazil, Canada, Chile, the European Union, Japan, Kenya, South Korea, Mexico, New Zealand, Norway, Singapore, and the United Kingdom. In 2020, they launched the “Trade and Health Initiative” a document that covers topics such as the production chains for medical supplies and guarantees that export restrictions will not be imposed.

SOUTH AMERICA⁴

The tensions between the United States and China have impacts on South American countries. These impacts can be differentiated depending on the countries, but the idea that the countries of the region would benefit from the construction of joint strategies persists in the political and economic debate. This refers both to the issue of infrastructure construction associated with the Belt and Road Initiative and to the definition of regulatory frameworks for new technologies. In this context, it is possible to think about the construction of a common strategy in the South American region. It should be noted that national strategies tend to have a higher cost

in the current global landscape, in which regional agreements should expand their thematic agendas with a possible protectionist bias.

All the experts interviewed consider a common strategy desirable so that Latin/South American countries can develop areas where complementarities already exist, such as in energy and the green economy (Arbache, 2021; Paz, 2021; Santos, 2021). Moreover, it is in the region that the countries, at a time of geopolitical changes, should seek to establish common policies that ensure the necessary technological upgrade to guarantee growth in

4. All the authors cited are in the “Structured Conversations” publication that is available on CEPR’s website: <https://www.cepr.org/br/doc/226/conversas-estruturadas-ii-o-comercio-e-as-transformacoes-na-economia-politica-internacional>.

the region. The case of the smaller economies, with little bargaining power vis-à-vis the great powers (Padula, 2021), is particularly highlighted. The deceleration of global value chains and the identification of a trend toward regionalization of production chains, on the other hand, may open new opportunities for the countries in the region (Baumann, 2021).

However, there is skepticism, which varies in intensity among the experts consulted, about the possibility of building common strategies (Oliveira, 2021; Panzini, 2021; Prazeres, 2021). No integration process is linear, but in the region integration moves according to political cycles.

In the dispute between China and the United States, the choice for neutrality as a principle for the region is consensual. Both powers favor bilateral agreements, therefore, it would be desirable to have common strategies that signal a greater bargaining power in these negotiations. However, it has not yet been possible to build a model of regional governance. In this regard, as Oliveira (2021) points out, Brazil, as the largest economy in the region, should consider integration as a component of its national strategy, as well as the other South American countries, so that the concept of integration is consolidated. It would be a process that would, therefore, be based on national strategies.

It is noteworthy that Article 4 of the 1988 Constitution states, "The Federative Republic of Brazil will seek the economic, political, social, and cultural integration of the peoples of Latin America, aiming at the formation of a Latin American community of nations". The commitment exists; the integration, however, will only be consolidated when the countries think that they gain more from common regulatory frameworks and initiatives than from isolation. I believe that we are still far from having consolidated this perception. The difficulty of establishing a common policy in the region, however, does not prevent countries from having common interests in the multilateral trade forum.

The establishment of plurilateral agreements, which bring together countries with interests in negotiations on a specific topic, has been pointed out as one of the paths to trade multilateralism in the 21st century (Pereira, 2021). Plurilateral

agreements are often criticized for being interpreted as "a form or strategy to impose the status quo, notably when it comes to countries with high critical mass and participation in GDP and global trade" (Arbache, 2021). However, as Prazeres (2021) points out, plurilateral agreements are a plan B. At the present time, the "real alternative to plurilaterals is not multilateral agreements - but paralysis". The diversity of interests and the number of member countries make consensus-based multilateral agreements difficult. There is consensus, however, even among those who consider plurilateral agreements inevitable, that the probability of forming like-minded groups among Latin countries is low (Panzini, 2021; Oliveira, 2021; Baumann, 2021; Padula, 2021).

It is possible that in the agricultural area a common front of like-minded countries - Argentina, Brazil, Colombia and Peru - could be formed, with common interests in the area of tariffs and agricultural subsidies. Something similar can be thought of for exporters of mineral commodities (Panzini, 2021; Oliveira, 2021). General subjects, such as the importance of the climate issue, trade and inequality, among others, may give rise to common statements, but will hardly lead to substantive negotiation proposals.

