6th EU-Brazil Business Summit
Joint Business Declaration
Brasilia, Brazil – 23 January 2013

The sixth EU-Brazil Business Summit took place in Brasilia, Brazil, on 23 January 2013. BUSINESSEUROPE, the National Confederation of Industry-Brazil (CNI) and EUROCHAMBRES put forward an agenda set to identifying the priorities in our bilateral economic cooperation in order to help maximize our potential economic growth as well as give new impetus to our Strategic Partnership so that it delivers concrete results for our businesses. Particular attention was given to innovation and competitiveness, and bilateral cooperation opportunities as growth drivers.

The economic performance of the EU and Brazil in 2012 was below expectations. Although the economic contexts are different, they are still complementary. Brazil has very low unemployment rates but needs to ensure the long term competitiveness of its enterprises, while unemployment in some of the EU's countries has reached the highest level in the last 20 years. EU´s future growth and competitiveness will heavily depend on its strategic partnerships with key trading partners such as Brazil.

In the coming years, investments in innovation and trade will be the engines of world economic growth. Furthermore, in Brazil, the huge investments projects in infrastructure and the incorporation of millions of new consumers each year, through economic growth and financial stability combined with poverty reduction, offer a comprehensive set of opportunities for business. In the EU efforts to develop and further expand the use of sustainable technologies as well as continued efforts to deepen the single market so as to unleash its full economic potential, can restore economic growth and new opportunities for all, thereby helping to put our economies back on track of continued and sustainable economic growth.

The EU-Brazil Strategic Partnership was launched in 2007. Since then, the bilateral dialogue has been intensified, some progress in cooperation in specific sectors has been achieved and the EU-Mercosur trade negotiations have been resumed. But much more is needed to boost bilateral economic relations. Concretely, business from both regions feels the need to underpin the strategic Partnership with concrete long term oriented business projects embedded in broad public private partnership involving key Brazilian and European business representatives.

Therefore, BUSINESSEUROPE, CNI and EUROCHAMBRES launched a joint working group to explore options to advance the bilateral trade and investment agenda. The joint working group will present a report at the next EU-Brazil Business Summit.

Last year, Brazilian exports to the EU decreased 7%, while EU exports to Brazil expanded by only 3.5%. Investment flows in both directions showed a negative trend last year: EU's investments in Brazil fell by 28%, while Brazilian investment in the EU decreased by 63%. Governments from both sides should work closely with businesses to restore confidence and ensure a business friendly environment for a new phase of bilateral trade and investments, spurring economic growth in our regions. It is also time to expand the bilateral economic relations through the diversification of the sectorial coverage and the incorporation of medium and small companies in our trade and investment activities.

Business priorities for the enhancement of bilateral cooperation are:

1. Cooperating in the multilateral/ international economic forums

The EU and Brazil should reinforce their cooperation in the G20. Working on the reduction of international macroeconomic imbalances and improving the coordination of macroeconomic policies should remain the top priority of the G20. Particular attention should be paid to countries deliberately devaluating their currency to gain an export advantage, negatively affecting trade and investments.

Both sides should also improve cooperation to strengthen the multilateral trading system and to define a new agenda for the WTO trade negotiations. Not only did protectionism increase through the traditional instruments – such as tariffs and import quotas –, countries also reacted to the economic crisis by adopting more behind the border trade barriers, which hamper trade and investments, endanger economic growth and must be resolutely rejected. Brazil and the EU have high stakes at the multilateral trade system and should work together to give new life to multilateral trade negotiations. This implies that leaders be open to assess thoroughly all options that produce swift and tangible results for the private sector. Concluding a trade facilitation agreement could be the first step to relaunching multilateral trade negotiations.

2. Enabling the appropriate environment for investment

The trends of expansion and diversification of foreign direct investment flows in both directions in the last years were interrupted by a poor performance in 2012. The share of the EU as a destination of Brazilian investments abroad fell from 53% in 2011 to 35% last year. At the same time, EU investors accounted for 48% of the total FDI in Brazil in 2012, dropping from 56% in 2011.

