

BRAZIL AND THE U.S.

A ROADMAP TO A TRADE AGREEMENT

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U.S. CHAMBER OF COMMERCE





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The U.S. Chamber of Commerce is the world's largest business federation representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations.



The Brazil-U.S. Business Council is the premier business advocacy organization dedicated to strengthening the economic and commercial relationship between the two countries.



Amcham Brasil is the largest binational association in Latin America and the largest local chamber outside the U.S. Over 5,100 companies from different industries and sizes are members in Brazil.



The Brazilian National Confederation of Industry (Confederação Nacional da Indústria - CNI) is the official and highest-level organization in Brazil representing the interest of 1,245 sectorial employer's unions, to which almost 700,000 Brazilian companies are affiliated with.

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Executive Summary

The National Confederation of Industry (CNI), the U.S. Chamber of Commerce (Chamber) and its affiliated Brazil-U.S. Business Council, and the American Chamber of Commerce for Brazil (AmCham Brazil)—hereafter, the parties—published their first joint report in December 2016 supporting the launch of bilateral negotiations for a comprehensive trade agreement between Brazil and the U.S. This is an updated version of the 2016 report. Both reports were elaborated based on consultations with the business communities in the U.S. and Brazil.

A clear alignment of policies and ideology as it has never been seen before between Brazil's new government and the U.S. government has created the opportunity to take the bilateral relationship to a new level, which, in turn, was the impetus for updating the original report. Like the original report, the proposed initiative is twofold: (i) the launch of exploratory negotiations aimed at signing a trade agreement between the U.S. and Brazil, and (ii) progress on a set of bilateral initiatives that could be undertaken in parallel with the broad trade negotiations and be implemented in the short term.

Chapter 1 introduces the U.S.-Brazil relationship, bilateral economic relations, recent bilateral initiatives, bilateral instruments, and existing barriers. Chapter 2 lays out the estimated impact of a trade agreement. Chapter 3 is a roadmap to an enhanced economic partnership, with recommendations on issues to address during the negotiations. Recognizing that moving toward a trade agreement is a long-term priority, in Chapter 4, the parties recommend key initiatives to be undertaken to foster Brazil-U.S. economic relations in the short term. Chapter 5 concludes the report with a request for both governments to initiate exploratory negotiations toward a trade agreement.

Chapter 1: The Brazil-U.S. Trade and Investment Relationship

The U.S. and Brazil—the two most prominent economies in the Americas—have long enjoyed a fruitful commercial relationship through trade and investment. The potential for a more strategic partnership is enormous and may be realized via a trade agreement.

Bilateral Economic Relationsⁱ:

U.S. goods and services trade with Brazil totaled an estimated \$100.4 billion in 2017. Exports were \$63.7 billion; imports were \$36.7 billion. The U.S. goods and services trade surplus with Brazil was \$27.0 billion in 2017.

Brazil was the 12th largest goods trading partner of the U.S. with \$66.7 billion in total (two way) in 2017. Goods exports totaled \$37.2 billion, while goods imports totaled \$29.5 billion in 2017. Trade in services with Brazil (exports and imports) totaled an estimated \$33.6 billion in 2017. Services exports were \$26.4 billion; services imports were \$7.2 billion. The U.S. services trade surplus with Brazil was \$19.2 billion in 2017.

U.S. exports of goods and services to Brazil supported an estimated 308,000 jobs in 2015 in the U.S. 128,000 jobs related to goods exports and 180,000 jobs within the service export industry. The U.S. has also been a historically relevant market for Brazilian exports of manufactured goods.

The Brazil-U.S. investmentⁱⁱ relationship is maturing and on a positive trend. In 2017, U.S. direct investment in Brazil (stock) was US\$68.3 billion. Brazilian direct investment in the U.S. reached US\$42.8 billion that same year.

