

**EU-Brazil Strategic Partnership three years on:
Proposals to foster economic and business cooperation**

July 21st, 2011

Executive Summary

Key messages;

- Bilateral economic relations have been growing and diversifying during the last decade. The impacts of the 2008 international financial crisis on the economies of Brazil and the EU member States have differed greatly. Despite the crisis, trade and investment flows show that, EU-Brazil economic relations are consolidated and diversified.
- Despite the positive recent performance, the results of bilateral economic relations still fall short of the business community expectations: the EU has been losing market share in Brazil's trade flows and Brazil is a very modest partner for the EU, with a share of less than 2% of the block's foreign trade.
- The EU-Brazil strategic partnership was launched four years ago by political leaders with the aim of strengthening bilateral dialogues; addressing global challenges; expanding and deepening trade and economic relations and bringing people together. These general objectives were translated into a working agenda by the Joint Action Plan (JAP) approved by both sides at the EU Brazil Summit in December 2008. This JAP is due to be revised ahead at the next EU-Brazil Summit in October 2011.
- EUBrasil, with the support of the Brazilian National Confederation of Industry (CNI) and BUSINESSEUROPE, has invited experts to review and assess the implementation of the JAP and consulted with the EU and the Brazilian business communities to offer inputs and recommendations which aim to increase the business content of the Strategic Partnership and foster bilateral economic cooperation.

Main Business Recommendations for the JAP Review:

1. **Create a higher profile mechanism** with active and centralized cabinet-level leadership to advance the Strategic Partnership, in close cooperation with business representatives.
2. **Improve mechanisms of coordination, monitoring and transparency of the several initiatives incorporated in the Joint Action Plan.** This could be expedited through a centralized mechanism to monitor and publicize information and reports of the different dialogues.

3. **Update the agenda** of the JAP to take into account the evolution of the international economic environment and its impacts on Brazil and the EU performances.
4. **Expand and upgrade trade issues in the JAP.** Trade facilitation, technical barriers and sanitary and phytosanitary measures are some of the areas that should deserve more room or should be included in the agenda.
5. **Review the sectors selected for the bilateral dialogues.** JAP includes pilot sectoral industrial and regulatory dialogues, but it is necessary to review the **selected** sectors, goals and methodology in these dialogues.
6. **Pursue sector or issue-specific agreements.** Deepening on the idea of reviewing the industrial dialogues, it is possible to engage in negotiations to agree on areas with common political and economic interests.
7. **Improve tax regulation to reduce tax burden on investments.** In the area of taxation on investment there are substantial proposals already prepared by the EU-Brazil Investment and Tax Council.
8. **Strengthen bilateral dialogues on regulatory issues,** in the areas particularly subject to regulations (as energy, telecommunications, infrastructure, raw materials).
9. **Improve the mechanisms of dialogue between the intergovernmental process and the business forum.**

The recommendations summarized are presented in more detail in the Report below. The Report reviews the evolution of the EU-Brazil Strategic Partnership since its inception (Sections 1 and 2) and compares its initiatives with the main priorities set by the four EU-Brazil Business Summits organized during this period. It further takes stock of the progress accomplished in the light of the changes in the economic environment (sections 4 and 5) and presents some recommendations on how to foster bilateral economic and business cooperation (section 6).

1. The origins of the Strategic Partnership

The idea of a Strategic Partnership was first conceived as part of the European Union strategy to strengthen its relations with the BRICs. The main goals and objectives of the Strategic Partnership were set out in a “Communication from the Commission to the Council and the European Parliament” on 30 May 2007, entitled: *Towards an EU-Brazil Strategic Partnership*. The first EU-Brazil Summit, held in Lisbon, Portugal one week later, launched the initiative and defined its main purposes: strengthening of political dialogue; strengthening sector policy dialogues; addressing global challenges; expanding and deepening trade and economic relations and bringing the people together.

These very general objectives were translated into a working agenda by the Joint Action Plan (JAP), approved by both sides, during the Second EU-Brazil Summit, in December 2008. The 18 page document presented a long list of initiatives, reflecting the intensification and diversification of bilateral relations and common interests over the recent years. The initiatives include multilateral, regional and bilateral actions in the fields of political, economic and social cooperation.

