

Dhaka Roundtable on
**Reviving the Multilateral Trading System:
*Post-Bali Issues***

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Session 4

Mega Trade-Blocs: Implications and Coping Strategies for the Excluded

by

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B A N G L A D E S H
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Who are the excluded?

In Latin America:

- Not a geographical exclusion:
 - Chile, Mexico and Peru (TPP);
 - Colombia and Central America - FTAs with US
 - Mexico is also engaging in TTIP (the only in LA), apart from NAFTA

- Not only small LDC's

- Possible negative consequences for Mercosur:
 - Erosion of market preference in agricultural products towards EU, in favor of the US due to TTIP
 - Loss of Generalized System of Preferences (GSP) to Argentina, Brazil, Uruguay and Venezuela by EU due to income increase
 - Exclusion of these countries of GVC's

Brazilian Coping Strategies

- Mercosur member countries' trade policies are tied up by "Assuncion Treaty" (1991) and "Ouro-Preto Protocol" (1994) regarding negotiation with 3rd parties

Brazil, Argentina, Paraguay, Uruguay and Venezuela
+ Bolivia (acceding process since 2012)

- Viable solution are within national borders:
 - Reduce "red tape" and promoting trade facilitation
 - Tackle intermediate goods tariffs in order to foster integration to GVC's
 - Regain international credibility in order to increase FDI inflows

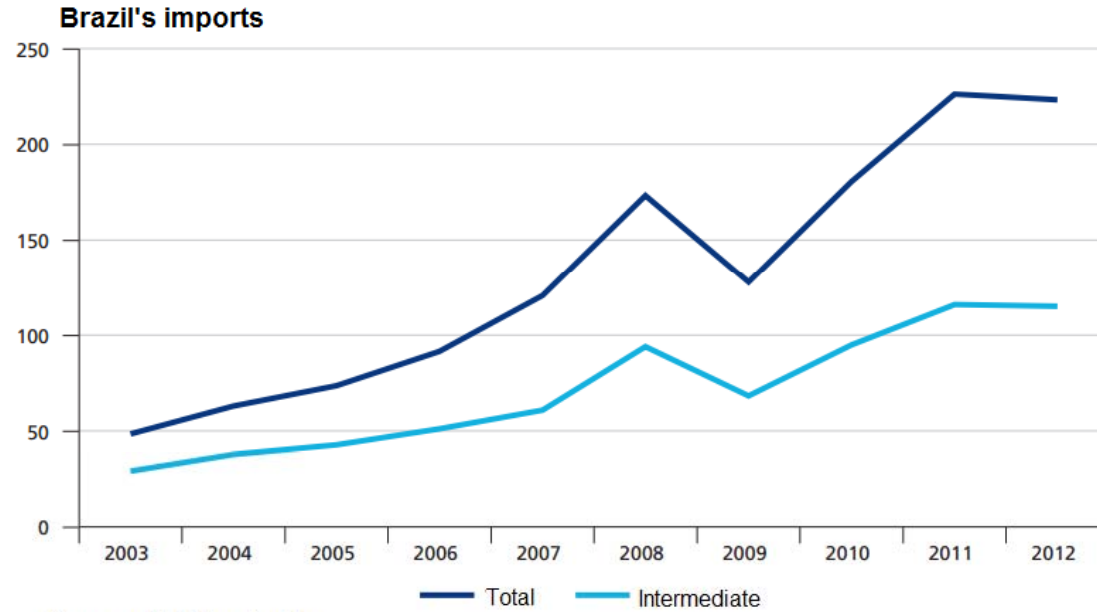
Red tape and Competitiveness: Easiness of Doing Business in Brazil

REGION	Latin America & Caribbean	DOING BUSINESS 2015 RANK	DOING BUSINESS 2014 RANK***	CHANGE IN RANK
INCOME CATEGORY	Upper middle income	120	123	↑ 3
POPULATION	200,361,925	DOING BUSINESS 2015 DTF** (% POINTS)	DOING BUSINESS 2014 DTF** (% POINTS)	CHANGE IN DTF** (% POINTS)
GNI PER CAPITA (US\$)	11,690	58.01	57.39	↑ 0.62
CITY COVERED	São Paulo , Rio de Janeiro			

Rankings	Distance to Frontier		
	Distance to Frontier	Distance to Frontier - São Paulo	Distance to Frontier - Rio de Janeiro
TOPICS	DB 2015 Rank	DB 2014 Rank	Change in Rank
Starting a Business	167	160	↓ -7
Dealing with Construction Permits	174	171	↓ -3
Getting Electricity	19	19	No change
Registering Property	138	137	↓ -1
Getting Credit	89	86	↓ -3
Protecting Minority Investors	35	35	No change
Paying Taxes	177	175	↓ -2
Trading Across Borders	123	126	↑ 3
Enforcing Contracts	118	118	No change
Resolving Insolvency	55	60	↑ 5

Source: IFC, World Bank, 2014

Increasing Brazilian protectionism intermediate goods' imports



Import tariffs (%)