If in the multilateral sphere the not always convergent interests of the Latin countries were diffuse, in the plurilateral agreements they became more evident and make it difficult to build common positions.

Regarding the priority themes for the reform of the multilateral trading system, there is agreement on the importance of the dispute settlement mechanism, as well as the other pillars of the WTO - negotiation and monitoring. Unresolved issues in the multilateral agenda were highlighted, such as agricultural and industrial subsidies, and the incorporation of new issues associated with productive transformations (digital economy), climate change, and regulatory frameworks, among others.

Finally, it was noted that the new agenda must ensure that the rules respect the countries' differences in terms of development and provide for the formulation of policies that help overcome poverty.

CHINA AND THE UNITED STATES

President Biden took office in 2021 announcing his commitment to multilateral organizations. However, in the field of trade policy the issues highlighted remain the same since the Obama administration. How can trade and investment policies contribute to the recovery of the United States' leadership in world trade, in a scenario of China's rise?

In the program presented by Biden for his election, China was highlighted as one of the main causes for unemployment in the United States. No proposals for further retaliation are mentioned, but Biden did not withdraw the tariffs imposed by Trump. We therefore conclude that the "China" issue is bipartisan in the United States.

What are the signs from the Biden administration regarding the WTO? One positive step was the approval of the first woman to head the organization, Nigerian Ngozi Okonjo-Iweala. In June 2021, as mentioned above, the announcement of the renewal of the Transatlantic Partnership was accompanied by statements about the importance of the multilateral system and the reform of its rules. In August 2021, the new American representative to the WTO was announced. However, it is not clear how the United States intends to deal with the impasse over the appointment of a new member to the Appellate Committee of the Dispute Settlement Mechanism, as well as the other pending issues on the WTO agenda.

Nonetheless, we want to draw attention to a change of strategy in the confrontation with China that may have repercussions for the multilateral system: The substitution of Trump's "America First" for Biden's "Made all by America" program, which aims to defeat China by strengthening domestic US industries. Biden's program involves subsidies for research and development, and the strengthening of domestic production chains in US territory, among other measures (Pereira, 2021a).

China's "Manufacturing 2025" program, the target of constant criticism by the U.S. government and the European Union, foresees investments and sources of public funding for high-tech manufacturing sectors. Biden's program, on the other hand, recognizes that the State must play an active role in the strengthening and growth of industry. From this context, it would be possible to think about negotiations aimed at establishing mutual recognition of the degree of autonomy that each government may have in multilateral negotiations.

It is an optimistic view. In Biden's program, the message of the importance of beating China in economic leadership is clear, as shown by the friction on technological issues, such as 5G. In addition, the QUAD (group made up of the United States, India, Australia, and Japan) security alliance in the Indo-Pacific region, and the AUKUS (Australia, United Kingdom and the United States) agreement to build nuclear submarines, are issues in the geopolitical field that make it difficult to achieve a favorable scenario for negotiations for an understanding in the economic and trade fields. The indication of the issue "Democracy versus Autocracy" as the main dispute of the 21st century by President Biden reinforces our pessimistic interpretation (Brands, 2021).

The message of the United States in the multilateral trade arena remains the same over the years: the country's preferences in terms of the orientation of its trade policy are the basis for the construction of multilateral rules. The Biden administration favors multilateralism, provided that China changes practices considered unfair, in particular the issue of subsidies, technology, and state-owned enterprises, and abandons its status as a developing country. The Chinese message is to emphasize the importance of the multilateral trading system, while retaining a degree of flexibility for developing countries. China sees the new U.S. trade policy guidelines as protectionist and as part of the rivalry scenario with China.

According to Zha (2021), the Chinese government's response contemplates four guidelines:

- i)** Ensure that China is seen as a “reliable, friendly and respectable” partner;
- ii)** Ensure that the emphasis on promoting the domestic market, via the intensification of exchanges between provinces (internal circulation), does not take away from the importance of keeping the country connected to global trade;
- iii)** Avoid taking the U.S. dispute to the relationship with third countries through demands to choose, whether in the field of vaccines or technological frameworks;
- iv)** Pursue the trade agreement agenda.

