Open-Ended Meeting on NAMA
Geneva, 20 February 2008

Statement by Brazil

Thank you Mr. Chairman,

Let me express from the beginning my support for the statement made by South Africa on behalf of the NAMA -11. Nonetheless, I would like to add a few comments on Brazil’s behalf in the same vein. Forgive me if I take more time than usual, but we are at a critical juncture in these negotiations.

Mr. Chairman,

We have often heard, over the past 18 months, that this Round is at a crucial stage. We managed to keep it alive before, largely by protracting painful decisions. That won’t work anymore. Tough decisions will have to be made in the next few days or weeks.

I could sit here and repeat a number of the arguments you already heard:

- How this is a development Round and that developing countries should contribute with less than full reciprocity.
- How we need to have balanced texts that will allow for a fair bargaining process.

- How the developing countries are being called to make contributions in this Round that far surpass what was ever demanded from developed countries in the past.
- How developed countries in previous Rounds cut their tariffs by just 30 to 35%, reaching a maximum of 40% in the Uruguay Round.
- How the Swiss formula is a major concession by developing countries, a methodology never before used in the history of the GATT/WTO system.
- How developing countries that apply the formula will, not only offer new market access, but also erase all policy space they have left.
- How the numbers of the paragraph 8 flexibilities were first discussed long before the range of coefficients of the current text came up.
- How developing countries in this Round (at least Brazil) will be creating more NAMA trade than developed countries (using the "revenue foregone" methodology or other methodologies employing the same elasticities for developed and developing countries).

However, I guess I would be hearing the same counterarguments, essentially indicating the need for new market access that is meaningful enough to sell the

Round to the respective constituencies. This is all very understandable, but it will not get the Round done.

We must come to grips with what we can and cannot do. The only way forward is to find a balance between ambition and feasibility. And this balance must exist in all areas of the negotiation.

In agriculture we are trying hard to achieve this balance. The texts of the Chair have adopted a progressive approach. That approach allowed for successive approximations, in a way that permitted the safeguarding of particular sensitivities Members had.

Brazil could be very ambitious in all pillars of the agriculture negotiations. Nonetheless, we constructively engaged in the search of creative solutions to accommodate difficulties that some Members had.

Let’s have some examples, Mr. Chairman, since many of the NAMA representatives do not follow the agriculture negotiations closely.

- In the domestic support pillar – leaving aside the fact that policy space is the rationale for all discussions – we have at least one paragraph that gives one Member (explicitly mentioned in the text) the possibility to use a different base period for the calculation of its product-specific caps.

- In market access, the layers of protection are so numerous that we will cite only a few:
    - The general formula for tariff cuts is linear.
    - There are no tariff caps; some Members that are quite aggressive in NAMA, want to keep, <u>after this Round</u>, tariffs that will be as high as 1,720% or 728%. There will also be a very significant number of lines that will be kept above 400% - against a peak of just over 20% for Brazil in NAMA.
    - The flexibilities in agriculture have no value of trade limitation. In the case of just one Member, those flexibilities may cover almost one half of Brazil's agricultural exports. On the other hand, in NAMA, some seek to limit the flexibilities to a maximum of 10% of the import volume.
    - The agriculture text now envisages three different deviations from the general formula: 1/3, 1/2, and 2/3.
    - TRQs maintain intra-quota tariffs.
    - Members want to self-designate and create new quotas in this Round, further distorting trade in agricultural goods.
    - We are moving in the direction of quota allocation with "partial-designation", aggravated with multiple quotas.

- A large portion of tariff lines will continue to be protected by specific duties, complex and compound tariffs. Some NAMA *demandeurs* actually want to keep this anomaly for no less than 50% of their agricultural tariffs.
- Fruits and vegetables will keep entry prices.
- To top it all, some Members want to keep the special safeguards, which allow the control of commerce with both volume and price triggers that date as far back as the 1980's.

The list could go on. In the agriculture negotiations we are told that we must show flexibility and compromise for two compelling reasons: (a) one size does not fit all; and (b) there are limits beyond which delegations cannot go (these are the famous "red lights").