At the occasion of each EU-Brazil Summit, business communities of both sides organize a Business Summit to assess bilateral economic relations, identify common interests and elaborate joint recommendations. The Business agenda is then summarized in a bilaterally agreed joint statement presented to the Authorities at the end of the meeting. A review of the Business documents elaborated during the Summits held from 2008 on allows identifying the most important issues in the bilateral relationship from the point of view of the business sector.

Since the launching of the Strategic Partnership, new economic issues have emerged in the international scene and new coordination mechanisms – that anticipate the governance mechanisms of a multipolar world – have been put in place as a response to the worst economic crisis since the World War II.

There is, therefore, a good opportunity for the business communities to present their priorities and recommendations for a new phase of the Strategic Partnership.

2. Review of priorities established in the launching of the Partnership and its Joint Action Plan

The Joint Action Plan (JAP) has five chapters, each of them containing several initiatives organized in different sections. Although they can all be considered relevant objectives, this document will concentrate on the description of those economic aspects of the partnership considered of higher relevance for the promotion of bilateral economic relations.

The economic dimension of the JAP covers a wide set of issues, going from the multilateral trade negotiations to cooperation in the field of environment and climate change (see Box 1 for the main economic areas covered by the JAP).

Box 1 - The economic dimension of the Joint Action Plan: main areas

- WTO and the Doha Development Agenda
- Advancing the Mercosur-European Union Association Agreement
- Agenda Implementation of Trade Facilitation Measures
- Intellectual Property Rights
- Economic and financial affairs
- Air and Maritime Transport
- Information society
- Environment and climate change
- Strengthening cooperation on energy issues

The main focus of the JAP is on cooperation. The methodology adopted for most of these areas relies on the exchange of information, the setting of policy dialogues and economic, scientific and technological cooperation. Bilateral cooperation in international fora is also considered.

The JAP – despite not being directly involved in the EU-Mercosur Association Agreement negotiations - does make a reference to the EU-Mercosur free trade negotiations, stressing the commitment to “continue to work towards the conclusion of a balanced and comprehensive (...) agreement”. EU and Brazilian business communities have come out in strong support to a balanced and ambitious agreement since the relaunch of the negotiations.

There are very few specific objectives and targets to be reached through the initiatives listed in the JAP. Many of the targets refer to the setting or the strengthening of bilateral mechanisms of intergovernmental cooperation or consultation. Apparently the only concrete measure targeted at in the nine fields of cooperation listed in Box 1 is the “recognition of the EU single aviation market in the existing bilateral air transport services between Brazil and EU member States”. It is interesting to notice that this area has been achieving important progress with the signature of the bilateral agreements on aviation safety and on open skies - objectives that were not explicitly set in the JAP.

From a business point of view, the most relevant initiatives listed in the economic JAP are those that can contribute to foster bilateral trade and investment flows or to facilitate the emergence of new competitive advantages in Brazil and the EU. Such initiatives include measures geared at:

- removing policy and regulatory obstacles to the free flow of goods, services and investments;
- promoting the setting of stable regulatory frameworks at the sectoral level with a view to creating a predictable business environment that foster new flows of trade and investments; and
- fostering innovation, mainly related to the new production and societal paradigm (green economy and information society)

Initiatives that fulfill these requirements can be identified in different areas of the economic JAP, especially in those listed in Box 2, which also presents the most relevant initiatives to be worked out in the selected areas.