Regarding this last topic, we add the following observations. China has expanded its agenda of trade agreements, but three agreements deserve to be highlighted (See BOX 2: China's Main Trade Agreements). The first is the Comprehensive Agreement on Investment (CAI), signed between the European Union and China in December 2020. However, the agreement has not yet been ratified by the European Parliament due to issues related to China's treatment in the area of human rights. The approval of the agreement would be an important sign for the multilateral context, as it would signal the possibility of negotiations between China and a major player in world trade. At the same time, it shows that issues associated with human rights continue to be a source of tension between China and major Western economies.

The second is the Regional Comprehensive Economic Partnership (RCEP). The agreement was proposed by the countries that make up ASEAN in 2013 and was joined by major Asian economies such as China, Japan, India, and South Korea. In November 2020, the countries signed the agreement, but India withdrew.

The third is the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Originally, the TPP (Trans-Pacific Partnership) comprised 12 countries, including the United States, and was identified as a way to contain China's advance in the Asian region. Trump withdrew from the agreement, but negotiations continued and the agreement was signed in 2018. The agreement is open to include new members - Britain, for example, has asked to be a member of the agreement. There is an expectation that the Biden administration will request to rejoin, but as of September 2021, such a request had not been made.

China applied for membership in the CPTPP in September 2021. According to Tu (2021), China's request would be a demonstration that the country is willing to abide by Western rules, as the agreement largely mirrors the format favored by the United States on regulatory issues⁵. However, as Schott (2021) notes, the clauses on labor, state-owned enterprises, and digital trade signal that China's accession process will be long. In addition, the same author suggests that China's request would be a reaction to the Taiwanese government's proposal to join the agreement. From our point of view, China's request can also be understood as a move to make it more difficult for the United States to rejoin the agreement.

It is not clear whether the RCEP and CPTPP agreements can be understood as moves that help the multilateral system. The debate whether preferential trade agreements are “building” or “stumbling” blocks has been an issue on the multilateral agenda since the late 1980s. The ideal scenario would be the entry of the United States, especially in the CPTPP. However, agreements in Asia risk reproducing the tensions between China and the United States. On the one hand, there are strong trade ties with China, with China's shares of trade with Australia and Japan exceeding 20%. On the other hand, these countries are traditional allies of the United States in the geopolitical field, and no changes are expected.

5. When Trump withdrew from the agreement, its text was almost complete.

BOX 2: CHINA'S MAIN TRADE AGREEMENTS**The Comprehensive Agreement on Investment (CAI):**

The agreement includes negotiations on state-owned enterprises and technology transfer. In May 2021, the European Parliament rejected the CAI. The main point was the dispute sparked by European sanctions responded to by China regarding what the European Union classified as human rights abuses against the Uighur Muslim minority in the Xinjiang region.

Regional Comprehensive Economic Partnership (RCEP):

The RCEP member countries are the ASEAN group (Thailand, the Philippines, Malaysia, Singapore, Indonesia, Brunei, Vietnam, Myanmar, Laos and Cambodia), Australia, New Zealand, China, Japan and South Korea. The agreement therefore covers Asia's major economies. If compared to the agreements made by the European Union and the United States, the degree of commitments is lower, as is the scope of the thematic agenda. The liberalized tariff universe corresponds to about 65% of trade in goods, there are negotiations on rules of origin, services and e-commerce, but environmental, labor and state-owned enterprises issues are not included. It is an agreement that portrays the common denominator of commitments between countries with differences in terms of levels of development and guidelines for economic and social policies that are not always consensual, such as Japan and China.

Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP):

The member countries of the CPTPP, signed in 2018, are Canada, Chile, Australia, Brunei, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. It is a comprehensive agreement with chapters on regulatory issues regarding labor and intellectual property. China's application for accession will depend on the members' assessment of compliance with the rules.