In NAMA, however, the same delegations that seek flexibility and understanding in agriculture utterly ignore those two principles. In NAMA, one size must fit all and limitations are characterized as "lack of ambition".

We will not accept this double standard any longer.

On limitations – "the red lights" – let me state that under no circumstances will Brazil compromise its industry or the Mercosul Customs Union. There is simply no price for that. The level of ambition of this Round in NAMA is unprecedented under any standard, so let's not talk about "lack of ambition". The problem, let’s face it, is that some governments raised domestic expectations far too high.

“New market access” is not just a set of empty words. Those words mean restructuring of the productive capacity in developing countries; countries that face economic instabilities and that need room for adjustment in times of crisis (not always brought about by them). There is no “water” in applied tariff levels. Here, we are at the limit already. Unlike in agriculture, we won’t be able to manage trade with TRQs, SSGs, exorbitant applied tariffs, and subsidization.

On the “one size fits all” approach, it is disingenuous to argue that because some developing countries are ready to accept the ranges and flexibilities in the current text that others must as well.

Let’s take a closer look at this argument. Out of the eight developing country Members that originally suggested that the current text strikes a fair balance, 3 would not cut any – not a single one – applied tariff with any coefficient in the proposed range. One of the remaining five would experience an average cut of just 1.3% with a coefficient 20 and 0% - therefore no cuts - with a coefficient 23. For one of the remaining four, that cut would reach no more than 4.8% for a coefficient 20. Of the remaining three, one does not apply tariffs on more than half of its imports. Of the remaining two, one has 29% of its tariffs unbound. Together, these eight Members would have an average cut on applied tariffs of 5.8% with a coefficient 20. Two other Members later joined that group. One has 63% of its tariffs unbound – nearly 2/3 therefore of all tariffs. The other has 27% of its tariffs unbound, with an average cut on applied tariffs of just 4.5% with a coefficient 20.

On the other hand, the average cut on applied tariffs for the group of NAMA 11 countries would be three times higher (17,6%). In the Uruguay Round Brazil has gone further than most and bound 100% of its tariff lines (by the way, of all developed Members in this Organization, only the EU, and Norway, could claim the same). For the extremely sensitive automotive and textile sectors, the cuts <u>on applied tariffs</u> would be over 30% even with the highest coefficient in the proposed range; and this is after the use of the 50% deviation.

Had Brazil 60% or even 30% of its tariffs unbound, had Brazil an average cut on applied tariffs of just 5% or less, we could be a lot more ambitious with the coefficients and flexibilities. In fact, we could probably join that group if, of course, Brazil simply chose to disregard the sensitivities of the other developing countries. That clearly would not be our choice.

It is perfectly clear, I believe, that one size does not fit all in the NAMA negotiations either. Contributions cannot be this disproportionate. If some developing countries have lower applied tariffs, there are certainly reasons for that and I will not dwell on this. What is important is that we have different economies and realities. What is important is that our reality also has to be taken into account.

A reality that includes the existence of a Custom Union, facing very similar challenges to those described by South Africa about SACU.

Mr. Chairman, the current NAMA text has one undeniable characteristic: it fixes the outcome of negotiations. It has just two moving parts: the coefficients and the flexibilities. The coefficients' range is limited and the effort required by any number in that range is excessive. The flexibilities could offer some comfort, but the numbers of the first draft modalities were not revised up for this iteration, they were simply removed. This does offer room for negotiations, but it does not help convergence.

South Africa, on behalf of the NAMA 11, has suggested changes to the text that would help convergence and that we fully endorse.

Brazil will continue, in agriculture, to seek a balance between ambition and feasibility. If the same approach is not followed by others in NAMA, I'm afraid we will not reach the horizontal process.

Mr. Chairman, your upcoming revised text must offer a margin for negotiations similar to that found in the agriculture text. A NAMA text that pre-determines the outcome of the bargaining process will not bring Ministers to the negotiating table. We are ready to help you in any way we can, proposing solutions and engaging constructively.

Thank you.