

**Lecture by the Minister of Foreign Relations of Brazil, Ambassador Celso Amorim, at the London School of Economics and Political Science, on the current status of the WTO negotiations**

**London, 10 March 2006**

**Howard Davies (Chair)**

Well, good morning ladies and gentleman. We are delighted to welcome you all here and particularly to welcome Ambassador Amorim to the school. Indeed I should say to welcome him back to the school because, in fact, he was a student here from 1968 to 1971. He's had a hugely distinguished career in the Brazilian Foreign Service and of course in politics more recently and has been the Minister of Foreign Affairs in the Lula government since 2003. As you will all know, the Brazilian President has been here on a state visit this week, the state visit is officially over but fortunately for us there are some other events arranged in the margin of that visit and this is one of them.

The central issue during this week's discussions, certainly if one believes the press, has been the progress of the WTO talks. There are ministerial meetings going on this week around the state visit and it would appear from the joint declaration between Tony Blair and President Lula that there was a reasonable degree of meeting of minds between the British and Brazilian governments on these issues, but Ambassador Amorim is far better qualified than I am to explain all that and he is going to talk to us this morning specifically about the current state of the WTO negotiations.

We will then have time for questions but we must wind up about 11.15 because he needs to talk to the press as well before leaving at 12. So I will bias my questions in the question and answer session away from the members of the press, but you will have your chance immediately afterwards. With that brief introduction let me introduce Ambassador Amorim. Thank you.

**Ambassador Amorim**

Well, thank you very much. Professor Davies, it is a pleasure being here seeing some of my friends that I have met in London before and some of my Brazilian friends as well. I don't know if I have anything like an alma mater because, as I told you, I never finished my PhD. That was probably because of an excess of ambition at the time and I don't want to stress that too much, because it may have a wrong reading when we are dealing with the Doha Round. But anyway, I'll explain that later. I just make one little comment because I did some work here with Professor Miliband at the time and, originally, I was actually registered for a MPhil. I don't know if that exists any longer but, in the middle of the process, he said that my thesis was of doctoral standard, which was very flattering to me, but the academic times and the bureaucratic times didn't fit together so I was transferred from London before I was able to finish it. Maybe, if I had stayed with the MPhil, I would have finished it. Later on, when I came to Brazil I found many people that had a title, "PhD ABD", which I thought was probably something very important, more than a PhD, and then I discovered that it was (I don't know if it was a Brazilian invention or it was an American invention) but it meant "All But Dissertation", so I fell more or less in that category. Because in England the PhD was basically the dissertation, if I had put PhD ABD it would mean nothing. So I just want to assure you that I did some work but I didn't finish it. Anyway, I hope I can finish the Doha Round though.

Let me just say, first of all, that I am very much pleased to be here and I think this is certainly the appropriate audience not only to transmit some of what I think but probably also to get some feedback on important aspects of these negotiations. I would like to start – if I may, before going into these technical details – by somehow presenting the view of the Brazilian government, President Lula's government, in relation to the Round. I think this is important to put in context. Last week, we saw this piece in *The Economist*, "Lula's World", and I think it is important to see how the Round actually fits into Lula's world, so to say. When we think about that – and I'll come back to the joint declaration that I mentioned – because I think it is indeed an important milestone in terms of two leaders speaking about the Round at this stage.

But before I go into that, I would like to say that for us, and especially for President Lula, the Round is not about trade alone. It's about trade for development and it's also to make sure that the result of the Round is not only to make it possible to have some immediate gains in this or that area in which we are more competitive – certainly we are very interested in that as well – but it must be something that has at least two consequences, important consequences. One is that it would bring forth the multilateral system and I think this is a very important thing for Brazil. It's a very important thing for the UK and for all those who want a world which has a better governance, so I think this is an essential element of our effort. The second point, which is not dissociated from the first, is that it must also be a round that brings the best for developing countries, but especially for the poorest countries. President Lula has been stressing that very often – you know some people might take it and maybe I'll go deeper into that later on –, but it must be maybe lip service, or something like that, that Brazil is only looking at its own very competitive agriculture and not looking to Africa or Caribbean countries or other poorer countries. However, I can tell you that's not true and if you want to have evidence of this real concern for the poorest countries. Well, you can see there is a paragraph in the joint statement that deals precisely with this question of quota free, duty free for the poorest countries, for the LDCs, and Brazil is committed to do that. Of course, in proportion to our means – which are not the same as in Europe or the West – but we are committed to do that.

You could also look at these agreements that have been recently signed by some Andean countries, and if you compare the agreements that were signed by Brazil or Mercosul with Colombia, Peru and Ecuador to the FTAs that have been just signed with the United States, you will see that although the level of development between Brazil and Colombia or Brazil and Ecuador is not that big, we have been much more, how should I say, much more respondent to the sensitivities of these countries than it was the case in the FTA, as far as my analysis goes.

