



THE 1st EU-BRAZIL

LISBON, 4 July | Business Summit 2007

1st EU-Brazil Business Summit Lisbon July 4th 2007

Joint Declaration of Brazilian and European Business

Summary

- EU and Brazilian businesses are proud to participate in the **first EU-Brazil Business Summit** on the occasion of the first summit of EU and Brazilian government leaders. Companies further make the following recommendations for the Strategic Partnership:
- **The Doha Round:** The EU and Brazil should use their collective weight in the WTO to bring the Round to an ambitious conclusion by end-2007.
- **EU-Brazil Strategic Partnership:** The Partnership is a good platform for dialogue. It should enhance EU-Mercosur relations and contribute to the successful conclusion of the stalled free trade agreement negotiations.
- **Investment, Infrastructure, PPPs:** Companies fully support policies to increase investment in infrastructure. The involvement of the private sector through public-private partnerships and public concessions will increase the impact and efficiency of these investments.
- **Competitiveness and Innovation:** The EU and Brazil must implement policies to promote competitiveness and innovation in order to drive the core goals of growth and jobs.
- **Energy and Climate:** Brazil and the EU should work together to promote a multilateral framework for tackling climate change. There is also a need to promote standards and open markets for biofuels and for the raw materials used in their manufacture.

Introduction

The AIP, BUSINESSEUROPE, CIP and the CNI are united in their appreciation of the importance of the economic relationship between the European Union and Brazil. The organisations are therefore very proud to come together for the first time at the EU-Brazil Business Summit in Lisbon under the auspices of the Portuguese Presidency of the EU. The discussions between leaders of our major companies in Brazil this morning have identified a number of areas of common interest which we call on our respective governments to place at the centre of the new EU-Brazil Strategic Partnership.



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This partnership is also an opportunity to consolidate the ongoing cooperation activities and define priorities in the areas of common interests. For this agenda to generate the expected results, it is important that it be treated as a relevant and integrated project in which initiatives are put forward under general coordination at the highest political and institutional level. In view of the importance of this agenda for the business sector, we recommend creating a public mechanism for monitoring the implementation of the agenda. It shall be incumbent on this mechanism to define the goals and deadlines, as well as to attribute responsibilities.

The Doha Development Agenda

The Doha Round of multilateral trade negotiations represents an opportunity to deliver a huge boost to economic growth and development in Europe and Brazil. Reaching an ambitious conclusion to the Round is the number one international priority of companies on both sides. Companies are therefore very disappointed by the setback of the negotiations between Brazil, the EU, the US and India as convergence between these major players would have made the prospects for an overall agreement much more likely. Nonetheless business believes that negotiations between the full WTO membership in Geneva has to deliver ambitious results by the end of 2007.

Recommendation: The European Union and Brazil are among the most influential WTO members. Business calls on them to use their weight to put the Doha Round on course for an ambitious conclusion by the end of the year.

Companies in Brazil and in Europe believe that a successful Doha Round agreement must provide companies in Europe and Brazil with real opportunities to expand their businesses internationally. This implies that the agreement should deliver real market access in agriculture, industry and services by all WTO members, recognising the development objectives of the Doha Round. The binding at the WTO of current practice in terms of openness to external competition is welcome but insufficient. The Doha Round should also remove all trade distorting subsidies to agriculture to create a level playing field, and introduce disciplines on all forms of export support tackle the high tariffs that are the norm in this sector. A binding agreement on trade facilitation is also vital to ensure more transparent and expedited customs procedures around the world, saving companies considerable amounts of money and increasing the predictability of shipping times.

Recommendation: Business calls on Brazil and the European Union to ensure that the content of the final Doha agreement is balanced, fair, addresses companies' needs and promote the development of all nations through free trade..



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EU-Brazil Strategic Partnership: impact on Mercosur and on EU-Mercosur relations

Brazilian and European companies believe that the creation of a strategic partnership between the two countries will lead to a necessary reinforcement of EU-Brazil relations. It is natural that the European Union and Brazil should maintain a permanent dialogue. From a business perspective, this intensified bilateral dialogue should cover a broad range of economic issues that are not currently dealt with in the bi-regional negotiations, such as regulatory cooperation, where appropriate. With the gradual reduction of direct trade barriers at the border in the form of tariffs and quotas, the barriers caused by different approaches to regulating markets and products will become increasingly important. Companies believe that Brazil and the EU should seek greater coherence and even convergence of approaches to current, but also future regulation to allow our economies to become ever more intertwined. The bilateral strategic partnership is also an opportunity to compare best practices in specific areas. This could include discussion on macroeconomic policies, approaches to competitiveness or infrastructure development (see below).

Recommendation: The EU and Brazil should use the strategic dialogue to intensify their political relations and discuss important economic questions such as regulatory cooperation, competitiveness and infrastructure development.

Business believes that the new partnership has strong potential to have a positive impact on the Mercosur bloc and relations between the European Union and Mercosur as a whole. The negotiations between the two blocs have been effectively stalled for more than two years and it is now time for new approaches to unblock the current impasse and bring the process to a successful conclusion. A successful EU-Mercosur negotiation must ambitiously address all aspects of the talks, particularly the core areas of industrial goods, services and agriculture.

