

**Statement for the Record
Submitted by
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**House Ways and Means Trade Subcommittee
Hearing on U.S.-Brazil Trade and Investment Relationship: Opportunities and Challenges
Wednesday, June 12, 2013**

Thank you for the opportunity to offer this statement on the important issue of trade and investment relations between the United States and Brazil. I would also like to thank the Chairman and other members of the Subcommittee for taking the time to visit Brazil recently to gather firsthand information and insights about this key hemispheric partner for the United States.

The Father of Brazilian Diplomacy, the Baron of Rio Branco, who served as Brazil's Foreign Minister at the beginning of the 20th century, spoke often of the strategic importance and economic potential of the Western Hemisphere, which, he said, should be anchored by two great powers: the United States in the North and Brazil in the South. In this century, the increasingly dynamic relationship between our two countries is a testament to the foresight of that Brazilian statesman.

Mr. Chairman, Members of the Subcommittee: My own experience with Brazil began in 1984, when I was a U.S. Foreign Service officer assigned to the Consulate General in Sao Paulo. Brazil was then in the last of nearly 21 years of military rule, and the strong democratic vocation of the Brazilian people was evident, as they took to the streets in peaceful demonstrations to demand a return to democracy. During my three years in Sao Paulo, I witnessed the restoration of civilian government, but also shared the experience of serious economic dislocation. Annual inflation was near 250%, and the country struggled through a series of economic plans and new currencies intended to assert stability.

I left my first posting in Brazil in 1987, but was honored to return to the country in 2002, as U.S. Ambassador. I had not traveled to Brazil at all in the interim, and as I said frequently upon my return, I had come back to Brazil, but not to the same country. Democratic freedoms had been consolidated; a vibrant civil society had emerged. And while the country's economic achievements were many, perhaps most visibly, inflation had been reduced to a single digit.

Brazil had also opened its economy to the world, not fully, as we know, but in meaningful and sustainable ways. Tariffs were reduced, foreign direct investment encouraged, and sectors previously closed to outsiders, such as information technology, welcomed new stimuli from abroad.

During my time as Ambassador, I was privileged to witness the transition between two presidents, both of whom had fought actively for democracy and both of whom laid the foundation for Brazil's current economic progress: Presidents Fernando Henrique Cardoso and Luis Inacio Lula da Silva. I was also pleased to participate and contribute to the broadening and deepening of U.S.-Brazil relations.

An important part of my portfolio, and one I greatly relished, was promoting free trade between Brazil and the United States and U.S.-Brazilian partnership in discussions of a Free Trade Area of the Americas.

While those government-to-government negotiations on regional free trade did not prosper, they did have important collateral benefits, such as strengthening ties among private sector leaders in the hemisphere, including between leading industries and business organizations in Brazil and the United States.

Trade talks among governments are -- understandably, perhaps, but still too often -- colored by other aspects of official relationships. When business people talk to other business people, they talk business. As the private sectors refined their roles as advisors to their governments on trade issues, they also identified new elements of their own common agenda. As then a target of their advocacy, I developed a new appreciation for how the private sector could contribute to state-to-state relations.

This is the perspective I bring to my current position as President of Boeing Brazil. In 2012, Boeing marked the 80th anniversary of doing business in Brazil, from the day we sold our first airplanes, 14 F-4B's, to the Government of Brazil in 1932. Boeing made its first commercial sale to Brazil's then flag carrier, Varig, in 1960, and today we are proud to list two Brazilian airlines, GOL and TAM, among our customers. Indeed, GOL flies the fifth largest fleet of Boeing 737's in the world.

Boeing today has offices in both Sao Paulo and Brasilia, and later this year, we will open the new site of our Research and Technology Center, Boeing's sixth such center outside the United States, in the technology park of Sao Jose dos Campos, in the state of Sao Paulo. As you will know, Sao Jose dos Campos is the heart of Brazil's aerospace industry and the home of aircraft manufacturer Embraer.

Boeing's collaboration with Embraer is a concrete example of that private sector initiative I saw from the Embassy vantage point. First, of course, we are business partners in both the defense sector and commercial aviation. In the past year, Boeing and Embraer have announced three important collaborations, including one in the area of runway safety.

Aerospace has long been a leading sector in U.S.-Brazil trade. In 2012, U.S. companies exported over \$6 billion of aerospace products and parts to Brazil, up from less than \$2 billion when I served as Ambassador. Still, even in 2002, the largest U.S. export to Brazil was airplane parts, and the largest Brazilian export to the United States was airplanes.

But beyond our commercial activities, Boeing and Embraer are business leaders in implementing the U.S.-Brazil Aviation Partnership, an agreement signed by Secretary of State Hillary Clinton and Brazilian Foreign Minister Antonio Patriota during President Rousseff's 2012 visit to Washington. The governments have established the framework, but the private sector makes the agreement real and relevant through specific initiatives in such areas as airport certification and air traffic management.

Boeing and Embraer are also partners in research. Just two days ago, our companies, along with public sector partner, FAPESP -- the Research Foundation of the State of Sao Paulo -- presented publicly the roadmap for establishment of a sustainable industry for aviation biofuel. The experience behind and vision for the aviation biofuel industry in both Brazil and the United States are an unbeatable combination in promoting cleaner, more efficient commercial aviation.

