

# Trade defense, trade agreements and the paths towards Brazil's new insertion in the world economy.<sup>1</sup>

Sergio Goldbaum<sup>2</sup>

**Abstract:** This paper analyzes two components of Brazilian trade policy in the governments of Presidents Michel Temer and Jair Bolsonaro: trade defense policy and negotiations on trade agreements. Regarding trade defense policy, the analysis points to the reversion, albeit partial, of the active use of trade defense instruments during the Dilma Rousseff presidency (2011 - 2016) to a more passive trade defense policy. An intermediate section describes elements of the national and international economic context that accompany this reversal; a third section surveys and assesses the results of economic studies on the EU-Mercosur Agreement and the negotiations for Brazil's accession to the World Trade Organization's Government Procurement Agreement.

**Keywords:** Trade defense in Brazil, EU-Mercosur Trade Agreement, WTO Government Purchase Agreement

## Introduction

The purpose of this article is threefold. First, to assess Brazilian trade defense policy in recent years. In summary, and according to Section 1, there seems to be a reversal, albeit partial, of the more active use of trade defense instruments during the Dilma Rousseff presidency (2011-2016) as explicitly stated in the 2011 Greater Brazil Plan (Plano Brasil Maior).<sup>3</sup>

Section 2 highlights elements of the domestic and international context. In the domestic scenario, the Section addresses the more free-market leanings of both the Michel Temer and Jair Bolsonaro administrations and the strong exchange rate depreciation during the latter. In the international context, the Section underscores the relatively more protectionist trade policy under former U.S. President Donald Trump.

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<sup>2</sup> FGV-EAESP and FGV-EPPG/BSB. [sergio.goldbaum@fgv.br](mailto:sergio.goldbaum@fgv.br).

<sup>3</sup> See Goldbaum and Pedrozo (2019).

Trade defense policy is just one of the components of a country's broader trade policy, which also includes tariff policy, international trade agreements, the improvement of the legal and regulatory framework and even exchange rate policy. All these components are linked.

The priority of the Brazilian Secretary of the Foreign Trade (SECEX) in recent years has been to celebrate international trade agreements such as the EU-Mercosur and U.S.-Brazil Trade Facilitation Agreements as well as the proposal for Brazil's accession to the World Trade Organization (WTO) Government Procurement Agreement. Section 3 analyzes some aspects of these agreements negotiated by SECEX, which signal the possible paths for Brazil's greater insertion in the world economy in the longer term.

A last section recaps the main conclusion of this paper.

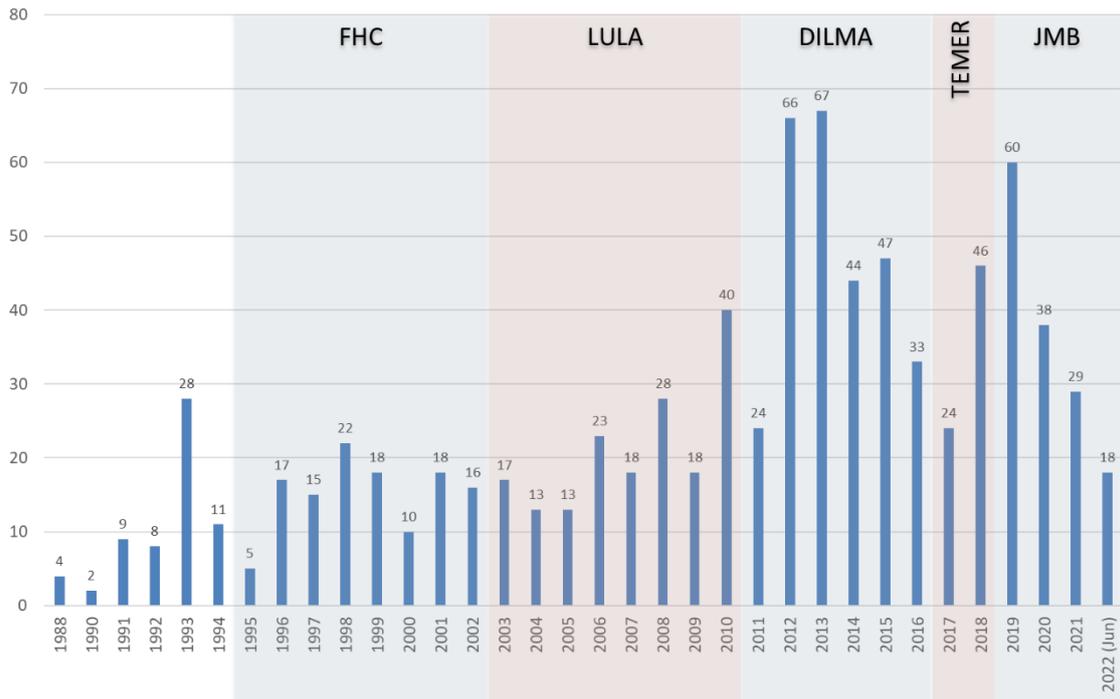
## 1 Four stylized facts of the Bolsonaro government's trade defense policy.

The consolidation of public data on anti-dumping investigations reveals four stylized facts about Brazilian trade defense policy in recent years, covering both the current administration of President Jair Bolsonaro as well as the brief tenure of his predecessor, Michel Temer (2017-18).

1. Trade defense instruments continued to be in demand during the Bolsonaro government.

Chart 1 shows that despite the decrease in the number of trade defense investigations in 2020 and 2021, the average number of investigations conducted in the initial three years of the Bolsonaro administration is comparable to that observed in the previous period (from 2014 to 2018) and higher than that observed before 2010.

