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Brazilian to Lead World Trade Body

By MATTHEW DALTON, PETER KENNY and MATTHEW WALTER



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Roberto Azevedo of Brazil, shown in Geneva in January, is the first Latin American to lead the body. Many view his country as protectionist.

GENEVA—Roberto Azevedo, Brazil's ambassador to the World Trade Organization, was selected to be the body's next director general, WTO diplomats said Tuesday, taking the helm of the arbiter of trade disputes as its role as a broker of ambitious global trade deals has been thrown into doubt.

Mr. Azevedo, a 55-year-old diplomat with a record of challenging the farm-subsidy policies of the U.S. and Europe, will succeed [Pascal Lamy](#), a French Socialist who led the WTO for the past seven years but failed to complete the body's biggest project: the Doha Development Round, an effort launched nearly 12 years ago that aimed to lower tariffs and cut trade-distorting farm subsidies around the world.

Those talks now appear to be dead, killed by bickering between the U.S., China, India and others over a range of issues.

Challenges Accepted

As Brazil's envoy in Geneva since 1997, Roberto Azevedo helped gain rulings against U.S., European and Canadian trade policies.

Cotton Brazil said in 2002 that U.S. annual subsidies to its cotton growers of about \$3 billion distorted global cotton prices, hurting Brazilian farmers. The WTO ruled in Brazil's favor in 2004.

Orange Juice The WTO agreed with Brazil in 2004 that the U.S.'s practice of taxing imports that were below a U.S.-set price violated trade rule commonly used by the U.S.

Sugar Brazil, Thailand and Australia successfully challenged European export subsidies for sugar in 2002.

Steel A Brazil-led complaint found that U.S. import taxes and quotas on some steel products violated WTO rules.

Bombardier Mr. Azevedo successfully challenged export subsidies that Canada provided the airplane maker in 2001.

Now the Geneva-based WTO is at a crossroads, analysts say. The organization could serve as a forum to secure ambitious, global trade pacts like the Doha deal, or it could stick to its legally mandated role as judge and jury in trade disputes.

If the latter is the case, the head of the WTO becomes a far less-important job. Panels of technical experts are formed to decide trade disputes without interference from the leadership.

In an interview while campaigning for the job, Mr. Azevedo said he was committed to reviving talks for a global trade deal. "Without a doubt the resumption of Doha will be one of the biggest challenges for the WTO," he said. "Without this pillar working, the organization freezes and loses its functionality."

The rise of Mr. Azevedo to the top of the WTO—the first Latin American to lead the body—marks the latest step in the growing prominence of emerging-market nations in global economics. His main rival for the post was former Mexican trade minister Herminio Blanco, a staunch free trader who studied under Nobel Prize-

winning economist Robert Lucas at the University of Chicago, and helped negotiate the North American Free Trade Agreement between the U.S., Mexico and Canada.

As a senior Brazilian diplomat in Geneva since 1997 and the country's ambassador to the WTO since 2008, Mr. Azevedo is known for having led several landmark challenges against European and U.S. farm-subsidy policies that have long angered agricultural exporters in the developing world.

In 2004, he took on U.S. subsidies to cotton farmers, the first time a developing nation had disputed agricultural subsidies of a global power and won, helping pave the way for subsequent challenges.

That record helped him clinch the job by winning support from developing regions like Africa and Asia that see Brazil as a defender of the developing world's concerns in the talks, diplomats and analysts said.

But in rich world capitals such as Washington and Berlin, Brazil is seen as a nation that has mainly used its growing economic weight to block trade deals. Brazil led efforts to block a U.S. and Europe-backed trade deal at the WTO's 2003 meeting in Cancún, and the talks have foundered since. Brazil also torpedoed U.S. efforts to create a free-trade union the length of the Americas.

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"He comes in with the Brazilian baggage, so this appointment does not bode well for the global trade negotiations, as Brazil has not been a great promoter of more liberal trade," said Eswar Prasad, a professor of trade policy at Cornell University who advises emerging-nation governments such as India.

The race for the nomination came down to the two Latin American powerhouse economies—both of which represent different development models. Mexico, which exports more manufactured goods than the rest of Latin America combined, has pinned its future on an extensive network of free trade—tops in the world with 44 nations. Brazil, meanwhile, often protects its domestic industry and merchandise trade amounts to only 20% of annual economic output—less than a third that of Mexico.

"Brazil has not been the most positive partner at the WTO," said former Mexican President Ernesto Zedillo, who is now director of Yale University's Center for the Study of Globalization. "Perhaps Brazil doesn't have the best credentials to lead the WTO. As a country that tends to be protectionist, it's not a great champion of a multilateral trading system."

With the Doha process on life support, governments are increasingly negotiating trade deals away from Geneva. The U.S. and the EU have agreed to start negotiations on a broad trade and investment agreement. The Obama administration has launched the Trans-Pacific Partnership, negotiations that aim to open up markets around the Pacific Rim. The EU and Japan are also negotiating a trade agreement.

The WTO has been left to strike a deal on trade facilitation, one of the least controversial pieces of the Doha Round. The deal would smooth the plumbing of global trade by harmonizing customs procedures and upgrading technology in developing-world ports.

But even these talks have been slowed by disagreements between developed and developing countries, a chronic symptom of the WTO's clunky decision-making procedures, which require unanimity among its members.

"As head of the secretariat, you're not going to be able to change the structural problems of the WTO," said Fredrik Erixon, director of the European Centre for International Political Economy. "You'll still have members that are hesitant about giving greater powers to the WTO secretariat to lead on trade negotiations."

China's rise as an export juggernaut will be another pressing issue confronting Mr. Azevedo at the WTO. The country's emergence poses serious obstacles to any efforts to resuscitate the Doha talks, said João Augusto de Castro Neves, an analyst at the Eurasia Group.

"The Doha Round began the same year that China was granted entry [to the WTO] in 2001," Mr. Castro Neves said. "It's a different world now, and the Doha Round doesn't have the mandate to recognize the impact that China has had in the past 10 years."

Companies in the U.S. and Europe criticize Chinese government subsidies that they claim give Chinese companies an unfair advantage when competing on global markets. And they are joined by other developing countries, including Brazil, in criticizing China's policy of fixing the yuan to

the U.S. dollar. Though China has let its currency appreciate in recent years, some nations argue it is still undervalued.

The WTO's legal authority to confront this issue is unclear. Brazil and Mr. Azevedo himself have been among the most forceful advocates of having the WTO examine whether currency manipulation should be controlled under WTO rules.

"This is an issue that has the utmost relevance for the global economic agenda," Mr. Azevedo said in a 2011 interview. "That being the case, it can't be left out of the discussions."

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