



Structured Conversations II

Trade and transformations in the international
political economy

Organization:
Lia Baker Valls Pereira

Participants:**Anabel González**

Deputy director-general at the World Trade Organization, nonresident Senior Fellow at Peterson Institute for International Economics, and former Minister of Trade of Costa Rica (2010–14). She has also worked as director of the Agriculture Division of the World Trade Organization (2006–09); senior consultant on trade and investment at the Inter-American Development Bank (2009–10); and Director-General of the Costa Rican Investment Promotion Agency (2001–02).

Fabrizio Sardelli Panzini

Manager of International Integration Policies at the National Confederation of Industry (CNI) and Senior Fellow at CEBRI.

Ivan Tiago Machado Oliveira

Was a visiting researcher at the United Nations Conference on Trade and Development (UNCTAD). He is the author of the book “Brazilian foreign trade policy: an analysis of its determinants” (2013).

Professor Doctor Jorge Arbache

Vice President for the Private Sector at the Development Bank of Latin America (CAF) and Professor of Economics at the University of Brasilia. Former Secretary of International Affairs and Chief Economist at the Ministry of Planning and Senior Economist at the World Bank in Washington, DC.

Professor Doctor Leonardo Paz

Political Scientist, he is Intelligence Analyst at the Center for Prospection and International Intelligence (NPII) of the Getúlio Vargas Foundation (FGV) and is a Professor at the International Relations Department of Ibmec College.

Professor Doctor Raphael Padula

Coordinator and Professor of the Postgraduate Program in International Political Economy (PEPI) of the Institute of Economics at the Federal University of Rio de Janeiro (UFRJ).

Professor Doctor Renato Baumann

Coordinator of International Cooperation and Investments at Institute for Applied Economic Research (Ipea). PhD in Economics from Oxford University, retired professor from the University of Brasilia, former Director of the ECLAC/CEPAL Office in Brazil, former Assistant Secretary of International Affairs at the Ministry of Planning, and former Secretary of Foreign Investments at Foreign Trade Chamber (CAMEX) at the Ministry of Economy of Brazil.

Tatiana Prazeres

Senior Fellow at the University of International Business and Economics, in Beijing. She has a weekly column in Folha de S. Paulo newspaper, and was the Senior Advisor to the Director-General of the World Trade Organization (WTO), in Geneva

Professor Doctor Thauan Santos

Adjunct Professor of the Graduate Program in Maritime Studies at the Naval War College (PPGEM/EGN), coordinator of the Economics of the Sea Group (GEM) and researcher for the Latin American Council of Social Sciences (CLACSO).

Throughout 2021, the Brazilian Center for International Relations (CEBRI), in partnership with the Konrad Adenauer Foundation (KAS), is developing a project on issues related to the realignment of international politics and the global economy, and its implications for Brazil and its foreign relations. The project includes events, 'Structured Conversations' (interviews) with experts and the production of policy papers on four broad themes:

- Global realignments and foreign policy formulation: national and regional spaces and global insertion;
- Trade and transformations in the international political economy;
- Technological innovation and the digital economy;
- Anthropocene crises, sustainability, global health and consensus building for multilateral policies.

These Structured Conversations refer to the second thematic axis of the project "Trade and transformations in international political economy" and aim to reflect on international trade from the perspectives of the Latin American region, in particular South America. Addressing the possibilities of common strategies between the countries of the region in the face of the main challenges in the commercial sphere, themes such as the tensions between the United States and China, negotiations in the WTO and protectionism are discussed. The participants in these conversations were selected based on their expertise in international trade, political economy and Latin American politics, and they contribute with perspectives from key sectors for the region's economic development. This axis is coordinated by Lia Baker Valls Pereira, Adjunct Professor at the School of Economics and the Post-Graduate Program in International Relations at the University of the State of Rio de Janeiro (UERJ).

Summary

Question 1. 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 have benefited 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. Do common strategies make sense at a time when the ideal of South American integration seems even more distant? Will national strategies tend to have a higher cost in the current global scenario in which some consider that the trend towards regionalization, as well as a protectionist bias, will be accentuated? **5**

Question 2. Several WTO negotiations on issues such as e-commerce, investment facilitation, and others, are being conducted plurilaterally, where the application of the most favored nation clause is not required. Moreover, in the debate about the future of the WTO there is a proposal to build the negotiations on the basis of "like-minded groups" (countries with similar interests and ways of thinking). Will the defense of South American interests become more difficult with this new negotiation architecture? In which issues would Latin and/or South American countries be "like minded groups" to formulate common proposals? **11**

Question 3. From the point of view of the South American region and/or your country, what are the main issues for the reform of the multilateral trading system? **18**

Answer in text format – Anabel González **22**

Participants **24**

Question 1. *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 have benefited 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. Do common strategies make sense at a time when the ideal of South American integration seems even more distant? Will national strategies tend to have a higher cost in the current global scenario in which some consider that the trend towards regionalization, as well as a protectionist bias, will be accentuated?*

Fabrizio Panzini: In theory, the strategy of joint regional action makes sense, especially if we think that the countries in the region have very similar challenges from the point of view of regulatory, economic, social, and infrastructure needs, among others. Thus, the importance of working together is not questionable, but there is a need for governance of this process, which encourages political alignment among the governments of the region so that there is a strategy, an agenda, goals, and execution. However, it is not clear whether there is a common objective among the countries of the region for this issue. Today we have a continent, from the point of view of political orientations that is fragmented. We have little history of acting together, which leads us to question whether we would be able to have good governance of a process like this one. And something more fundamental is that there is not necessarily a common vision. In other words, we are not clear about the strategy of each of these actors, or about the Brazilian strategy.

