Pradeep S. Mehta, the founder of CUTS, has become the best expression of a tendency that only took shape during and after the Uruguay Round: the growing integration of developing countries in the multilateral trading system. A few years after the end of the Round, I had the opportunity to write the article, “Integration of Developing Countries into the Multilateral Trading System.” I claimed in that article that we were witnessing the transfer to developing countries of the difficult task of defending the multilateral trading system.

The phrase may have sounded a bit exaggerated at the time. Nowadays, however, who would question CUts’ role in keeping alive the flame of multilateralism amidst an endless financial and economic crisis? Thanks to Pradeep, CUts has provided supporters of the multilateral approach from North and South alike the only influential space where they can profitably meet to debate effective proposals to end the current stalemate in the negotiations of the Doha Round.

Therefore, I could see no better way to honour Pradeep’s growing influence in the debate about the future of multilateralism than to present here a perspective from Brazil, a developing country which together with India has always taken a keen interest in that discussion.

The views that I will offer in this article were the result of a research conducted in Rio de Janeiro by Centro de Estudos de

Integração e Desenvolvimento, Centre for the Study of Integration and Development (CINDES), in a way a sort of Brazilian CUTS, basically focused on world trade and Brazil’s position in multilateral negotiations directed by Sandra Rios and Pedro da Motta Veiga. CINDES recently assembled a group of trade experts to discuss, what should be Brazil’s interests and attitudes in the Doha Round. The exercise was conducted in an independent way and did not aim at reflecting the Brazilian Government’s positions. The full text of the final Report (*Brazil, Trade Multilateralism and the WTO: A Medium Term Perspective*) can be accessed in CINDES’ site (www.cindesbrasil.org).

Carried out in a period in which multilateralism—not only in trade—is going through a deep crisis, and the Doha Round has reached a prolonged impasse, the exercise aimed to identify the characteristics and the agenda of trade multilateralism matching the interests of Brazil, considering a medium term perspective (10 years).

Examining the main conditioning factors of Brazil’s multilateral trade agenda, the analysis started from the productive transformation that Brazil is undergoing, with emphasis on the growing competitiveness of natural resource-intensive products in the agri-business area and the ongoing efforts aimed at industry’s modernisation and overhauling.

The Report’s proposal was based on the following likely scenarios of productive transformation: (i) the increase in weight of sectors intensive in natural resources in the industrial structure; (ii) industrial transformation towards a less diversified but more competitive structure; (iii) the consolidation of internationalised competitive segments in the services sector; and (iv) the growing internationalisation of Brazilian companies, through outward foreign direct investment (FDI).

Three main external factors and interests were examined in discussing the future Brazilian multilateral trade agenda:

- the accession to WTO of two large emerging economies (China and Russia), generating a significant shift in the balance of power within the multilateral trade system;
• the proliferation of preferential trade agreements, bringing about a relative erosion of market access conditions for Brazilian exports _vis-à-vis_ the signatories of these accords; and

• the emergence of global challenges not directly associated to trade issues but intersecting with the trade area.

In all scenarios, multilateralism will continue to be the priority negotiating forum for Brazil. This will require a greater investment on the part of Brazil, expressed by the integration of global governance concerns into the country’s strategy. The conclusion of the Doha Round was seen as an essential condition in order to overcome the current paralysis and bridge the gap between short and medium terms. Although the Report’s scope was not to discuss proposals to conclude the Round, Brazil should be prepared to make concessions in non-agricultural goods and be willing to move in issues considered to be part of a ‘minimal agenda’, such as trade facilitation and ‘duty free, quota free’ for least developed countries.

The main characteristics of multilateralism that fits Brazil’s interests are:

• the consolidation and improvement of existing rules; and

• the gradual incorporation of new issues into the agenda.

Considering that multilateral negotiations have shown little capacity to generate significant results in reduction of tariff barriers, the Report decided to put special emphasis on rules. New efforts of tariff liberalisation should keep the back seat in the multilateral agenda but they can be pursued in the regional and bilateral forums.

Three elements must be taken into account as priorities to define not only Brazil’s thematic agenda in the WTO, in a medium term perspective, but also the main objectives of the country in the negotiation of selected issues:

• The economic and political importance that multilateralism has and will continue to have for Brazil’s international strategy.

• The global transformations in progress, and in particular, the profound changes introduced by the emergence of Asia. It is therefore essential to negotiate, in the multilateral
sphere, rules that mitigate the risks of unfair competition and of economic conflicts and tensions. This requires that the Brazilian position in defence of ‘policy space’ for development policies be adapted to the new scenario.

• The prospect of Brazilian productive transformation, allowing less defensive positions, and facilitating Brazil’s acceptance of the inclusion in its multilateral trade agenda of some new issues related to global challenges.

The following issues are associated to the economic and political priority attributed to multilateralism:

• Rules for preferential agreements: (i) defining concrete mechanisms for monitoring and revising preferential agreements—based on the model of the WTO Trade Policy Review Mechanism—TPRM; (ii) creating disciplines for the establishment of referential rules in issues and areas bearing the greatest potential of discrimination against third countries (ex: rules of origin, technical and sanitary standards and norms); (iii) defining criteria and parameters that limit the use, by major medium-income economies, of the Enabling Clause.