Chart 1: Trade defense investigations initiated, 1988-2022 (June).

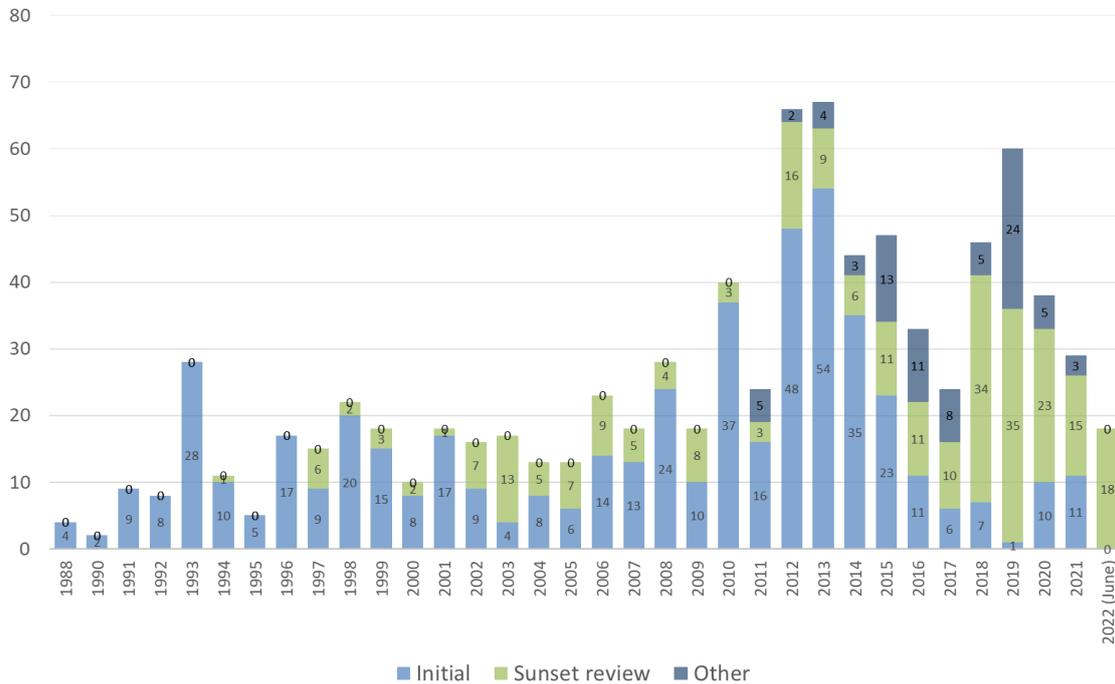


Source: Based on data from the Ministry of the Economy.

2. The number of new investigations, however, has gone down. This period was particularly marked by sunset reviews and public interest investigations.

The breakdown of trade defense investigations initiated by type in Chart 2 shows that sunset review and public interest investigations prevailed over new investigations. In 2019, for example, of the 60 investigations initiated in total, 35 were sunset reviews, 16 were public interest reviews, and only one was a new investigation.

Chart 2: Trade defense investigations initiated, by type of investigation. 1988-2022 (June).



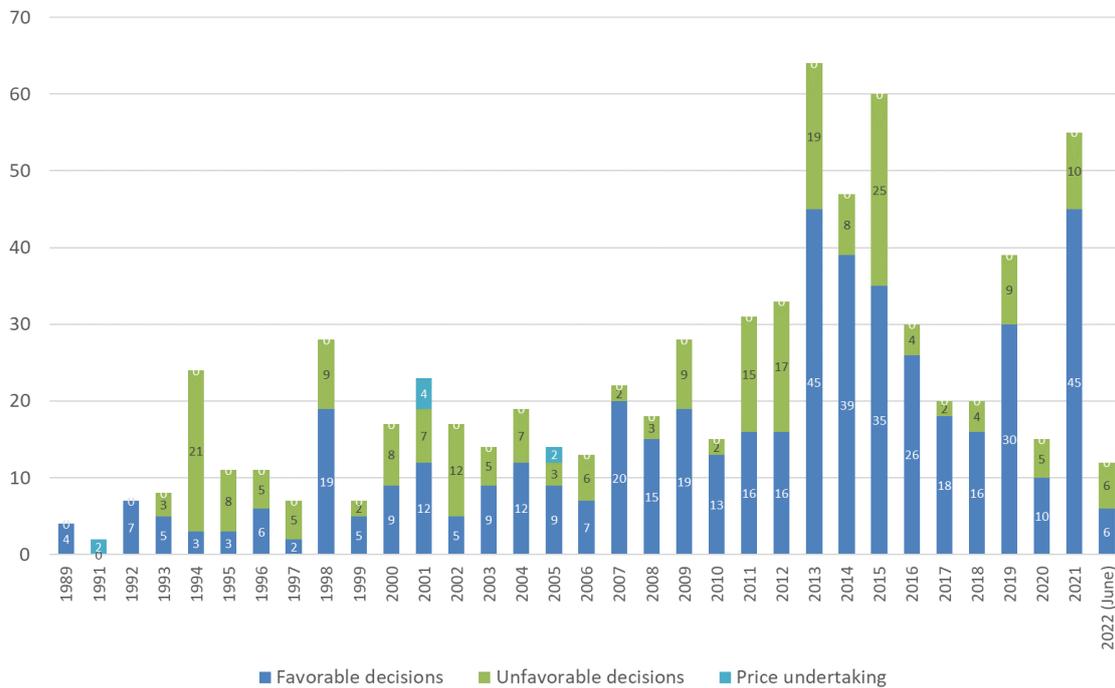
Source: Based on data from the Ministry of the Economy.