2 The multilateral system and the WTO

In the Structured Conversations, Anabel Gonzáles, Deputy Director-General of the WTO since May 2021, stressed the importance of the multilateral trade system for economic growth and poverty reduction after World War II. In addition, since the WTO's creation in 1995, new countries have joined the system, such as China, Russia, and Vietnam. Today, the WTO covers 98 percent of world trade, making it almost a universal institution.

Gonzáles notes, however, that the WTO has failed to advance the multilateral agenda, despite some positive results such as the expansion of the Information Technology Agreement, the end of agricultural export subsidies, and the Trade Facilitation Agreement⁶. She notes that bilateral and/or regional preferential trade agreements cannot fully fulfill the functions of the multilateral system at a time when global issues such as pandemics and climate change require responses.

In this sense, the WTO is going through a transition period that is part of the history of the multilateral system (Graça Lima, 2021). The debate about the future of the multilateral system cannot be confused with the failure of the Doha Round, but the system has lost its centrality (Valles, 2021). The WTO is in a deep crisis and lacks a shared vision by member countries on how to revitalize the institution (Machado, 2021). The multilateral system is not limited to the WTO, which cannot advance negotiations through multilateral consensus (Parola, 2021)⁷.

The proposition that the multilateral system has lost its centrality is associated with the theme of "Back to the Basics," which emphasizes what the "raison d'être of the system itself" is. Going back to the "centrality" of the system is to emphasize the importance of trade as one of the key elements for the growth and development of countries. Trade creates jobs, increases productivity, raises

consumer welfare, and contributes to poverty reduction. China is cited as the most recent example when, after 1979, the country came out of its isolation and began participating in global trade.

Economic literature recognizes that liberalization is a necessary but not sufficient condition to promote economic growth (Pereira, 2018). The production of rules that discipline and reduce the degree of unpredictability of foreign trade operations on one hand and, a forum for dispute settlement on the other are essential elements of the multilateral system.

However, as Valles (2021) points out, the multilateral system requires effectiveness, legitimacy, and avoidance of fragmentation to function properly. Effectiveness is in crisis. It is not only the paralysis of the Dispute Settlement Mechanism, but also the little progress in incorporating the new issues in multilateral negotiations. Legitimacy is challenged from the moment the United States signals its discontent with WTO rules and seeks to resolve its conflicts with China outside the multilateral system. Fragmentation occurs with the proliferation of preferential trade agreements and will intensify if plurilateral arrangements become the norm⁸.

The lack of a shared vision and a firm commitment to the multilateral trade system is based on distinct perspectives and differentiated effects on the

6. The Information Technology Agreement was signed in 1996. It is a plurilateral agreement with 82 member countries and covers about 97% of the universe of products in the Information Technology sector. The Trade Facilitation Agreement is a multilateral agreement from 2013.

7. The above observations were part of CEBRI's webinar "*The Prospects for the Multilateral Trading System*", and guide the observations in this section (CEBRI, 2021).

8. This is a controversial issue. For some, the only solution is for the WTO to accept the plurilateral agreements.

countries, with the intensification of globalization associated with the fragmentation of production. The increase in inequality between countries, new technologies with distributive effects on the labor market and changes in the distribution of employment in favor of a labor force with a higher level of education favor agendas with non-converging interests. On the one hand, a group of countries demand a relaxation of the rules consolidated by the Uruguay Round, that is, a reopening of the negotiations held 25 years ago. On the other hand, there are those who wish to advance negotiations for new issues, such as digital economy, environment, among others (Machado, 2021).

There is, therefore, no common vision on how to advance towards ensuring the rules of global trade. Added to this scenario is certain vagueness about the degree of the United States' commitment to the WTO reform agenda with the presence of China.

The scenario is further complicated by the consequences of the 2008 financial crisis, which, together with the slowdown in the growth of world trade and the intensification of the debate on the benefits of globalization, paralyzed projects for greater liberalization and led to a "negotiating timidity" that was aggravated in the pandemic (Parola, 2021)⁹. This "negotiating timidity" is reflected in propositions that prioritize proposals to roll back already consolidated rules, as mentioned before. Moreover, the multilateral trading system where negotiations require consensus and countries have veto power makes it difficult to achieve results.