But let me go now to the subject of my talk here which is the current state of the WTO negotiations. I want to go as quickly as possible to the current state but I think it is very difficult to do that without at least some background and the first point that I think one should note when we speak about the Doha Development Round – and the first thing that should strike the eyes – is the word "development" itself. If you go back to the history of the GATT and even the beginning of the history of the WTO, you'll find that development was almost an anathema. At the end of the Uruguay Round, I had to deal with these questions several times. Actually, as Minister in my previous incarnation, I signed the Marrakech Agreement, which is not something that I'm proud of or not, but it was the right thing to do at the time because being outside would be worse. But development was almost, as I say, an anathema. This was a theme for the United Nations, for Africa, not for serious people that were dealing

with trade. Trade was trade and that is what we should be looking at, at the GATT, the old GATT. Of course, there had been in the past the enabling clause, there had been some lip service to development, but it was only marginal, it was always the exception in the negotiation, not really an objective over the negotiation. Maybe it's because the philosophy behind that was that development would be an automatic consequence of trade liberalisation, maybe for some other reason – I don't want to go into that now – but, in any case, it was never at the centre of our concerns.

Actually, when UNCTAD was created back in the early 1960s, it was a kind of second best, because we could not make the World Trade Organisation – a World Trade and Development Organisation – so we created UNCTAD. Of course, UNCTAD was very useful and it was helpful in producing studies and many other aspects but it was of course a powerless organisation, nothing compared to the GATT or to the WTO, I think. Because in these previous rounds, from the beginning and to the Doha Round, the old GATT was about not much but trade. The developing countries were some kind of afterthought, I mean if they would win something, fine, if they wouldn't win also fine, but they had not much to give and they would not have much to ask for. Well, they did have quite a lot to ask for but they didn't have the power to ask for it. So this is more or less how it operated until the Uruguay Round.

I don't want to go deeply into the Uruguay Round because it's too long a story. The Uruguay Round started being North-South, but it was only North-South, it was not South-North, so a lot of demands were put by the developing countries in terms of services, intellectual property, in terms of, for instance, ceiling binding for our tariffs, just to give an example concerning Brazil. Brazil, even during the Uruguay Round, had two to three thousand products that were exempted from any kind of tariff treatment, they had non-tariff barriers, they were subject to fire license and the fire license would never appear if you had similar production in Brazil. And then we moved a little further – the tariffs, for instance, for automobile I remember was 105% or something like that. So the Uruguay Round was about opening market for services, creating links between the intellectual property rights system and also about reducing and binding the tariffs on developing countries. That's why at that time Brazil, for instance, and other Mercosul countries, took the commitment to bind the tariffs at the level of 35% for industrial goods.

But why do I mention that? Because I think this is very important and I may have to come back to that at some point because very often I hear the complaint, not really a complaint, but the remark, I heard it recently in Davos, that the business community is not so interested now as it was – well, of course, when people say business they're speaking of business in developing countries. So the business community is not so interested in these rounds as it was in the Uruguay Round and it's quite understandable because trade among the developed countries is already very much liberalised and the opening up of the markets of developing countries was basically done. It basically took place in the Uruguay Round. I'll come back to that later, maybe. Well, I challenge anyone in this room, anyone who owns a company, anyone who owns a telephone company or a bank, to say that they had a difficulty in establishing themselves in Brazil. So maybe the rules are not yet bound and consolidated at the perfect level, but the truth is that there were water services or retail trade for that matter. The huge push to liberalisation in developing countries had already taken place.

So the Uruguay Round was basically, as I said, a North-South think. Other things take place at the same time, of course, and I would not underestimate the beginning of disciplines in the agricultural trade. It was only beginning but it was important. The fact that it was important

can be illustrated by two very important cases we brought to the WTO, one against the United States, the other against Europe. Quite daring, I would say, to bring the two at the same time but you know Brazilians are a bit – maybe sometimes – optimistic. So we brought two cases, one on cotton against the West and one on sugar against the European Union and we won both. We won them both based on the rules that exist in the Uruguay Round. So I can't say it was totally useless, although nobody actually thought, when the Uruguay Round finished, that it would be the case, but with good lawyers and political will – and courage – we were able to do that. When I say lawyers, I also refer to people who have been dealing with legal questions and disputes, settlement questions inside our Foreign Ministry, not only hired lawyers.

So that was something that happened, but it was very insufficient in agriculture, universally considered as insufficient, and that's why at the end of the Uruguay Round the negotiators agreed that there should be what was then called a built-in agenda, or a mandated negotiation. And agriculture should be one of the services in which mandated negotiations should take place because there was the recognition that what had been done in agriculture was very little. I mean, just compare the tariffs, when people say nowadays that Brazil or India have to reduce their tariffs. Speaking about Brazil, our maximum tariff in industry is 35% whereas the maximum tariff in agriculture in the European Union is around 200%, I believe, and in Japan is 1000%. So these proportionalities have to be considered when we discuss what we can and what we cannot do in these Rounds.

But of course everybody agreed not to speak about subsidies. I said once, recently in a Davos forum, that if we did in industry what Europe and the US and Japan, for that matter, do in subsidies in agriculture, if I did that same kind of thing with subsidies in industry I would not only face the WTO, I would probably be in jail! Because the difference is so absurd that one cannot even put a comparison on them. Of course, as you know, we in Brazil have also faced challenges and we have also challenged other countries in the area of subsidies in industry, most notably on airplanes. I think it is important to keep things in perspective, not to think for instance that Brazil is only interested in agriculture. We focus so much on agriculture because it lags so much behind, but we are interested in other subjects as well.