3. Considering only the initial and sunset review investigations, decisions mostly favored extending duties. However, some of these measures were subject to immediate suspension.

Chart 3 shows that favorable decisions significantly outnumbered those opposed to the application or the extension of anti-dumping duties. In 2021 alone, for example, of the 53 investigations closed that year, 45 ended with the application or extension of the right. However, this result should not be taken at “face value”. A considerable number of these decisions (at least 10) were accompanied by the immediate suspension of the duty following public interest considerations, the importance of which were reinforced in Ordinance n. 8/2019 or by Art 109 of the Decree 8.058/2013.<sup>4</sup>

<sup>4</sup> This provision allows the trade defense authority to recommend the suspension of the application of the approved anti-dumping duty in situations “where there are doubts as to the likely future evolution of imports of the product subject to the approved duty”. From the original in Portuguese: “Art. 109. Em situações em que houver dúvidas quanto à provável evolução futura das importações do produto objeto de direito antidumping, o DECOM poderá recomendar a prorrogação do direito com a imediata suspensão de sua aplicação”.

Chart 3: Initial and sunset review anti-dumping investigations, by type of decision. 1988-2022 (June).



Source: Based on data from the Ministry of the Economy.

- The number of antidumping measures in force has been significantly reduced since the Michel Temer administration. The pace of reduction seems to have slowed down in the last two years, already considering the cases of immediate suspension of applied anti-dumping duties.

As a result of the above observations, Table 4 confirms that the number of anti-dumping duties in force in Brazil dropped sharply at the end of President Temer’s brief tenure and in the first two years of the Jair Bolsonaro administration and stabilized in 2021 - already considering suspensions of some measures.

Chart 4: Number of anti-dumping duties in force in Brazil, 1988-2022 (June).



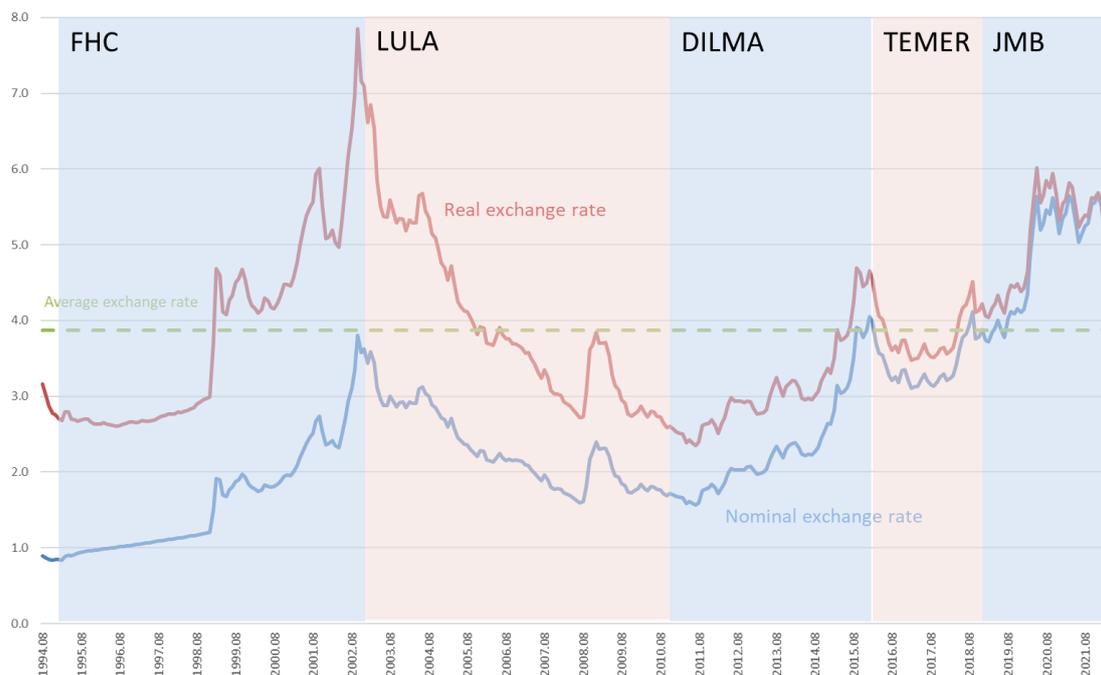
Source: Based on data from the Ministry of the Economy.

In summary, as stated before, trade defense policy in recent years can be seen as the reversal, albeit partial, of the more active use of trade defense instruments during the government of Dilma Rousseff (2011-2016).

## 2 Background: the free market leanings of the Temer and Bolsonaro governments, exchange rate depreciation, and U.S. trade policy.

Given the manifest pro-free market leaning of the Michel Temer and Jair Bolsonaro governments, the partial reversal of a more active trade defense policy in Brazil had been expected. However, the broader context of the policy shift also includes the strong depreciation of the Real currency in the first three years of Bolsonaro's government. Chart 5 shows that after years of appreciation, the Real has sharply depreciated since 2015.

Chart 5: Nominal and real exchange rate (R\$/US\$, monthly). 1994/Aug – 2002/Feb.



Source: Based on IPEADATA. Real Exchange rate was calculated using IPCA/IBGE for inflation in Brazil and CPI/BEA for inflation in US.