Knowing the exact strategy, what the common objectives are, and how to institute governance is what ends up determining the practice, because, in theory, there are clear common benefits. However, in practice, the last time we saw something more coordinated in South America was during the Initiative for the Integration of the South American Regional Infrastructure (IIRSA), instituted at the time of President Fernando Henrique Cardoso's administration.

Ivan Oliveira: I do not see the construction of common strategies among South American countries as a feasible way to deal with great powers like the U.S. or China. In fact, concrete movements around joint external action strategies can be seen very few times and in specific spaces (as in the case of Mercosur regarding extra-regional negotiations only).

The difficulty for this lies in the economic structures of the countries and how they reflect the low degree of effective integration in South America. Furthermore, the tendency to bilateralize contacts and actions in direct relations with great powers is historically clear, although there is room for regional joint initiatives, but these are always less concrete and have more politically symbolic effects.

In the end, national strategies have always overlapped regional agendas when there was a clear mismatch between them. I see this process continuing today in a reinforced way.

But this does not mean that there is no room to seek the deepening of regional integration in the fields of infrastructure, trade, investment, regulation, etc.

Regional integration must be seen as an essential part of the external action of the countries in the region, especially Brazil, and there is much to be done to guarantee greater economic and strategic relevance to South America for Brazil's economic development. Here, I see the need for integration to be part of the national strategy for development and external projection, and it is from the sum of these national interests that something new and effectively impactful can be advanced in South America.

Professor Doctor Jorge Arbache: Joint strategies will remain relevant for multiple reasons. Among them are issues such as regional energy potential and integration, regional value chains, to leverage bargaining power in extra-regional agreements, the green agenda, which requires regional coordination, and relations with China and the US, which seek and foster bilateral relations.

National strategies make sense especially for countries that can benefit relatively more from them, such as countries with large territories and populations, large domestic markets, a lot of resources, and some industrial and technological development. Smaller countries can benefit relatively more from collective agreements. Without strategy, it is usually more difficult to optimize benefits and gains from international economic relations.

Professor Doctor Leonardo Paz: Common strategies, as well as other similar actions, not only make sense but are desirable. The recent trade agreements under negotiation (not only with the EU, but also with South Korea and others) point to the importance of regulatory harmonization or convergence. While it is true that we are witnessing a weakening of integration initiatives, we have already noticed that these initiatives have followed the political cycles in the region. This means that depending on the 2022 elections in Brazil, we may have a new window of opportunity - especially in Mercosur.

I believe that national strategies usually imply higher costs. However, I believe that multilateral initiatives (especially trade initiatives) will have to undergo some transformation. This is not only because of these new regionalization trends (which may possibly be overestimated, given the political events of the last few months), but very much because of the pandemic. In this sense, value chains will probably incorporate more security elements in their calculation (within the logic of national security we may see issues such as health gaining ground).

Professor Doctor Raphael Padula: Common strategies have (wrongly) not been implemented in the scope of integration, but they still make sense in initiatives that manage to persist even though they bring together countries of different political orientations and outside a broader framework of integration, as is the case of the Bio-oceanic Highway Corridor Working Group. On the other hand, common strategies in the scope of global multilateral organizations can be favorable to the resumption of abandoned integration initiatives and institutions, although the most logical and feasible situation is quite the opposite (that regional organizations/forums drive joint articulations and positions).

In an era in which geopolitics or the dispute for global power is accelerated and led by Large (continental) countries, articulation in the scope of integration is fundamental, especially for States with less military, economic and political power. In the economic scope, the fragmentation of production with the so-called global value chains demands an enormous effort in terms of industrial, commercial and technological policies, in order to achieve an upgrade in the countries' position towards activities of higher added value and technological intensity, where a regional market can bring greater benefits and possibilities. In the scope of the negotiation of productive and infrastructure investments,

the joint negotiation may bring greater bargaining power to access technologies, the formation of value-added productive chains within the region and infrastructure connecting and improving the productive efficiency within the region. And the technological advance can undoubtedly improve production and autonomy in military goods and strategic goods in general, such as health and energy, and even goods related to environmental responsibility (such as solar panels, for example).

On the other hand, in bilateral negotiations, the Great Powers achieve benefits beyond those negotiated in the WTO, such as access to markets, access to government procurement, extension of intellectual property rights, among others.

Professor Doctor Renato Baumann: From the Latin American point of view, the time it took for the United States to react to China's growing presence is striking, whether in terms of its importance as a commercial partner or direct investment flows. One would imagine that the legacy of the Monroe Doctrine would have provoked reactions earlier. But, for several years the official discourse was that "we favor good competition".

After a certain point, it became clear that the Chinese profile in the region could make the White House uncomfortable, and we began to observe pressures in the technological field, in relation to possible contracts with Chinese companies allegedly associated with processes of state espionage, as well as the announcement of a financing initiative for infrastructure projects, which turned out to be, in fact, a non-committal of new resources to face the Belt and Road Initiative.