The WTO risks becoming irrelevant. Issues that affect trade will not cease to exist, and if they are not resolved within the organization, they will be resolved elsewhere (Parola, 2021). One example was the decision agreed by 130 countries, proposed by the Economic Organization for Cooperation and Development (OECD) and endorsed by the G-20, to create a global minimum tax of 15%, levied on multinational companies in places where they operate and make profits. This issue was not under debate in the WTO, but it is related to the location where multinationals decide to invest and therefore impact trade.

To avoid a situation of WTO irrelevance, it is necessary to incorporate the practice of plurilateral agreements. The flexibility of the multilateral

system would come from the recognition that the rule of consensus is no longer functional, and not from proposals to relax rules already agreed upon in the past.

The 12th WTO Ministerial Conference, to be held in the week of November 29, 2021, will test a multilateral compromise: the agreement on fisheries subsidies. The issue began to be debated in 2001, and there is relative optimism that the most recently negotiated text will be approved in July 2021. This issue is highlighted for two reasons. First, because if the proposed text is not approved at the Conference, it will consolidate the interpretation of the near "impossibility" of concluding multilateral negotiations. It should be noted that China is the main provider of fisheries subsidies, and in the agreement there are proposals for China not to be included in the category of developing countries.

Second, it is necessary to reconcile the growing demands on the multilateral system in issues that impact trade, but require knowledge to produce norms that go beyond the commercial area. Valles (2021) points out that the proposal on the fisheries subsidies agreement was built under the guidance of the FAO (Food and Agriculture Organization of the United Nations). The centrality of rules on issues that are not strictly commercial must be produced outside the WTO. What the WTO should offer is a Dispute Settlement Mechanism to ensure the standards that are agreed upon. The proposal suggests a way forward to try to mitigate the conflict between those who think that the WTO should stick only to strictly trade issues and those who favor broadening the WTO agenda.

The proposal is welcome and helps unlock negotiations outside the strictly commercial field, but which are part of the current global trade agenda. One cannot forget, however, that in any agreement the distribution of gains and losses is not always equitable, at least in the short term. What to do, for example, with fishermen who will have to reduce their fishing in the short run, even though the agreement ensures a scenario of sustainability for all in the future? The WTO has no way of resolving this issue. One has to assume that states share the same views and are willing to resolve possible domestic demands from groups that feel aggrieved, as well as mitigate the impacts on the income of the poorest countries.

9. For the debate on the costs of globalization and relaxation of rules, see Rodrik (2011).

3 Conclusions

We started our reflections by drawing attention to some changes in the international scenario that affect the debate about the multilateral trading system. The first referred to the election of a new government in the United States, which conveyed the message of its commitment to the multilateral system. In June 2021, the proposal for a “Renewed Transatlantic Partnership,” a dialogue between the United States and the European Union, included among its themes the importance of strengthening the WTO. Topics such as subsidies to industry, state-owned enterprises, technology transfer, and the revision of the rules of the Dispute Settlement System are among the issues highlighted.

In addition to the issues mentioned above, the European Union prioritizes extra-bloc agreements. Issues such as climate change, other environmental issues, and workers’ rights are seen as integral to trade policy. In addition, the European Union stresses that any solution for the multilateral system must include China. The EU-China investment agreement already signed but not yet ratified is highlighted as an example that it is possible to reach some form of consensus between Western market economies and China’s socialist market regime.

The United States’ trade confrontation policy towards China, the pandemic contributing to the theme of “deglobalization of production chains” and the change in the guidelines of China’s growth engine permeate the country’s position in the debate on the directions of multilateralism. The driver of growth is now associated with the domestic market, driven by consumption and increased productivity through the creation and absorption of new technologies. The strengthening of domestic production chains is part of the plan, alongside regional chains. In this context, in December 2020, the Regional Comprehensive Economic Partnership (RCEP) was signed, covering 15 countries, including China, Japan, and South Korea. In September, China requested access to the Regional Transpacific Economic Partnership (CPTPP), an agreement proposed by the United States, during the Obama administration, as a way to contain China’s expansion in Asia.

