

TRADE AGREEMENTS: PRIORITIES

- *Expanding the network of trade agreements is a key step for improving the competitiveness of Brazilian industry.*
- *Brazil has made progress on the negotiating agenda in recent years, but it remains on the sidelines of the global network of trade agreements.*
- *Industry's negotiating strategy should focus on preferential agreements, but without neglecting the multilateral dimension.*

Expanding the network of trade agreements is a key step for improving the competitiveness of Brazilian industry. Provided that they are strategically negotiated, agreements make it possible to increase the scale of production, to include Brazil in global chains with increased quality, to improve the competitive position of Brazilian goods in the world, to regain markets, and to guarantee the stability of rules and legal predictability in relation to different international trade topics.

Brazilian industry has been facing major barriers that can be removed through agreements. Although many countries reduced their import tariffs over time, Brazil still has to pay high tariffs or comply with quotas to export products in areas in which it enjoys a competitive advantage. In the case of the European Union, 64% of these products face barriers of one kind or another, and in the cases of the United States, Japan and Canada, the percentages are 55%, 41% and 25%, respectively.

Fully realizing the potential of trade agreements depends on the reform agenda for industry's competitiveness. Agreements can drive these reforms, but progress must

be pursued on both fronts simultaneously. Agreements without reforms may not ensure the expected potential result, just like reforms without agreements may be insufficient to promote Brazil's insertion in the international market.

Brazil has made progress on the negotiating agenda in recent years, but it remains on the sidelines of the global network of trade agreements. Partners with which Brazil has trade agreements in force account for less than 8% of world imports. This percentage is lower than that recorded among developed economies, such as Japan (17%), the United States (24%) and the European Union (45%), and among developing economies such as Mexico (57%), Peru (74%) or Chile (83%).

Industry's negotiating strategy should focus on preferential agreements, but without neglecting the multilateral dimension. Bilateral negotiations are those that can ensure more effective access to markets today. However, negotiations at the World Trade Organization (WTO) are important for creating stable rules and eliminating systemic distortions.

Main recommendations

1 Preferential agreements should be preserved as a key element of Brazilian trade policy.

Brazil needs to make up for lost time and enter into agreements that are strategic for the country's industrial sector. The priority agenda for industry contemplates the following elements:

- as a priority, completing agreements with the European Union and Mexico;
- negotiating with the United States;
- setting an agenda with developing countries such as South Africa, Iran and countries of the Central American Integration System (SICA) and India;
- completing negotiations with the European Free Trade Association (EFTA, made up of Switzerland, Liechtenstein, Norway and Iceland) and set an agenda with other developed countries, such as Canada and Japan; and
- deepening agreements in South America and in the Pacific Alliance.

2 Mercosur's economic agenda should be revitalized.

Mercosur has spent many years isolated from the international scenario of agreements and countries that make up the bloc need to reestablish its economic importance.

For industry, this revitalization process involves four areas: macroeconomic stability of member countries; freer circulation within the bloc and intrabloc integration; a trade policy toward third countries under which trade agreements and the need to strengthen the bloc's institutionality are given priority.

3 The multilateral and plurilateral system and multilateral and plurilateral organizations should be strengthened.

- **The WTO negotiating agenda should be strengthened.** Negotiations on market access and standards at the WTO are equally relevant to industry. Strengthening them depends on improving the Organization's negotiating methods to improve its regulatory capacity; on progress being made in negotiations on topics with more important mandates for Brazil, such as on the topic of subsidies; and on including new topics in the negotiating agenda, such as investment rules and state-owned enterprises.
- **Brazil's accession to the OECD should be given priority.** Brazil's accession to the OECD is a strategic goal to be pursued and aligned with the need to promote important microeconomic reforms for the country in areas such as financing, taxation, and public governance.

4 The process of internalizing agreements should be sped up.

On average, it takes four years for Brazil to internalize international agreements. In addition to the legal uncertainty brought about by this long period of time, this situation prevents Brazil from reaping the benefits afforded by agreements more quickly. Measures are required to increase the speed and transparency of the process adopted for approving agreements, especially within the Executive Branch.

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