



*National Confederation of Industry
Brazil*

CNI. THE STRENGTH OF THE BRAZILIAN INDUSTRY

National Confederation of Industry – Brazil

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**Written Statement of the
National Confederation of Industry – Brazil**

**To the United States House of Representatives Committee on Ways and
Means Subcommittee on Trade**

**Regarding the hearing on
“U.S.-Brazil Trade and Investment Relationship: Opportunities and
Challenges”**

Submitted by

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Introduction

The National Confederation of Industry (CNI) is the voice of industry in Brazil representing more than 700,000 companies of all sizes, sectors, and regions, more than 1,000 sectoral trade associations, and all 27 Brazilian state-level Federations of Industries.

CNI is also the home of the Brazil Section of the Brazil-U.S. Business Council, the oldest and largest U.S.-Brazil bilateral private sector organization dedicated to strengthening the economic and commercial relationship between the two countries.

The U.S. Section of the Council is under the administrative aegis of the U.S. Chamber of Commerce, CNI's counterpart in the United States.

The United States is a priority for the Brazilian industry

The United States is a key partner of Brazil and CNI. The organization's recently launched Strategic Map—a roadmap to boost Brazilian industry competitiveness over the next decade—identifies the U.S. market as a priority for the manufacturing sector in Brazil.

In this context, CNI believes that the U.S.-Brazil trade and investment relationship presents both short and long-term opportunities that should be seized by the U.S. Congress in its effort to deepen the bilateral partnership.

The need to address short-term issues

In the short-term, there are three issues of congressional jurisdiction on which Congress can act to deepen bilateral trade and investment by securing a successful outcome.

Generalized System of Preferences (GSP)

The U.S. GSP is due to expire on July 31, 2013. CNI urges Congress to renew the program with the maintenance of Brazil as a beneficiary country. The renewal and maintenance of GSP does not diminish the need for a more ambitious bilateral framework as well as the Brazilian industry interest in a trade agreement with the United States.

While GSP was originally conceived as a tool to help developing countries strengthen and diversify their economy through exports to the U.S. market, and



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while impoverished areas of Brazil still benefit from this original intent, the program also enhances the competitiveness of American industry. As a study by the U.S. Chamber of Commerce found, three-quarters of U.S. imports under GSP are raw materials, parts and components, or machinery and equipment used by U.S. manufacturers. GSP is also a powerful instrument to deepen corporate ties between the two countries, especially through intra-firm trade.

World Trade Organization (WTO) Cotton Case

Congress is currently debating the new Farm Bill, which is the proper legislative vehicle to settle the U.S.-Brazil WTO cotton dispute. CNI encourages Congress to pass a 2013 Farm Bill that brings the United States into compliance with its WTO obligations, thus removing the risk of WTO-authorized Brazilian trade retaliation against U.S. goods and intellectual property rights. In addition, CNI urges Congress to maintain the 2010 U.S.-Brazil temporary cotton agreement until the Farm Bill is passed, and to avoid the negative impact of the “sequester” on this agreement.

Visa-free Entry-facilitated Travel

Congress is currently considering options to promote business and leisure travel to the United States. CNI supports the approval of legislation to include Brazil in the U.S. Visa Waiver Program and secure Brazilian government reciprocity to U.S. citizens. In addition, CNI is urging launch of the U.S.-Brazil Global Entry Pilot this year, and in the short-term, to fully include Brazil in the U.S. Global Entry program. Visa-free entry-facilitated travel is a priority to the U.S.-Brazil business community.

Looking into the future

The advancement of these three short-term issues should be combined with a more ambitious bilateral agenda to promote trade and investment, as well as to secure a global partnership between the two largest democracies and economies in the Americas.

Bilateral Tax Treaty (BTT)

Recognizing the need for greater progress in improving U.S.-Brazil economic relations, in particular tax cooperation, the Brazilian National Congress approved on March 7, 2013, the pending 2007 U.S.-Brazil Tax Information Exchange Agreement (TIEA). Coupled with recent Brazilian update to its transfer pricing legislation and the ongoing bilateral discussions on Brazilian implementation of the U.S. Foreign



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Account Tax Compliance Act, the TIEA sets the stage for the launching of formal negotiations toward a BTT.

CNI strongly encourages the launching of BTT negotiations and requests Congress to publicly and formally state its support for such an agreement through approval of a resolution and through engagement with both the U.S. Department of the Treasury and the Brazilian National Congress.

Innovation

Innovation remains a promising opportunity to both countries, including through bilateral cooperation on intellectual property, and educational and scientific cooperation. The U.S. and Brazilian governments are considering the launching of a U.S.-Brazil Information Technology Partnership modeled on the successful project-based 2012 U.S.-Brazil Aviation Partnership.

In view of this development, CNI requests Congress to secure effective cooperation in this field through support and the provision of adequate resources.

Trade Facilitation

The United States and Brazil announced in 2012 a groundbreaking bilateral air cargo pilot project to secure reciprocal recognition of their respective Authorized Economic Operators. The so-called Green Lane will link Miami International Airport to Brazilian Viracopos International Airport, thus creating a fast-track route for air cargo trade deepening U.S. and Brazilian companies' competitive integration to global value chains while complying with the highest security standards.

In order to implement the Green Lane, CNI urges Congress to consider options to fund this Brazilian Federal Revenue Authority and U.S. Customs and Border Protection-led project.

WTO Doha Round

As the United States executes an ambitious trade agenda, CNI encourages the U.S. and Brazilian governments to strengthen their joint efforts and demonstrate leadership securing a package of deliverables during the WTO 9th Ministerial Conference in Bali, in December. The package should include substantial commitments on trade facilitation and agriculture.



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Trade Agreement

As Congress prepares to discuss an omnibus trade bill during the second half of 2013, CNI believes that time has come for the United States and Brazil to explore the option of a trade agreement. In this context, the U.S. and Brazilian governments could use the 2011 U.S.-Brazil Agreement on Trade and Economic Cooperation as a basis to study the challenges and opportunities of such an agreement in an effort similar to that preceding the launching of the Transatlantic Trade and Investment Partnership negotiations with the European Union.

CNI also believes that the U.S. and Brazilian governments could explore options to negotiate theme-specific trade and investment-related agreements in parallel to the study of a broader trade agreement. These agreements could include WTO-plus provisions on areas of mutual interest such as technical barriers to trade and sanitary and phytosanitary measures.

Unilateral Economic Sanctions

Since its inception, the U.S.-Brazil trade and investment relationship has been based on the principles of mutual respect, trust, and adherence to international rules. In this context, CNI strongly opposes unilateral economic sanctions—i.e., not authorized by either the WTO or the United Nations Security Council—that target Brazilian companies investing in or exporting to the United States, and urges Congress to refrain from such action. CNI also opposes similar measures in Brazil.

Seizing the opportunity

The scheduled State Visit of Brazilian President Dilma Rousseff to the United States on October 23, 2013, is a historic landmark in U.S.-Brazil relations reaffirming both nations' commitment to its strengthening.

CNI urges Congress to seize the opportunity presented by this visit by hosting Brazilian President Rousseff to discuss issues of congressional jurisdiction as well as other initiatives, including efforts to foster parliamentary diplomacy between the two countries.

Conclusion

CNI remains committed to a comprehensive U.S.-Brazil partnership that boosts growth, creates jobs, and promotes innovation in both countries through deeper trade and investment ties.