Woodrow Wilson International Center for Scholars
Brazil Institute

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BRAZIL INSTITUTE SPECIAL REPORT

IV SYMPOSIUM ON INTERNATIONAL TRADE

EXECUTIVE SUMMARY

On February 1, 2008, the Brazil Institute hosted the IV Symposium on International Trade organized by the Brazilian International Trade Scholars, Inc. (ABCI). The half-day seminar featured three panel discussions focusing on the issues of "Unlocking the Doha Round: Perspectives for 2008," "Global Warming and Environmental Preservation: What Options International Trade Law Has To Offer?," and "Revisiting the Possibility of a Bilateral Investment Treaty (BIT) Between the United States and Brazil."

The first panel was introduced by Brazilian Ambassador Antonio Patriota, who remarked that the Brazilian-U.S. bilateral relationship has been advancing "rapidly and practically, in all areas" and both are experiencing "a moment of great promise." Aluisio de Lima-Campos, Chairman of the ABCI Institute, moderated the panel which featured Jeffrey Schott, Senior Fellow of the Peterson Institute for International Economics; José Raúl Perales, Senior Associate of the Latin American Program; Ambassador Roberto Carvalho de Azevedo, undersecretary for Economic and Technological Affairs of the Brazilian Ministry of Foreign Relations; and Jon Huenemann, principal of Miller & Chevalier. Participants on the second and third panel debated various market structures and policy alternatives to tackle the issue of climate change through international trade law, as well as the potential impact Bilateral Investment Treaties (BIT) may have on promoting trade between the United States and Brazil.

The report includes an original paper written by conference participant José Raúl Perales for the first panel, "Unlocking the Doha Round: Perspectives for 2008," and a summary of the entire seminar's proceedings.

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THE DOHA ROUND, TRADE POLITICS, AND LATIN AMERICA

Optimistic forecasts for the conclusion of the Doha Round in 2008 point to a new exchange of draft deals in agriculture and industrial goods, whose texts, if acceptable to the corresponding committees (a big "if"), would lead to a horizontal process of negotiations between the two agriculture and industry groups. Pending sufficient advances in this process, ministers would convene a meeting to then work on the most contentious figures for future subsidy and tariff levels. Early in 2008 trade ministers meeting in Davos for the World Economic Forum summit had set an April 2008 target date for this ministerial meeting. Deadlines have been missed throughout the Doha process, and even though trade negotiators are now speaking of a "window of necessity" to conclude the Round (on account of a global economic slowdown and a recession in the United States), certain political conditions that would facilitate striking a deal in Doha seem to be missing.

The most pressing concern seems to be a recession in the U.S. and a slowdown of the world economy. Many political figures and policy analysts have stated that the conclusion of the Doha Round is all the more important now in order to boost consumer confidence in the international economy, and to stimulate growth through trade. This claim is further supported by the understanding that emerging markets, which still have a significant amount of trade liberalization to achieve and whose share of global trade has been growing fast in recent years, can pick up the slack for sluggish growth in advanced economies. Conclusion of the Round indeed can send an important political signal about the willingness to tackle global economic problems and "rescue" the international economy. However, while their integration into the world economy has been a remarkable development that has substantially added to global growth, we are still a bit far from safely stating that emerging markets can replace consumption in advanced economies as an engine of global growth.

Historical precedents of trade negotiations under a strained international economy may offer additional elements for considering Doha's possibilities. The conclusion of the Uruguay Round took place after the U.S. economy came out of a short-lived recession (early 1990s); the Doha Round itself was launched after the United States emerged out of a short lived recession in the aftermath of the events of September 11, 2001. Singling out these two episodes raises a point about the relationship between WTO/GATT negotiations and the business cycle in the United States. While there have been relatively few rounds of WTO/GATT negotiations to derive definitive conclusions about the relationship between multilateral trade negotiations and the U.S. business cycle, the relationship between these two variables warrants further consideration and research.

Recent events point to a very different recession than the two preceding ones–consumers are now a much larger part of the equation of this potential recession. To understand the potential effect of a U.S. recession on the conclusion of a Doha agreement it is necessary not only to consider the characteristics of the woes besetting the American economy, but also the links between trade and

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consumption. Trade has become one of the political culprits on this occasion, as opposed to other examples in our most recent history. Moreover, American politicians have failed to make a convincing case that trade has made people in the country better off, and that globalization is not a risk.

