The WTO and regional agreements

Patricia Campos Mello

THE WORLD TRADE ORGANIZATION (WTO) has not died. That was the feeling of relief that swept international trade experts after the Ninth Ministerial WTO Conference, held in Bali, Indonesia, December 3–7, 2013, when the WTO announced the first global trade deal in its 18-year history.

But that does not mean that the Doha Round now will take off. The deal signed in Bali was reached only after the bulk of the Doha trade agenda was dropped from the negotiations.

At a roundtable at the Institute Fernando Henrique Cardoso, trade experts agreed that the Bali deal saved the WTO from irrelevance. They also recommended that Brazil put more effort into new trade agreements before the emergence of giant regional treaties like the Trans-Pacific Partnership (TPP), which will bring together Australia, Brunei, Chile, Canada, Japan, Mexico, New Zealand, Peru, Singapore, the US, and Vietnam, and the Transatlantic Trade and Investment Partnership (TTIP) being negotiated between the US and the European Union.

Although it may take over 10 years to be implemented, the Bali trade facilitation agreement favors exporting companies, creating fast tracks in customs and greater transparency. It sets minimum standards for customs administration, aiming to reduce the amount of bureaucracy involved in clearing customs and limit delays at borders, in ports, and in transit. There is plenty of evidence that this is a big cost of doing trade in many of the world's poorest countries. The benefits of reducing these trade barriers could, in principle, be large.

But 2014 will be the real test of the viability of the WTO as a global entity. First, reform of the WTO will be discussed. The 10 years or more it took to reach a severely limited trade agreement shows the inefficiency of WTO decision making by consensus, which requires all 159 countries to agree. This time, India and Cuba almost derailed the deal. And the Bali trade agreement does not mean that now

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the Doha round will be completed, with reduction of industrial tariffs, elimination of subsidies, and all that pot of gold at the end of the rainbow.

Brazil more than ever cannot stay out of regional agreements. Brazil must join at least one regional agreement. Mercosur is useless given that its members cannot agree on a common external tariff without zillions of exceptions.

By no means will it be easy to negotiate the giant regional agreements like the TPP and TTIP. In Singapore, shortly after the Bali ministerial, Japan showed that it will not easily abandon its traditional protectionist stance on products like meat and rice. And the TTIP has frictions related to phytosanitary regulations (is there any chance of Europeans accepting American beef with hormones?).

Nevertheless, it is best that Brazil get smarter, and reach a deal with the EU soon, even if it is minimal.

The Bali deal saved the WTO from irrelevance, but Brazil needs to invest more in new trade agreements before the emergence of the giant regional treaties.

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