So that was it, we had to move on agriculture, that's what we had to do and that's why at the time, Sir Leon Brittan, I think, and then Lord Brittan, devised very intelligently this idea of the Millennium Round. I don't know if anyone still remembers the Millennium Round but that was how it used to be called before Seattle. Maybe the name was too presumptuous and maybe it's good that we just left it behind, but that was how it was called. What was the Millennium Round? Essentially, in my opinion, it was a way to recognise that agriculture had to go ahead, but political conditions were not given in developed countries to do agriculture alone or even agricultural services alone. They needed many more paraphernalia around that so that you could sell the Round for the public opinion here in Europe. That was what it was basically about and then, of course, you may remember, they are now fortunately gone, all these – and I'm not saying that because of Brazil but because of countries that are poor and more vulnerable than ourselves – there were all these Singapore issues. Remember the Singapore issues? All gone, they're all gone because they were totally unrealistic. These included investment, government procurement and so on.

So this is what we discussed in Seattle – I don't want to go back to Seattle, a big failure. Then we continued discussing all these subjects and then I would say there was one particular factor which had a big impact. It was the awareness that the world could not accept and could

not live with a situation in which the multilateral system would break down. I think what probably brought more light into that was September 11<sup>th</sup>. In a situation in which the world was suffering from terrorism and many other threats, it would be unaffordable to have a situation where the real link pin of the economic trade would just crumble down. I think partly because of that and partly because the negotiators had worked so hard for about two years, it was possible to launch the Doha Round – and the Doha Round got this nice title for the first time, as I said – which is the Doha Development Round. So there was, in a way, a recognition that having purely trade liberalisation was not good enough. It had to be a trade liberalisation that would help development.

How was the development dimension expressed in Doha, in my opinion? And I think there are other aspects but we don't have time for it. One of them was immediate, it was in the Doha declaration itself, it was the declaration on TRIPS and health, a very important thing that opened the way for making sure that developing countries were able to have resort to compulsory licensing for instance in cases like HIV/AIDS or any serious disease, for that matter. Of course they could do that and still comply with the TRIPS Agreement. So that was an important political interpretation but, surely, with legal consequences for the Doha Round that were immediate. The other thing basically was agriculture and there are lots of other, I would not say smaller, but let us say less central things like provisions on S&D treatment, that they still have to fight for, which were several demands from developing countries, but agriculture was central for the reasons I have given you and for the obvious reasons that most developing countries have competitive edge in agriculture. And so they are either already very competitive as is the case of Brazil, the case of Argentina, the case of Uruguay, the case of Chile, or they become competitive if the subsidies are taken away.

It's an interesting fact, because when people think it's only a country like Brazil or Argentina in the developing world that would gain with the liberalisation of agriculture, you know you have to look at the potential – take the case of cotton... When I was a young school boy, Brazil was no longer a producer of cotton, we had been put out of the market of cotton, I didn't know why, well now I understand, but 15 years ago if I was asked if having an agreement on agriculture was important for Brazil because of cotton, I would say “no, Brazil doesn't export cotton, we import cotton”. But of course it was important, we were unable to export because of the subsidies. So the same situation now applies to some African countries and I'll come back to that again. Sorry for making these anticipations.

So, agriculture being in the centre of the Round, we went to Cancun. Cancun had many other aspects, there are all these Singapore issues that were fortunately left aside then and for those who really accompanied the negotiations, was really the moment in which the negotiations broke down in Cancun. But there was a very important thing that I would not hesitate calling a revolution. It was the G20 revolution. I think this, I mean I've dealt with it, with WTO, for a long time and with the GATT before. In the GATT we used to have – and it had to be called that way because otherwise it would be considered a major sin – it was the informal group of developing countries, you could not even call it the group of developing countries because that would sound too much UNCDATish. So, in order not to sound UNCDATish, we had to call it the informal group of developing countries. We had attempts of making a common cause before but they were very difficult, not only because those interests were obviously not always the same, and there was a great difficulty in looping into the common interest beyond the immediate interest – and this is still true to some extent – and that's why it was easier for some of the developed countries to try to divide the developing countries.

So I think in Cancun we had the G20 revolution, I would say. Why? Because for the first time, I think, it was possible to create a group of developing countries that worked together not only – or not mainly I would say, or maybe even not at all – with defensive concerns but with a real forward-looking, practical blueprint, if I could use that word. And this was, of course, the liberalisation of agriculture centred on the question of the subsidies and market access in the developed markets. But even then, even in Cancun these were still demonised and I still remember that not only did we have to fight in the rooms but also in the media to make our case. I still remember my good friend – I can say that, it's true, I'm not being ironic or anything like that – Bob Zoellick, about one week or two weeks after Cancun, writing an article about it, I think he said the ones who want and the ones that don't – but he did that with an expression that I can't remember now – and, of course, leading those who didn't want was Brazil.