This brief discussion of Boeing's activities with Embraer demonstrates what we think is the best way for U.S. companies to operate in Brazil: by collaborating with Brazilian partners on projects that benefit both companies, both countries – and the world.

At the same time, our collaboration with Embraer is just one of several partnerships Boeing is developing in Brazil. We are also working with universities, including the University of Sao Paulo and the Federal University of Minas Gerais, on research in visual analytics and advanced and bio-materials for the aerospace sector. With the Brazilian Space Research Institute (INPE), we are exploring potential new benefits from remote sensing, and we have initiatives in flight sciences with the Department of Aerospace Science & Technology (DCTA) of the Brazilian Air Force, which is responsible for the country's air traffic control.

It is well known that Boeing also hopes to contribute to the U.S.-Brazil defense partnership. Boeing is one of three finalists, the only U.S. company, in the competition to sell advanced fighter aircraft to the Brazilian Air Force. We are convinced that our offer, the F-18 Super Hornet, is the best product at the best price, and that it meets Brazil's needs to project the defense power appropriate to the world's sixth largest economy. Eighty years after selling F-4B's to Brazil, Boeing would be proud to reaffirm and renew our defense cooperation with the F-18.

Boeing is also making an investment in Brazil's future – and our own – by sponsoring the Rousseff administration's Science without Borders (known in the U.S. as the Brazilian Scientific Mobility) program. This summer, Boeing will host 32 Brazilian Scientific Mobility students, all aerospace or aeronautical engineering majors, for a work-study program designed to familiarize them with the practical skills needed for careers in aerospace.

The United States and Brazil share a need to promote interest and education in all the STEM subjects – Science, Technology, Engineering and Math – to ensure our future work forces are prepared to compete in the 21st century economy. Increasingly, like science, talent also has no borders, and Boeing is in the vanguard of preparing and attracting global talent.

Clearly, from the Boeing perspective, there is much that is positive to say about the trade and investment relationship with Brazil. There are also areas where more can be done on both sides – and with support from the private sectors of both countries – to move the relationship closer to reaching its full potential. Fortunately, both Brazil and the United States are taking important steps to deal with some of the chronic issues that have been obstacles to progress.

In Brazil the government is beginning to address the serious concerns of inadequate infrastructure, which makes doing business difficult for Brazilian and U.S. business alike. A new law to deal with congestion in the seaports and new programs for rail and highway construction – which will cut transport times and costs and will offer opportunities for U.S. firms interested in investing in Brazil – will help companies' Brazil operations to become globally competitive beyond the factory gate.

In an area of particular interest to Boeing and our airline customers, Brazil also has identified 65 airports for privatization. This granting of airport operating concessions to domestic and international interests

will make possible the modernization and expansion of the country's airports to accommodate the travel aspirations of the 40 million Brazilians who have recently joined the middle class and growing tourism between our countries.

At the same time, one issue illustrates how bottlenecks in the Brazilian bureaucracy keep the country from taking full advantage of decisions made by its leadership. Since 2008, Boeing and three airline partners have tried to obtain approval for our largest civilian cargo and passenger aircraft, the 747-800, to operate at Brazil's airports. Brazilian importers and exporters would both benefit from operations by this airplane, particularly as the country prepares to host the 2014 World Cup and 2016 Olympics. Yet, despite literally hundreds of meetings with Brazil's aviation regulatory agency, its airports operator, and the Secretariat of Civil Aviation, the 747-8, which currently is approved to operate at 372 airports around the world, cannot fly to even one destination in Brazil. Boeing, our customers and the Brazilian economy are all paying the price for lack of action.

Steps to boost the relationship are also important from the U.S. side. Last year's recession of the 56 cent per gallon tariff on Brazilian ethanol, for example, will facilitate greater cooperation in energy, just as shale gas makes the United States a more important energy producer and as Brazil begins to develop its ultra deep offshore oil deposits in the pre-salt areas. Creating a hemispheric energy partnership, with the United States and Brazil in the lead, is one of the most promising ways in which our bilateral cooperation can benefit the entire region.

Leadership from the United States and Brazil can also advance global free trade. Two thousand thirteen is a critical year for the World Trade Organization's Doha Development Agenda, as countries strive to make progress before the December 3-6 Ministerial Conference in Bali. A review of WTO history will make clear the important roles, both positive and negative, which Brazil and the U.S. have played in the 12 years since these negotiations began.

While much has changed in the world economy during that time, the private sector's need for a clear, consistent and contemporary global trade regime has remained constant. All our governments have a responsibility to provide that framework, and the United States and Brazil bring particular expertise, credibility and influence to this debate. Cooperation between Brazil and the U.S. is essential for success.

Mr. Chairman, Members of the Subcommittee: The rich history of U.S.-Brazil political, economic and commercial relations provides a solid foundation for our countries to ensure we take advantage of and create new opportunities for the good of our societies.

In 2012, I served as a member of the Council on Foreign Relations Task Force on Brazil. In our report, entitled Global Brazil and U.S. - Brazil Relations, we noted the need for a more mature partnership with Brazil. A strong trade and investment relationship between the United States and Brazil is clearly an essential element of that partnership. Boeing is proud to advance those relations in new, expanding, and exciting ways, and we thank the Subcommittee for the opportunity to discuss our activities and present our views.

Thank you.