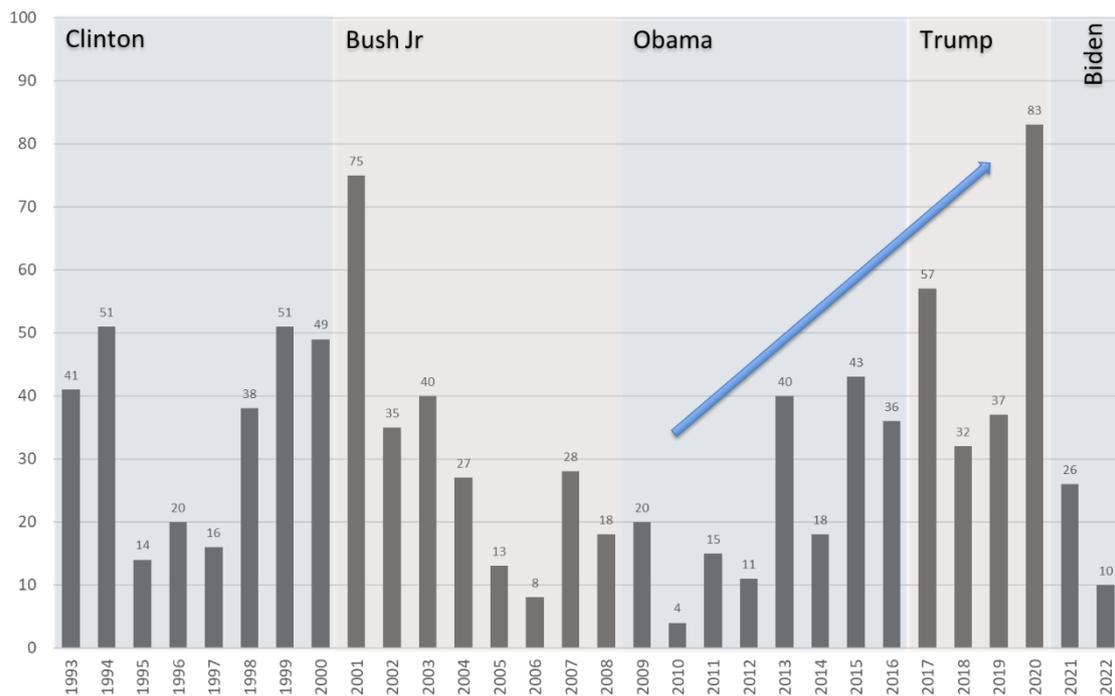
According to the economic literature, the impact of the exchange rate on the number of anti-dumping investigations is ambiguous. On the one hand, the reduction in imports resulting from the exchange devaluation makes it difficult to verify the damage done to the economy and a causal link in anti-dumping investigations; on the other hand, the devalued exchange rate requires exporting companies to reduce the price of their products if they still want to maintain their destination markets, increasing the probability of dumping verification. The combination of these effects may have paved the way for the immediate suspension of the many approved anti-dumping duties, based on the Art. 109 of the Decree 8.058/2013.

From the political economy perspective, it seems reasonable to state that the resistance of organized economic groups to a policy of more free trade, including a reduction in the number of trade defense measures, is lower when the exchange rate is depreciated.

On the other hand, the converse is true: in periods of highly appreciated exchange rates, pressure from organized economic groups for additional trade protection measures increases. The case of the United States can serve as an example. Pressured by imports from China, the number of anti-dumping investigations in the United States has increased significantly in recent years. Chart 6 shows a significant increase in cases starting in the Obama administration, which intensified during the Trump administration.

It is important to note that the data in Chart 6 are only initial investigations; that is, they exclude sunset review investigations. In 2020, 83 new investigations were launched in the U.S., 12 of them against imports from China; for comparison purposes, in Brazil that number was 38, of which 23 were revisions. The year with the most intense trade defense activity in Brazil was 2013, with 67 new investigations, 54 of which were new cases, 9 reviews and the remaining four divided between investigations of subsidies (2) and review for the inclusion of a new exporter (2).

Chart 6: Anti-dumping investigations initiated in the U.S., 1993 – 2022 (March)



Source, based on data from the Global Antidumping Database (World Bank) and USITC.

The increased use of trade defense instruments by the United States may create a contamination effect in Brazil. The United States is a major importer, and the reduction of U.S. imports means that the supply of products in the international market will increase, resulting in a reduction of prices and leading exporting countries to search for alternative markets where their production surplus can be “dumped”.

The increase in anti-dumping duties applied by the United States may result in greater demand for the use of this instrument in other countries such as Brazil due to a contamination effect. In fact, there is significant overlap in the products affected by trade defense measures in the two countries, such as metallurgy and steel products (steel tubes, aluminum sheets, padlocks), chemical products (thermoplastic resins, PET sheets), tires, textiles, etc.

Thus, in a somewhat speculatively way, the increase in trade defense measures in the world may have contributed to the relative stability in the number of investigations in Brazil in the last two years.

### 3 The emphasis on trade agreements.

SECEX's priority in recent years has been to expand Brazil's trade agreements. In this sense, the Bolsonaro government delivered the EU-Mercosur Agreement, the Trade Facilitation Agreement with the United States and is working to expedite Brazil's accession to the WTO's Government Procurement Agreement.

Regarding the EU-Mercosur agreement, economic studies show that from a strictly tariff and market access perspective, the expected results are controversial. In an article in the *Conjuntura Econômica* magazine, Lia Valls Pereira (Pereira, 2019) summarized some studies and general equilibrium simulations such as those by Kume, Piani, Miranda and Castilho (2004), Thorstensen and Ferraz (2014) and Nonnemberg and Ribeiro (2019). Overall, the results showed that the benefits of the agreement for Brazil depended on European Union concessions in agriculture, a sector protected by quotas and tariff peaks.