Box 2 - Most important JAP economic initiatives from a business perspective

Fields	Initiatives
Advancing the Mercosur-European Union Agenda	Although not a part of the EU-Brazil Strategic Partnership, trade and investment liberalization is one of the most important issues in the bilateral economic agenda.
Implementation of Trade Facilitation Measures	<ul style="list-style-type: none"> • Establish a consultation mechanism on Sanitary and Phytosanitary issues (SPS) in view of deepening cooperation and increasing mutual understanding of the respective SPS conditions that may affect trade; • Conduct pilot sectoral industrial and regulatory dialogues, complementing the relevant EU-Mercosur discussions, starting with the following sectors: textiles and clothing; forest-based products; steel; non-ferrous metals and minerals.
Intellectual property rights	Working out a mutually agreed and balanced approach to enforcement of intellectual property rights, which can provide the basis for the promotion of innovation and for the fighting of piracy and counterfeiting in their territories
Air and Maritime Transport	<ul style="list-style-type: none"> • Further develop all aspects of the Maritime Transport Policy Dialogue; • Examine and develop cooperation possibilities in important areas including ports, inland waterway transport, infrastructure, dredging, maritime safety, and security, particularly with a view to facilitate trade; • Cooperation in the Single European Sky ATM Research: increase safety, efficiency and environmental sustainability of air transport.
Information society	<ul style="list-style-type: none"> • Expand the bilateral dialogue and cooperation on ICT matters, encompassing policy, regulatory and research issues; • Develop cooperation in relevant scientific and technological ICT areas of common interest in the context of the implementation of the Brazil-EU Agreement for Scientific and Technological Cooperation.
Environment and climate change	<ul style="list-style-type: none"> ▪ Explore the potential of research and technology co-operation and options for technology transfer as an incentive to further action.
Strengthening cooperation on energy issues	<ul style="list-style-type: none"> • Regulatory issues for competitive energy markets, including investment opportunities; • Promotion of the consolidation of national, regional and international markets for biofuels; • Cooperation in setting international technical standards for biofuels,

	low carbon technologies, as well as research on nuclear energy and cooperation on nuclear safety, paying particular attention to safe and sustainable technologies.
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3. From the JAP to the business agenda

During the three years of the Partnership, the business sector prepared, through the organization of Business Summits, joint statements that summarize the priorities of the business community. The joint statements, released annually, reflect the changing economic landscape, notably reacting to the effects of the economic crisis, in 2009 and 2010. The joint statements also discuss topical issues of concern relating to critical moments in negotiation processes to which both Brazil and the EU participate (Copenhagen Climate Change Summit, the WTO Doha Round’s negotiations). They also reflect, in their differences and specificities, the development and maturing of new themes on the international agenda, for instance, the relations between trade and climate change. On a broader level, it is also possible to identify the main components of the business agenda, as per Box 3 below.

Box 3 - Main components of the Brazil-EU Business Agenda

Fields	Initiatives
Enabling environment for private investment	<ul style="list-style-type: none"> ▪ Remove existing investment barriers, guarantee predictability in the regulatory framework and avoid over-regulation. ▪ Implement bilateral tax treaties to avoid double taxation on investment operations and to adopt domestic tax reforms that reduce the overall taxation over investment. ▪ Governments should stimulate the involvement of the private sector through public-private partnerships in infrastructure projects.
Removing barriers to trade	<ul style="list-style-type: none"> ▪ Cooperation in the definition of technical, sanitary, phytosanitary and environmental regulations. ▪ The EU-Brazil JAP should include a set of trade facilitation initiatives and identify priority measures. ▪ Support of the EU-Mercosur free trade negotiations and the Doha Round. ▪ Resist protectionism in the post-crisis scenario.
Energy and climate change	<ul style="list-style-type: none"> ▪ Cooperation towards a comprehensive and balanced international agreement in the field of climate change. ▪ Establish regulations and standards, in relation to technical and

	<p>sustainability aspects, that provide an adequate framework to allow for the efficient international trade of biofuels.</p> <ul style="list-style-type: none">▪ Build regulatory environments (intellectual property rights regimes; tax systems and institutions) conducive to the development of clean technologies and the transition to a low carbon economy.▪ Oppose the adoption of border measures to compensate companies for the costs of their domestic efforts to mitigate climate change.▪ Mitigation efforts must take into account the multilateral agreements in the area of subsidies and avoid measures that might distort international trade flows.
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Even though there are no major diverging opinions between the intergovernmental JAP and the business sector positions, in the Partnership's economic agenda, there is a difference in methodology. The JAP methodology is based on exchanges of information and the setting of dialogue mechanisms within a logic of cooperation whereas the business agenda is defined by goals or targets whose achievement presupposes, in many cases, bilateral negotiations in the governmental and business spheres. The emphasis of the private sector agenda is put squarely on:

- the creation of regulatory environments which are favorable to private investment;
- the removal of barriers to trade and investments, especially those of regulatory nature (technical barriers, for instance, in regards to trade).

