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Brazil's Accession to the OECD – This is where the serious things begin!

By [Nicola Bonucci](#), [Jon Kellner](#), [Filipe Lima](#) & [Thomas Ayres](#)

In June 2022, Brazil hosted a set of meetings between Latin American and OECD countries, during which economic policies, education, and productivity matters were discussed.

Brazilian President Mr. Jair Bolsonaro and OECD Secretary-General Mr. Mathias Cormann headed the opening ceremony of the event in Brasília. Nevertheless, equally important, if not more, Brazil's plan to join the OECD has also been the subject of several bilateral discussions.

Indeed, the OECD decided, on January 25, 2022, to kick off accession discussions with Brazil for purposes of Brazil's accession to the OECD. Brazil has been actively involved with the OECD since 1994, having been recurrently invited to participate in every OECD ministerial meeting since 1999. In 2007, Brazil was designated as a "Key Partner", sharing this status with other developing economies such as China, India, Indonesia, and South Africa. The engagement as a Key Partner aims to enhance the involvement of major emerging economies in the daily work of the Organization, promoting the sharing of perspectives and policy approaches through their partnerships with OECD bodies, adherence to legal instruments, and integration in the Organization's statistical databases and policy indicators. As a Key Partner, some of Brazil's main contributions include working and participating on various OECD's projects and committees, such as playing an important role in guiding the work related to international tax agenda, as a member of the Steering Group of the OECD/20 Inclusive Framework on Base Erosion and Profit Shipping (BEPS), helping promote the OECD Anti Bribery Convention in the G20, and co-chairing the OECD work with Latin America and the Caribbean together with Mexico, among others.

In 2017, Brazil ratified its intention of becoming a member country. As such, upon receiving an invitation to initiate its accession process and having its accession roadmap prepared by the OECD, Brazil is taking the necessary actions and adopting specific measures and legal reforms prior to adhering to the OECD "acquis." The OECD "acquis" is a collection of legal instruments with which member countries are required to comply.

Below, we explore the main areas and work streams in Brazil's Accession Roadmap – formally adopted by OECD members on June 10, 2022 in the context of the 2022 Ministerial meeting, including milestones achieved or to be completed for accession, as well as potential economic and social benefits and considerations in connection with OECD accession¹.

I. Roadmap to Accession

In an institutional presentation on May 2022, the Brazilian Ministry of Economy stated that Brazil had, to such date, already adhered to a total of 105 of the 253 legal instruments to which Brazil is required to adhere to become a member.²

Currently, the Brazilian Ministry of Economy has set a focus on adherence to the remaining regulations, including review of internal regulations and policies to comply therewith. 26 OECD bodies have been tasked with an evaluation and assessment of Brazil's "willingness and ability" to implement OECD legal instruments and alignment of Brazil's policies with the OECD's principles and standards.

Unlike prior accession processes (including the ones for Colombia and Costa Rica), the OECD Council has pre-identified for all candidates, including Brazil, the "policy areas which will be covered in the technical reviews." In the case of Brazil, the areas are the following:

- structural reforms,
- open trade and investment,
- inclusive growth,
- governance, environment, biodiversity and climate,
- digitalisation, and
- infrastructure.

The Inter-American Development Bank (IDB) has voiced its support to the Brazilian Ministry of Economy in connection with Brazil's accession to the OECD, including through an agreement describing its commitment to that end, which the public has perceived as an indication of global trust in Brazil's commitment to accession. IDB's President, Mauricio Claver-Caron stated that, "[w]ith this agreement, we are reinforcing our commitment to support Brazil's efforts to join the OECD. This is an incredible opportunity to promote the type of inclusive growth and sustainable development that will benefit all Brazilians."³

II. How the Process will Unfold

While there is no pre-established timeline for an accession process, our experience indicates that this is a process that could take several years.

In this respect, it should be noted that the process is a decentralized one. Indeed, paragraph 17 of the Roadmap indicates that "[e]ach committee will determine the list of legislative changes and other reforms that must be adopted before the completion of its technical review. When a committee is satisfied with Brazil's alignment with OECD legal instruments as well as OECD best policies and practices, it will adopt a formal opinion that will subsequently be submitted to Council once all committees undertaking accession reviews have adopted their formal opinions."