Kume, Piani, Miranda and Castilho (2004) used a computable partial equilibrium simulation model from Unctad (Laird and Yeats, 1986) and their results are determinative:

“The limited offers made by the EU on Brazilian agricultural products make it impossible to explore the economic complementarity between Mercosur countries and the European bloc.”<sup>5</sup>

“In fact, the results obtained here for Brazil and the EU show that the term ‘free trade agreement between Mercosur and the European Union’ is not appropriate. In terms of goods, it involves the negotiation of two different agreements: one with very comprehensive liberalization for industrialized products and the other with significant restrictions on agricultural products. This imbalance would likely be exacerbated if the service sector had been included in this assessment.” (Kume et al., 2004, pg. 14).<sup>6</sup>

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<sup>5</sup> “As limitadas ofertas feitas pela UE aos produtos brasileiros de origem agropecuária permanecem sendo um fator que inviabiliza a exploração da complementaridade econômica entre os países do Mercosul e o bloco europeu”.

<sup>6</sup> “De fato, os resultados aqui obtidos para o Brasil e a UE mostram que a denominação ‘acordo de livre-comércio entre o Mercosul e a União Europeia’ não é apropriada. Trata-se, em relação a bens, da

Thorstensen and Ferraz (2014) use the static GTAP-8 general equilibrium model to analyze several scenarios, including the Transatlantic Trade and Investment Partnership (TTIP), the Trans-Pacific Partnership (TPP) agreements, and the preferential agreements between Brazil, the United States, and the European Union. Regarding the last set of simulations, they conclude:

“Considering the impacts of tariff reductions alone, the scenarios indicate positive results for exports but considerable increases in imports. The gains from exports result from the agricultural sector with a consequent impact on the exchange rate and growth of imports.” (Thorstensen e Ferraz, 2014, p. 14).<sup>7</sup>

They also emphasize the need to include topics such as the reduction of non-tariff barriers (NTB) in the negotiations:

“On the other hand, when the reduction of NTBs is also negotiated, trade flows increase between partners and there is greater balance between the growth of exports and imports. This result stems from the fact that, since U.S. and EU tariff barriers are already low, the main barriers to trade are non-tariff. Thus, the negotiation of NTBs is essential to allow more significant access to the preferred partner's market.” (Thorstensen e Ferraz, 2014, p. 15).<sup>8</sup>

Nonnemberg and Ribeiro (2019) analyze the trade flows and tariff structure of Mercosur and the European Union and conclude, in an ad-hoc manner, that:

“(…) in addition to the increase in trade in goods between the two regions, one can expect growth in foreign investment - attracted by greater stability of rules, regulatory convergence, dispute settlement mechanisms and transparency – in trade in services and greater integration and convergence in the economic, political, regulatory, environmental, technology etc.”<sup>9</sup>

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negociação de dois acordos distintos: um de liberalização bastante abrangente para produtos industrializados, e outro de uma liberalização bastante restrita, para os produtos de origem agropecuária. Esse desequilíbrio seria, provavelmente, agravado se o setor de serviços tivesse sido incluído nessa avaliação.”

<sup>7</sup> “Considerando-se os impactos só de redução tarifária, os cenários indicam resultados positivos para as exportações, mas aumentos consideráveis de importações. Os ganhos das exportações resultam da área agrícola, com consequente impacto no câmbio e no crescimento das importações.”

<sup>8</sup> “Já quando é negociada também a redução das BNTs, percebe-se um aumento nos fluxos de comércio entre os parceiros e um maior equilíbrio entre o crescimento das exportações e importações. Tal resultado decorre do fato de que, uma vez que as barreiras tarifárias dos Estados Unidos e da UE já são baixas, as principais barreiras ao comércio são não tarifárias. Desse modo, a negociação das BNTs é essencial para permitir um acesso mais expressivo ao mercado do parceiro preferencial.”

<sup>9</sup> (...) além do aumento do comércio de bens entre as duas regiões, pode-se esperar crescimento dos investimentos externos – atraídos pela maior estabilidade de regras, convergência regulatória,

In the specific case of trade, even though the tariff reductions obtained by Mercosur countries are lower than those of European countries, mainly from the point of view of agricultural products, it should be remembered that trade agreements do not constitute zero-sum arrangements. The resulting trade liberalization represents gains for all parties involved. From Brazil's point of view, for example, the agreement will allow a substantial reduction in the prices of manufactured products, especially capital goods, chemicals, and pharmaceuticals, which represent a sizable portion of Brazilian imports from the EU. Such a reduction has great potential to contribute to increasing the productivity of the Brazilian economy and even to better insert the country into global value chains.” (Nonnemberg e Ribeiro, 2019, p. 12).<sup>10</sup>

More recently, Souza, Cardoso, Magalhães and Domingues (2019) revisited the topic using the computable general equilibrium model GTAP, version 10, to conclude:

“The results indicated not only a negative impact on GDP for both Brazil and the rest of Mercosur, but also a reduction in household consumption and savings, which would be reflected in decreased well-being for both regions involved. The European Union would have gains in GDP and welfare, albeit of small magnitude. This result would be the consequence of an increase in both consumption and savings by European households. The results of this partial liberalization indicate that while Brazil and the rest of Mercosur expand their exports in the agricultural sectors, especially in the production chain of meat and other food products; the European Union, in turn, expands its exports mainly in manufacturing sectors such as machinery, vehicles and auto parts”. (Souza, Cardoso, Magalhães e Domingues, 2019).<sup>11</sup>

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mecanismos de solução de controvérsias e transparência –, do comércio de serviços e maior integração e convergência nos campos econômico, político, regulatório, de meio ambiente, de tecnologia etc.”