There is consensus that - from the point of view not only of Latin American countries, but also of all economies - opting to join one side in an eventual conflict between the United States and China could be a bad idea. The challenge is to preserve neutrality in this clash of giants.

This brings into consideration the role of Latin America in the current economic/productive scenario.

As has been repeated ad nauseam, our economies participate in the value chains in a less than noble way, basically supplying raw materials, with very few exceptions. This has led us to less relative competitiveness in the industrialized goods markets in recent years.

At the same time, however, this same process of production in chains has shown important transformation. Internal pressures in several countries, derived from the perception of loss of job opportunities, have given rise to measures that hinder production on a global scale, and new technologies (such as 3-D printers) have stimulated localized production rather than offshore activities. The difficulties in access to inputs, resulting from the pandemic, contribute to the reconsidering of previous strategies, in which the location of production units was decided only according to relative costs.

The regionalization of some productive processes (reversing the trend to globalize production) poses a challenge and an opportunity to semi-industrialized economies. The challenge is to reduce the opportunities that seem to arise in a globalized environment. The opportunity stems from the fact that the cost differential does not completely disappear from economic decisions. Thus, productive relocation closer to consumer markets may imply new opportunities for countries neighboring large consumer market economies to host production units of items to be sold in those markets, and which were previously located, for example, in Asia.

Exploring such opportunities is a decision to be made by each economy, which should create the necessary conditions to become attractive to new investments.

In this context, what is the point of adopting a regional strategy? The existence of productive complementarity among countries in the region should allow gains in competitiveness to make the economies more active in the international scenario, including in the exploration of new opportunities created by the regionalization of productive processes that were previously globalized. Individual trajectories may imply opportunity costs by not allowing the absorption of the eventual benefits of lower costs associated with complementarity among economies. A statesman's vision is needed to think about international insertion in a more efficient way, overcoming internal feuds.

Tatiana Prazeres: Common strategies in South America should make sense. They should not depend on political circumstances or economic cycles of the countries in the region. The reality, however, is different: different governments attach different importance to regional integration. The absence of a shared vision among the main regional actors and consistent over time compromises the existence of effective strategies. In many cases, national strategies, rather than common ones, represent an

opportunity cost for the region. If they could act in a coordinated manner, South American countries would increase their global influence. They would even be better able to preserve room for maneuver and avoid the pressure to take sides in the tensions between China and the US. Regional integration, in this case, would be especially relevant for the smaller countries of the region, which are more susceptible to pressure from the two great powers.

Professor Doctor Thauan Santos: Common strategies within South America make sense precisely because the context of South American integration is no longer present in the foreign policies of the largest countries of the region. And this rapprochement of policies in South American countries is currently inserted in a particular context of economic recovery post COVID-19 pandemic, of debates on new telecommunications technologies, and of less US-China rivalry post-Trump.

Given the belief that regionalization will tend to increase in some regions, disjointed and autonomous national strategies tend to become out of place and, in some cases, isolated. From Brazil's point of view, including due to its regional relevance, a proactive and leading role would be advisable.

Protectionist biases are recurrent in periods of economic crisis or recession. Since South America was affected by the pandemic, it is possible that some countries seek autonomy in the design of their industrial and trade policies, as well as advance in protectionist practices. Despite being able to guarantee a portion of domestic demand and gain international competitiveness (even if artificially, such as through exchange rate devaluation), these are not necessarily positive policies from the point of view of international insertion.

Question 2. *Several WTO negotiations on issues such as e-commerce, investment facilitation, and others, are being conducted plurilaterally, where the application of the most favored nation clause is not required. Moreover, in the debate about the future of the WTO there is a proposal to build the negotiations on the basis of "like-minded groups" (countries with similar interests and ways of thinking). Will the defense of South American interests become more difficult with this new negotiation architecture? In which issues would Latin and/or South American countries be "like minded groups" to formulate common proposals?*

Fabrizio Panzini: It may weaken, but it may be the only way forward. In other words, it may be a false dichotomy. If we want to advance in promising and significant issues in international trade that affect us positively, an unlocking of the WTO as a body that can really gain steam, it makes sense that some negotiations such as e-commerce, investment facilitation, and services facilitation be plurilateral. In recent years, we have seen a distancing of two or three major players in the WTO that, due to their power of veto and their tactical interests, end up preventing the process from moving forward. So, in this case, plurilateral agreements can work well in some cases.

On other market access issues, I agree with the other part of the question. I believe that market access issues like services, agriculture, and industrial and agricultural subsidies in general need to be tied together and involve all members. So in these cases, it seems to me that a multilateral agreement is the only way to favor the South American countries. For example, the issue of tariff peaks in agriculture will not have a significant opening of the countries if there is not a counterpart, a bargaining and market access insertion in industry and services. This is the great margin that we have, in the case of Brazil and other Latin American countries: it is our market for industrial goods and services that interests those countries that have more tariff peaks and subsidies in agriculture. These issues of agriculture, market access for goods and services can only be solved multilaterally, in my opinion. Other issues such as industrial and agricultural subsidies that are of interest to our region are also only solved multilaterally and should be solved in the WTO.