These priorities are also identified in the area of climate change, which further reveals the concern with the possibility that national mitigation policies come to use instruments with a potential to distort trade and investment flows.

At the Business Summit in 2009, CNI and BUSINESSEUROPE, proposed the establishment of a joint EU-Brazil Investment and Tax Council, composed of experienced representatives from the EU and Brazilian business community, governmental authorities and academia to resolve the important tax difficulties in the bilateral relationship (Box 4).

Box 4 - The EU-Brazil Investment and Tax Council

The rationale for the setting of such a Council was made explicit in the 2009 document: “the area of taxation is particularly difficult. The overall complexity of the Brazilian tax code and the incomplete nature of the tax treaties between Brazil and European Union Member States seriously complicate investment in Brazil for EU companies. The Council would also be an opportunity to share best practice between established multinationals and newly internationalizing companies”.

In June 2010, the Brazil-EU Investment & Tax Council was established and at its first meeting, the Council identified a number of barriers that negatively affect bilateral investment and, in particular, those directed to Brazil. Among them, are difficulties related to the Brazilian legislation on transfer pricing, the high tax burden on services and technology transfer, double taxation between Brazil and several European countries and the complexity of the tax environment in Brazil. These features not only hamper EU investors in Brazil and the consolidation of Brazil as a regional hub, but also the internationalization of Brazilian companies.

So far, the Bilateral Council has met four times and at its first meeting it identified three priority issues (calculation of price transfer, tax on services imports and exports, and bilateral treaties to avoid double taxation) and set task forces to formulate technical proposals about these issues and to promote a dialogue with the tax authorities with a view to implementing these proposals. The initiative has developed since then through two tracks: Plenary Sessions and task forces meetings. At the Plenary Meeting held on September 2010, the Council decided to point to one specific matter - the taxes levied on Brazil’s import of services - as the first issue that should be object of a proposal from the Council. A technical proposal was then elaborated by a task force and presented to the Council on January 2011.

4. Evolution of the international environment and of the economic performances

By the time the Strategic Partnership was launched, in the mid 2007, the global economy was experiencing a period of high economic growth, with EU countries growing at annual rates of 3% and with Brazil growing at 6%— an impressive rate compared to the Brazilian performance of the previous two decades. World trade was growing above 15% per year,

foreign direct investment flows were increasing, multinational companies from emerging economies were investing more abroad and there were positive perspectives for a progressive integrated world economy.

China had also become an important player in the international economy by 2007, contributing to the high rates of world economic and trade growth. China's emergence brought new opportunities, but also many challenges for the industrial sectors of developed and developing countries.

Despite the positive trends in international economy, it had become ever more difficult to reach consensus for moving forward in multilateral and regional trade negotiations. In an environment where the WTO Doha Round couldn't come to a conclusion and the EU-Mercosur talks were stalled, the launching of an EU-Brazil Strategic Partnership, with a broad thematic agenda, seemed the best way to give new impetus to the bilateral economic agenda, which had become increasingly intense and diversified.

In 2008, the turmoil in the world financial markets gave rise to grave uncertainties about the perspectives for the future of the global economy. The international crisis resulted in deep changes in the global economies and in the relative performance of the European and the Brazilian economies.

4.1 Recent trends in the economic environment

Since 2008, the international macroeconomic imbalances and the need for reforms in the international financial institutions have been occupying the center of the global economic agenda. The G20 emerged as the main locus for multilateral efforts of macroeconomic coordination. Other multilateral economic fora – like the WTO and the UNFCCC – have been losing priority and lacking capacity to move their agenda forward.

Although the leaders of the G20 have been supporting the conclusion of the Doha Round and reaffirming their commitment to resisting protectionism, negotiations in the WTO remain stuck and protectionist measures have been adopted by many countries.