<sup>10</sup> No caso específico do comércio, ainda que as reduções tarifárias obtidas pelos países do Mercosul sejam inferiores às obtidas pelos países europeus, principalmente do ponto de vista dos produtos agropecuários, deve-se lembrar que acordos comerciais não constituem arranjos de soma zero. A liberalização comercial daí resultante representa ganhos para todas as partes envolvidas. Do ponto de vista do Brasil, por exemplo, o acordo permitirá substancial redução de preços de produtos manufaturados, especialmente bens de capital, químicos e produtos farmacêuticos, que representam parcela significativa das importações brasileiras da UE. Tal redução tem grande potencial de contribuir para o aumento da produtividade da economia brasileira e mesmo para inserir melhor o país nas cadeias globais de valor.

<sup>11</sup> “Os resultados indicaram não só impacto negativo no PIB tanto para o Brasil como para o resto do Mercosul, como também redução no consumo e na poupança das famílias, que se refletiriam em redução do bem-estar para ambas as regiões envolvidas. A União Europeia teria ganhos no PIB e de bem-estar, embora de pequena magnitude. Este resultado seria consequência de um aumento tanto do consumo como da poupança das famílias europeias. Os resultados desta liberalização parcial indicam que enquanto

Pereira's (2019) conclusion emphasizes that the EU-Mercosur agreement should not only be evaluated from a tariff perspective, but from the point of view of the standardization of rules and the reduction of non-tariff barriers. As she states:

“The Mercosur-European Union free trade agreement belongs to the group of new generation agreements. The name is a free trade agreement, but the commitments cover areas that affect countries' domestic regulations. In addition to the topics of market access covering goods, services, and investments, it covers issues related to sustainable development, state-owned companies, small and medium-sized companies, transparency mechanisms, government procurement, defense of competition, institutional and political cooperation dialogues. (Pereira, 2019, p. 61).<sup>12</sup>

The conclusion of the negotiations signaled a key step towards liberalization, but also commitments to rules in different areas ranging from issues of regulatory convergence in the conduct of rules for trade, investments, state-owned companies to topics on the sustainable development agenda. The agreement has this broad dimension.”. (Pereira, 2019, p. 65).<sup>13</sup>

In that sense, Thorstensen and Ferraz (2014) pointed out the relative isolation in which Mercosur countries found themselves in the mid-2010s:

“Brazil's current isolation, which has been marked by prioritizing south-south agreements, always in conjunction with Mercosur, is no longer sustainable.” (Thorstensen e Ferraz, 2014, p. 16).<sup>14</sup>

In summary, the EU-Mercosur Agreement in 2019 should be seen as a movement that sought to overcome the relative isolation of Mercosur in a context of the proliferation of regional and

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o Brasil e o resto do Mercosul expandem suas exportações nos setores agropecuários especialmente na cadeia produtiva da carne e em outros produtos alimentícios; a União Europeia, por sua vez, expande suas exportações principalmente em setores de manufaturas como maquinário, veículos e autopeças”

<sup>12</sup> “O acordo de livre-comércio Mercosul- União Europeia pertence ao grupo dos acordos de nova geração. O nome é um acordo de livre comércio, mas os compromissos abrangem áreas que afetam as regulações domésticas dos países. Além dos temas de acesso a mercados que abrangem mercadorias, serviços e investimentos, foram incluídos temas relativos ao desenvolvimento sustentável, empresas estatais, pequenas e médias empresas, mecanismos de transparência, compras governamentais, defesa da concorrência, pequenas e médias empresas, temas institucionais e diálogos de cooperação política.”

<sup>13</sup> “O término das negociações sinalizou um passo importante na direção da liberalização, mas também de compromissos com regras em diferentes áreas que vão desde questões de convergência regulatória na condução das normas de comércio, investimentos, empresas estatais até temas da agenda de desenvolvimento sustentável. O acordo tem essa dimensão ampla.”

<sup>14</sup> “O atual isolamento do Brasil, que vem priorizando acordos do tipo sul-sul, sempre em conjunto com o Mercosul, não mais se sustenta”

plurilateral trade agreements based on negotiations that transcend tariff policy, including the reduction of non-tariff barriers and regulatory convergence.

However, the priorities defined by SECEX have not always found support in the rest of the government. There is still resistance to the ratification of the EU-Mercosur Agreement both in Brazil and European countries; actions by the Brazilian Executive have hampered negotiations.

In Europe, the election of the new German prime minister, Olaf Scholz, is also noteworthy. Scholz, from the Social Democratic Party (SPD), will govern the country in a coalition with the Green Party and the Liberal Democratic Party. Combating climate change was one of his campaign themes but the environmental agenda has strongly receded in recent years. On the other hand, the Russian-Ukraine war may promote agricultural concessions and facilitate the ratification of the Agreement.

Regarding the United States, the prevailing political environment until 2020, when Donald Trump was still U.S. President, accelerated the conclusion of the Trade Facilitation Agreement between that country and Brazil. The deal included measures to reduce foreign trade bureaucracy, shortening the time and cost of trade operations carried out by private agents and encouraging the adoption of “good regulatory practices” by both countries. However, its practical effects are little known.

Finally, there is the Brazilian government’s decision to adhere to the WTO’s Government Purchase Agreement (GPA). Brazil has been an observer country of the GPA since 2017 and officially applied for membership in May 2020.

“Government purchases” are an important instrument of industrial policy. Among the 162 WTO member countries, only 48 have joined the agreement so far, primarily developed countries. A Federal Government’s “Information Sheet” and the WTO website on the subject report that 11 countries are in the negotiation process, but Table 1, reproduced from the WTO website, indicates that the processes of 4 countries are inactive.

