SEEKING STRENGTH THROUGH UNITY: RESPONSIBILITY AND ACTION OF THE GLOBAL SOUTH[1]

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After many decades, major Global South countries have emerged on the global stage as relevant political and economic actors. They have something to say and the means to support their interests. The trade tensions that we are witnessing nowadays are just a symptom of this new reality.

Beyond that, we face global challenges that demand global solutions. I want to highlight four of them.

Starting with the climate change challenge. We have just closed the 30th Conference of the Parties (COP30), this year in the Brazilian city of Belém, in the heart of the Amazon Forest. Despite the participation of leaders from many countries, COP30 yielded only modest achievements, far short of what is needed to limit the global temperature rise to below 1.5 degrees Celsius.

The climate change challenge requires coordination between countries from the Global North and South. It also demands tacit coordination among older and younger generations, and perhaps generations yet to come. It is an international and intergenerational coordination problem. We need to make tough decisions based on what we believe will happen, for the benefit of people we do not know, in the present and in the future. It is arguably one of the toughest challenges human civilization has ever faced.

The Global South countries have something to say about it.

First, energy transition. Despite its heavy dependence on energy imports to sustain its growth, China has transformed its energy insecurity into a driving force behind industrialization, technological innovation, and even global leadership.

China is significantly expanding its renewable energy matrix and has built global leadership in key value chains essential for advancing

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[1] This article is based on a speech prepared for the Third Global South Think Tanks Dialogue, which was held in December 2025 in Shanghai.

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the climate agenda. Natural resources, when combined with strategy, can be converted into economic and productive assets.

Brazil, on the other hand, has one of the cleanest energy matrices in the world. It has excellent solar and wind power potential. Brazil can run its entire automobile fleet solely on ethanol from sugarcane. About 70% of the electricity generated in Brazil comes from hydroelectric plants.

There are many opportunities for cooperation between the two countries in developing energy transition technologies. Other countries in the Global South can also take advantage of it. For example, India is increasing the use of ethanol-blended petrol (E20) in automobiles to reduce oil imports, lower carbon emissions, and support the agricultural sector.[3]

Second, regulation. The European Union has been considering adopting environment-related trade measures, such as the CBAM (Carbon Border Adjustment Mechanism) and the EU Deforestation Regulation, which can be seen as protectionist.[4]

One of the most important outcomes of the latest COP was the establishment of the Open Coalition for Carbon Market Integration[5]. This initiative aims to harmonize standards and link existing carbon credit trading systems to boost liquidity, predictability, and transparency in the sector. Brazil, China, and 16 other countries have promptly adhered to the coalition. This entire framework may become a competitive

[3] Reuters (2025): *India allows production of ethanol from sugarcane juice, molasses*. https://www.reuters.com/sustainability/climate-energy/india-allows-production-ethanol-sugarcane-juice-molasses-2025-09-01/.

[4] Goldbaum, Sergio (2024): Brazilian assessment of trade-related environmental policies in the European Union and in the United States. ABCI's Substack. https://abcibrazil.substack.com/p/brazilian-assessment-of-trade-related.

[5] Chiaretti, Daniela (2025): *Ministry of Finance proposes global coalition for carbon market.* https://valorinternational.globo.com/cop30-brazil/news/2025/09/12/ministry-of-finance-proposes-global-coalition-for-carbon-market.ghtml. Global Climate Policy Project Working Group on Climate Coalitions. (2025): *Building a Climate Coalition: Aligning Carbon Pricing, Trade, and Development*. Cambridge, MA: Global Climate Policy Project at Harvard and MIT, 2025. https://salatainstitute.harvard.edu/building-a-climate-coalition-gcpp-flagship-report/and Pappalardo, Chiara (2026): COP30, Trade, and A New Mechanism to Manage Trade Tensions. ABCI's Substack. https://abcibrazil.substack.com/p/cop30-trade-and-a-new-mechanism-to.

advantage and, in the wake of these transformations, foster job creation and reduce inequalities.

The Open Coalition for Carbon Market Integration is another example of strength through unity. South-South cooperation can help develop more transparent and fair regulations.