Moreover, in most of the G20 member countries the domestic responses to the crisis were dominated by a combination of some of the following trends: deeper degree of government intervention in the economy – in the form of increased fiscal expenditure, new regulations on different sectors of the economies, increased participation of the State in the economic activities – and the reinvigoration of nationalistic approaches regarding foreign investment and trade.

Resumption of Growth

Brazil and the European countries emerged from the crisis in very different ways. Domestic demand and exports to China were the main drivers of the Brazilian economic recovery after the downturn impacts of the crisis. The Brazilian economy has returned to high growth rates since the second quarter of 2009. On the European Union side, member countries have been experiencing important disparities in their economic performance since 2008: some countries are maintaining relatively high economic growth rates, while others suffer stagnation and/or face serious financial problems. European Authorities have been facing a very challenging agenda to overcoming regional economic imbalances and financial difficulties in some member countries.

Brazil was not immune to challenges of its own however. The continuous appreciation of the Real in the aftermath of the crisis had a negative impact on the Brazilian production and on the Balance of Payments. This issue has been at the heart of the economic debate in Brazil and has spawned several policy measures aiming at reducing the short term capital inflows and stimulating exports. The loss of competitiveness and the risks of an upsurge in the inflation rates are the main economic challenges in the Brazilian economic agenda.

In the context of these severe challenges to both the EU and Brazil, the relaunching of EU-Mercosur free trade negotiations in May, 2010, was welcomed by business representatives to support growth. There was noted skepticism by different groups of civil society in both sides which is currently hampering a balanced and ambitious conclusion to the negotiations. In the EU, the economic stagnation in some countries with influential agriculture lobbies poses difficulties for the European Commission to improve agricultural trade liberalization offers, but the huge amount of European investments in Brazil (larger than in China, India and Russia combined) and the relative low economic importance of agricultural sector (only 2,1% of EU's GDP and 5,6% of total labor force) have lead EU officials to take a broad view on the possibilities of the agreement. In Brazil, the appreciation of the Real and the high import growth rates have been hampering the attempts by the political decision-makers to improve the offers for industrial goods.

Although the two sides have been able to cooperate in the WTO and to support the conclusion of the Doha Round – taking the Lamy's package of July, 2008 as the basis for closing the deal – they could not put forward improved offers for market access since the relaunching of free trade negotiations last year.

4.2. Evolution of bilateral economic relations

Bilateral trade flows increased 175% between 2000 and 2010. Brazilian exports to the EU members grew 194%, while the EU exports to Brazil increased 169%, during this period. But, whereas Brazilian exports showed a better performance during the first five years of the period, European exports to Brazil experienced a faster growth in the second half of the decade. The differences in the dynamics of the trade flows result from several factors – e.g. the different patterns of economic growth and the evolution of exchange rates.

The relevance of Brazil to the EU's foreign trade continues to be very limited – around 2% of the block's exports and imports have Brazil as destination or origin. Brazilian products have been maintaining a relatively constant market-share in the global value of EU's

imports. In the first half of the last decade, Brazil lost relevance as a destination of the EU's exports, which has been recovered during the last five years to the same level of 2000.

On the other side, the EU is a very relevant partner for Brazil – more than 20% of Brazil's total foreign sales go to the block – but the participation of the EU in Brazilian exports has been decreasing from 27,9% in 2000 to 21,4% in 2010.

Table 1

Trade Balance Brazil - EU

Years	Exports form Brazil to EU			Imports of Brazil from EU			Trade balance US\$ million
	US\$ million	Part. % EU/ Exp Br	Part. % Br/ Imp EU	US\$ million	Part. % EU/ Imp Br	Part % Br/ Exp EU	
2000	15.346	27,86	1,86	14.535	26,06	1,93	29.881
2005	27.039	22,85	2,01	18.235	24,79	1,53	45.274
2010	43.134	21,36	1,95	39.121	21,54	1,96	82.255

Sources: Aliceweb e Contrade/Wits

Primary goods represent almost 50% of Brazilian exports to the EU, growing from 41% in 2000. There is some concern in Brazil with the fact that manufactured goods have been losing market share in the country's exports and there is a dominant perception that the European market is only relevant for Brazilian agricultural products. But, the statistics show that the EU has been increasing its importance as a destination of Brazilian exports of manufactured goods. EU members were the destination of 18,1% of Brazilian manufactured exports in 2000. This participation went down to 16,5% in 2005 and up again to 19,4% in 2010.