Private sector investments are the engine of growth. Our efforts must thus be geared towards creating a favorable investment climate in both Brazil and the EU in order to be able to return to the pre-crisis levels in FDI flows. For this to happen we need:

- Sound and stable macroeconomic policies;
- Predictability of rules and regulations;
- Removal of barriers to FDI on both sides;
- Improvement of tax regulation and reduction of the tax burden on investments;
- Enhanced support for the internationalization of business, particularly for SMEs.

The EU-Brazil Investment & Tax Council, established in 2010, held a meeting on May 2012 to assess and discuss three main priority topics: Brazilian regulation of transfer pricing, Brazilian tax system on services imports and bilateral agreements on double taxation. There is the recognition that the new rules on transfer prices in Brazil brought relevant improvements. However no progress was observed in the two other priority areas. Much effort remains necessary to bring together tax authorities and business representatives to find common grounds to formulate new proposals that reduce tax burden on the importation of services and to eliminate double taxation on investments.

3. Removing non-tariff barriers to trade

Trade allows for the incorporation of economies of scale and increases efficiency in the allocation of production resources. Although bilateral trade liberalization is being tackled in the framework of the EU-Mercosur Association Agreement, short term measures should be undertaken to remove non-tariff barriers that hinder bilateral trade flows.

Many of these measures are sector-specific. For this reason, bilateral dialogue across the specific economic sectors should be intensified through genuine public private partnerships involving key representatives from both sides. The task Force on Agrochemicals was created by CNI and BUSINESSEUROPE, lead by SINDAG in Brazil and ECPA in Europe, with the support of the Brazilian Business Affairs (BBA) office in Brussels, is a case in point.

In its first meeting the Task Force discussed issues such as the acceptance of Codex MRL and of residues, secondary standards, and illegal pesticides, among others. Such initiatives contribute to mutual better understanding of the main obstacles to trade in relevant sectors and to the identification of initiatives to facilitate trade. Based on a very positive experience so far, these initiatives should be implemented on a wider scale.

4. Developing technology and innovation partnerships

Innovation is a top priority in the current Brazilian industrial policy and the same goes for the EU where innovation lies at the heart of the Europe 2020 and Horizon 2020 Strategy for growth and jobs. In Brazil the government has been implementing several programs geared to stimulate private sector investment in innovation activities and to enhance the domestic research of new technologies. Innovation opportunities exist in many different sectors of the Brazilian economy, but they are particularly evident in some areas such as the bioeconomy, where there are already some relevant experiences being conducted by Brazilian scientists, the oil and gas sector, the aircraft industry and in the logistics and infrastructure areas. On the EU side the Innovation Union, being one of the 7 flagships initiatives of the Europe 2020 Strategy, has identified 30 action points to improve conditions and access to finance for research and innovation.

European companies are leaders in sustainable technology and production and this is a core element of Europe's competitiveness in the global market. European companies have expertise in sustainable technologies in areas such as extractive industries; energy intensive sectors, transportation equipment and in information services to improve energy efficiency, among others.

The development of partnerships that contribute to investments in innovation, sustainable technologies and to the leveraging of Brazilian efforts in R&D should be one of the top priorities of the Brazil-EU Strategic Partnership and should translate into concrete joint projects.

5. Concluding the EU-Mercosur Association Agreement

Since the resumption of biregional trade negotiations in 2010, little progress has been achieved. Trade is one of the main potential drivers for economic growth in the next years, particularly as it places no relevant burden on government budgets. The conclusion of a balanced and ambitious free trade agreement between the two blocks will significantly enhance trade and investment flows in both directions. CNI, BUSINESSEUROPE, and EUROCHAMBRES are engaged in supporting bilateral talks as well as promoting dialogue among business communities in order to overcome the main differences and to offer concrete suggestions to remove the main obstacles to the conclusion of the agreement. In this context, we should work closely together to reinvigorate the EU-MERCOSUR trade negotiations, as we cannot afford to lose momentum in times where unilateral trade preferences are being realigned and bilateral agreements with key trading partners in Latin America and beyond are being concluded.

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