We must keep in mind that the region is very complex. For Brazil and Argentina, the issue of agricultural subsidies may be of great interest, for others, it may be the agricultural tariff issue. For Mexico, for example, who does not have a competitive agriculture, the interest is different. Central America and the Caribbean have many interests in the services area. So, when we talk about Latin American integration on these issues in the WTO, they, many times, do not coincide, because of the different realities in the region. Maybe some like-minded countries like Brazil, Argentina, Colombia and Peru, who have an interest in the tariff and agricultural subsidies issue, could start as a South American group pushing on this front. Maybe it would be better than looking for something more continental and very ambitious, because in practice it is very difficult to reach a consensus due to the different realities. However, there is undoubtedly some room for a more joint work between these countries mentioned in the WTO, because they have similar interests. When looking outside of South America, I am not so sure about what consensus is possible. Therefore, in order to advance the agenda, and not only have strength in theory, but articulation in practice, the best would be to have consensus among some of the members and make these issues move forward.

In short, there doesn't need to be just one strategy. Plurilateral agreements will be important to advance the agenda of the organization, to make it a relevant organization for international trade. However, some issues that have important historical liabilities - agriculture, subsidies, industrial goods and services - need to be negotiated at the multilateral level. In other words, it is as if our strategy could be combined: Plurilateral for some regulatory issues and multilateral for what concerns market access and subsidies. Clearly, the environment is a little unfavorable for this discussion. But if through plurilateral agreements the WTO starts to deliver more and demonstrate its relevance, other issues will tend to resurface on the agenda.

Ivan Oliveira: Probably, yes. A plurilateral agenda of WTO negotiations is likely to make it difficult for South American countries to have joint actions and aligned strategies within them.

The economic discrepancies observed in the region, added to the format of these negotiations, should often not involve most countries in the region at the center of the negotiations.

In specific sectors/sub-sectors that are eventually subject to plurilateral negotiations, especially some agricultural and/or mineral sectors, one could see some joint regional movement of strategic positioning that would be substantive in the negotiation process. Except in these cases, a joint regional agenda would probably be even more difficult in the context that is now posed for the future of trade governance via the WTO.

Professor Doctor Jorge Arbache: Critical issues for the region to break out of the middle-income trap necessarily go through the above agenda - intellectual property, services, digital economy, among others, and probably increasingly the green agenda. So the challenges are large and growing and require many multilateral negotiations where the countries of the region can have some influence.

Negotiations via plurilateral agendas in many occasions can be seen as a way or a strategy to impose the status quo, notably when it comes to countries with high critical mass and participation in GDP and global trade.

Professor Doctor Leonardo Paz: It seems to me that Brazil and Mercosur, in general, have had difficulties with negotiations that were not comprehensive in the framework of the WTO. There was an option for multilateral agreements. For many, this strategy proved to be a mistake, which is demonstrated by Mercosur's difficulty in expanding its network of trade agreements. The point I am raising here is that I am not clear that Brazil and the Mercosul countries have changed their minds. In fact, at least in Brazil, since the PT government, it is not clear what the government thinks about the issue, and I am not sure whether a new PT government in 2023 would change its position. There seems to be a lack of consensus in the political elite on the matter.

That said, more flexible arrangements seem desirable to me. I believe that some arrangements can start small and, as they gain more supporters, they can take shape and lead to broader agreements at the multilateral level. Thus, I think it is important to be part of these arrangements in their early stages, and, if in coordination with regional partners, it is even better, as they gain more strength to influence the results.

Professor Doctor Raphael Padula: In international multilateral negotiations, both global and intra-regional, South American countries demand differentiated treatments

and flexibility, taking into account their particularities, in terms of degrees of economic development in different sectors, as well as the social characteristics of certain sectors (such as their importance for the generation of employment and family income, even in rural areas). The possibility of South American countries behaving as a group of common interest in WTO negotiations depends on a common integration project, led by a country such as Brazil (of greater political and economic weight) or group of countries, in which countries pragmatically identify the possibility of common gains in terms of security, wealth, and welfare (solving security and socioeconomic problems). In the absence of regional organizations that make it possible to negotiate and channel common interests, combined with the ever present difference in political orientations of governments and the absence of state policies, South American countries can hardly behave or identify as countries with common interests, and tend to become counterweights in the disputes between Great Powers.

Professor Doctor Renato Baumann: A first observation is that in plurilateral agreements the most-favored-nation clause does not apply in relation to other countries. But it is a basic condition among the participants in each agreement. This makes those who do not participate in a specific agreement more 'vulnerable' to the effects of the conditions negotiated between the signatories.

Regardless of what will formally occur within the WTO, the existence of agreements comprising a significant number of countries, with major economies in the international arena, such as the RCEP and the CPTPP, are already a cause of concern for non-participants, due to the effects they may have on trade and investment flows.

Once the alternative of decisions among economies with identifiable converging interests for each topic is internalized in the WTO, this implies - almost by definition - a turn of several degrees in the logic behind the creation and functioning of GATT/WTO. Instead of seeking to define and apply universal disciplines, because of the costs of the decision-making process, ad hoc decision-making processes would be adopted, and it is not clear to what extent these decisions would be applicable to the other members of the organization or why they should adopt them.