Table 2

Composition of Brazilian Exports to the EU

Year	Primary	Semimanufactured	share %
			Manufactured
2000	40,90	16,62	38,43
2005	46,47	11,48	39,85
2010	49,48	14,17	35,73

Source: MIDC/Secex

Table 3

Year	Composition of Brazilian imports from the EU		
	Primary	Semimanufactured	Manufactured
2000	1,37	2,30	92,98
2005	1,26	2,95	95,29
2010	1,86	2,90	95,24

Source: MIDC/Secex

Besides trade, direct investments flows are a very relevant axis of bilateral economic relations. EU companies were the source of 52% of the FDI inflows to Brazil in 2010, which amounted to more than US\$ 27 billion. Brazilian companies are also increasingly investing abroad and the EU member countries have been a relevant destination, accounting for almost 30% of the total outflows of Brazilian FDI.

EU-Brazil bilateral economic relations have been increasing and diversifying in the last ten years. The impacts of the international financial crisis in the economies of Brazil and the EU member countries were very uneven. But trade and investment flows show that, despite the crisis, bilateral economic relations are consolidated and diversified.

Trade liberalization could be an important tool to give a new impetus to trade flows. But, as the EU-Mercosur free trade negotiations are lagging, there are many other relevant issues in the bilateral economic agenda, mainly in the areas of regulation and taxation that can be addressed in the framework of the EU-Brazil Strategic Partnership Negotiations.

4.3 Impacts of the recent trends on the business environment

The business environment was affected in many different ways by the financial crisis and by the economic policy responses of the most relevant international players:

- There is increased uncertainty about the evolution of macroeconomic indicators with severe implications to the risks of doing business.

- The growth in government expenditure in the EU and in Brazil helped the faster recovery of the economies and created new business opportunities, but has been imposing severe costs to macroeconomic stability in both sides. The need to finance public fiscal deficits has been hampering the progress of tax reforms, which are crucial for the companies to invest and to gain competitiveness and to compete in international markets.
- The reinvigoration of nationalistic approaches has been stimulating changes in domestic regulations, some of which restrict the access of foreign capital to some economic activities.
- The increased participation of States in economic activities – also resulting from changes in domestic regulations – has been limiting the opportunities for private sector to invest and operate. The re-activation of Telebrás and the changes in the legal framework to the exploitation of oil and gas in Brazil are some examples.
- The growing political space for protectionist lobbies has been moving trade policies towards the creation of new barriers to trade.
- Protectionist winds also hamper the evolution of trade liberalization negotiations in which EU and Brazil are involved.

In the recovery of the international turmoil of 2008, there are several opportunities to business in Europe and in Brazil. The greening of the economies needs investment in innovation and changes in the energy matrix, especially in Europe, the needed investments for the mega-events in Brazil (World Cup and Olympiads); the huge possibilities offered by the pre-salt reserves discovered in Brazil are some of them. Nevertheless, to exploit the numerous opportunities companies need a predictable and stable regulation and the removal of obstacles to trade and investments.

5. A business oriented assessment of the Strategic Partnership and the JAP

After three years, the business sector in Brazil and the EU has the perception that, despite the relevance of the initiative and its potential to take the bilateral relations to a

significantly higher level, the concrete results of the partnership have fallen short of delivering what can be legitimately expected from it.

5.1 JAP Agenda

From a business perspective, the JAP agenda presents four main problems:

- **excessively broad:** the broadness in terms of the thematic areas covered - makes it difficult to focus on the business sectors' priority issues;
- **excessive number of initiatives in each thematic area:** within each thematic area of the Partnership economic agenda – the one that is of highest interest to the business sector – there is, in most of the cases, a great number of initiatives foreseen, which makes it difficult to prioritize and focus on initiatives also at this level;
- **absence of specific targets and objectives:** as previously discussed, there are not, in general, specific targets and objectives to achieve relating to the different initiatives. This reduces the accountability of the agenda and the incentives for the production of deliverables for the governmental agents involved in the process. Even when a specific issue or initiative is relevant to the business sector, it is difficult to perceive how the proposed treatment can lead to concrete results with positive effects for the decisions of Brazilian and European businessmen; and
- **absence of an integrated approach:** the agenda already lacks a conception of an “integrated project” with a high level of political priority with clearly defined responsibilities for its implementation and accountability.