The establishment of trade preference agreements with agendas similar to those of Western countries, with the exception of the labor issue, would be signs that China continues to be willing to participate in the rules of the multilateral system. For the Chinese government, the issue of a revision of the WTO rules is not the problem, as long as they do not reflect only the values chosen as universal by the West. One can observe that the Chinese government, in its official discourse, always emphasizes its commitment to the multilateral system.

In the debate about the WTO, there is a growing consensus that, in order for the institution not to become irrelevant, it must address current issues on the trade agenda, such as e-commerce and climate change, among others. It is necessary to recognize that the way forward for negotiations is to accept plurilateral agreements. What is important is that the institution shows its effectiveness in solving the issues present in world trade and that its members consider it to have the legitimacy to resolve the conflicts that arise. In this sense, the restoration of the Dispute Settlement System is considered a crucial issue.

In the case of the tensions between the United States and China, the landscape has not changed. In the field of trade, doubts are growing about possible agreements between the two countries on issues such as subsidies, technology, state-owned enterprises, and financing. In the United

States, the Biden administration has proposed funding programs for research and development and support for companies focused on cutting edge technologies, in addition to restricting the purchase of some components of this sector by Chinese companies.

The scenario is uncertain in a changing world. In this context, what are the possible recommendations for Brazil's foreign trade policy? To answer this question, we begin with the statements of the expert in the "Structured Conversations" on the subject of multilateralism in Latin America/South America. The main message was that it would be important to have a common strategy to deal with China or the United States in the regional or multilateral arena. At the same time, expectations regarding the formulation of common strategies are unfavorable. There is no regional governance that can create a negotiating space for common proposals.

Against this background, our preliminary and general suggestions to begin a reflection on the subject of multilateralism and regionalism are:

1. The first step is to identify the priority interests of the Brazilian sectors in the negotiation agenda. With the tendency to advance negotiations via plurilateral agreements, it is necessary to define the "defensive and aggressive interests" for each topic. Exchanges of gains and concessions between topics/sectors will no longer be possible.

2. During the negotiations of the Free Trade Area of the Americas (FTAA), a forum with civil society participation was created, the National Section for the Coordination of Issues Related to the Free Trade Area of the Americas (Senalca). The creation of institutional channels between the government and civil society is desirable so that proposals can be built at both the regional and multilateral levels. It is noteworthy that issues such as the environment encompass interests that go beyond the productive sectors.

3. The search for channels that build alliances and common proposals in the South American region must be a priority in the trade agenda. This construction must start from the identification of common national interests. The common topics are well known, and some have a direct impact on trade negotiations, such as the broad environmental and climate change agenda, regulatory frameworks on the digital economy, facilitation of investments and transit of people. Brazil, as the largest economy in the region, must create a favorable environment for this construction to be possible.

4. Brazil has free trade agreements with all the countries in the region, and broadening the agenda of issues covered by these agreements is a way to start the dialogue about proposals in the new negotiation areas.

5. In the multilateral field, the country must build alliances of varying geometries. The BRICS group made proposals for the reform of the International Monetary Fund after the 2008 crisis. On the climate issue, the BASIC group (BRICS, without Russia) released statements in which they presented common proposals. In the WTO, Brazil participates in different groups, such as the Ottawa Group (see Box 1). Plurilateral agreements encourage the game of variable geometries.

6. As a general recommendation, we list advancing the agenda of trade agreements in the region with the broadening of topics, evaluating the establishment of extra-regional agreements with Asian countries and with the United States, and being an active participant in terms of proposals for the strengthening of the WTO in this new stage.

7. It is also important to try to maintain neutrality in the conflict between the United States and China, in order to evaluate positions not from an ideological point of view, but from the country's commercial and economic interests.

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Tel: +55 (21) 2206-4400

cebri@cebri.org.br

www.cebri.org



Konrad-Adenauer-Stiftung e.V. (KAS)

Klingelhöferstraße 23
10785 Berlin
Germany

Tel.: +49 30 26996-0

Fax: +49 30 26996-3217

zentrale@kas.de

www.kas.de