Recommendation: Brazil and the EU must both now make genuine efforts to finally deliver results for companies in the EU Mercosur negotiations.

The Strategic Partnership could help to identify trade facilitation measures and make efforts to their implementation in Brazil-Mercosur and in the EU.

Recommendation: Brazil and the EU could identify trade facilitation measures that would be feasible to implement in a short run and that could bring effective increase in the bi-regional business.



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Investment, Infrastructures and Public-Private Partnerships

The improvement of infrastructure – for transport, communication and utilities – is crucial to economic growth and development. An increase in public investment in infrastructure is identified as a central plank of the Brazilian government's *Programa de Aceleração de Crescimento* (PAC) and the European Union's Growth and Jobs Strategy. Companies strongly welcome this focus and the new investment that it brings. They note however, that public investment can have a greater impact – in terms of multiplying the quantity of funds available and bringing greater coordination and economic rigour to project management – if it brings in the private sector.

Recommendation: It is essential that public-private partnerships and public concessions play a substantial role in the implementation of the PAC and the Growth & Jobs Strategy.

Experience has shown that PPPs have a number of positive qualities: improvement of productivity, sound economic approaches to new investments, focus on long-term performance; better quality services; transparency; contractual guarantees not provide by public commitments to infrastructure provision. Above all, where the private sector is involved in operation, private funding can be attracted. It takes top-level commitment and great skill from the public and private sectors to handle PPPs well. Their success also depends on a clear and stable legal framework.

Recommendation: Governments should attract companies to participate in public-private partnership and public concessions for the creation and management of all sorts of infrastructures. In this sense the European experience in the regulatory and public policy fields could be of great value to Brazil in the scope of strategic partnership.

Competitiveness and Innovation

Creating jobs and fostering economic growth should be the core goals of governments. Policies to drive competitiveness and foster innovation are essential tools to this end. The European Union's Lisbon Agenda for Growth & Jobs contains a broad range of policy measures designed to improve Europe's competitiveness. The Brazilian PAC is also competitiveness focused. Core elements of any competitiveness policy must include sustainable public finances, policies to reduce administrative burdens on companies, labour market flexibility and world class education systems.

Innovation is also a core element of an economy's competitiveness. The ability of a society to generate new ideas and translate these into products, services or business processes is a key determinant of its ability to compete over the long term. Ensuring innovation requires the public funding of research & development and the development of links between the private sector and research bodies to ensure the commercialisation



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of research. Innovation also requires a stable legal environment, including a robust system for the protection of intellectual property rights.

Recommendation: Businesses from Brazil and the European Union wish to see greater commitment from governments to their programmes to enhance competitiveness and innovation. The Strategic Partnership provides an opportunity to for the exchange of best practices in these areas with a view to strengthening links between research and development activities and their commercial applications.

A partnership between research & development institutes in Europe and in Brazil should be a strong objective of both sides, providing joint projects, exchange of researchers, and financing to innovation promoting business involvement. European programs of innovation should, in the future, provide a budget for cooperation with strategic partners like Brazil.

Recommendations: EU and Brazil should select a few areas to initiate a strategic partnership between Institutions of R&D and Innovations, involving business.

Energy and Climate Change

The debates surrounding energy, climate change and competitiveness have significantly intensified in 2007 and look set to be an increasingly important international issue in the years to come. Companies wish to play a constructive role in finding solutions to the climate change question and are committed to working with their governments to this end. Any efforts to tackle the problem must be coordinated internationally if they are to be successful and avoid distorting markets.

Recommendation: Business therefore recommends that the EU and Brazil work together to press for the conclusion of a multilateral framework to deal with climate change.

A significant part of the EU's plans for tackling climate change is a legally binding requirement that 10% of all fuel for transport will come from biofuels. Brazil is a world leader in the production of biofuels and is rapidly increasing its production levels. Companies believe that biofuels have major potential to tackle climate change and to create increased trade and economic growth. As the industry is relatively new, however, standards must now be developed to ensure compatibility between fuels and the product that use them. For maximum efficiency, these standards should be developed internationally, in a coordinated manner.

Recommendation: Brazil and the European Union should work together and with other major partners to establish standards for biofuels that allow for the efficient international trade of biofuels.



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Recommendation: Brazil and the European Union should work together to open markets for the renewable raw materials used in the production of biofuels and also vital to many industries, as well as provide market access and stable rules to the trade of the biofuels itself, specially ethanol.

Recommendation: A rethinking of the policy framework surrounding renewable resources is necessary. A new policy framework based on opening markets and aggressive tackling of trade barriers, as provided for mineral fuels, should be pursued and also include concepts such as sustainability with international competitiveness.

Lastly, European and Brazilian companies consider that these Business Summits should have an important role to play in the intensification of the economic relations between both sides and so decide that these summits will be regularly organised, alternately un the EU and Brazil, taking into account the calendar of the EU Brazil political summits.

European and Brazilian companies here present decide to designate as Co-Chairs of the next EU-Brazil Business Summit, Jorge Rocha de Matos (AIP-CE/CIP), for the European Union side and Armando Monteiro Neto (CNI) for the Brazilian side.