Recent Bilateral Initiatives

During 2017 and 2018, several bilateral initiatives were undertaken aimed at improving the landscape for a stronger bilateral economic relationship. The most significant ones are listed below:

- The signature of a Memorandum of Understanding between the Executive Secretariat of the Foreign Trade Council (CAMEX), the Chief of Staff of the Presidency of Brazil, the International Trade Administration (ITA), and the Office of Information and Regulatory Affairs (OIRA) during the 16th plenary meeting of the U.S.-Brazil Commercial Dialogue formalized a commitment to joint cooperation on good regulatory practices.
- The conclusion of a Master Defense Information Exchange Agreement (MIEA) in March 2017. The MIEA is an umbrella framework for the exchange of research, development, test, and evaluation information related to the defense industry.
- The issuance of a joint Communiqué on Brazil-U.S. Space Cooperation and the entry into force of the new Framework Agreement between Brazil and the U.S. on Cooperation in the Peaceful Uses of Outer Space.
- The renewal of the Patent Prosecution Highway agreement with a broader scope, enabling faster patentability decisions.
- The approval by the Brazilian Congress of the U.S.-Brazil Social Security Totalization Agreement signed in 2016, eliminating double contributions of Social Security taxes.
- The approval by the Brazilian Congress of the U.S.-Brazil Open Skies agreement, establishes free opening or closing of new aerial routes between both countries.

Key Bilateral Instruments and Dialogues

To gradually build a stronger partnership, the parties support resuming engagement on key bilateral dialogues and instruments to advance trade, investment, and the political agenda in 2019 as follows:

Brazil-U.S. Commission on Economic and Trade Relations under the Agreement on Trade and Economic Cooperation (ATEC): Under this commission, authorized by the ATEC in 2011, both countries can

explore greater cooperation on a variety of issues including investment, intellectual property rights (IPR) and innovation, cross-border trade in services, and small businesses. The U.S. Trade Representative and Brazil's Ministry of External Relations are the government agencies in charge of leading this joint commission, ideally with participation from both private sectors.

U.S.-Brazil Commercial Dialogue: Established in 2006, the Dialogue is a ministerial-level forum led by the U.S. Department of Commerce and Brazil's former Ministry of Industry, Foreign Trade, and Services, incorporated in 2019 into the Ministry of the Economy. Over the past two years, the Commercial Dialogue has served to promote closer bilateral relations between the two governments with a focus on trade facilitation and sound regulatory practices.

U.S.-Brazil Defense Industry Dialogue (DID): Established in 2016, the DID maintains four working groups: commercial partnership, policy, space, and binational cooperation. The DID achieved progress on export controls and other defense issues, including support for the conclusion of a bilateral Technology Safeguard agreement. Both private sectors formally participate in the DID. The DID has organized activities that enable the U.S. and Brazilian defense industries to network with each other and government officials and also gain insight into relevant regulations and policies.

The Strategic Energy Dialogue (SED): The U.S.-Brazil SED is a presidential-level partnership that provides an overarching framework for deepening cooperation between the two nations' energy sectors. The SED was announced in March 2011 but it has not met since 2015. The parties urge a relaunching of the SED aimed at a dialogue that is agile, is results oriented, and includes formal private sector participation. At the outset, the recommended industry focus should be on oil and gas.

Information and Communication Technology (ICT) Dialogue: The U.S. and Brazil are partners in strengthening the multistakeholder approach to internet governance to preserve the benefits of a

single, reliable, open, interoperable, and secure internet. Through discussions between the U.S. and Brazilian governments and key stakeholders in the internet community, the ICT dialogue promotes a vibrant digital economy, improves collaboration on cybersecurity, discusses cybercrime prevention, strengthens capacity-building activities, and encourages the acceptance of norms of responsible state behavior in peacetime.

Memorandum of Cooperation on Infrastructure Development

The Infrastructure Development Working Group was established in March 2016, through the signed U.S.-Brazil Memorandum of Cooperation on Infrastructure Development to complement and strengthen engagement under the U.S.-Brazil Transportation Partnership, the Aviation Partnership, and the SED. The group is co-chaired by the U.S. Department of Commerce; the U.S. Trade and Development Agency; Brazil's former Ministry of Planning, Budget, and Management incorporated into the new Ministry of the Economy; and Brazil's Ministry of External Relations with support from various other agencies.