Take the debate over agricultural subsidies, for example. Who would be the 'like minded' countries? The main competitors in the international market, or the smaller countries, for whom agricultural production is a fundamental activity for the generation of wealth?

For a large part of the aggregated issues, the industrialized countries already have a forum where, if measures are not imposed, at least the recommended policies already reflect to a large extent the positions of like minded countries, such is the OECD.

From the perspective of Latin American economies, this scenario, if materialized, seems to be challenging. As the Mercosur experience well illustrates, managing to identify common objectives and interests to negotiate with third parties has proven to be one of the costs for the deepening of the integration process and for the negotiation of external agreements.

Broadening this scope to include countries in the three Americas and achieving the construction of 'Latin American' positions seems too ambitious a goal. The very idea of Latin America fails to make explicit the differences, which are notable in some cases, just as there is diversity of purpose with respect to the formats of international insertion, often leading to unhealthy competition among the countries of the region and little effort in promoting ways to jointly explore opportunities in the international arena.

Thus, there don't seem to be many issues in which the countries of the region would consider themselves 'like minded' to formulate common proposals. Which is not to say that such issues do not exist. Differential treatment for developing economies, tariff escalation, adoption of some non-tariff barriers disguised as environmental or labor policies, and others are items in which there would probably be general interest. In general, however, it seems predictable to assume that - in view of recent experience - for issues related to disciplines in the provision of subsidies, new technology determinants, environmental issues, and others the likelihood of achieving common positions at the regional level is lower.

Tatiana Prazeres: At this point, WTO members participating in plurilateral initiatives advocate that if negotiations result in new agreements, they would be implemented in a non-discriminatory manner (open plurilateral agreements). This is how, for example, the 2015 Expansion of the Information Technology Agreement was negotiated, in which WTO members that are not part of the agreement benefit from the trade liberalization undertaken by those that chose to participate. It cannot be ruled out, however, that WTO members will seek new ways, under the Organization's umbrella, to adopt plurilateral agreements in which the benefits apply exclusively to participants (closed plurilateral).

Trade agreements with a more flexible architecture - especially if nondiscriminatory - benefit the WTO, help make the Organization more dynamic, and help revitalize its negotiating function. Hence, arrangements of this kind favor all those who advocate for a more relevant WTO. Nevertheless, there is no consensus in the region on such agreements. Some see plurilateral agreements as something to be avoided. Of course, in the ideal scenario, WTO agreements would always involve all members. In this sense, plurilateral is a plan B.

The point is that the real alternative to plurilateral agreements is not multilateral agreements - but paralysis. It is necessary to recognize that WTO members today have very different views on international trade. There is no shared vision capable of mobilizing members in a single direction. In light of this, plurilaterals seem to be a realistic, pragmatic way forward, allowing those who wish to move forward to do so - but without imposing obligations on those who prefer to stay out. At the same time, those who do not wish to participate in a given negotiation cannot prevent those who wish to proceed from moving forward - and this is a key aspect of revitalizing the WTO's negotiating function.

Historically in the WTO, coalitions are formed around specific issues. There are no pre-defined arrangements, no groups of countries that always act together on every issue (the exception, of course, are the members of the European Union).

It is against this background that South American countries operate in the WTO. They hold consultations, exchange information, and seek to coordinate positions when the issue at hand favors rapprochement. For example, several countries in the region are members of the G20, which is active in agricultural negotiations, because there are converging interests there. But these same countries may have different positions on, for example, tariffs on industrial goods or investment facilitation. It is important to point out that this so-called variable geometry is not exclusive to South America.

Still, there is the GRULAC - the group of Latin American and Caribbean countries - which represents an opportunity for dialogue and consultation among the countries of the region regarding the WTO discussions. Within the GRULAC, there could be more room for coordination of positions, recognizing, of course, the limits imposed by different interests in the various topics discussed in the Organization.

Professor Doctor Thauan Santos: The MFNC is aligned with the principle of non-discrimination and is therefore closely related to the very creation of the WTO. The fact that several ongoing negotiations in the organization do not require compliance with this clause, per se, is already a big deal. Considering this movement in the regional context, the defense of South American interests may be more complex to accomplish, given that more developed countries will tend to act as like-minded groups defending their own interests.

Therefore, it is convenient that the countries of the region also act as such. Although they share a similar history and have a productive base typical of developing countries, the lack of coordination of regional policies and efforts would make it difficult to negotiate with other international actors - especially if these, in turn, act as like-minded groups. Although South/Latin American countries do not act like this, they can (and should) be understood as such.

Question 3. *From the point of view of the South American region and/or your country, what are the main issues for the reform of the multilateral trading system?*

Fabrizio Panzini: The first issue is the return of the WTO dispute settlement system's appellate body, because it is the legal aspect of the organization. It is structural and was damaged by the actions of the U.S. in recent years, which was critical of the system, but ended up jeopardizing everything by not appointing arbitrators. That is where we managed to democratize things a little more, leaving political power aside and enabling more egalitarian trade disputes between developing and developed countries. Brazil, for example, has won several of the WTO disputes with developed countries in areas such as: cotton, sugar, chicken, aircraft, steel, among others.

I would say that the second issue is the aforementioned pillar of market access, which refers mainly to the issue of tariff peaks in agriculture, and an opening in industry, done in a joint manner and negotiated with everyone.