Table 1: Countries in the process of acceding to the Government Procurement Agreement

<b>Member-State</b>	<b>Initial application for admission</b>
Albania (currently inactive)	02/10/2001
Brazil	19/05/2020
China	14/01/2008
Georgia (currently inactive)	17/10/2002
Jordan (currently inactive)	19/07/2000
Kazakhstan	02/12/2019
Kyrgyzstan	19/05/1999
North Macedonia	17/03/2017
Oman (currently inactive)	03/05/2001
Russian Federation	22/08/2016
Tajikistano	12/02/2015

Source: WTO ([https://www.wto.org/english/tratop\\_e/gproc\\_e/memobs\\_e.htm](https://www.wto.org/english/tratop_e/gproc_e/memobs_e.htm)). Access in 03/April/2022.

Among the remaining seven, Kyrgyzstan's accession process began in 1999 and has not yet been completed. China's process began in 2008 and has also not been completed; the sixth offer was submitted in October 2019. The accession process of the Russian Federation may have been delayed due to the war in Ukraine. The process for other countries moved faster: New Zealand, for example, applied in October 2012, submitted the fourth offer in July 2014 and completed the process in July 2015. Australia, meanwhile, started in June 2015, submitted the fourth offer in March 2018 and concluded the process in April 2019. The United Kingdom initiated the process in June 2018, submitted its second offer in October 2020, but even before that, in February 2019, its accession had already been approved by committee decision. Table 2 shows the results with data from the Infra Agency (Agência Infra).

Table 2: Accession process of selected countries to the GPA.

Member-state	Initial application for admission	First offer	Last or Latest offer	Accession
China	27/Dec/2007	07/Oct/2008	21/Oct/2019 (6a offer)	...
Moldova	08/Jan/2002	09/Jan/2002 (checklist)	30/Jan/2015 (5a offer)	29/Jun/2016
Ukraine	09/Feb/2011	13/Dec/2012	29/Jun/2015 (5a offer)	27/Apr/2016
New Zealand	01/Oct/2012	01/Oct/2012	21/Jul/2014 (4a offer)	20/Jul/2015
Montenegro	04/Oct/2013	04/Nov/2013	04/Feb/2020 (5a offer)	...
Tajikistan	12/Feb/2015	16/Feb/2015	07/Mar/2018 (4a o offer)	16/Apr/2019 (deposit)
Australia	02/Jun/2015	08/Sep/2015	...	...
Russia	22/Aug/2016	07/Jun/2017	02/Oct/2020 (2a offer)	28/Feb/2019 (Committee decision)
UK	05/Jun/2018	14/Jun/2018	...	...
Brazil	18/May/2020	...	...	...

Source: <https://www.agenciainfra.com/blog/infradebate-importancia-da-consulta-publica-da-secex-me-circular-55-para-a-cessao-do-brasil-ao-gpa-omc-a-participacao-do-setor-privado/> based on the GPA committee reports available on the WTO website ([https://www.wto.org/english/tratop\\_e/gproc\\_e/gp\\_app\\_agree\\_e.htm](https://www.wto.org/english/tratop_e/gproc_e/gp_app_agree_e.htm))

The access offers in the GPA have 7 annexes:

- Annex 1: Central Entities: Federal Administration (of the Union, in the case of Brazil)
- Annex 2: Sub-central entities: State or municipal entities
- Annex 3: Other entities: State-owned companies
- Annex 4: Goods
- Annex 5: Services
- Annex 6: Construction services
- Annex 7: General Notes: Annex listing exceptions to the commitments assumed in the other annexes to preserve space for public policies in sectors considered strategic.

The SECEX has released some documents on the negotiations. The document “WTO Agreement on Government Contracts - Analysis of Brazilian Accession” (Acordo sobre Contratações Governamentais da OMC - Análise da Adesão Brasileira) released in November 2021 provides an overview of the current GPA members’ agreements as well as the related economic literature.

Concerning coverage, the document shows a reasonable dispersion among countries. For example, in Appendix 2 regarding sub-central entities, the United States included 37 of its 50 states, and each state included specified branches, departments, and even assets. The state of New York, for instance, included state agencies, the state university system, public authorities, and public benefit corporations (“Public Benefit Corporations”), but excluded agencies and corporations with a multi-state mandate as well as vehicles and auto parts (“transit cars, buses,

or related equipment”). The coverage of Annexes 3 (other entities) and 5 (services) is also relatively restrictive. Table 3, reproduced from the SECEX document, is intended to summarize the analysis. The table does not analyze Annex 7 and the classification is indicative only.

Table 2: Comparative coverage of select countries (does not include Annex 7).

Country	Annex 1 Central Entities	Annex 2 Sub-central Entities	Annex 3 Other Entities	Annex 4 Assets	Annex 5 Services	Annex 6 Construction Services
Australia	Broad	Broad	Partial	Broad	Broad	Total
South Korea	Broad	Partial	Partial	Broad	Partial	Total
USA	Partial	Partial	Partial	Total	Broad	Broad
Israel	Partial	Partial	Partial	Total	Partial	Total
Japan	Broad	Broad	Partial	Broad	Partial	Total
Singapore	Total	-	Total	Total	Partial	Total
UK	Total	Total	Total	Broad	Partial	Total
European Union	Broad	Total	Total	Broad	Partial	Total

Source: SECEX, <https://www.gov.br/produtividade-e-comercio-exterior/pt-br/assuntos/comercio-exterior/publicacoes-secex/serie-acordos-comerciais/arquivos/gpa-analise-adesao.pdf> based on the GPA committee reports available on the WTO website ([https://www.wto.org/english/tratop\\_e/gproc\\_e/gp\\_app\\_agree\\_e.htm](https://www.wto.org/english/tratop_e/gproc_e/gp_app_agree_e.htm))