• Dispute settlement system: Brazil had a few outstanding successes in the area but faced serious difficulties in imposing retaliation with economic and trade ‘teeth’. The central issues are related to the enforcement of decisions. Pecuniary compensation and authorisation for cross-retaliation could contribute to the enhancement of the mechanism’s enforcement. A second-best solution would be the combination of pecuniary compensation with authorisation to retaliate given to third countries that also feel harmed by non-compliance.

• Plurilateral agreements in the WTO: Brazil has traditionally opposed the negotiation of plurilateral agreements in the WTO. Although the adoption of the unconditional most favoured nation (MFN) clause in plurilateral accords of the WTO is the best option for Brazil, plurilateral agreements with a conditional MFN clause may be necessary to allow
the negotiations to advance in traditional areas (subsidies and agriculture), as well as in new issues (climate and energy).

The following issues are associated to global transformations and their implications for competition among companies and national policies:

- **Industrial subsidies**: The review of the Agreement on Subsidies and Countervailing Measures (ASCm) should combine the following elements: (i) strengthening the disciplines applicable to export subsidies; (ii) the inclusion among prohibited subsidies of domestic public mechanisms that may have distorting effects on trade while pursuing objectives that prevent industrial restructuring and rationalisation, by covering company losses or forgiving companies’ debts; (iii) the setting up of parameters and criteria allowing the identification of situations where state commercial banks and state-owned enterprises act as ‘public entities’; and (iv) the reintroduction of a broadened concept of non-actionable subsidies, including the subsidies contemplated by Article 8.

- **Agricultural subsidies**: The eventual resumption of negotiations in agriculture should concentrate efforts on commitments to limit the domestic measures of support that distort trade. An enhanced classification of green box subsidies (non-distortive) will be necessary, as there is an evident ‘leakage’ of support measures to this box. Brazil’s interest rests on a progressive convergence of the treatments accorded to industry and agriculture. The reduction in tariffs and the treatment of quotas continue to be very important for Brazilian agriculture, but this Report has opted to concentrate its efforts on the deepening of the rules.

- **State-owned companies**: The implicit subsidy derived from the role of the state as companies’ shareholder has fostered demands for stricter regulations regarding their activities. It would be desirable to establish disciplines that promote transparency in the shareholding control of the companies.
and that render explicit the subsidies that these companies receive from governments.

- **Non-tariff measures (NTMs):** Brazil’s objective should be to increase the degree of transparency regarding the use of the introduction of public and private norms and standards, their motivation and possible impact on trade and investments flows. The trade policy review mechanism (TPRM) could be used to assess the adequacy of NTMs. A plurilateral agreement on the harmonisation or mutual recognition of rules, including a MFN clause benefiting all members, whether signatories or not, might be achievable if a multilateral agreement proves impossible.

- **Private norms and standards:** This issue introduces a new challenge to the traditional limits of the WTO agenda as it constitutes a ‘grey zone’ favourable to *de facto* discrimination against imported products. Private-driven requirements may have a significant impact on Brazil’s exports. Though WTO regulates relations between Governments in a context in which private agents are increasingly setting norms and standards affecting trade and investment flows, the discussion should not be restricted to specific committees but incorporated into the WTO agenda as such.

Regarding the issues related to the productive transformation in Brazil and its implications, the Report highlighted the following:

- **Investment:** Brazilian government attitude towards inter-governmental initiatives related to foreign investment have been clearly defensive so far. This was a result of the objective of preserving national autonomy in industrial policies, and of Brazilian position as a traditional recipient of FDI. Additionally, until recently, the country had been a marginal emitter of this type of flow. However, Brazilian outward FDI flows have been growing significantly throughout the first decade of the 21st century, creating a more propitious atmosphere for reconsidering the traditional Brazilian stance regarding agreements on investments protection.
• Services: Brazil needs to assign priority to the need to increase productivity and competitiveness in the services sector and to reach international competitive levels in the sector.

• Climate and Trade: Brazil is increasingly becoming an exporter of products that are carbon-intensive and, therefore, a potential target for ‘climatic measures’ that distort trade. The negotiating agenda of the relationship between climate and trade in the WTO should incorporate: (i) rules for imposition of border adjustment measures (BCAs); (ii) rules and parameters for permitted subsidies to stimulate the transition towards a low carbon economy; and (iii) enforcement of the disciplines applicable to the formulation and implementation of technical norms motivated by climate concerns (in conformity with the proposal for NTMs and private norms and standards) in order to avoid that they become non-tariff barriers.

Since 2008, concern with the impact of exchange rates misalignments on competitive conditions prevailing in the international markets—and on the competition with imports in the Brazilian consumer market—has found expression in Brazil’s strategies in the WTO. There is a growing consensus about the impacts of managed exchange rates on competitive conditions in the international markets for goods and services. On the other hand, there is no agreement regarding the most suitable forum to deal with the matter. The absence of consensus in the international debate about the theme was reproduced in the Task Force that drafted this Report. This was the only issue where it was not possible to reach consensus among the Task Force members.

References