The third issue is subsidies, firstly agricultural, applied by large economies (not only developed, but also some developing ones, such as China, India and Indonesia), which end up distorting the international market, harming South American and African producers, in some cases. Secondly, industrial subsidies. Nowadays we have many subsidy practices that the WTO rules are not able to catch, for example, on the subject of state-owned companies, and many times it is the much more harmful industrial subsidies that end up causing stagnation in the industrial activity of the South American region. This is true for the practices of many Asian countries that have industrial subsidies inconsistent with the WTO rules. In this case, the WTO needs to respond and update its rules.

To resume, the pillars would be: [1] appellate body; [2] market access and agricultural goods; [3] agricultural and industrial subsidies and finally; [4] new rules at the WTO that can be negotiated plurilaterally (e.g. e-commerce, services, fisheries subsidies, small and medium-sized enterprises, and others) and that help update the rules of the organization. It is in these four pillars that I see a common interest among these members.

Ivan Oliveira: I believe that a change in governance of the WTO is essential to trying to get back to having multilateral rules guiding the ordering of global trade. However, it is not clear to me how the plurilateral negotiations agenda will effectively drive this multilateralization. One can go back to a historical model of making a few agreements and multilateralizing them. But you can also create space for integration with new rules that effectively apply to the signatories.

In addition, the capacity to effectively review the WTO Appellate Body, an essential pillar of the regime, will be critical for the future of trade multilateralism in the world. For countries like Brazil, issues involving agricultural trade are crucial (domestic agricultural subsidies, harmonization and openness in specific sectors, etc.) but also financial services, and government procurement (already moving towards joining) are other examples.

Professor Doctor Jorge Arbache: The main themes are procedural and aimed at safeguarding space for the development agenda, which recognizes the topic of development in many of the critical agendas and the inherent differences between countries facing the challenges of poverty, growth, climate change, human capital, trade and investment. The green agenda is an important economic opportunity for developing countries and must be preserved to allow everyone to benefit and not be used to favor the business of only a few countries.

Professor Doctor Leonardo Paz: Well, today the fundamental question, and which is in everyone's interest, is to review the WTO, not necessarily in terms of a revolution in its operation, but at least in a way that makes it difficult to return to the situation of paralysis that it is in now - especially in its Dispute Settlement Body. In this sense, the proposal that Brazil sent in 2019 to the General Council seems adequate to me.

Professor Doctor Raphael Padula: Dispute Settlement Mechanism (Body), safeguards for developing countries, agricultural subsidies and protection for family farming, technical standardization, intellectual property rights (flexibility and access to technologies, especially in goods involving humanitarian and socio-economic issues), non-tariff barriers, market access and investment regulation, and issues involving environmental and labor regulations.

Professor Doctor Renato Baumann: The multilateral trade system is understood as the set of rules that regulate transactions and that transcend the scope of specific institutions. It is, therefore, a broader debate than just considering the recent limitations of the World Trade Organization.

The reform agenda comprises, therefore, issues that transcend the scope negotiated in the multilateral rounds so far, and includes issues as varied as the basic model for investment agreements, ways of dealing with climate change in a universal manner, rules for the discipline of digital platforms, combating corruption and terrorism, forms of state participation in stimulating production and trade, the taxation of transnational corporations, the trade impacts of exchange rate policies and the adoption of technical standards, the issues considered in major plurilateral agreements and their effects on global trade flows, the adaptations of trade disciplines to new technologies, and a series of other dimensions that transcend the scope of the forum that currently exists to deal with trade issues.

In this context of multiple new determinants with great potential to affect commercial transactions and investment flows, what the smaller economies can and should do in order to avoid being victims of practices over which they have no control, is to strive to preserve the existence of global instances where unfair practices can be judged, such as the WTO's appellate body (or some substitute), and an acceptable minimum of criteria that avoid the provision of subsidies and the use of technical standards as disguised protectionism.

Once these recourse instances are assured, these economies should prepare themselves to deal efficiently with the new determinants of international trade conditions, seeking to participate actively and constructively in the debates on the regulation of the ways of dealing with the elements that make up the new multilateral trading system, as listed above.

Tatiana Prazeres: Brazil and the region would gain from a stronger WTO, capable of disciplining international trade more effectively and making trade more predictable. Brazil and the region would gain with the reestablishment of the WTO Appellate Body; with more transparency about the trade practices and policies of WTO members; and with negotiations that result in rules that are in line with today's world. New ways of doing

business in the WTO and new types of agreements, including plurilateral and soft-law understandings, would also benefit WTO members who truly want to revitalize the Organization.

Since Brazil has no trade agreements in place with its major trading partners - China, the European Union and the U.S. - it is the WTO rules that ultimately regulate the country's foreign trade. In a scenario in which the WTO becomes irrelevant, unable to influence the behavior of Brazil's partners, the country is especially subject to practices and policies detrimental to its trade interests.

From Brazil's point of view, issues of historical relevance, such as agricultural subsidies, must be on the table. There are also issues that are growing in importance, such as e-commerce, investment facilitation, and industrial subsidies. However, beyond the interests in specific issues, Brazil, with great experience and credibility in the WTO, would benefit from a stronger Organization, capable of containing protectionism, discrimination, and unpredictability in trade. For this, the three pillars of the WTO - negotiation, dispute settlement and monitoring - would need to be strengthened in a reform of the Organization.