So we had the honour, in an article of the Financial Times – not a very long article – that the name Brazil was mentioned five times, in not a very flattering way, I would say, by Bob Zoellick. Well, that changed in a dramatic way in the space of six months because – and I have, as I always do, to pay tribute to Pascal Lamy. Well, you know the pressure was immense on the G20 and some countries of Latin America started to just abandon the G20 because, of course, they were interested in a FTA with the United States and so on, so some of them got off the G20. Some came back later on, some didn't come back formally but followed the G20 somehow but that was the fact and in the space of less than six months – I think four months, Cancun was when? August? I don't remember exactly, but anyway – in four months the situation changed. We organised a meeting of the G20 in Brasilia and we invited Pascal Lamy and he did come and that somehow helped to show that the G20 was a major actor, and one without which it would be impossible to conclude the Round.

Well, one month later I got a phone call by Bob Zoellick himself and he said “well, we have to do something and so on”, “well I can't do anything without the G20”. He was a bit reluctant to mention the G20 as such but he said, “no, no I'm ready to talk to whoever it is”. So this was, let us say, the legitimising or re-legitimising of the G20 on the part of the developed world and I think that enabled us to go through the framework agreement in July 2004, which was some progress. You may remember that – for instance, I will just mention one crucial issue, in the Doha Development Agenda – the reference to export subsidies was still reduced with a view to phasing out in some kind of language with the imagination that all these had developed in Brussels or elsewhere you'd never know exactly how you read it and how it should be. So, in 2004, we had a clear reference to elimination, by an end date, of all export subsidies. So this meant progress. There were other areas which also made progress but I just mention this one.

Not much progress after this framework agreement to be quite honest, except for the fact that the G20 continued to produce proposals and each proposal was seen very often. They were ambitious proposals, I think, but at the same time they were in the middle of the road between what the US was demanding and what the European Union was prepared to do. We were able to develop some of these ideas and I think most of them, in terms of structure, are totally acceptable, the basis of what we are negotiating now – of course they are still negotiating about the precise numbers. But again to Hong Kong, without much hope, and I must say that was the first time which, just before Hong Kong, President Lula called the Prime Minister Mr Blair to see if a summit meeting could take place even before Hong Kong, because we thought that maybe nothing would happen. But I think that if I look in retrospect and I think of Hong Kong, and it is appropriate that we are here in the Hong Kong Theatre, I suppose – I

don't know if the LSE did it on purpose or not – in a way, we were able to make more advances, less than were necessary, but more than I had hoped for. I mean, if I look, let us say, one year before I'd say "well, I did much more" but if I look at what I was expecting one month before Hong Kong, I think what we got in Hong Kong was rather reasonable in relation to what was possible to expect one month before it. I think – again I don't want to go into detail – the main illustration of that was the final date to eliminate export subsidies and the final date we wished it to be – 2010, and then it was 2013. Fine, developing countries will lose some hundreds of millions of dollars but I suppose that it won't affect world history anyway, so maybe some of the farmers that receive the money will continue receiving a little longer, but that was fine. We finally had an end date and that seemed impossible just before going to Hong Kong. More than the end date, we had the recognition that the substantial part of these subsidies should be eliminated by 2010. There was a great resistance in accepting this, even a reference to the date of 2010, even as a kind of a mid-term, but it is now universally understood that the language that is in the text which says "substantial" cuts referred to 2010, and I even hear the European Commissioner referring to that date. So I think it is totally acquired now.

But we didn't make equivalent progress in the area of market access and domestic support. Some language, some literature, some grammar, I heard the other day while I was discussing here. Grammar is always useful but it's not enough. We got a packet for LDCs, so that was also important because it showed that the international community cares about their issues. However, the main elements of the bargain were not there and I hope in the next five minutes I can finish with that and explain what it means.

What I mean by the main elements of the bargain, the main elements of the bargain involve, supposing – as I do suppose now that the question of export subsidies is dealt with –, it's now a question of technical detail. There will be a lot of time to make things difficult, but I think this has been solved. We have an end date (and we even have a mid-date) for a substantial reduction, but we have the two other pillars of agricultural negotiations which are market access and domestic support. The European Union has gone some way in reducing, in proposing some reductions, in domestic support, though not as far as you would like in some ways. The United States has not gone until October, then it made an offer which most of us said was important but not sufficient. But certainly in order to improve these offers and especially the US offer on domestic support, which is crucial for us – for example what affects our cotton, it's what may affect Uruguay and rice, it is also what may affect other countries products, certainly the cotton for the poor African countries –, but in order to go further on that they were saying – I cannot speak for them, but I mean it's my reading – "well okay we may look at it, we may see if we can do some more but we need market access". When they speak of market access maybe their interests are broader than the European Union, but the European Union will be the standard, so if there is a low offer on the part of the European Union then, of course, others who were either less developed and more vulnerable, or both, won't be able to do what is required by the US for them to do what we need in terms of their own domestic support.

Well, so this is the central part of the agricultural bargain, but what are we told? We are told that in order for that to happen there must be openings on the part of developing countries on NAMA, which is non-agricultural market access and services. Well, let me tell you one thing about this, and I think this is very important to understand because when we read carefully the statement – I hope it can be found; it can certainly be found in the website of our Ministry, but also in the 10 Downing Street site, so I would recommend you to read it –

because I think this is one of the most important documents that have been adopted for a long time by two important leaders, because it's very concrete, very specific. Not specific in numbers, but in the general political thrust.