The SECEX document mentions only a working paper from IPEA (Institute of Applied Economics Research) written by Ignácio Tavares de Araújo Jr (Araújo Jr, 2019). The author analyzed possible costs and benefits of Brazil's entry into the WTO's Government Procurement Agreement. The paper featured the literature dealing with the effects of non-discriminatory public procurement policies in the GPA and used a computable general equilibrium simulation model to estimate the effects of increased government use of imported goods and services. In this model, the increase in efficiency for the public sector resulting from joining the GPA was represented – also in an ad-hoc manner – by a 1% increase in public sector productivity. The paper’s conclusion is somewhat speculative:

“(…) entry into the GPA is at least correlated with an increase in the share of imports in government purchases. The general equilibrium analysis indicates that eventual costs in terms of job losses and well-being in the Brazilian economy resulting from joining the GPA could be offset by the increase in exports and possible efficiency gains in the public sector.” (Araújo Jr, 2019, p. 5).<sup>15</sup>

<sup>15</sup> “(…) a entrada no GPA está, ao menos, correlacionada com um aumento na participação de importados nas compras do governo. A análise de equilíbrio geral indica que eventuais custos, em termos de perda

But there is also a warning:

“It is important to highlight that for developing countries, entry into the GPA requires a transition phase in which recently included countries can mitigate possible negative effects, adopting price preference policies and/or using offset policies. The results of this study suggest that during this transition period, it is important for Brazil to adopt measures to prevent only the second scenario [i. e., only negative effects] from occurring. Entry into the agreement would be advantageous for Brazil if local companies gain market share with member countries and/or if there are efficiency gains for the public sector.” (Araújo Jr, 2019, p. 31).<sup>16</sup>

The SECEX also promoted public consultation on the GPA between August and November 2020. The results were published in a document available on the SECEX website which showed that of the 50 respondents, 33 were from the economic sector and 17 from civil society. There is no evidence that this sample is representative of the Brazilian economy. Among the respondents from the economic sector, 19 expressed an interest in increasing competition and 14 were against. In the civil society group, those numbers were 12 and 5, respectively. (See Table 4).

Table 4: Respondents to the Public Consultation on Brazil's adhesion to the GPA.

Group	Num.	Interest in increased competition	Num.	%
Economic Sector	33	In favor	19	58%
		Against	14	42%
Civil Society	17	In favor	12	71%
		Against	5	29%

Source: SECEX (2020). [https://www.gov.br/produtividade-e-comercioexterno/pt-br/assuntos/comercio-externo/publicacoes-sececx/outras-publicacoes/arquivos/resumo-dascontribuicoes\\_gpa.pdf](https://www.gov.br/produtividade-e-comercioexterno/pt-br/assuntos/comercio-externo/publicacoes-sececx/outras-publicacoes/arquivos/resumo-dascontribuicoes_gpa.pdf)

The public consultation survey also asked respondents to name sectors that would benefit from increased competition as well as sensitive sectors that could be harmed. Some sectors were identified as both beneficiaries and sensitive, such as pharmaceuticals and medical equipment, vehicles, furniture, electronic equipment, and engineering services. Respondents also showed

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de emprego e bem-estar na economia brasileira, resultantes da entrada no GPA, poderiam ser compensados pelo aumento nas exportações e pelos possíveis ganhos de eficiência do setor público.”

<sup>16</sup> “É importante destacar que, para países em desenvolvimento, a entrada no GPA admite uma fase de transição, em que os países recentemente incluídos no GPA podem amenizar possíveis efeitos negativos, adotando políticas de preferências de preços e/ou utilizando políticas de offset. Os resultados desse estudo sugerem que, durante esse período de transição, é importante que Brasil adote as medidas para evitar que apenas o segundo cenário ocorra. A entrada no acordo seria vantajosa para o Brasil caso as empresas locais ganhem mercado junto aos países-membros e/ou ocorram ganhos de eficiência para o setor público.”

interest in possible exclusions of products and entities, including the country's main state-owned energy companies.

The public consultation also revealed the intention of the economic sector to explore opportunities to participate in foreign bids, indicating, however, the existence of barriers that hinder or prevent its participation in those bids.

## 4 Conclusions

The first part of this text concluded that trade defense policy in recent years can be seen as the reversal, albeit partial, of the more intense use of trade defense instruments during the Dilma Rousseff government (2011-2016).

The second part of the paper suggested that the depreciation of the exchange rate may have contributed to this partial reversal: a weaker Real means less imports, making the recourse of trade defense less urgent. On the other hand, the increase in the use of trade defense measures in the United States may have contributed to the relative stability in the number of investigations in Brazil in the last two years.

The third part of the paper argues that the SECEX's priority over the last few years has been Brazil's accession to trade agreements. Among the initiatives are the conclusion of the EU-Mercosur Agreement, the Trade Facilitation Agreement with the United States, and the proposal for the country's accession to the WTO's Government Procurement Agreement.

The EU-Mercosur Agreement in 2019 can be seen as a movement to overcome the relative isolation of Mercosur in the context of the proliferation of regional and plurilateral trade agreements based on negotiations that transcend tariff policy, including the reduction of non-tariff barriers and regulatory convergence. The ratification of the agreement still faces internal and external resistance.

Brazil's accession to the GPA, in turn, occurs when the State resumes its role as an inducer of development in central countries such as the United States. Even so, Brazil's adhesion to the GPA may be considered as a long-term policy goal and signals the country's renewed insertion into the world economy. It is necessary to broaden the debate, in due time, on Brazil's adhesion to the GPA, exploring the details of the agreement and its consequences.

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