

BRAZIL IN THE OECD: A NATURAL PATH

- *Brazil is the non-OECD member country with the highest degree of adherence to normative instruments and participation in the organization's committees.*
- *Brazil's possible accession to the OECD will entail commitments that may have relevant implications for the Brazilian economy and industry.*
- *Accession can be a source of opportunities and support for institutional modernization.*

Brazil's possible accession to the Organization for Economic Cooperation and Development (OECD) **will entail commitments that may have relevant implications for the Brazilian economy and industry. In spite of the challenges, accession can be a source of opportunities and support for Brazil's institutional modernization.**

The process of a country's access to the OECD is the critical phase of its relationship with the organization. Member countries seek to secure as many concessions as possible during this period and tend to require the implementation of commitments - in terms of regulatory adequacy and domestic practices - before finally approving the accession of a new member.

Besides Brazil, the following countries are currently applying for accession to the OECD: Argentina, Bulgaria, Croatia, Peru, and Romania. The large number of applicants (6) when the organization already has 36 members has sparked debate among member countries on the most relevant criteria for accepting new members. The main criteria for admission of a new country to the OECD are the following ones: convergence with the values (like-mindedness) of the organization and its vision, significant player, mutual benefit, and global considerations.

Brazil is the non-OECD member country with the highest degree of adherence to normative instruments and participation in the organization's committees. Nonetheless, the set of reforms that Brazil will have to carry out to be admitted to the OECD will involve major challenges. The areas with the greatest potential difficulties are the following ones: tax regime, trade policy, and institutional framework for protecting intellectual property.

The Brazilian government has been assessing the degree of convergence (and divergence) between Brazilian laws and regulations and OCDE's instruments and "consensus."

The results of this assessment suggest that, in 84% of cases, the policy guidelines advocated by the OECD are in line with those proposed by Brazilian government agencies. In 4% of cases, even though there are no incompatibility issues, government agencies have restrictions on the objectives of the OECD instruments. In 12% of cases, there are incompatibility issues and government agencies disagree with OECD guidelines.

HISTORY OF BRAZIL'S RELATIONSHIP WITH THE OECD

- 1978: Invitation to participate in the Steel Committee.
- 1994: Brazil joins the Development Committee and increases its participation in other OECD committees as either a member or an observer.
- 1996: Brazil joins the Steel Committee as a full member.
- 1997: Brazil signs the four (binding) Decisions and five Recommendations in the area of international investment and multinational enterprises.
- 1999: The OECD creates a program directed to Brazil.
- 2000: Brazil signs the Convention on Combating Bribery of Foreign Public Officials and the review of the Guidelines for Multinational Enterprises and international Investment.
- 2007: The OECD promotes "extended engagement" with a group of large emerging economies – Brazil, China, India, South Africa, and Indonesia.
- 2012: The OECD awards the status of "key partners" of the organization to this group of countries that includes Brazil.
- 2015: The OECD signs a cooperation agreement with Brazil, with a work program to be developed by 2017.
- 2017: Brazil formally applies for accession to the OECD.

Source: CNI.

Main recommendations

1 Brazil's request for starting accession negotiations should be reaffirmed: it is important that presidential candidates express their interest in the country's accession to the OECD.

2 Efforts should be made for accession negotiations to be accepted by member countries: there is competition for accession to the OECD, and Brazil will have to strive to convince member countries of the benefits its accession can bring to the organization.

3 Brazil's normative production should be consistent with OECD guidelines: it is essential that normative production in Brazil during the accession period converges with the organization's guidelines to avoid giving rise to disputes that will have to be settled in the negotiation process.

4 Trade liberalization in services that are relevant to the competitiveness of Industry

should be promoted: negotiations for Brazil's accession to the OECD Codes of Liberalization of Capital Movements and Current Invisible Operations afford an opportunity for introducing modernizing reforms in the regulation of services, thus contributing to improving the global competitiveness of the Brazilian economy.

5 A realistic attitude should be adopted when assessing challenges: the fact that Brazil is the non-member country with the highest level of adherence to OECD instruments does not mean that the set of reforms that the country should implement is less challenging.

6 The OECD accession process should be consistent with the international trade negotiations agenda: Brazil's actions in its OECD accession process should be compatible with the country's preferential trade negotiations agenda, particularly those involving OECD member countries.

The full version of the document can be accessed through the QR code on the side or at: <http://www.cni.com.br/eleicoes2018/downloads/> This summary is part of the series Proposals of Industry for the 2018 Elections comprising 43 documents. The series, which is based on the *2018-2022 Strategy Map for Industry* is a CNI contribution to the new federal administration and presents analyses and proposals of priorities to increase Brazil's competitiveness. Any part of this publication may be copied, provided that the source is acknowledged. Brasília-DF, July 2018.