Professor Doctor Thauan Santos: Environmental/climate issues; subsidies and state participation; negotiating new agreements; e-commerce and the digital revolution; unlocking dispute settlement.

Answer in text format – Anabel González

During the past 70 years, global trade has been governed by a set of rules centered on non-discrimination, transparency, and binding and enforceable commitments on tariffs and other policy instruments, which have brought greater certainty and increased market openness.

Throughout this period, an increasingly global framework of trade rules has helped create an unprecedented extent of global prosperity, helping to raise living standards around the world. Many countries have shared into this prosperity, as have many people. While the job is clearly not yet finished, the number of extreme poor in the world today is three times lower than it was in 1970.

The peak of global governance was reached in the mid-1990s with the creation of the World Trade Organization (WTO), where countries committed not just to an expanded and improved GATT but, actually to a new era of global economic cooperation.

From thereon, the WTO expanded in numbers to become a quasi-universal organization, but also in quantitative terms, with the accession of China, Russia and Vietnam. Today, it covers 98 percent of trade and it has enhanced the rule of law in trade relations with over 500 cases brought to the dispute settlement mechanism and the prevention of countless additional conflicts.

Since its inception, the WTO has faced conflicts on its decision-making and negotiating processes, the scope of its mandate and its dispute settlement process. In the Seattle Ministerial Conference in 1999, for example, a new millennial round was going to be launched; instead, the meeting ended abruptly amidst conflict, inside and out.

Since then, reaching agreement at the multilateral level has become ever more elusive. There have been some successes, as demonstrated by the expansion of the Information Technology Agreement, the negotiation of the Trade Facilitation Agreement and the elimination of agricultural export subsidies. But, clearly, it has not been possible to pursue deeper international cooperation, which has resulted in both some very important old and new issues remaining unaddressed at the global level. Preferential trade agreements have to some extent filled the vacuum, but only partially.

In the current context, the economic and social impacts of the pandemic have exposed the urgency of concerted action. COVID-19 has continued to spread in 2021, with new

variants increasing the level and speed of contagion. Plans to vaccinate as many people as rapidly as possible are being deployed, though vaccine nationalism risks prolonging the pandemic, with dire consequences for many in poorer countries and for the world in general.

Domestic measures are critical, but they are not enough. The short-term response to the virus and the resumption of economic growth will require cooperation among the largest economies to scale back obstacles to trade and investment, increase business certainty and leverage new opportunities. Building back better also needs concerted actions. None of this will happen automatically.

A revitalized WTO, with strengthened negotiation, dispute settlement and monitoring functions will serve the world well in order to tackle the pandemic and other global challenges confronting humanity, including climate change. The time to act is now.

Participants

Anabel González



Anabel González, nonresident senior fellow at Peterson Institute for International Economics since October 2018, is on leave for public service as deputy director-general at the World Trade Organization. She is a special guest host of the Institute's Trade Winds virtual event series. Previously she was senior director of the World Bank's Trade and Competitiveness Global Practice (2014–18), where she led the Bank's agenda on trade, investment climate, competitiveness, innovation, and entrepreneurship. She served as minister of trade of Costa Rica (2010–14), where

she headed the strategy to join the Organization for Economic Cooperation and Development, negotiated and implemented six free trade agreements, and contributed to attract over 140 foreign direct investment projects. She also had a lead role in Costa Rica's Competitiveness and Innovation Council and was president of the Export Promotion Board. In her more than 15 years of service at the Ministry of Foreign Trade, she held several positions, including ambassador and chief negotiator of the free trade agreement between Central America and the United States (2003–04). She has also worked as director of the Agriculture Division of the World Trade Organization (2006–09); senior consultant on trade and investment, Inter-American Development Bank (2009–10); and director-general, Costa Rican Investment Promotion Agency (2001–02).

She is a member of the World Economic Forum Global Future Council on Trade and Investment and has written extensively on trade and investment and presented in over 50 countries around the world.

She holds a master's degree in international trade law and policy from Georgetown University and a law degree from the University of Costa Rica.

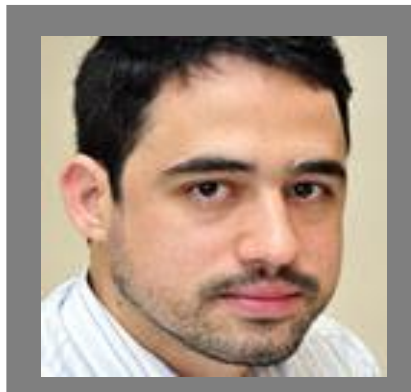
Fabrizio Sardelli Panzini

Fabrizio Sardelli Panzini is Manager of International Integration Policies at the National Confederation of Industry (CNI). He has extensive experience in the area of International Trade, having previously worked at the Federation of Industries of the State of São Paulo (FIESP). His main areas of expertise are trade agreement negotiations, trade defense and international investments.

He has several articles and academic papers published in areas such as: trade agreements, WTO, trade defense and investments and is coordinator of the book "China's Industrial and Trade Policies in

light of WTO rules".

