BRASIL NAS ONDAS DO MUNDO

Álvaro Vasconcelos (Org)

Euro-Atlântico: Espaço de Diálogos
Isabel Maria Freitas Valente
Iranilson Buriti de Oliveira (Coord)

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The objective of this paper is to explore how new challenges are affecting the Global Trading System and how it can evolve to face them. They are: i) the deadlock to move multilateral negotiations at the WTO, ii) the fragmentation of trade rules by the multiplication of preferential agreements, iii) the arrival of a new model of global production and trade leaded by global value chains, and iv) the imposition of new sets of regulations by non-governmental organizations to reflect the concerns of consumers in the North based on their precautionary attitude about sustainability of products made in the World. The consequence is that the lack of any multilateral order in this scenario is creating a cacophony of rules and developing a new regulatory war of the Global North against the Global South.

**Keywords:** Trade challenges; WTO; Preferential agreement; North against South

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A new paradigm is modeling the World: revolutionary digital innovations in all fronts, new information technologies, huge mobility of capital, use of risky financial tools, globalization or regionalization of production and distribution, new emerging powers and the impact of consumer concerns on governmental policies. These phenomena are shaping the World and forcing the advent of a new World Order in the Multilateral Monetary, Financial, and Trading System.

The effects of this new paradigm are also transforming global governance. The political and economic orders established after the World War and centered on the multilateral model of UN, IMF, World Bank, and the GATT, led by the developed countries, are facing significant challenges. The rise of China and emerging countries shifted the old model to a polycentric World, where the governance of these organizations are threatened by emerging countries demanding a bigger participation in the role and decision boards of these international bodies. As a consequence, multilateralism is being confronted by polycentrism. Negotiations for a more representative voting process and the pressure for new rules to cope with the new demands are paralyzing important decisions.

A new wave of uncertainties chocked the World after the Brexit vote in the UK and the election of Trump in the US, promising an American much more inward looking, protectionist and against immigration.

This scenario is affecting seriously not the World Economy not only the Monetary and Financial Systems but also the Multilateral Trading System. International trade is facing some significant challenges: a serious deadlock to move multilateral negotiations at the WTO, the fragmentation of trade rules by the multiplication of preferential and new generation agreements and the arrival of a new model of global production and trade leaded by global value chains that is threatening the old trade order, and the imposition of new sets of regulations by private bodies commanded by transnationals to support global value chains and non-governmental organizations to reflect the concerns of consumers in the North based on their precautionary attitude about sustainability of products made in
the World. The lack of any multilateral order in this new regulation is creating a big cacophony of rules and developing a new regulatory war of the Global North against the Global South.

The objective of this paper is to explore how these challenges are affecting the Trading System and how it can evolve to manage these new trends.

I. WTO AND THE NEW GENERATION OF PTAS

1. Introduction – an impasse at the WTO

The first challenge of the Multilateral Trading System is how to break the impasse of multilateral negotiations. Since 2002, with the launching of the Doha Round, WTO members are struggling to balance the interests of developed and developing countries under the new geometry of power derived from the rise of the emerging countries. As a response to this impasse, many countries preferred to concentrate political efforts with the negotiation of preferential trade agreements. The only results presented are the Agreement on Trade Facilitation and the end of subsidies on agricultural exports.

Following the history of the WTO, the mandate and timing of the former rounds were decided mainly by the US and the EU. With the emergence of China, India, and Brazil this geometry was shifted and, because the interests could not be accommodated as before, the Doha Round arrived at a big stalemate. With the difficulties to conclude the Doha Round and the challenge to adapt the old trade rules to the new reality, the US and the EU decided to launch a new generation of PTAs with several of their partners. Some examples are the US-Korea, EU-Korea, US-Australia, and US-Chile agreements.

To deal with the new challenges of trade, the US and the EU start negotiating what is being called 21st century PTAs: the Trans-Pacific
Partnership – TPP (US, Japan, Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore and Vietnam) and the Transatlantic Trade and Investment Partnership – TTIP (US and EU). These two new generation agreements would enclose half of World trade and 40 countries. Behind these two new strategies of the US and the EU were the geo-economic interests of these partners and a response to the aggressive trade and investment policies of China. However, the arrival of the Trump government changed the plans. The US opted to leave the TPP and start negotiating bilateral agreements and reviewing NAFTA using TPP as the new legal framework. In contrast, the EU concluded the CETA with Canada and accelerated negotiations with India and Mercosul.

These new generations are a new sort of agreements. More than the reduction of tariffs, they aim to define a new structure and modalities for all kinds of non-tariff barriers to trade, along with new rules for important trade related issues such as investment, competition and new concerns as environment, climate, labor, food scarcity, animal welfare, digital economy, state-own enterprises, anti-corruption and private standards as the result of a mounting consumer pressure.

Many emerging countries as Brazil, China, and India, as global international traders, prefer to give priority to the multilateral track, where they presume to better influence the trade game and better defend its interests. However, the impasse of the Doha Round was a big failure. After almost two decades, the only tangible but important result is the Agreement on Trade Facilitation.

Other countries, on the contrary, chose to pursue another track: to increase their trade through negotiations of PTAs. This strategy, on the one hand, creates new market opportunities, but on the other hand results in the fragmentation of international trade regulation, creating conflicts and lack of transparency, accountability, coherence, and legitimacy.

There is a new reality that must be confronted. The option for bilateral trade agreements with the Pacific countries by the US contrasted with the preferential agreements by the EU. Nothing was decided yet