

**Written Statement the American Chamber of Commerce
in Brazil (Amcham-Brazil)**

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

**House Ways and Means Subcommittee on Trade
June 12, 2013**

THE AMCHAM-BRAZIL

Overview

The American Chamber of Commerce for Brazil, founded in 1919, is a not-for-profit organization that represents approximately 5,000 companies in the country. Ranked as the biggest American Chamber among the 115 in the world, it is also the largest bi-national association in Latin America. Over more than 90 years of existence, Amcham-Brazil has helped improve the business environment in Brazil and in the United States, contributing to enhance bilateral relations by promoting trade, investments and corporate citizenship through democracy, sustainability, intellectual property, entrepreneurship and innovation, as well as competitiveness.

Mission

The main purpose of Amcham-Brazil is to support the development of the business environment both in Brazil and in the United States, working to support democracy, free initiative, intellectual property, entrepreneurship, innovation, and the improvement and strengthening of institutions. Furthermore, Amcham-Brazil works to increase competitiveness in Brazil and to strengthen the US-Brazil bilateral relations.

Membership

Amcham-Brazil represents the interests of companies of several industry sectors, sizes and nationalities. There are approximately 5,000 member companies, from more than 40 nationalities, composing 72 of the 100 most valuable brands in the world.

National scope

Amcham-Brazil has 13 regional branches – Recife (PE), Salvador (BA), Brasília (DF), Goiânia (GO), Uberlândia (MG), Belo Horizonte (MG), Ribeirão Preto (SP), Campinas (SP), São Paulo (SP), Curitiba (PR), Porto Alegre (RS), Campo Grande (MS), Joinville (SC) – in 9 different states.

Task Forces and Committees

In 2012, Amcham-Brazil hosted 150 committees with 2,045 speakers (CEO/director-level business leaders and governmental/diplomatic authorities from Brazil and the U.S.) to a total audience of 90,000 executive officers. The committees have a vast variety of themes, that fall under nine general programs: Brazil Competitiveness, Legislative and Juridical Impacts, Innovation, Sustainability, Energy, Business Management, Business in Growth, Brazil Development and Other Markets, US-Brazil Bilateral Agenda.

Scientific Mobility Program

Brazil Scientific Mobility Program is an initiative led by the Brazilian government that aims to promote the consolidation and expansion of science and technology, innovation, and competitiveness, through international mobility and the allocation of 101,000 exchange students in the best universities around the world. In order to support this program, Amcham-Brazil created collaborative forums to facilitate the cooperation between the public and private sectors, in order to foster summer internships for the students. There has been 581 interns in U.S. companies since the start of the program, with 178 U.S. companies involved, and 150 U.S. universities with R&D internships.

AMCHAM-BRAZIL POLICY RECOMMENDATIONS

The American Chamber of Commerce for Brazil, aims to strengthen the relationship between Brazil and the United States, advocating for values such as free trade, educational cooperation, innovation, intellectual property and economic development. Amcham-Brazil is recognized for its role in facilitating the cooperation between the public and private sectors both in Brazil and in the United States.

- EDUCATION

Brazil Scientific Mobility Program (Science Without Borders)

The Scientific Mobility Program is an initiative by the Brazilian government that aims to provide 101,000 scholarships for Brazilians to study in the fields of Science, Technology, Engineering and Mathematics in the best universities around the world.

A key partner to this program, Amcham-Brazil created collaborative forums to facilitate the cooperation between the public and private sectors in order to foster summer internships for the students. In 2012, Amcham-Brazil signed a formal agreement with CNPq and CAPES (both managing agencies of the program) that solidified Amcham-Brazil's key role in engaging with the private sector, and since then there have been five Task Forces at

Amcham in São Paulo that mobilized more than 60 companies to offer internship opportunities for the students. As of April 2013, there had been 581 interns from the BSMP in the U.S., with 178 U.S. companies involved, and 150 U.S. universities providing R&D internships.

