

EU-BRAZIL BUSINESS SUMMIT 04.10.2011 BRUSSELS EGMONT PALACE



EU-Brazil Partnership Joint Business Declaration

Brussels, Belgium – 4 October 2011

The fifth EU-Brazil Business Summit took place in Brussels, Belgium on 4 October 2011. BUSINESSEUROPE, the National Confederation of Industry-Brazil (CNI) and EUROCHAMBRES put forward a pragmatic and ambitious agenda of issues, aimed at promoting trade and investment across the two economies. High level business leaders discussed cooperation in vital economic areas, such as innovation, financial services, investment opportunities, energy and climate change. In addition, the benefits of the EU-MERCOSUR Association Agreement and its far reaching free trade agreement were discussed with key policy leaders.

European and Brazilian business call on political leaders to advance integration between the two economies to promote sustained growth and jobs. European and Brazilian business believe the EU Brazil Strategic Partnership is an essential policy avenue to boost bilateral relations and build on past achievements.

The EU Brazil Strategic Partnership

The EU-Brazil Strategic Partnership was launched at the first EU-Brazil Summit, held in Lisbon, Portugal on 4 July 2007. This initiative was translated into a working agenda by the Joint Action Plan (JAP). The 2011 review of the EU-Brazil Strategic Partnership allowed for the identification of the most important issues in the bilateral relationship. Since the launching of the Strategic Partnership, new economic issues have emerged on the international scene and new coordination mechanisms have been put in place.

1. Business Recommendations for the Joint Action Plan Review:

In a recent joint study with the EUBRASIL association and with input from BUSINESSEUROPE, CNI and EUROCHAMBRES, the business community developed the following recommendations:

- a) **Create a higher profile mechanism** with active and centralized cabinet-level leadership to advance the Strategic Partnership, in close cooperation with business representatives.
- b) **Improve mechanisms of coordination, monitoring and transparency of the several initiatives incorporated in the Joint Action Plan (JAP).** This could be expedited through a centralized mechanism to monitor and publicize information and reports of the different dialogues.
- c) **Update the agenda** of the JAP to take into account the evolution of the international economic environment and its impacts on Brazil and the EU performances.
- d) **Expand and upgrade trade issues in the JAP.** Trade facilitation, technical barriers and sanitary and phytosanitary measures are some of the areas that should deserve more room or should be included in the agenda.

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- e) **Review the sectors selected for the bilateral dialogues.** JAP includes pilot sectoral industrial and regulatory dialogues, but it is necessary to review the **selected** sectors, goals and methodology in these dialogues, notably to include SMEs.
- f) **Pursue sector or issue-specific agreements.** Deepening on the idea of reviewing the industrial dialogues, it is possible to engage in negotiations to agree on areas with common political and economic interests.
- g) **Improve tax regulation to reduce tax burden on investments.** In the area of taxation on investment there are substantial proposals already prepared by the EU-Brazil Investment and Tax Council.
- h) **Strengthen bilateral dialogues on regulatory issues,** in the areas particularly subject to regulations (as energy, telecommunications, infrastructure, raw materials).
- i) **Improve the mechanisms of dialogue between the intergovernmental process and the business forum.**

From a business point of view, the most relevant initiatives in the JAP should foster bilateral trade and investment flows or facilitate the emergence of new competitive advantages in Brazil and the EU. Such initiatives include measures geared at:

- Removing policy and regulatory obstacles to the free flow of goods, services and investments;
- Promoting the setting of stable regulatory frameworks at the sectoral level with a view to creating a predictable business environment that foster new flows of trade and investments;
- Fostering innovation, mainly related to the new production and societal paradigm.

2. Financial Services

Cross-border investment and cooperation between the EU and Brazil is very high in the financial sector. Consequently, there is a strong interest in boosting cooperation on regulatory issues in the years ahead. Brazil and the EU should notably look at issues such as the implementation of capital requirement rules and ensure that access to credit for the non-financial sector will continue to be strong. We would also like to see more EU-Brazil cooperation in the G20 context to deal with major macro-economic issues such as exchange rates.

3. Energy and Climate Change

The Copenhagen Summit in December 2009, did not deliver the breakthrough in climate negotiations that Brazilian and European business wanted. However, the main players - among them Brazil and the EU - underlined their commitment to prevent the rise in global temperatures by 2 ° C in 2050.