He holds a B.A. in International Relations from Faculdade de Campinas (2006), a Postgraduate degree in Economics from the Getúlio Vargas Foundation (2009) and a Master's degree in Political Economy from the Pontifical Catholic University, São Paulo (2012).

Ivan Tiago Machado Oliveira

PhD and Master in Administration from the Federal University of Bahia (UFBA). Master in Contemporary Latin American Studies from the Universidad Complutense de Madrid. Graduated in Economics from UFBA. He was a visiting researcher at the United Nations Conference on Trade and Development (UNCTAD) in 2010. He is the author of the book "Brazilian foreign trade policy: an analysis of its determinants", published in 2013 by Editora Saraiva (São Paulo, Brazil). In addition, he has organized three books published by Ipea: i) The BRICS and their neighbors: trade and regional

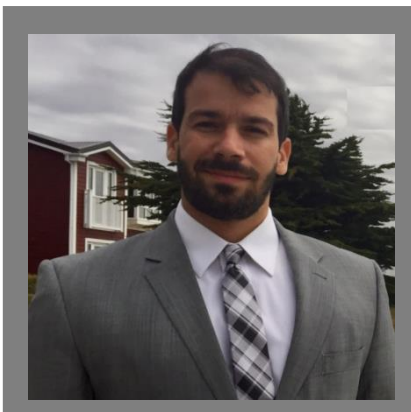
agreements (Brasília: Ipea, 2014); ii) Regulatory trends in preferential trade agreements in the 21st century: the cases of the United States, European Union, China and India (Brasília: Ipea, 2013); iii) The BRICS in the WTO: comparative trade policies of Brazil, Russia, India, China and South Africa (Brasília: Ipea, 2012). He is the author of dozens of articles published in journals and of book chapters on: International Economics; International Trade; Trade Policy; Economic Integration; Global Governance; Economic Development.

Jorge Arbache



Jorge Arbache is Vice President for the Private Sector at the Development Bank of Latin America (CAF) and Professor of Economics at the University of Brasilia (on leave). Among other positions and functions, he was Secretary of International Affairs and Chief Economist at the Ministry of Planning and Senior Economist at the World Bank in Washington, DC.

Professor Leonardo Paz



Leonardo Paz is a Political Scientist. He works as a Qualitative Intelligence Analyst at the Center for Prospection and International Intelligence (NP II) of the Getúlio Vargas Foundation (FGV) and is a Professor at the International Relations Department of Ibmec College. In addition, he worked as Coordinator of Studies and Debates of the Brazilian Center for International Relations (CEBRI), worked with the Civil Affairs Session of the Brazilian Joint Center for Peace Operations (CCOPAB) and was Executive Coordinator of the International Conflict Prevention Analysis Group (GAPCon/UCAM). He

holds a BA in Social Sciences from Universidade Federal Fluminense, an MA in Political Science and a PhD in Public Policy and Development from the Institute of Economics at the Federal University of Rio de Janeiro.

Raphael Padula

Coordinator and Professor of the Postgraduate Program in International Political Economy (PEPI) of the Institute of Economics at the Federal University of Rio de Janeiro (UFRJ). Associate Professor of International Political Economy at UFRJ since 2009. Graduated in Economic Sciences at UFRJ (2004), Master (2005) and PhD (2010) in Production Engineering at COPPE-UFRJ. Editor of the journal *Oikos* since 2002. Member of the research groups registered at CNPq "Global power and the geopolitics of capitalism" and "Brazilian international insertion: global and regional projection". Research

Scholar at IPEA (Institute of Applied Economic Research) in the Project: "Regional Integration: Brazil and South America" Research and publications in the following areas: International Political Economy, Geopolitics, Geo-economics, Regional Integration, Comparative Development

Renato Baumann

PhD in Economics from Oxford University, retired professor from the University of Brasilia, former Director of the ECLAC/CEPAL Office in Brazil, former Assistant Secretary of International Affairs at the Ministry of Planning, former Secretary of Foreign Investments at CAMEX, currently Coordinator of International Cooperation and Investments at IPEA..

Tatiana Prazeres



Tatiana Prazeres is a Senior Fellow at the University of International Business and Economics, in Beijing. She has a weekly column in Folha de S. Paulo newspaper, where she writes about China and international affairs. Prior to that, for five years, she was the Senior Advisor to the Director-General of the World Trade Organization, in Geneva. A career civil servant, Tatiana Prazeres was also Brazil's Secretary of Foreign Trade. She holds a PhD in International Relations, a master's degree in law, and a degree in law and international relations. In 2014, she was acknowledged by the World

Economic Forum as a Young Global Leader.

Thauan Santos



Adjunct Professor of the Graduate Program in Maritime Studies at the Naval War College (PPGEM/EGN), coordinator of the Economics of the Sea Group (GEM) and researcher for the Latin American Council of Social Sciences (CLACSO). Economist (IE/UFRJ), Master in International Relations (IRI/PUC-Rio) and PhD in Energy Planning (PPE/COPPE/UFRJ), he was a professor at the Institute of International Relations at PUC-Rio, the Institute of International Relations and Defense at UFRJ, the Faculty of Economic Sciences at UERJ and associate researcher at CEBRI. He researches on the following topics:

regional integration, South America, economy of the sea, ocean governance, sustainable development and energy.