- TAXATION

Bilateral Tax Treaty (BTT)

We call on both countries to initiate negotiations toward a U.S.-Brazil Bilateral Tax Treaty. There has been significant progress in U.S.-Brazil tax cooperation, specifically due to: [1] the approval of Tax Information Exchange Agreement (TIEA) by the Brazilian Federal Senate, [2] the updates in the Brazilian transfer pricing legislation and [3] the pending Brazilian implementation agreement of the Foreign Account Tax Compliance Act (FATCA). We ask support for the Amcham-Brazil BTT proposal that has been positively assessed by several members of both governments.

- TRADE

Trade and Economic Cooperation (ATEC)

We also ask both countries to work on the Agreement on Trade and Economic Cooperation (ATEC) to further advance trade liberalization especially in the areas of procurement and localized barriers to trade. An ambitious work plan with set objectives should be set.

Free Trade Agreements (FTA)

Considering the momentum regarding tax agreements and trade relations, we encourage the US Government to resume conversation regarding a Free Trade Agreement (FTA) with the Brazilian Government. The Amcham-Brazil contributes to this dialogue by developing the rationale for the Brazilian government to work towards this goal.

- TRAVEL FACILITATION

Visa Waiver (VWP) and Global Entry

We urge the US Government to include Brazil in the Visa Waiver Program (VWP) and work together with the Brazilian government to launch U.S.-Brazil Global Entry Pilot Program.

- TRADE FACILITATION

Authorized Economic Operator

We also support the implementation of the Authorized Economic Operator (AEO) program, and request that the U.S. authorities support Brazil's Receita Federal in its implementation.

We also urge you to support its pilot project, “Green Lane” the air cargo pilot program between Miami International Airport and Viracopos Airport.

- INFRASTRUCTURE

Infrastructure Investments

We also urge the United States Government to support and facilitate American infrastructure investments in Brazil. This unique moment offers massive opportunities for both Brazil and the United States.

- INTELLECTUAL PROPERTY

Patent Prosecution Highway Agreement

We urge you to formally support the U.S.-Brazil Patent Prosecution Highway Agreement, leveraging fast track patent examination procedures in both countries.

U.S.-BRAZIL BILATERAL RELATIONS

U.S.-Brazil relations now stand at an unprecedented level of convergence, dialogue and cooperation. Brazil is the United States’ second major trading partner in the region after Mexico (two-way trade is around US\$ 60 billion). It has consistently been one of the main destinations for U.S. FDI among developing countries. The U.S. direct investment in Brazil is superior to the other BRICs, representing 1.71% of the total stock of U.S. FDI flow, versus 1.31% in China, 0.59% in India, 0.23% in Russia.

There has been increased cooperation in various sectors and a remarkable increase in commercial relations between the countries. Since President Obama’s visit to Brazil in 2011, 20 cooperation agreements and 8 bilateral dialogues were signed between the countries in areas such as aviation, commerce, technology, education and travel, fostering a healthy political and economic relationship.

DIPLOMATIC RELATIONS

Brazil and the U.S. share a vast commonality of values and goals: democracy, human rights, open market economies, environmental sustainability, non-proliferation, multilateral cooperation, the repudiation of fundamentalism, violence and terrorism. Unlike the other BRICs, Brazil lives in total peace with its neighbors and is a highly homogeneous culture. It is a very successful melting pot with only one language spoken by almost 200 million people

and no ethnic or religious tensions whatsoever. The current challenges in decisive issues such as the economy, world finance, climate change, security and energy tend to bring Brazil and the U.S. ever closer together. The sound and diverse basis which currently exist allow for a new leap forward in bilateral relations.

Relations between both countries have consistently become stronger during the last few years. In 2011, U.S. President Barack Obama visited Brazil. President Dilma Rousseff went to the U.S. in 2012 and will be returning for an official visit in October 2013: clear indications of the political and commercial importance of this relationship. The last State visit from a Brazilian President was 18 years ago, led by President Fernando Henrique Cardoso. Such encounters determine the tone of the dialogue between both countries, improving diplomatic ties which allow the discussion on a double-taxation treaty, trade agreements and other issues of cooperation to be rekindled.