Existing Barriers

Despite significant advances, both the U.S. and Brazil maintain various barriers that affect cross-border trade between the two nations.

Trade barriers are especially high in Brazil for imports of automobiles and parts, information technology and electronics, chemicals, plastics, industrial machinery, and textile apparel. Brazil has not implemented its tariff-rate quota (TRQ) WTO commitment of a 750,000 MT duty-free TRQ for wheat imports. Instead, Brazil applies a 10% tariff on imported wheat from non-MERCOSUR trading partners, including the U.S. Also, Brazil maintains a TRQ on ethanol imports, with a 20% tariff on imports above the quota. Several nontariff barriers also make it challenging to export to and invest in Brazil. Some examples are a complex tax system with multiple cascading taxes, automatic

and nonautomatic import licensing requirements, product registrations for certain imported health and cosmetic products, prior consent of the health authority on pharmaceutical patents, and technology and software certification requirements.

Services barriers also exist on audiovisual services and broadcasting (e.g., taxes on foreign films and programming); cable TV and satellites (e.g., local content requirements); telecommunications; and express delivery (e.g., high flat tax, no de minimis to private couriers, maximum preshipment values). Important investment barriers exist on foreign land acquisition and government procurement.

The U.S. imposes barriers on imports of both goods and services. These include numerous tariffs and nontariff barriers facing goods imports from Brazil and nontariff barriers affecting services imports. These barriers are particularly high on U.S. imports of beverages, tobacco, steel, aluminum (i.e., the recent Section 232 tariffs and quotas), motor vehicles, and parts. Agriculture, forestry and fisheries products, petroleum, and textiles and apparel. Coal products also face high rates of protection in the U.S.

Currently, the following Brazilian products reported barriers imposed by the U.S.: shrimps, chicken meats, fuel ethanol, maize, accessories for end weld tubes, rubber, castings for construction, stainless steel bars, carbon and certain steel alloy steels, certain steel ropes for reinforced concrete, carbon steel wire and certain steel alloys, castings for construction, uncoated paper, and hot rolled and rolled carbon steel and alloy steel.

The parties urge both governments and the private sectors to work to eliminate these barriers to facilitate bilateral trade and investment.

Chapter 2: The Estimated Impact of a Brazil-U.S. Trade Agreement

AmCham-Brazil and the Chamber's Brazil-U.S. Business Council (BUSBC) commissioned two independent studies on the impact of an agreement on the Brazilian and U.S. industries, respectively.

The AmCham-Brazil studyⁱⁱⁱ was commissioned to *Fundação Getúlio Vargas (FGV)–Center of Global Trade and Investment Studies* and analyzes the impact of a trade agreement between Brazil and the U.S. In all situations, the main gain for Brazil's economy has been its integration into global value chains. The best results of the AmCham-Brazil study were found in a hypothetical agreement between Brazil and the U.S. that considered reducing nontariff barriers by 40% for the manufacturing industry, agriculture, and service sectors, along with the total elimination of tariffs. Generally, projections of the impact on the Brazilian industry under these criteria include growth of 1.29% of Brazilian GDP in 2030, with an exponential increase of 7.46% in total imports from and 6.94% in total exports to the U.S.

The BUSBC engaged Trade Partnership Worldwide, LLC (TPW) to assess the economic impact of a bilateral trade agreement on the U.S. industry. The study^{iv} used the hypothesis that the agreement would be fully implemented by 2030, eliminating U.S. and Brazilian tariffs and cutting 50% of nontariff barriers affecting the trade of goods and services between the two countries. The results for the U.S. are positive, with GDP growth of 0.11%, as well as a significant increase in exports (78%) to and imports (21.15%) from Brazil. The AmCham-Brazil and the BUSBC studies show that a bilateral agreement would generate gains for both countries.