Brazil has played an impressive leadership role in renewable energies, notably in bioethanol fuel for cars. The EU has taken great steps in the fields of renewables specifically with the 2020 strategy and the raw materials initiative. However, there are many opportunities to work more closely together. There is scope, for example, for increased use of renewables as feedstock in EU industry. In addition, cooperation on infrastructure and energy investments could contribute positively to new joint investment projects in the EU and in Brazil.

4. Investment

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In the period preceding the crisis, 2007-08, the EU accounted for about 50 percent of direct investment in Brazil. Starting in the 1990's, European investments diversified significantly in terms of sectors' destination and country of origin flows. Investment in infrastructure services such as energy, telecommunications, finance and transportation increased rapidly. In the current decade, there is renewed diversification toward natural resource-intensive sectors such as mining, steel, oil and gas. Brazilian investment into the EU has increased rapidly in the past decades and will become increasingly important to sustain Europe's growth.

Investments will increasingly become the main vector of deepening bilateral economic relations. However, to harness this potential, Brazilian and European companies need to find a favourable investment environment for new businesses. Therefore, it is imperative that the regulatory and tax environment are improved both in Brazil and the European Union.

5. Enhancing Competitiveness through Innovation

Innovation is crucial if countries and companies are to prosper in an increasingly global economy. The EU-Brazil Joint Action Plan sets science, technology and innovation as one of its top priorities. More than ever, the EU faces the challenge of finding new ways to boost economic growth, while Brazil needs to ensure that its recent economic success is grounded on solid bases. However, the conventional, research-driven approach to innovation policy is outdated. Innovation is about successfully bringing ideas to markets; entrepreneurs and businesses are pivotal to this process. EU and Brazilian business discussed what needs to be done to focus and support a more entrepreneurial-driven approach to innovation within the EU-Brazil Strategic Partnership as well as the role that business linkages can play to enhance productivity and competitiveness. A special mention was made to include SMEs in this process.

6. EU-MERCOSUR Association Agreement

Business calls for an ambitious and balanced Free Trade Agreement that contributes to economic growth and the well-being of our societies. Defensive considerations in the agricultural or other specific sectors should not be exaggerated and should especially not be allowed to derail EU MERCOSUR negotiations. BUSINESSEUROPE CNI and EUROCHAMBRES are currently promoting dialogue between sectors to develop joint understanding and support for the opportunities that this agreement will provide.

Since 1999, the MERCOSUR - European Union Business Forum (MEBF) has been formulating and disseminating specific recommendations on all relevant areas of negotiations. In this context, business representatives from both sides were able to overcome their differences to produce joint recommendations in areas as diverse as trade liberalization, nontariff barriers, special and differential treatment, services, investment, among several others.

The parties should take a pragmatic approach to find ways to achieve an ambitious result as soon as feasible, keeping all options on the table. In this sense, the Strategic Partnership shall continue to expand and deepen to enhance its business content.

7. Taxation

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The Brazil-EU Investment & Tax Council is the central focus of efforts to resolve the major difficulties in bilateral tax relationship. The establishment, in June 2010, of the EU-Brazil Investment & Tax Council reaches a goal set by the Brazilian and European business during the Third EU-Brazil Business Summit in Stockholm, September 2009.

The Council identified a number of barriers that negatively affect bilateral investment and, in particular, those directed to Brazil. Among them, are difficulties related to the Brazilian legislation on transfer pricing, the high tax burden on services and technology transfer, double taxation between Brazil and several European countries and the complexity of the tax environment in Brazil. This also hampers the internationalization of Brazilian companies. These factors increase the cost of investment in Brazil, restrict the transfer of technology to the country, and hamper the consolidation of Brazil as a regional hub.

Brazilian and European business believe the Brazil-EU Investment and Tax Council should be the main forum to concentrate the efforts of private and public sectors to improve the tax environment. Governments should take steps to remove barriers to trade and investment. The overall regulatory system on both sides creates problems for bilateral investment and trade.

Conclusion

BUSINESSEUROPE, CNI and EUROCHAMBRES reaffirm the commitment to the programs and goals of the EU-Brazil Strategic Partnership, an essential tool for the improvement and deepening of bilateral economic relations. Brazilian and European business are committed to maintaining growth and dynamic economic relations.

European and Brazilian business call on the political leaders to continue to move forward with integrating the two economic blocks to ensure sustained growth. Besides the EU Brazil Strategic Partnership, there should be a strong push to complete the EU-MERCOSUR Association Agreement with an ambitious free trade agreement. Focus on the topics discussed financial services, energy and climate change, investment opportunities, innovation and Taxation issues will ensure that the EU and Brazil economies will reinforce each other in decades to come.

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