So, what is often said is that developing countries should do more in their industrial tariffs and they should do more in service. Well, of course, at first, there is the question of fairness and balance. I've already said to you, for instance, the case of Brazil – maximum tariff 35%, all tariffs bound, average applied tariffs about 11%. Well, all the arguments. We cannot be penalised by unilateral liberalisation, it would be a disincentive in the future for countries to liberalise further. But apart from fairness, there is a question of fact. The kind of change that we need in agriculture will never have a tit for tat answer in industry and in services. We can't give – not because we don't want to give, but because what we already did in the Uruguay Round goes such a long way in that direction that even if countries like Brazil or India would accept to reduce the tariffs to zero, or to 5, or to a 10 maximum tariff, that would not be exactly the same of what we need to happen in agriculture.

So we understand that, from a political point of view, it is important that developing countries, such as Brazil or others, do something, and we are prepared to do that. There has to be proportionality. Actually, there has to be two kinds of proportionality. One kind is between agriculture and industry because a sector that has been lagging behind for such a long time cannot have the same treatment as another one that has been the object of progressive liberalisation over the years. The second kind of proportionality is, of course, between developed and developing countries. How many people are employed in agriculture here in the UK? I mean 1% of the working force, maybe 2%, we never know exactly because there are those people who don't live in the property but still take some rent of it – if you consider them, maybe it's 2%. So, even if all these people would go to unemployment payment, they would not be a big burden, but in Brazil, in industry we have 35%, and the same goes for India. I suppose the same goes for Argentina, for other countries. So we cannot put at the same level, because the degree of sacrifice that is being demanded is not the same, not at all. So this is something that one has to take into account, we cannot put it as if the two were at the same balance because it's not true, it's not fair and it is actually impossible. But having said that, we are prepared to do our part.

I would like to mention one or two more things and then maybe just make a brief reference to the document. There is another myth that is always mentioned, so what I want to say it's not because of the lack of ambitious offers on the part of developing countries on industry or on services that the rich countries have not made their offer in agriculture. That's certainly not true, and now I think, because of the document President Lula and Prime Minister Blair signed yesterday, that is cold, because we are saying that we are prepared to do more. So let us see how people will respond to that.

The other myth I referred to at the beginning is that well, Brazil, Argentina, maybe other developing countries, they are looking at their own interests. They used to say that the G20 wouldn't last two months and we now have had it for two years, but now because they can't go on saying that about Brazil and India or Argentina and Egypt because we have been there together – by the way, the G20 includes not least one, but five African countries (one of them being an LDC, which is Tanzania). But apart from that, they can no longer say that there is a division between the G20, which is not true by the way, the big emerging countries and the other poor countries, the G90, because there is a big gulf between them, although that's not



true politically and we were able to show it in Hong Kong, a common platform, including elimination of subsidies, which, of course, is crucial.

It's not true economically and one of the things that I like, for instance, I participated recently again, and coming back to Davos, in a round table in which several people were present and the Minister of Ghana was there, and there was a comment by one of those present in the guest room, who said "well, you know I think the developing countries in Africa don't have anything to gain from this ambitious package, actually they only have to lose because they will lose preferences; there will be preference erosion". I'm not saying preference erosion is not a problem, by the way, and we have to deal with that adequately and then it was very nice to listen to the Trade Minister of Ghana (because if I would respond, it would sound self-serving) but the Trade Minister of Ghana said "no, no, maybe we are not competitive now, but if you abolish your subsidies and if you give greater market access we will be competitive". That's how these countries can, how should I say, overcome the legacy of colonialism, of being always dependent on two or three commodities to sell to Europe or to the United States or whoever and become really integrated in the world trade, not as a favour, not as a handout, but using their natural resources and their capacity as we have done. For instance, we send cotton and we are very ready to help them legally or technically, we are just receiving a mission from Benin and four African countries and we recently had a mission of SADC to Brazil because, as I said, that is part of – if I want to quote again from The Economist – "Lula's view of the world".

So, because all of this may require some courage, moving from these established positions, and I come now to the final point – the state of the Round –, there are two ways of going. One is the incremental way, which is what we have been doing, and see if Europe can do a little more in market access and then reduce maybe the number of sensitive products from 8%, whatever, improve a little bit the treatment for sensitive products – that's one way. The other way is to really have a political breakthrough. The incremental way has two sorts of problems. First, it won't give an ambitious result, second, the price charged from us, developing countries, will probably be the same, because even to pass an ambitious result through Congress, people ask developing countries to do the kind of sacrifices which is not easy for them to do.