According to CNI 2018 study^v, a free trade agreement with the U.S. would increase the Brazilian exports to the U.S. in at least 134 groups of products in sectors such as food, chemicals, automobiles, auto parts, machinery, textiles and apparel, wood, leather, and shoes.

Chapter 3: A Roadmap to a Trade Agreement

Scope of Negotiations

The parties support the initiation of exploratory trade agreement negotiations between Brazil and the U.S. to improve both countries' business environments, enhance competitiveness, and promote greater engagement in global and regional value chains.

Negotiations should aim for an ambitious and balanced agreement to be concluded as expeditiously as possible, beginning as early as 2019. While consideration may be given to sensitivities on both sides, no thematic area or sector should be excluded.

Recognizing that Brazil is part of the Mercosur Customs Union, the parties recommend that Brazil request consultations with Mercosur members regarding the launch of bilateral negotiations with the U.S.

U.S. and Brazilian Congresses

The Brazil Caucus of the U.S. House of Representatives and the Brazil-U.S. Parliamentary Group of the Brazilian Congress should be engaged in the negotiation process. The parties recommend that hearings be organized in the appropriate committees to promote and report on the progress of the negotiations.

Private Sectors

The parties urge that the private sectors be engaged in the bilateral talks from the outset. The parties are prepared to play a leading role in gathering the views and positions of the business communities from both countries and seeking common ground, including the most sensitive issues.

Beyond domestic consultation processes in each country, a joint bilateral consultation/monitoring mechanism should be created as part of the negotiating process'

institutional framework with the objective of building consensus among negotiators and private sector representatives. The suggested mechanism should work as a locus for appropriate follow-up and consensus building among negotiators and business representatives.

Trade Agreement—Key Issues

The parties recommend that the negotiations consider the following issues, among others:

Market Access for Goods

- Elimination of tariffs for all trade, including agricultural and nonagricultural products (as measured by value and tariff lines), within 10 years of the trade agreement's entry into force.
- No exclusion of products from the liberalization schedule and the complete elimination of quotas.
- No exclusion of sensitive products from liberalization commitments but the possibility of longer tariff phase-out periods—no longer than 12 and 15 years.
- Inclusion of the whole spectrum of tariff rates and types (e.g., ad valorem and specific tariffs, mixed, temporary/seasonal rates, and tariff rate quotas).
- Consideration of a well-balanced agreement with relevant gains in market access for both countries.
- Permission and support for bilateral trade in remanufactured goods.
- Recognition of standards to ensure that government pricing and reimbursement regimes are transparent, provide procedural fairness, are nondiscriminatory, and provide full market access for U.S. and Brazilian products.
- A commitment to provide meaningful consultation and transparency before introducing new pricing or implementing any changes to any aspects of product pricing and reimbursement policies and processes.

Rules of Origin

- Simple, flexible, and transparent rules of origin that do not hamper the ability of companies to benefit from the agreement's trade preferences.
- Simple and transparent administrative procedures on certification and verification of origin, such as electronic self-certification.
- Certification made by entities delegated by a customs authority.
- Use of duty drawback for exports covered by the agreement, provided the rules of origin are complied with.

Trade Facilitation and Customs Administration

- Requirements to streamline customs procedures in both countries.
- Adoption of transparent and expeditious border and customs procedures in clearing and releasing goods to facilitate the participation of companies in the bilateral, regional, and global value chains and prevent duty evasion, counterfeit trade, and other illicit trade.
- Cooperation in implementing the WTO Trade Facilitation Agreement (TFA) to facilitate bilateral trade and allow companies to reap the benefits of negotiated trade preferences.
- Expansion of TFA obligations bilaterally to reduce the cost and time involved in customs procedures, such as establishing deadlines in advance rulings and maximum time for clearance and release of goods.
- A mandate for the interoperability of the U.S. and Brazil single window portals, as well as mutual recognition between the U.S. Customs Trade Partnership Against the Terrorism (C-TPAT) program and Brazil's Authorized Economic Operator (AEO) program.
- The establishment of sound binding appeal procedures for advance rules related to origin and customs valuation.