TRADE

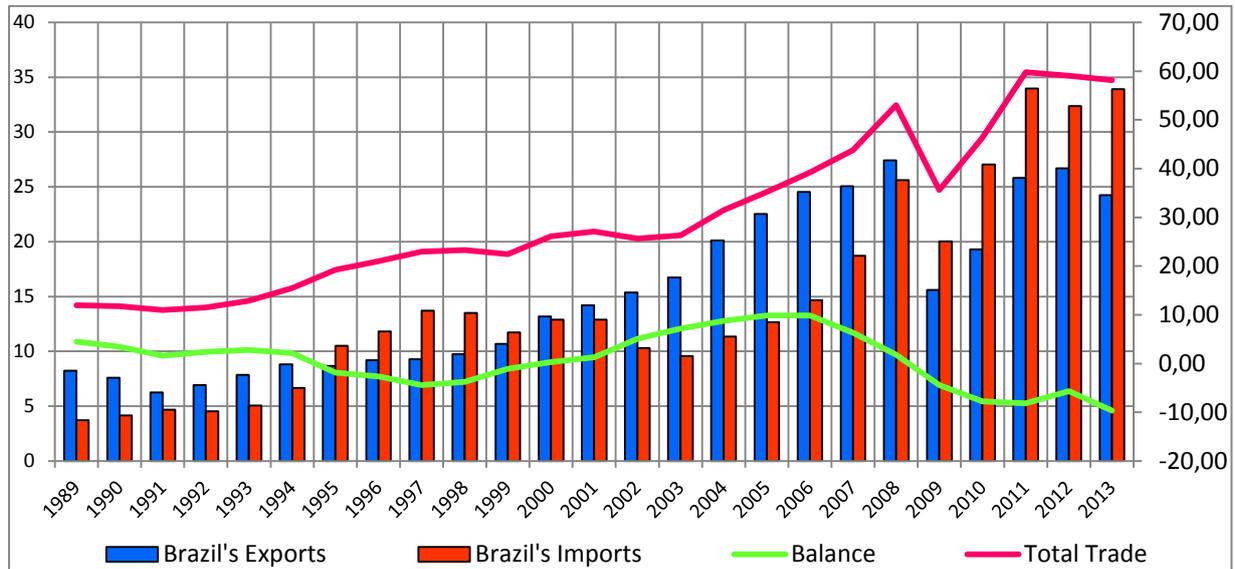
Since the beginning of the 21st century, the US-Brazil trade grew 120%, reaching around US\$ 60 billion in 2013. During this period, it has been marked by several characteristics:

[1] The volume of trade between United States and Brazil grew exponentially, with increasing surplus for the US in the trade balance;

Brazil diversified its economic relations, and consequently, exported less to the United States. Nonetheless, the volume of trade between the countries is still high since Brazil increased its imports from the U.S. – mostly products such as fuel oils, engines and turbines for aviation, coal, medicine and instruments for measuring and machinery.

Trade Between Brazil and United States

(in US\$ billions)



Source: Secex. (*) 2013, accumulated in 12 months until May.

[2] The United States lost its place as Brazil's main economic partner, but remains as an essential partner for the Brazilian economy;

Although it lost its status as Brazil's main economic partner to China, the United States still remains as a key partner for Brazil. In the beginning of 2013, China represented 16.5% of the total Brazilian trade, while the U.S. came second with a steady 12.4%. It is important to note the difference between Brazil's relationship with the U.S. and with China. Trade flows with its American partner involves a wide array of products, while trade with China is composed essentially exporting commodities (77% of exports are iron ore, soybeans, and crude oil) and importing consumer goods.

[3] There have been several successful resolutions of trade issues between the countries;

There have been significant advances regarding trade issues between Brazil and the United States in the last three (3) years.