From left to right, Roberto Carvalho de Azevêdo and José Raúl Perales

In Latin America, a comparison with conditions during the Uruguay Round may also prove instructive for understanding the relevance of a Doha deal and the political incentives for concluding the Round. Latin American countries entered the Uruguay Round in the context of the most significant economic and political turmoil the region had suffered since the Great Depression of the 1930s. In order to understand the "political will" that will be needed to conclude the Doha agreement it is important to recognize the timing and connection between economic and political phenomena in the region. A historical example from the Uruguay Round illustrates this point. Simultaneous to the Uruguay negotiations, structural reform programs in Latin America involved a dramatic reduction in trade barriers (usually one of the most immediate and successful components of the reform process.) Latin American average tariffs dropped from 28.6 percent in 1986 to 12.1 percent in 1995, while some countries saw even more dramatic tariff reductions, especially Brazil, which cut tariffs from an average 51 percent in 1986 to 13.2 percent in 1995. Political momentum for the enactment of reforms at the domestic level was paralleled by a growing receptiveness toward the global trading system and the prospects for growth through exports, and thus the incentives for further liberalization at the multilateral level.

While multilateral negotiations went through very difficult periods of stagnation and deadlock, Latin American countries like Argentina, Mexico, and Chile remained visibly engaged in the negotiating process. Conclusion of the Uruguay Round spawned a renewed interest in Latin American economic regionalization, this time under the banner of "open regionalism" and engagement of the world economy. The pursuit of a more advantageous position in the international economy led to a revision of the commercial "infrastructure" of the region, and the quest for more dynamic regional initiatives under the rubric of further liberalization and integration, such as MERCOSUR and the Andean Community.

The scenario in the Doha Round is much different for Latin American countries. The brunt of trade liberalization in the region has already been undertaken, both in terms of rationalizing and slashing tariffs, as well as securing preferential terms with the most important trade partners for many countries in the region—the United States, Europe, and some Asian countries in the cases of Chile, Mexico, Peru, and Central America. Moreover, further trade reforms of the institutional apparatus and complimentary areas usually associated with trade facilitation remain politically unpopular in the region. The logic of liberalization and engagement with the world economy seems to have changed to the logic of bilateralism and securing preferential relationships with the most important markets. Innovative regional institutional frameworks for trade, such as the

From left to right, Christine Bliss and Melida Hodgson

MERCOSUR, have languished—in that case, its agenda has become developmentalist and nationalist more than commercial. In South America we have even seen the resurgence of a certain protectionist spirit in the regional institutional frameworkthe case of UNASUR being an important example of this tendency. The sense of "political opportunity" and of deleterious consequences for not concluding the Doha Round, which were present at the conclusion of the Uruguay Round, are missing from the current political landscape of the region. For many countries it simply has become more relevant to devote their efforts to secure bilateral preferential access with their most important trading partners. The spirit of multilateral liberalization and engagement in Latin America is fading, if it ever was ingrained in the political repertoire of governments in the region.

Equally remarkable is Brazil's emergence as a challenger to the structure and rules governing the global trading system—while still actively working through its institutions. The arguments inspiring such revisionism ought to serve as the basis for constructing a much needed bridge between developed and developing countries in the multilateral trading system.

—Written by **José Raúl Perales,** *Senior Program Associate, Latin American Program*

EVENT SUMMARY

Schott argued that the window of opportunity to conclude the Doha Round talks in 2008 is closed; part of the deadlock is a result of countries' singular focus on agriculture, which curbs discussion over other vital issues, such as service and infrastructure development. He added, many developing countries are less engaged in the process because they are turning to preferential trade arrangements instead of relying on multilateral negotiations. Perales compared developments in the Uruguay Round with the Doha Round and noted how different the U.S. and Latin America's economic and political environments are today than they were in 1994. Latin American countries are less engaged in the discussions this time around because they are giving more importance to preferential trade agreement on a bilateral and regional basis; in the United States there has been significant public and political pushback against trade, as many openly question whether either of the two forces have had positive economic impacts for the American people. Azevedo contended that high expectations are becoming the greatest impediment to a Doha Round conclusion. In order to move beyond the current impasse, governments must be willing to expend the political capital necessary to move the debate beyond the current "zero-sum game" mentality that is stalling Doha. Huenemann agreed there are many obstacles to concluding the Round in 2008, but remarked that as a result of today's rapidly-evolving global economy, it is imperative that all countries remain engaged to conclude negotiations quickly, or else risk Doha becoming irrelevant.