The JAP agenda encompasses a series of bilateral initiatives that were ongoing when the Strategic Partnership was launched, even though it incorporates new actions and projects.

Each one of these initiatives is developed in specific fora, coordinated by distinct departments of the Brazilian government and the European Commission. Many of the sectoral dialogues existed prior to the launch of the Partnership and others were created, but a permanent system for monitoring and assessing their development is not in place.

The Brazil-Europe Joint Commission, which gathers annually, is the forum to which the reports from the different initiatives in the bilateral sphere converge. In this sense, the Joint Commission overlaps the actions of the Partnership in an important way, but the reading of the minute meetings does not allow for an understanding about the advances or results reached in the different initiatives. In general, there is only reference to the organization of events or meetings related to the several bilateral dialogues, but it is not possible to extract specific information about each of them.

The difficulty in obtaining information about the evolution of the JAP agenda initiatives, including in the official websites of the departments charged with managing the agenda, is a symptom of these needs and difficulties. These reduce the transparency of the process, hence compromising not only the ability of civil society to follow it up, but also the intensity and the quality of the communication between the business and government sectors.

In this sense, in their first meeting, held in Lisbon on 4th July 2007 the business community stated that “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... 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.”

6. Recommendations

The EU-Brazil Strategic Partnership – and its Joint Action Plan – is a very comprehensive initiative. Nevertheless it is lagging behind in unequivocally defining precise objectives, timeframes and a methodology to achieve the objectives. Furthermore, the JAP was elaborated without the support of a broad consultation process, which could have provided the opportunity to include the priority initiatives from the point of view of the private sector. However, this consultation process has not been put in place.

6.1 Create a higher profile mechanism. A higher profile mechanism with highly energized and centralized cabinet-level leadership could help advance the Partnership. If nothing else, it could enhance the definition of priorities and the achievement of specific objectives if properly empowered. It will be imperative to ensure a role for business representatives in this new mechanism.

6.2 Improve mechanisms of coordination, monitoring and transparency. The revision of the JAP in 2011 provides an excellent opportunity to review the intergovernmental mechanisms of coordination and monitoring of the process. The many dialogues and initiatives included in the JAP are coordinated by different Governmental agencies. It would be very helpful to have a centralized mechanism to monitor and publicize information and reports of the different dialogues. This would facilitate a comprehensive assessment of the evolution of the JAP.

To this end, the creation of a joint EU/Brazil website, managed by the European Commission and the Brazilian Government, with updated information on the several initiatives included in the JAP, would be a very useful tool.

6.3 Update the agenda. The agenda of the Strategic Partnership would have to be updated to take into account the evolution of the international economic environment and its impacts on Brazil and the EU performances. The deep changes in the global context since the Strategic

Partnership was launched three years ago pose new demands for the agenda of the JAP. Trade and investments are the engine of the bilateral relations. At that time there was still some hope that the Doha Round and the EU-Mercosur free trade negotiations would be able to remove some of the relevant obstacles still present in trade and investment flows; efforts should continue in these two negotiations.

6.4 Expand and upgrade the trade issues agenda in the JAP. Despite the support that business sectors from both sides still maintain to the conclusion of the Doha Round, it is necessary to recognize that the probabilities that it will be concluded are very low. These issues will thus have to be taken up in regional or bilateral free trade negotiations.

If tariff negotiations cannot move forward, there are other relevant areas where progress in removing obstacles to business is possible. Trade facilitation, technical barriers and sanitary and phytosanitary measures are some of the issues that should deserve a larger room or should be included in the agenda. In the area of trade facilitation, there are many proposals already presented by the private sector in the Mercosur-EU Business Forum (<http://www.mebforum.org/web/guest/objetivos1>), which could be included in a bilateral agenda.

