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LUNCH WITH H.E. RICARDO NEIVA TAVARES, AMBASSADOR OF BRAZIL TO THE EUROPEAN UNION 31 MARCH 2009

Background

Brazil has the largest population (198 million) and economy (GDP - €1.5 trillion) in Latin America. While it looked like being relatively insulated from the economic crisis, its outlook for 2009 has deteriorated with the Economist predicting a contraction of 0.4% of GDP for the year before recovering to 3.2% in 2010.

Brazil has been – at least until the onset of the crisis – an increasingly important player in world trade, but mostly in agriculture, metals and lately energy (biofuels and oil). It accounts for a small portion (less than 2%) of EU trade but this is growing and for Brazil, its trade with the EU accounts for roughly 25% of both imports and exports. The main EU exports to Brazil are machinery, transport, chemicals and services. Brazil is also an important investment partner for the EU – European investors hold €88 billion in stocks in Brazil (banking, real estate, cars, chemicals, energy) and Brazilians hold €10.5 billion in Europe.

Major issues to discuss include the financial crisis; protectionism; the WTO & EU-Mercosur trade negotiations; and the bilateral relationship.

Speaking points

Financial Crisis

BUSINESSEUROPE is advocating a four-pillar strategy to tackle the crisis:

1. Companies' access to finance must be improved

Improving companies' access to finance is the biggest concern for a great number of European companies, SMEs and big enterprises alike. The G20 should endorse coordinated measures to tackle this challenge.

2. We must resist all forms of protectionism

BUSINESSEUROPE is very concerned that growing protectionism will deepen and prolong the economic crisis. Protectionist rhetoric and some very real protectionist measures have had a chilling effect on the trade and investment strategies of companies.



The benefits of trade liberalisation will vanish if countries are allowed to distort markets through government restraints on trade, illegal subsidies, anti-competitive operation of state-supported enterprises or by enforcing restrictive regulations or new non-tariff barriers.

It is very positive that Brazil has so far largely resisted protectionist barriers. We strongly hope that Brazil will play a leading role in pressing for open markets in the region and in other countries of the developing world in bilateral relations and through the WTO.

3. Member states must support growth and jobs with stimulus measures

European business is convinced that Member States must support growth and jobs stimulus measures by implementing commitments made by the EU Council in December 2008 representing 1.5% of GDP. The exceptional circumstances we are facing justify the use of the flexibility allowed by the Stability and Growth Pact. However, we must also beware of growing public deficits and public debt.

4. The implementation of structural reforms must be accelerated

Speeding up structural reforms is also key to fight the economic downturn. The crisis will eventually end and the EU must be competitive when this happens.

WTO

- BUSINESSEUROPE believes that the most concrete signal against protectionism would come from a conclusion of the Doha Round and was very disappointed that this was unable to be achieved in 2008.
- Rapid clarification of key outstanding issues – namely the commitment to sector-specific free-trade agreements, use of a special safeguard mechanism in agriculture and elimination of cotton subsidies – will pave the way towards a successful conclusion. The WTO should convene a ministerial meeting by mid-2009 to conclude modalities negotiations.
- The WTO should also value the positive effects of early harvest agreements in those areas where consensus already exists or could be reached quickly. Successful conclusion in one particular area would give a strong and encouraging signal for further negotiations in other areas.

Mercosur

- European companies are highly frustrated by the stalled negotiations for an EU-Mercosur free trade agreement.
- Both sides need to improve offers – Mercosur countries on industrial goods and services and the EU on agriculture – to reach a balanced deal.
- BUSINESSEUROPE is not wedded to the idea of negotiating with Mercosur as a region; if it is practicable to deal bilaterally with Brazil, business would support this.



The bilateral strategic partnership

- BUSINESSEUROPE is a strong supporter of the EU's strategic partnership with Brazil established in 2007 and has co-organised both EU-Brazil business summits held since.
- The Partnership, however, needs more emphasis on economic measures, in particular regulatory barriers to trade and investment.
- Problems include customs procedures, intellectual property protection, regulation of key services sectors such as telecoms and public procurement.
- Given Brazil's leadership role in the wider region and among developing countries more broadly the EU should work with Brazil on strategic issues such as:
 - Regional stability – in some countries in Latin America populist movements are creating serious risks for legal certainty of investments, which would be counterproductive in development terms.
 - Intellectual property – the region between Paraguay, Argentina and Brazil is a safe haven for criminal counterfeiting activity. Brazil and the EU (together with regional partners and the United States) should act.
 - Climate change – Brazil is a key player in global climate negotiations due to its leadership role and its potential as a source of renewable (ethanol) and conventional (petroleum) energy.

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