- Framework Agreement – established the next steps to reach a final solution of the Cotton Dispute and avoided a WTO-approved retaliation from the Brazilian government;
- Elimination of U.S. tariffs to import Brazilian ethanol;
- Resolution of the orange juice dispute – U.S. antidumping of Brazilian orange juice was considered illegal by WTO and a mutual agreement was reached;

- Brazilian pork to U.S. – pork from the state of Santa Catarina was recognized as free from foot and mouth disease;
- Recognition of Cachaça & Tennessee Whisky – cachaça was recognized as an exclusive Brazilian product, and the Tennessee Whisky as an exclusive U.S. product;

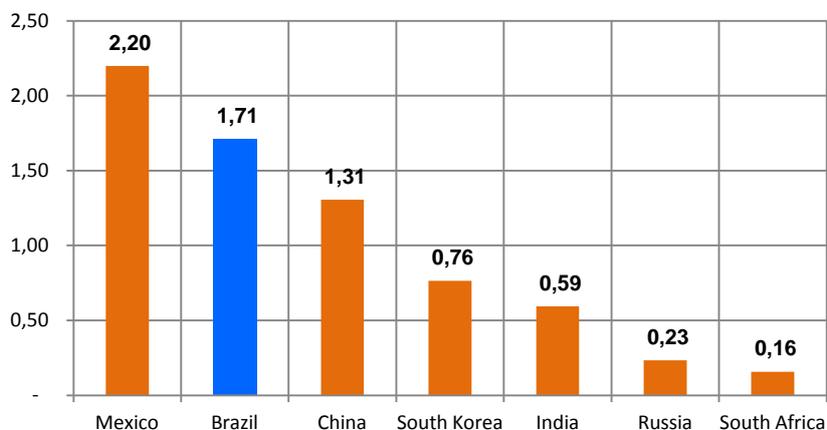
INVESTMENTS

Considering the current economic scenario, Brazil and the United States face a unique opportunity to work together in establishing a path to boost both economies. Brazil is in dire need of infrastructure developments that may be addressed by U.S. companies through investments and benchmark.

[1] In terms of total stock of U.S. FDI, Brazil ranks first in the BRICs – China, India, Russia, South Africa – and stays ahead of most developing nations.

U.S. FDI - Countries - in % of total stock (2011)

Stock in 2011 = US\$ 4,16 trillion



Source: US Bureau of Economic Analysis

As the largest democracy in Latin America, Brazil offers vast opportunities for investments. There has been an unprecedented growth in U.S. Foreign Direct Investments (FDI) flows to Brazil in the last decade. While U.S. inflows to Brazil in 2007 were US\$ 5.6 billion, they reached US\$ 10.3 billion in 2011, decreasing to US\$ 7.9 billion in 2012. In counterpart, Brazilian FDI in the United States accounted for US\$ 492 million in 2007, peaking at US\$ 3.7 billion in 2011 but suffering a significant reduction (US\$ -598 million) in 2012. Despite the disappointing flow in 2012 due to economic instabilities in both countries, the percentage of investment flows are greater than prior to the crisis in 2009.

Nonetheless, US investments in Brazil have room for growth:

- Brazil's participation in the global GDP is 3.5%, which proportionally would mean an ideal 20% increase in US investments (US\$ 12 billion/yr).
- Discounting the US GDP's participation in the global GDP, Brazil represents 4.5% of this total. If it were proportional to Brazil's participation in the global GDP, US investments in Brazil should be of US\$17.9 billion (80% greater).

Foreign Direct Investment (millions of dollars)				
Year	US to Brazil		Brazil to US	
	US\$ mi	% of total	US\$ mi	% of total
2007	5.585	1,42	492	0,23
2008	3.825	1,24	278	0,09
2009	3.500	1,22	-1.539	-1,07
2010	9.643	3,47	2.718	1,37
2011	10.260	2,65	3.704	1,66
2012	7.942	2,16	-598	-0,37
2013	1.919	2,05	234	1,01

Source: US Bureau of Economic
Analysis

The strength of investment flows between the countries, demonstrate the solidity of this relationship and the opportunities that remain to be explored. As the Brazilian market matures, transnational companies develop and increase their investments abroad. Companies such as Petrobras, Vale, Votorantim, Gerdau, Odebrecht have expanded to the United States, establishing industrial facilities and creating jobs. In 2011, several Brazilian companies announced important investments in the United States. Among them are Braskem (US\$ 4 billion – expanding 3 of their US facilities), Santana Textiles (opening new facility, creating 800 jobs until its completion), and Gerdau (US\$ 347 million). In 2011, U.S. subsidiaries of Brazilian-owned firms employed 39,000 U.S. workers.