As made clear by the same paragraph, the Council will make a decision "only once all committees undertaking accession reviews have adopted their formal opinions," which means that all 26 OECD bodies are equally important.

III. Benefits of Joining the OECD

It is expected that, by joining the OECD, Brazil can become a key player in economic development, while sharing standards set by the most advanced economies in the world, which could result in a higher degree of credibility for the country. On the words of Mr. Carlos Marcio Cozendey, Ambassador of Brazil to the OECD: "Brazil has consistently shown its commitment to work closely with the OECD, intensified its participation in the OECD Committees and adhered to more than one third of OECD instruments. Now the accession process will be an opportunity for a wide-ranging evaluation of our public polices with a view to improving them".⁴

By following the rigorous process of joining the OECD, Brazil will likely need to accelerate the implementation of its contemplated legal reforms, which is likely to include the adoption of market-friendly policies.

The benefits of joining are expected to outweigh the administrative burden of implementing the required changes for accession.

With respect to market perception, accession to the OECD customarily makes a member country more attractive from an international investment perspective. With Environmental, Social and Governance (ESG) standards at an all-time high, several private players and investors have augmented their internal requirements to invest in a certain country. Accession to the OECD and the adoption of related policies that steer the country towards ideal ESG standards are expected to increase the country's credibility and attractiveness to outside stakeholders. By joining the OECD, Brazil will likely be incentivized to maintain regulatory stability and control public expenditure levels.

Brazil could be the first BRIC country to join the OECD. As stated by Mr. Paulo Guedes, Brazil's Minister of Economy, Brazil is the only country that is set to be a member of three major institutional bodies focused on global economy – G-20, BRICS and the OECD.⁵

According to the International Monetary Fund (IMF), in 2022, Brazil ranked as the 10th largest economy in the world by nominal gross domestic product and 9th largest by purchasing power parity⁶ and is also the destination of many foreign investments, especially from members of the OECD. As such, the OECD would also benefit from Brazil's accession as a member.

IV. Key Takeaways

Whomever will be the new President of Brazil in a few weeks' time he will need to devote sometime to the accession of Brazil to the OECD.

Indeed, despite the long road ahead to accession, Brazil's adherence to the OECD and its standards are expected to result in a number of social-economic benefits to the Brazilian population and stakeholders in general. Upon becoming a member, Brazil will be the largest emerging economy observing the OECD's policies, gaining more credibility, stability and possibly becoming more attractive to foreign investments. Brazil's accession would also contribute to the diversity and strength of the OECD, with greater representability and influence in Latin America.

In the meantime, both Brazilian companies and foreign investors would be well advised to gain a better understanding of the accession process and to keep a close eye on its unfolding in order to assess the opportunities and challenges it will inevitably lead to. As the Council explicitly recognized in its January 25, 2022 Resolution by highlighting the "transformative nature of the accession process," this process is expected to trigger important reforms and changes in the Brazilian legal and policy framework.

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If you have any questions concerning these developing issues, please do not hesitate to contact either of the following Paul Hastings lawyers:

Paris

Nicola Bonucci
33.1.42.99.04.20
nicolabonucci@paulhastings.com

Sao Paulo

Jon Kellner
55.11.4765.3010
jonkellner@paulhastings.com

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- ¹ <https://www.oecd.org/latin-america/Roadmap-OECD-Accession-Process-brazil-EN.pdf>
 - ² https://www.gov.br/economia/pt-br/assuntos/ocde/apresentacoes/2022-5-2_apre-entrada-do-brasil-na-ocde.pdf
 - ³ <https://www.iadb.org/en/news/idb-support-ministry-economy-brazils-path-oecd-accession>
 - ⁴ https://www.gov.br/economia/pt-br/assuntos/ocde/apresentacoes/2022-5-2_apre-entrada-do-brasil-na-ocde.pdf
 - ⁵ <https://www.leadersleague.com/en/news/brazil-invited-to-join-oecd-as-full-member>
 - ⁶ "World Economic Outlook Database, April 2022". IMF.org. International Monetary Fund. 19 April 2022. Retrieved 19 April 2022.

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