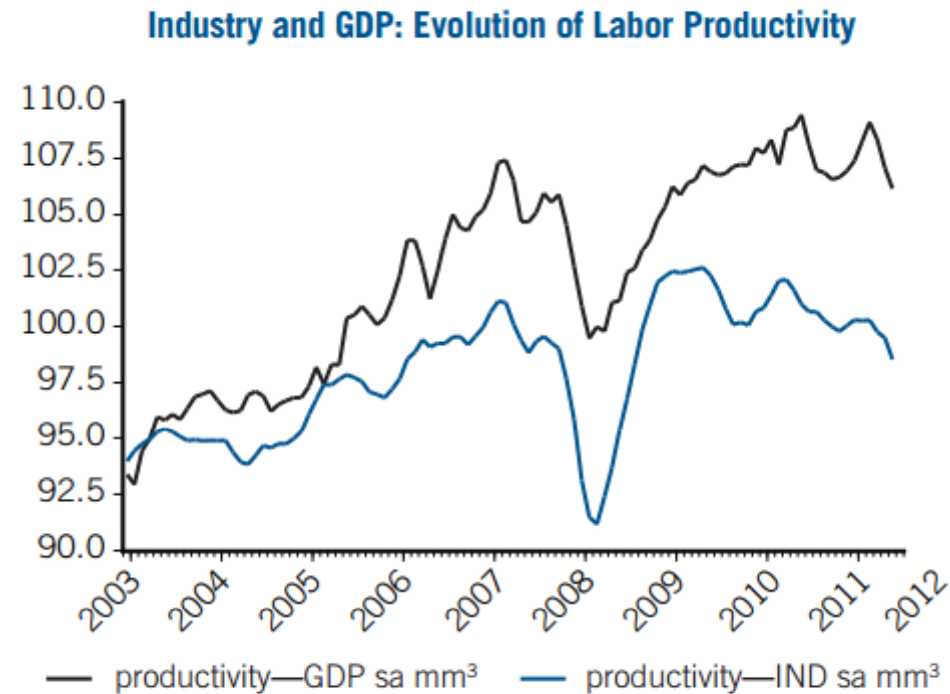
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total	13.62	12.36	11.48	11.29	11.32	12.19	12.66	12.77	12.81	12.96
Inter mediate	12.01	10.84	9.87	9.78	9.86	9.95	10.64	10.75	10.82	10.96

Source: IPEA, 2014

Effects on GDP, FDI and Productivity

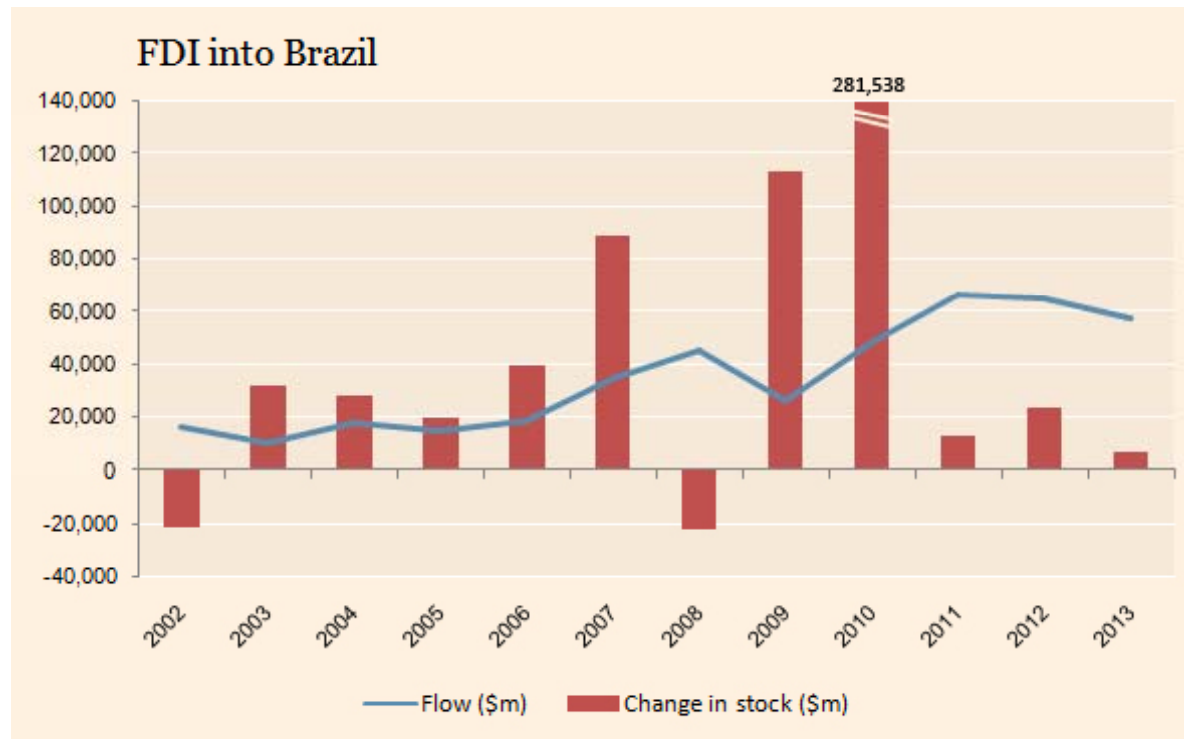


Effects on GDP, FDI and Productivity



Source: National Industry Confederation; Central Bank of Brazil

Effects on GDP, FDI and Productivity



Conclusions

- Unfavorable political economy for trade openness in Brazil: Major influence from ECLAC's autarchic development policy of the 1960's
- However, more room for negotiation on President's 2nd term
- Increasing trade protectionism after international financial crisis of 2008
- Revision of Brazilian industrial policy will be imperative after EU's request of WTO panel on Brazil's discriminatory taxes, in October 2014 (Industrialized Goods Tax - IPI; local content policy)
- Exclusion of Brazil from GVC's

Thank you!

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