Thomas B. Felsberg, a partner at Felsberg & Associados, moderated the conference's second panel which included Andrew W. Shoyer, a partner at Sidley Austin LLP; Gawain Kripke, Senior Policy Adviser at Oxfam America; Lynn Fischer Fox, counsel for Thompson Hine LLP; Gary Horlick, a partner at Wilmerhale LLP; and Nicole Bivens Collinson, vice president of trade negotiations and legislative affairs at Sandler, Travis & Rosenberg, P.A. Shoyer discussed the advantages and disadvantages of different initiatives to tackle climate change through trade mechanisms, focusing on carbon taxes, carbon intensity standards and the issuance of permits to only allow certain amounts of carbon dioxide emissions. Kripke lamented that many people look at international trade as an obstruction to positive environmental outcomes, but argued that trade law can be a useful tool, especially to developing countries. Fox contended that trying to tackle the issues of global warming through a conservative WTO ruling may not be the optimal solution from a trade and environmental perspective; a better solution is to align the climate regime with the trade regime and come up with a realistic international trade law that benefits the environment. Horlick noted existing climate change laws are inconsistent with international trade laws. He added that changes in the trade and environmental regimes will not happen without major hurdles and controversies. Collinson observed that larger countries will have more say in crafting an international trade law aimed at mitigating climate change, but hoped that the developing countries will be able to exert some influence.

The third panel was moderated by Jean E. Kalicki, partner at Arnold & Porter LLP and included speakers Minister Ronaldo Costa Filho, head of the Division of Services on Investment and Financial Issues at Brazilian Ministry of Foreign Relations; Christine Bliss, assistant of the USTR for services and investment; Arif Hyder Ali, partner at Crowell & Moring LLP; and Melida Hodgson, counsel for Miller & Chevalier. Kalicki said so far, 176 countries have entered into about 2,400 Bilateral Investment Treaties (BIT), including nearly all countries in Latin America. The United States has 10 BITs in Latin America but none with Brazil. In the 1990s, Brazil negotiated 14 BITs but never ratified any because of arbitration disagreements. Minister Filho stressed that the Brazilian government is willing to take a new look at newly proposed BITs. Bliss noted the United States has a "high-level of interest" in pursuing bilateral treaties with the BRIC (Brazil, Russia, India and China) countries, especially because U.S investment in Brazil has declined since the late 1990s. Ali explained that while BITs encourage trade by fostering greater trade transparency, most American-based companies do not limit investments in Brazil due to an absence of BITs between the two countries. Hodgson agreed with Ali, stating that BITs are not deal-breakers, but emphasized the important role of BITs in establishing a common rule of law.

"WHILE THE GLOBAL INTEGRATION OF EMERGING MARKETS HAS SUBSTANTIALLY ADDED TO WORLD GROWTH, THEIR GROWTH CANNOT (YET) REPLACE CONSUMPTION IN ADVANCED COUNTRIES."

BRAZIL INSTITUTE

Created in June 2006 as part of the Wilson Center's Latin American Program, the BRAZIL INSTITUTE strives to foster informed dialogue on key issues important to Brazilians and to the Brazilian-U.S. relationship. We work to promote detailed analysis of Brazil's public policy and advance Washington's understanding of contemporary Brazilian developments, mindful of the long history that binds the two most populous democracies in the Americas.

The Institute honors this history and attempts to further bilateral cooperation by promoting informed dialogue between these two diverse and vibrant multiracial societies. Our activities include: convening policy forums to stimulate nonpartisan reflection and debate on critical issues related to Brazil; promoting, sponsoring, and disseminating research; participating in the broader effort to inform Americans about Brazil through lectures and interviews given by its director; appointing leading Brazilian and Brazilianist academics, journalists, and policy makers as Wilson Center Public Policy Scholars; and maintaining a comprehensive website devoted to news, analysis, research, and reference materials on Brazil.

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