- Transparency by customs administration and other border agencies in collecting fees and charges.

Good Regulatory Practices

- Adoption of a “whole-of-government” Good Regulatory Practice policy in Brazil, legally defining the standardized procedures by which administrative agencies of the federal government may propose and establish regulations. Such provisions would include regulatory impact assessment; notice of rulemaking; due process; meaningful public consultations including agency response to stakeholder input; reasonable period for public consultation, and rule implementation; transparent access to new regulatory measures; use of quality data and sound science, risk-based approaches, pro-competitiveness analysis, and ex-post review (regulatory inventory).
- Encouragement of regulatory convergence between sectors with support of respective governmental agencies to prevent the development of conflicting regulations and technical barriers to trade.

Sanitary and Phytosanitary Measures (SPS)

- Language that ensures scientifically based SPS measures are developed and implemented in a transparent, predictable, and nondiscriminatory manner and based on international standards, while preserving the regulatory agencies’ rights to ensure food safety, plant protection, and animal health.
- Reduction of redundant and burdensome standards-related testing and certification procedures and incorporation of mutual recognition, according to international standards.
- Adoption of a time limit to approve and communicate new SPS measures to the exporting country.
- Creation of a subcommittee on SPS cooperation and exchange of information, with experts

from both sides composed of representatives from government, standard-setting bodies, and both private sectors. The objective is for technical consultations to help identify and address specific trade-related issues that may arise from applying SPS measures.

- Adoption of provisions that promote a risk-based approach to SPS issues.
- Requirement that both governments explain their decisions to each other related to the recognition of conformity assessments results or equivalence of SPS measures, including an explanation of steps necessary for a mutual recognition or equivalent assessment decisions.

Technical Barriers to Trade (TBT)

- Recognition of the importance of transparency and dialogue in the rulemaking and standards-setting processes and the elimination of unnecessary trade barriers.
- A mandate to use internationally accepted standards and adoption of bilateral regulatory convergence where possible.
- A requirement of enhanced cooperation on mutual recognition of tests and certifications to reduce costs and delays in bilateral trade.
- Creation of a subcommittee on TBT cooperation, made up of representatives from both governments and relevant bodies, public and private, in charge of setting standards with the necessary expertise. The subcommittee should also address sectorial regulatory convergence, such as a list of most important sectors.
- Inclusion of specific sector commitments and cooperation mechanisms to address the special needs of sectors where technical standards may also act as trade barriers.
- A requirement that both governments explain their decisions related to the recognition of conformity assessments results or equivalence of technical regulations, including an explanation of steps necessary for mutual recognition or equivalent assessment decisions.

Subsidies

- Adoption of policies and regulations regarding export subsidies consistent with the WTO Agreement on Subsidies and Countervailing Measures (SCM).
- Creation of a cooperation subcommittee to promote dialogue and coordination regarding the modification or removal of subsidies.

Unfair Trade Practices and Remedies

- Requirement to mitigate any improper use of anti-dumping measures on goods manufactured in either country.
- Reaffirmation of the fundamental principles of WTO agreements and their rights and obligations and incorporation of WTO-plus elements.
- Acknowledgment that bilateral safeguard measures (e.g., temporary tariff increases) be used only under exceptional circumstances on a temporary basis during the transitional period to protect domestic industry from import surges injury following the trade agreement.
- Implementation of coordinated efforts with regard to trade remedy cases against third countries.
- Recognition of the importance of the exchange of information and best practices on trade remedy legislation and practices related to nonmarket economies.

Trade in Services

- Adoption of obligations to secure current and future levels of liberalization in the services sector, including professional services, maritime transportation, and telecommunication.
- Negotiations based on a negative list system, including ratcheting disciplines, when possible.
- Promotion of efforts to adopt national treatment clauses and achieve substantial sectorial coverage.

- Adoption of a most-favored nation clause (MFN) to guarantee additional benefits on trade in services granted by Brazil or the U.S. in future trade agreements with third parties.
- A provision that promotes the voluntary negotiation of mutual recognition agreements in services sectors.
- Avoidance of unnecessary barriers to trade created by measures related to qualification requirements and procedures, technical standards, and licensing requirements.