So that's why President Lula and Prime Minister Blair, in a very bold way – and I stress the boldness on both sides because it's really not an easy position to take –, agreed on this document, and if you allow me I'll just read the central paragraph because there are some paragraphs which deal with analysis. They say: "We agreed today that we share a common view of the main elements of an ambitious, pro development, outcome from the round. Current offers on the table fall far short of the deal we want". It's not just incremental, it falls far short, so they have to be dramatically improved. "We believe that all the main parties in the talks need to take bold steps to go beyond established negotiating positions to improve their offers on agricultural market access and domestic support, NAMA and services. Those offers must also take account of the needs of developing countries by delivering improved market access in both agricultural and non-agricultural goods that is comparably high, but in a balanced and proportionate manner, consistent with the principle of special and differential treatment". I think is the crucial paragraph on what I was referring to as the main bargain.

Then, of course, there is a very important reference to the treatment for LDCs, and we both subscribe to the idea that there must be 100% free access for LDCs, with changes in rules of origin and some other things. And then, of course, on the political process, there is also an

improved, very important reference to the need of the leaders meeting. We may be wrong in that, and if we are wrong, so much the better. Because if the mere fact that we are speaking about the summit will help change the position of the negotiators, the better – nobody wants to have the summit for the fun of it. Actually, for Foreign Ministers, quite a burden I must say, there is a mix of protocol with substance not always easy to manage, maybe a pleasant burden, but it's always a burden. So, anyway, if it can help even before that, fine. If not, then maybe some time, probably after April, a summit will have to be convened and if others don't want to participate in the summit, it's for them to say "no, I don't want to have this round concluded" and they will have to face it and they will have to accept that very huge responsibility. I think President Lula and Prime Minister Blair took an important leadership in the best sense of the word. I mean, leadership is a very dangerous word but I mean leadership by putting their faces out, so to say, in proposing this breakthrough.

That's basically what I have to say, I thank you very much. It's a pleasure being here.

### **Howard Davies**

Thank you very much, Ambassador. We now have some time for questions.

### **Question 1**

Tom Sharman, from Action Aid. Minister, thank you very much for your talk, could you say a little more about the proposed leaders' summit and, particularly, how would you ensure that all WTO members are represented there?

### **Ambassador Amorim**

Well, I think you know this is a very tricky question because there is no group that is fully representative – as the only group that would be fully representative would be the one that would comprise the 150 members of the WTO. On the other hand, a group of 150 people would not be able to come to an agreement for obvious reasons, the amount of time gone when everybody had spoken... the meeting would be off, so we have to find something in between. I think you need to have some crucial, developed countries, of course, some of the G7 – I don't know if all of them – or G8. I don't know if Russia will have already signed the accession agreement when we come to the meeting but either G8 or G7, some of them certainly, some of the G20 certainly, but also some LDCs. I think this is crucial, in order to have a real agreement. What I would like to say also is that, of course, if these meetings take place – which I think and both leaders think is necessary –, it will not deal with all the details, it will deal with the driving forces. So I think a composition more or less along those lines, but how many I don't know. But you have to have these different forces. You need to have G8, G20 and G90, if you wish.

### **Question 2**

[<Inaudible name>, from Stephenson Harwood Law Firm, London] Thank you very much for your talk. I'm here representing a law firm. I've had many requirements from clients interested in actually investing in Brazil and what is the best message for companies trying to set their ground nowadays? Is there any plan in place to, say, reduce the tax burden in the company maybe interested in opening a branch or a subsidiary in Brazil? Are there plans to list the stranger links with the central government in terms of actually the regulations on the central bank, part of the central bank? Is there any plan in place actually to administer bureaucracy that one experiences to get people into business in Brazil nowadays?

### **Ambassador Amorim**

Well, I can only say that, as you clearly understand, I didn't come here to go into specific details and the regulations of each sector of activity, but I can only say that the Brazilian law firms that try to establish themselves in Europe find the same. It's not more important and more difficult barrier so this is something always to be negotiated and discussed and, as I said, I use your question maybe to put a more general point. There are many people that believe that we should unilaterally liberalise in every sector. There may be a point in one case or another to do that in order to gain competitiveness and so on, but you know that is not about the old GATT or what the WTO is about. The WTO and the GATT were not and are not about unilateral liberalisation. They are about negotiation and if they don't go to liberalisation through David Ricardo – it's incredible, but David Ricardo would be a revolutionary within the WTO nowadays, because, of course, it's precisely our competitive advantage that is not recognised. So what I am trying to tell you is that in WTO you practice trade liberalisation through negotiation. So, that may sound contradictory but it happens. You liberalise before you want to have more of the other money and in exchange you have to give something. It's only the naïve, only those who maybe have fallen under ideologies that no longer hold, such as the Washington Consensus, I would say, that believe unilateral liberalisation can bring all the advantages. We don't believe that. We believe in liberalising but we believe in liberalising through negotiation. That will apply to the legal sector, law firms, but also applying to cotton. So, if there is a good deal, a nice deal, maybe your occupations would be in the country.

### **Question 3**

Christopher Roberts, from the European Services Forum, representing service industries across the European Union who are certainly keen on ambitious Doha outcomes. Would Minister Amorim agree that it's in the interests of countries of any stage of development to have access to modern services like financial services, telecom, computer services and so on, that they will reinforce their chances for getting access to those services, which are often not available locally in poorer countries if they take commitments under the GATTs in the Doha Round and get the extra skills, technology transfer which flows from that?