Third, trade tensions. In July 2025, the United States of America (U.S.) announced high tariffs, up to 40%, on a large share of Brazilian exports to the U.S., effectively closing the American market to some essential Brazilian exports, including agricultural and industrial products. As a result, Brazilian exports to the U.S. fell by 27% in August 2025 compared to July. Agricultural and livestock products, like coffee and meat, were especially affected.[6]

On the other hand, China is currently Brazil's leading trade partner. Over the last 20 years, trade between Brazil and China has surged dramatically. When I started following trade statistics 20 years ago, imports from China accounted for less than 5% of Brazil's total imports. Today, it is 22.3%. Bilateral trade grew from approximately $3.2 billion in 2001 to an impressive $158 billion in 2024.

Most importantly, trade flows between the two countries were not affected by the tariff increase. In some cases, they were even improved: Brazil deflected some of its exports to China rather than the U.S. Brazil-U.S. trade relations are now returning to normal. However, the entire episode is an eloquent example of how Global South countries can draw strength from unity.

China and the U.S. are Brazil's most important trading partners. It is in Brazil's best interest to remain neutral amid trade tensions between these two countries. It's easier to stay neutral if we have fully functioning multilateral organizations with sound international rules.

Finally, technology and investment. The recent inauguration of a Chinese automobile plant in the Brazilian state of Bahia was celebrated in person by President Lula. The Chinese automaker installed its facility in place of a former Global North company that left the country. After praising President Xi Jinping and the CEO of the Chinese company, President Lula said, "It's a replacement that I think we have to celebrate, because it's the most important technology we have today in the global

[6] Kanas, Vera and Goldbaum Sergio (2026): "The Impacts of the Tariffs Imposed by the US on Brazil", *Global Trade and Customs Journal*, 21(1), pp. 9-21, https://kluwerlawonline.com/journalarticle/Global+Trade+and+Customs+Journal/21.1/GTCJ2026002.

automobile industry. What came to Brazil will be better than what left Brazil" (free translation)[7].

Wrapping everything up, I want to leave four takeaways:

1. Energy transition is an excellent opportunity for South-South cooperation.
2. South-South cooperation can improve the elaboration of transparent regulation.
3. South-South trade is an essential factor that makes Global South economies more resilient.
4. Investment and technology transfer can be a win-win game for Global South countries.

Long ago, in the early 18th century, Montesquieu suggested that trade between countries can promote good political understanding. It was Montesquieu's idea of the "doux commerce", the "sweet" commerce.[8]

Still in the 18th century, David Ricardo showed that free trade can benefit all countries. Free trade can allow economies to exploit their comparative advantages, thereby improving the lives of their citizens.[9]

In the 20th century, John Nash showed that cooperation, rather than competition, can sometimes lead to the first-best solution in game theory.

We know that Montesquieu's "doux commerce" is not always sweet: commercial disputes can lead to conflict among countries; Ricardo's comparative advantages may have unintended distributive effects, both internationally and inside countries; and Nash's first-best equilibrium is unlikely to arise if players cannot assume credible commitments.[10]

As you can see, I mentioned an English economist (David Ricardo), a French legal philosopher (Montesquieu), and an American

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[7] See Brasil, Presidência da República (2025).

[8] For an in-depth discussion on Montesquieu's doux commerce, see Hirschman, Albert (2013): *The Passions and the Interests: Political Arguments for Capitalism Before Its Triumph*. Princeton University Press. (1st edition 1977). Also, Martin, Lisa L. (ed.) (2015), *The Oxford Handbook of the Political Economy of International Trade*, Oxford Handbooks. Oxford Academic. https://doi.org/10.1093/oxfordhb/9780199981755.001.0001, accessed 23 June 2026.

[9] Ricardo, David (1817), *On the Principles of Political Economy and Taxation* (1st ed.), London: John Murray, ISBN 9783487409290.

[10] Thomson, William (ed) (2010): *Bargaining and the Theory of Cooperative Games: John Nash and Beyond*. Edward Elgar Publishing.

mathematician (John Nash). They are all from the Global North. Now we have the excellent opportunity to start learning what the Global South's contemporary and ancient wisdom can teach us.

We can work together to address the global challenges ahead, among them mitigating the effects of climate change, advancing the energy transition, establishing effective, transparent, and fair international rules, and overcoming differences to advance peace processes. Cooperation among the Global South countries can help us to address global challenges and achieve peace, prosperity, and sustainability.

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