Investment

- Recognition of the economic benefits each country receives from the private sector's cross-border investments.
- Protection of U.S. and Brazilian investments in all sectors from nondiscriminatory treatment, direct and indirect expropriation, and performance requirements, while providing a minimum standard of treatment, including fair and equitable treatment, and free transfers of capital.
- Inclusion of a provision that provides investors with recourse to neutral arbitrators so that investment obligations can be enforced via a strong and unbiased mechanism.
- Elimination of foreign capital ceilings and other financial entry barriers.

Intellectual Property (IP)

- Guarantee nondiscriminatory protection of IPR and fair, equitable, and nondiscriminatory market access, including complying with all commitments established in the WTO TRIPS Agreement and other relevant international agreements.
- Promotion of efficiency and transparency in the administration of IP systems, including reducing regulatory hurdles and backlogs and inclusion of patent-term adjustment and patent-term restoration to help compensate for patent office and regulatory approval delays.

- Assurances that IP rights are enforceable through clear and predictable civil and criminal procedures and remedies against infringement, including counterfeiting, piracy, trade secret theft, and IP infringement via the internet or other digital means.
- A commitment to accelerate the examination and approval of patent applications, including expanding the current U.S.-Brazil Patent Prosecution Highway agreement to include all fields of technology; extending the simplified patent examination procedures to include all fields of technology, including biopharmaceutical patents; and eliminating discriminatory restrictive patentability procedures.
- Adoption of IPR provisions that reflect a standard of protection similar to that found in U.S. law, including 12-year data protection for biologics; patent linkage; copyright protection by acceding to the WIPO Internet Treaties; protection of well-known trademarks; significant criminal and civil remedies for trade secrets theft; criminal procedures for camcording of movies and secondary liability for online IP infringement; and broader authority for border officials to apply penalties to in-transit shipments suspected of piracy or counterfeiting.

Government Procurement

- Inclusion of provisions designed to guarantee transparency, fairness, and predictability in government procurement contracts, including requirements to notify affected parties regarding changes in relevant laws and regulations, as well as the exchange of information.
- Reciprocal commitments to incorporate provisions equivalent to those of the WTO Agreement on Government Procurement and provisions on market access for government procurement of goods and services on the national and subnational levels whenever possible; supplier access to information needed to participate effectively in procurement processes; and nondiscrimination, transparency, impartiality, and accountability in procurement processes.

- Attention to clauses that prevent fraud, such as rules of origin and denial of benefits.

Business Environment

- Creation of a mechanism composed of both government and business representatives to discuss policies and procedures for improving the business environment, impediments to business involving domestic regulations, taxation, labor issues, and other matters.

Movement of Persons

- A mandate for both countries to facilitate visa procedures for their citizens by expanding the duration of visas and consideration of a provision on the free movement of intracorporate transferees (e.g., prompt issuance of work permits and visas for the movement of specialists, professionals, and students).
- A commitment to work under a specific plan to eliminate entry visa requirements for citizens of both countries in their respective territories.

State-Owned Enterprises (SOEs)

- A mandate that SOEs purchases and sales be based on commercial considerations and nondiscrimination.
- A commitment to competitive SOE practices that do not allow undue financial or regulatory advantages as the result of government ownership.
- Transparency with respect to the nature of government control and any support mechanisms provided to SOEs operating in a commercial capacity.

Anticorruption

- A commitment built on international agreements to eliminate bribery and corruption in trade, business, and investment operations through strengthened enforcement and enhanced criminal and civil liability for convicted parties.

Dispute Settlement Mechanism

- Support for dispute resolution through cooperation and consultation to arrive at a mutually satisfactory resolution of a matter that may affect the agreement's operation or application.
- A requirement for a dispute settlement system that is transparent and open to the public.
- Inclusion of provisions against bias and conflicts of interest.
- The requirement of binational arbitral panels to adjudicate challenges to antidumping and countervailing duty determinations.