### **Ambassador Amorim**

I think, in a way, a similar answer and we don't have access to those services, I don't know which countries you are talking about, but in Brazil certainly we do have and actually I tell a story. There was a Brazilian who once came here and saw the HSBC and said "oh, HSBC also exists here", because they thought it was a Brazilian bank. So much for the access to markets in the financial services area. Telecommunications also, most companies are foreign companies. There are areas which do have to face one or two restrictions, I do agree, and some of them may be negotiated. Some of them, of which are constitutionally based, nobody could expect them to renegotiate in a round like that, but I think there is a lot that can be done and, actually, Brazil is a country that offered, it was the second country in offering, the second biggest offering number of sectors in services, the first being India, and we are participating in many other areas. But I would like to complement that with another thing, and I would like to say publicly there are things that are not for negotiation: education, health, they are not for negotiation. We don't see them as business. We see them as public services. They are presented sometimes as if they combined both things, but then we have to do it on an ad hoc basis, examining each case on its own merit and not, let us say, as a general obligation... I don't know what would people think if Cambridge or Oxford would be for sale to some international business.

### **Howard Davies**

They're not worth a lot so don't worry about that. They're loss making!

#### **Question 4**

Anna Dixon, from the International Development Committee. I agree with Mr Amorim that we need more than an incremental approach and an incremental approach will not lead to a development outcome. A political breakthrough is needed, but I think you are talking to the wrong person. I think that Britain had its best chance of influencing the outcome of the Round in 2005 and it didn't manage to do that, so I think you should be talking to Peter Mandelson and not to Tony Blair. And do you have any options, any opportunities, to have such an agreement with Peter Mandelson? Because if not, then the breakthrough is not going to happen.

#### **Ambassador Amorim**

I talk a lot to Peter Mandelson, by the way, and I hear a lot from him, both directly and through the media. So, there is no lack of dialogue in that part. I won't go into the political and personal links between Tony Blair and Peter Mandelson, it's certainly not my sphere of competence, but I think that Tony Blair, being the Prime Minister of the UK, is an important leader. Whether he is the Chairman of the European Union or not, UK is a major force. We know, and he knows and everybody knows that we need to influence others in different ways. You won't expect me to reveal my road map totally here because it's a complex road map, by the way, and it has to be adapted, but we cannot miss an opportunity to show that an important leader of the developing world, like Lula, and an important leader of the developed world, like Tony Blair, have a very close, if not identical, view on what is needed to have a breakthrough in the Round. Whether other people will get up or not... you know, I have great respect for Peter Mandelson. He is a very intelligent man, a very able negotiator. That's the person I talk to. Not Lula, Lula talks to Tony Blair. I talk to Peter Mandelson, but we also know that he, as myself and others, has limitations. He has 25 bosses, you understand, so it is difficult. So we have to convince him, but we have to convince some of his influential bosses as well.

#### **Howard Davies**

It's nice to hear our Prime Minister is still worth talking to. It makes us feel better.

#### **Question 5**

<Inaudible name>, from the World Trade Institute in Bern, Switzerland. I would like to ask about this agriculture and bio-technology because what happened is, we have reached an agreement of reduced subsidies, but there's a huge disparity between agriculture technology in the developing countries and developed countries. So there must be chance for technologies between the developed countries and developing countries and LDCs because the technology remains the same. It won't if subsidies are reduced, the price, disparity will remain because the LDCs and the developed countries are used to old technology whereas the developing countries will use new technology which helps them to produce and helps them compete in their world.

#### **Ambassador Amorim**

Having worked, myself, in the Ministry of Science and Technology, I'm all in favour of transfer of technology and more in favour even of local research that will enable progress in technology and I am very much in favour also of joint co-operation for developing technology which sometimes is more appropriate because it's more in accordance with the needs and the capacities of the countries. But having said that, we cannot look only at

agriculture today, and I think you understand that, that's why you are asking this question. As primary products, there's a lot of technology but I think it's not beyond the possibilities of the developing countries.

I mean, if you take the Brazilian case in ethanol, for instance, I think we have the highest technology available and all that was done in Brazil, without foreign sources of financing. Of course, countries are different and, of course, Brazil is a huge market and India maybe can follow the same route, or China. But maybe for a small country it would be difficult but that's why we, as you, have been working with African countries and also Caribbean countries to transfer our technology. We are already having two dehydrating plants in a joint venture in Jamaica and I think it will be a challenge, I mean, since we are in the UK, for Brazilian and maybe joint UK-Brazilian companies to go to some African countries which have lots of natural resources and plant sugar cane also.

We are now receiving, as I said, a delegation from Benin, Burkina Faso, Mali... They are coming to Brazil precisely to study ethanol among other things. There is a commercial part, but also the technological part and even the different qualities of cotton that we are growing and we are quite happy to share the technology with countries that need it more than ourselves and I think a lot has to be done.

I would like to stress one thing. I think people talk a lot about aid to trade. It became a fashionable subject nowadays for LDCs and other poor countries and I think you are right. A lot of the aid to trade, if we got that through, if we ever get that money from the World Bank, it should be directed not to Brazil, I might dare say, not to Venezuela or Uruguay, but it should go to really poor countries and go to research to reinforce their capacity to have value added within their own products.