6.5 Review the sectors elected for the bilateral sectoral industrial dialogues. JAP includes pilot sectoral industrial and regulatory dialogues which started with the following sectors:

- textiles and clothing;
- forest-based products;
- steel;
- non-ferrous metals; and
- minerals.

Although the evaluations made by the main stakeholders of these dialogues are very uneven, there is the perception that it is necessary to review the sectors elected and the goals set in these dialogues, such as chemicals, automobiles, and pharmaceuticals.

6.6 Pursue sector or issue-specific agreements. Deepening on the idea of reviewing the industrial dialogues, it is possible to engage on negotiations to agree on areas with common political and economic interests. These may include the following: digital agenda, automotive standards, energy projects, infrastructure PPP rules and environmental equipment standards. It is important to engage closely all stakeholders in these negotiations.

6.7 Improve tax regulation to reduce tax burden on investments. Even more relevant, the tax burden over the bilateral flows of direct investments should be urgently addressed. Investments are a powerful vector of economic integration and have been impaired by the double taxation involved in the tax regulations. Moreover, the trade in services has also been jeopardized by tax regulations. In the area of taxation on investment there are substantial proposals already prepared by the EU-Brazil Investment and Tax Council.

6.8 Increase the role of PPPs in the development strategies of Brazil and the EU. PPPs should be a key element in long term growth and development plans such as the Programme for Accelerated Growth (PAC) and the updated Lisbon Strategy post- 2010.

6.9 Strengthen bilateral dialogues on regulatory issues. Changes in regulations reduce predictability for companies' investments and operations. Bilateral dialogues in trade areas subject to specific export regulations and also in economic sectors subject to regulatory frameworks (as energy, telecommunications, infrastructure, raw materials) should be strengthened. There should be opportunity for private sector consultation and manifestation prior to the entry into force of new regulations.

Box 5

Strengthen the dialogue on Information and Communication Technologies, incorporating not only the official agencies but also private operators

ICTs are fundamental for the good performance of businesses, and play a strategic role in the development of e-Health, e-Government, Smart Grids, e-Learning, modern agricultural practices and many other key policies. This is the correct time for the players in the ICT sector to act as an ally of the Brazilian government.

The key issues that have to be taken into account are not many, but indeed strategic for the ICT sector: defining a regulatory framework that fosters investments and grants stability; putting in practice adequate spectrum policies; defining clear roles of the public and private actors in the sector, having a clear view that public participation in the supply of services should be an exception rather than the rule; suppressing existing restrictions to launch multiple-play convergent offers; and establishing proportionate Net Neutrality schemes, granting operators with flexibility to explore new business possibilities.

These possibilities are, for example, seen in the potential for the use of Cloud computing to make the use of ICT more economically and environmentally efficient. Cloud computing works at a global scale, so the regulatory framework, particularly on data transfer, security standards and on quality of service needs to be adapted to allow Cloud to be successfully developed for all businesses and consumers.

And when designing policies as strategic as a Digital Agenda, it is critical that the new Government and ANATEL decide to maintain a smooth dialogue with operators. Consultations and exchange of ideas are fundamental to achieve together the challenges and solutions that Brazil needs

6.10 Improve the mechanisms of dialogue between the intergovernmental process and the business forum. An even more rigorous top level government to government approach is not sufficient in terms of institutions. The Business Summits have been useful in ensuring higher degrees of business community participation and in identifying priorities and initiatives. However, organized as a business-only interaction and a forum to provide inputs to policymakers, it is not always sufficient to move major agendas forward, especially when the mechanisms of interaction between the business sector and the governments are weak and not systematic.



Hence, beyond the recommendation (set above) on the strategic management of the intergovernmental process, it should be stressed the relevance of strengthening the mechanisms of dialogue and interaction between the private sector and the governments.

The annual Summits are a very relevant instrument for the Partnership, but they occur only once a year. It is important to maintain a continuous dialogue among the parties – including authorities and business representatives from both sides – during the year and plan focused initiatives.

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