Competition

- Inclusion of a provision on due process and procedural fairness in antitrust investigations.

Agriculture

- Adoption of the U.S.-Brazil Consultative Committee on Agriculture (CCA) as a forum to address barriers to trade of agricultural goods and conduct consultations between the two countries on agricultural export competition issues.
- A provision restraining the use of export credits for agricultural goods to avoid price distortions and unbalanced trade flows between the two countries.

Digital Trade, Privacy, and Data Protection

- A recognition that digital trade expands opportunities for citizens and businesses and promotes innovation.
- Prohibitions on data localization in local computing facilities, forced transfer of technology, and customs duties on digital products distributed electronically (e.g., software, music, and videos).
- Restrictions on governments' ability to require disclosure of proprietary computer source code and algorithms.

- Protections for online platforms and marketplaces to host lawful speech and commerce without being treated as the originator of content.
- Support for collaboration on cybersecurity and industry best practices to keep networks and services secure.
- Adoption of privacy and data protection regulations that facilitate trans-border data flows and embrace the global nature of the internet.
- Establishment of disciplines covering digital trade to remove unjustified barriers to trade by electronic means, bring legal certainty to companies, and ensure a secure online environment for consumers.

Chapter 4: Initiatives to Foster Brazil-U.S. Economic Relations

The parties recognize that moving toward a comprehensive trade agreement is a long-term priority. However, there are key initiatives that should be considered to foster Brazil-U.S. economic relations in the short term and help lay the necessary groundwork for a trade agreement. These include binding commitments on Good Regulatory Practices, Technical Barriers to Trade, Customs and Trade Facilitation, Anticorruption, and other issues listed here.

Proposals for Short-Term Bilateral/Multilateral Initiatives

Trade Facilitation

- Bilateral cooperation on trade facilitation between authorities from both countries to be strengthened to eliminate unnecessary bureaucracy and implement the commitments outlined in the WTO Trade Facilitation Agreement.
- Expansion of Brazil's express delivery legislation with commitments to consider the possibility of increasing de minimis levels to be applicable to private couriers.
- A mutual recognition agreement on both countries' Authorized Economic Operator (AEO) to be implemented, aimed at expediting the customs procedures process and reducing costs.
- Approval by the Brazilian Congress of the Revised International Convention on the Simplification and Harmonization of Customs procedures (Revised Kyoto Convention).
- U.S. support for Brazil's intentions to become a signatory to the WTO Trade in Services Agreement and of the Organisation of Economic Co-operation and Development (OECD).

Taxation

- Resumption of negotiations for a Bilateral Tax Treaty^{vi} (BTI) to eliminate double taxation of income and reduce and/or eliminate taxes on royalties, services, interests, and dividends.

Nontariff Barriers Resolution

- Cooperation on standards and technical regulations to foster bilateral trade within the scope of the Brazil-U.S. Commercial Dialogue.
- Adoption by the Brazil-U.S. Commission on Economic and Trade Relations of a public-private approach to nontariff barriers resolution, allowing participation from the U.S. and Brazilian private sectors to enhance transparency and ease follow-up on reported barriers.

Movement of Persons

- Support for Brazil's participation in the Global Entry program to streamline business travel, allowing preapproved Brazilian travelers to use automated clearance when entering the U.S.

Intellectual Property

- Approval by the Brazilian Congress of the country's accession to the Madrid System for the International Registration of Marks.
- Support for copyright legislation in Brazil that maintains current protections on par with international IP agreements.
- A broader Patent Prosecution Highway agreement than the current one to be signed to expedite patent applications and approvals and enhance innovation and technological transfers in all technical areas, including pharmaceuticals.

Defense Agreements and Regimes

- Encouragement of Brazil's consideration to join the [Australia Group](#) and the [Wassenaar Arrangement](#)—both voluntary export control regimes related to the export of dual use and defense items.
- Support for a speedy conclusion of a U.S.-Brazil Technology Safeguard Agreement.