### **Howard Davies**

We are running a bit short of time. I have Professor Wade.

### **Question 6**

Professor Wade. I was actually quite worried by what you said and the reason for the worry is because you seem to be accepting the basic structure of the negotiations which, as you made clear, is that the developed countries are to give better access to developing countries for their agricultural exports and, in return, developing countries are to give better access to developed countries for industry and services. What I wanted to ask you is whether you think that there is scope for bringing into the negotiations, revising some of the Uruguay Round agreements such as TRIMS and TRIPS and GATTs and several others which seriously constrain the policy space of developing countries, to pursue a range of industrial policies which have been proven to be effective in developing domestic industries and which these agreements seem to take off the table locking developing countries into agriculture and raw materials based industries? If that is the case it is extremely worrying.

### **Ambassador Amorim**

Well, let me first say that I would agree with the general philosophy behind your question. The question is – and that's why we have been emphasising so much – the question of proportionality and I was very clear in saying that, first of all, it would be unfair but even if it were not unfair and even if we wished, there's no way that we could give something equivalent to what we need in agriculture for the simple reason that we have already given in the Uruguay Round. You are quite right about that but I don't know how familiar you are

with the negotiations now, but you'll see that in the case of TRIMS, Brazil, I think together with India, made a proposal precisely to give more flexibility and more space to developing countries.

By a kind of silent conspiracy, I might say, maybe even an unintended one to some extent, it has not been easy to move that along, because that was part of the implementation issues. Although they were a regional demand to address questions of primary interest of developing countries, somehow, without nobody noticing, even myself (I was in Doha), the questions of GIs got together with implementation issues, and now there's a blockage to look at some of these implementation issues because, of course, the US and others don't want to look at GIs and the European Union, of course, uses the fact that it is together with developing countries demands in order to force it. I think it would be only fair, only fair, I'm not saying that we should not deal with GI, actually I do believe that in the end, the calling or the vocation of European agriculturists to produce Camembert cheese or in England the Cheddar cheese maybe or some sort of Umbria olive oil, that's what they should do because that's what they can do better than we do and forget about oil seeds, forget about wheat and all that, because all that we do is a cost for the taxpayer and consumer in Europe and to the detriment of developing countries, so I agree with your point. We have been trying to fight with this and it would be very good if public opinion, in this country and beyond, would make that point because beside TRIMS we have a proposal.

On the other question that you mentioned, which is TRIPS, actually, the biggest advance that we have was in Doha itself in relation to public health and it was consolidated later. Well, maybe it's not the ideal agreement but I think it is something that is being used in Brazil. We never issued a compulsory license, but the simple fact that it is there allows us to have a better negotiation with the pharmaceutical companies. We have a proposal on TRIPS and biodiversity which is still being discussed and, in relation to the GATT as such, you know things change in time. When the GATT was approved, I actually thought it was really quite a burden for us. Now I think when I have to see other negotiations, when I go to their FEA negotiations, actually the GATT has become a good security blanket because the architecture of the GATT, as it goes, is rather development friendly and that's different from the other things that people want to have now, which go much further.

So, I agree with your general philosophical point and I think I share your basic view, but I think we are doing what we can and you are quite right. We can never expect that we'll do in industry and services something that has an equal economic value one expects in agriculture, otherwise it would not be a development problem, that would be an underdevelopment problem, and we don't want that.

### **Howard Davies**

We are running out of time. I'm going to take one more question and then we'll leave it to the press for a few minutes.

### **Question 7**

Good morning. My name is <inaudible name>, from the Indian Consulate General Administration and also a student here at the LSE. My question is more related to the G20 and Brazil and the Indian relationship. A lot of political analysts see that India and Brazil can be considered partners at the multilateral levels. However, at bilateral level they are seen much more as competitive partners mainly in what regards agriculture. So, bearing that in

mind, I would like you to share your views on the Mercosul and India agreement signed last year in July.

**Ambassador Amorim**

I understand that you are a Brazilian who works in the Indian Consulate and also a student at the LSE, right? So that's globalisation! But I can't go into all the details because it would take too long. But I think the Mercosul-India agreement is a very important one. We are trying to expand that to a kind of IBSA, a trilateral agreement including South Africa, but that demands a change of culture and I think to a large extent in Brazil we were able to do that and I think when President Lula spoke more about changing the world trade geography he did not only say that, he practised that and that's why he visited seventeen African countries, he visited five Arab countries, he visited India, he visited China and, of course, he visited the UK, Spain and other countries. So it's not that we want to abandon the North, but we also want to concentrate on the South. However, it takes time to make this kind of revolution, if you wish, in your mind set, and I have quite a trouble to attract my good friend Kamal Nath to Brazil. I hope that, through your channels, you can say how important it is for him to come to Brazil so that we can develop further our agreements. Thank you.

**Howard Davies**

The Minister has been very kind with his time. He's gone on longer than we had originally suggested but there is now going to be a little press conference in here. So I'd ask all the very kind and polite people to leave, leaving the press. So thank you very much for coming Minister.