- The conclusion of the negotiations over a bilateral Research, Development, Test, Evaluation (RD&T&E) agreement to enable projects that involve advanced defense technology.
- The start of negotiations for a Reciprocal Defense Procurement and Acquisition Policy Memorandum of Understanding to enhance each country's industrial base. Conclusion of this agreement would make Brazil a "qualifying country" in the U.S. and consequently waive the restrictions of the Buy American statute to Brazilian defense products.

Telecommunications

- Work with the U.S. Federal Communications Commission (FCC) and Brazil's National Telecommunications Agency (ANATEL) to secure a Brazil-U.S. agreement based on both countries membership of the Inter-American Telecommunication Commission's (CITEL) to provide mutual recognition of conformity assessment bodies and acceptance of testing results and certification procedures for telecommunications equipment.

Chapter 5: Recommendations

The U.S. and Brazil have enjoyed a long and fruitful economic relationship. Cooperation initiatives between the two countries have deepened since 2015, resulting in relevant progress in several areas. Yet both countries maintain a series of barriers that affect cross-border trade and investment. Accordingly, there is still much room for increasing economic cooperation.

Against this backdrop, CNI, the Chamber, and AmCham have set forth a roadmap for expanding bilateral trade and investment flows focused on two key initiatives: (i) the launch of exploratory negotiations aimed at signing a trade agreement between the U.S. and Brazil, and (ii) a set of bilateral initiatives that could be undertaken in parallel with the broad trade negotiations and implemented in the short term. Negotiations should be comprehensive and aim for an ambitious and balanced agreement that can be concluded as expeditiously as possible.

The parties urge the Brazil Caucus of the U.S. House of Representatives and the Brazil-U.S. Parliamentary Group of the Brazilian Congress to be engaged in the process and hearings be organized to monitor the roadmap implementation.

While the trade agreement should be comprehensive and deep in its scope and disciplines, there are some relevant obstacles to the development of economic relations that could be overcome through negotiating specific agreements apart from and concomitant to the trade agreement. Once in place, some of these initiatives can be incorporated into the trade agreement. Others, due to their specific nature, should be maintained in parallel.

The private sectors should also be engaged from the outset in bilateral talks. In all these areas of cooperation, the U.S. and Brazilian private sectors can provide relevant contributions and robust solutions to foster an enhanced partnership that generates economic growth, job creation, and global competitiveness for both nations.

End Notes

ⁱ Source: U.S. Trade Representative, at <https://ustr.gov/countries-regions/americas/brazil> and Bureau of Economic Analysis and Bureau of Economic Analysis, at <https://www.bea.gov/data/intl-trade-investment/foreign-direct-investment-by-country-and-industry>.

ⁱⁱ Investment data are from the U.S. Bureau of Economic Analysis, at <https://www.bea.gov>. A detailed mapping of U.S. and Brazil investment can be found in the recent study “the Brazil-U.S. Investment Study Map” (2019), a partnership of Apex, Brazil-U.S. Business Council (BUSBC) and AmCham-Brazil.

ⁱⁱⁱ Alternativas do Brasil, UE e/ou EUA: essas parcerias são excludentes ou complementares (2016), AmCham Brasil & FGV EESP, at <http://www.amcham.com.br/competitividade-brasil/noticias/brasil-deve-investir-em-acordos-comerciais-com-eua-e-ue-aponta-estudo-amcham-fgv-8683.html>

^{iv} Impact of a U.S. Brazil Trade Agreement on the U.S. Economy, Brazil-U.S. Business Council (2016), at www.brazilcouncil.org.

^v Negociações Comerciais com os EUA: Interesses ofensivos do Brasil (2018), <http://portaldaindustria.com.br/publicacoes/2018/12/negociacoes-comerciais-com-os-eua-interesses-ofensivos-do-brasil/>

^{vi} For a complete analysis regarding a bilateral treaty, refer to “A Roadmap to a U.S.-Brazil Tax Treaty” published by the Brazil-U.S. Business Council (U.S. and Brazilian Sections) (2019) at www.brazilcouncil.org.



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