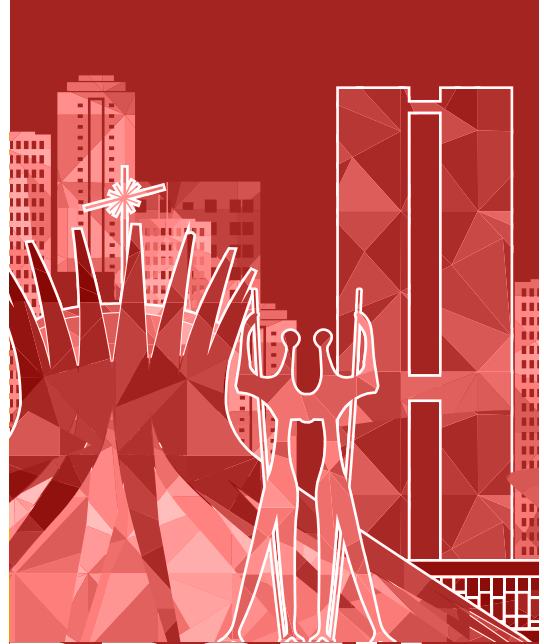




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BRAZIL JAPAN



R o a d m a p f o r
a n E c o n o m i c
P a r t n e r s h i p
A g r e e m e n t



B r a z i l - J a p a n : R o a d m a p
f o r a n E c o n o m i c
P a r t n e r s h i p A g r e e m e n t

Joint Report by the Brazilian National
Confederation of Industry - CNI
and the Japan Business
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Executive Summary

Brazil-Japan trade relations have been expanding but the share of Japan in Brazil's exports in 2014 was only 3%, while Japan represents currently only 2.6% of Brazilian imports. This means that there is much room for improving bilateral trade in mutual benefit.

In order to enhance bilateral economic relations as well as provide a legal basis for free trade and investment flows, CNI and Keidanren agreed to cooperate in the framing of a proposal for the launching of negotiations aimed at reaching a comprehensive Economic Partnership Agreement (EPA) between the two countries.

The EPA should be comprehensive and address the following issues:

- Trade in Goods
- Rules of Origin
- Trade Facilitation and Customs Procedures
- Regulatory Issues
- Trade Rules
- Investment and Services
- Intellectual Property Rights
- Natural Resources and Energy
- Movement of Natural Persons
- Business Environment
- Government Procurement

The implementation of the EPA should count on the contribution of an Advisory Board composed of representatives from governments and the business community.

Considering that reaching a comprehensive EPA might take time, CNI and Keidanren also decided to include complementary proposals for specific bilateral initiatives which could be implemented during the period of EPA negotiations and which would already contribute to eliminate obstacles to trade and investment. These initiatives include:

- Updating of the Bilateral Tax Treaty
- Mutual Visa Exemption
- Cooperation on Trade Facilitation
- Patent Prosecution Highway Agreement
- Open Skies Agreement
- Mutual Recognition of Diplomas, Certificates and Other Proofs of Professional Qualification

In all these fields, the private sector of both countries can provide relevant contribution through the identification of obstacles to be removed and the proposal of best solutions to foster bilateral economic relations.

1 • Introduction

Brazil-Japan trade relations are expanding. Japan's exports to Brazil have doubled and imports have tripled in 10 years. Nevertheless the share of Japan in Brazil's exports in 2014 was only 3%, coming down from 4.5% in 2000. By the same token, Japan represents currently only 2.6% of Brazilian imports, down from 5.3% in 2000. This means that there is much room for improving bilateral trade in mutual benefit.

Japan's foreign direct investment (FDI) in Brazil is on the increase and more than 450 Japanese companies are operating in the Brazilian market. Brazil occupies the 10th position in the rank of Japan's FDI, according to International Monetary Fund (IMF) data.

In order to foster bilateral trade and reciprocal FDI, it is key to establish a legal framework aiming at trade liberalization, elimination of investment barriers and enhancement of business environment. Concluding a Brazil-Japan Economic Partnership Agreement (EPA) is a necessary step in this direction.

On one hand, Keidanren aims at forming a free trade area comprised of Asia and the Americas by concluding EPAs such as the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP). From this point of view, Brazil, the largest economy in Latin America, is definitely a potential EPA partner for Japan.

On the other hand and as a part of its pro-growth agenda, CNI aims at promoting deeper integration of Brazilian companies into the global value chains (GVC). In this context, EPAs with large and developed economies are a relevant tool to foster trade and investment as well as for improving productivity. To this end, Japan is a key EPA partner for Brazil. The country has a long history in contributing to the development of the Brazilian economy and is a leading economy in GVCs and in regional value chains in Asia.

In order to enhance bilateral economic relations as well as provide a legal basis for free trade and investment flows, CNI and Keidanren agreed to cooperate in the framing of a proposal for the launching of negotiations aimed at reaching a comprehensive EPA between the two countries. To this end, CNI and Keidanren undertook consultations with the business communities of both countries to gather information about existing opportunities, obstacles and interests to foster trade and investment ties.

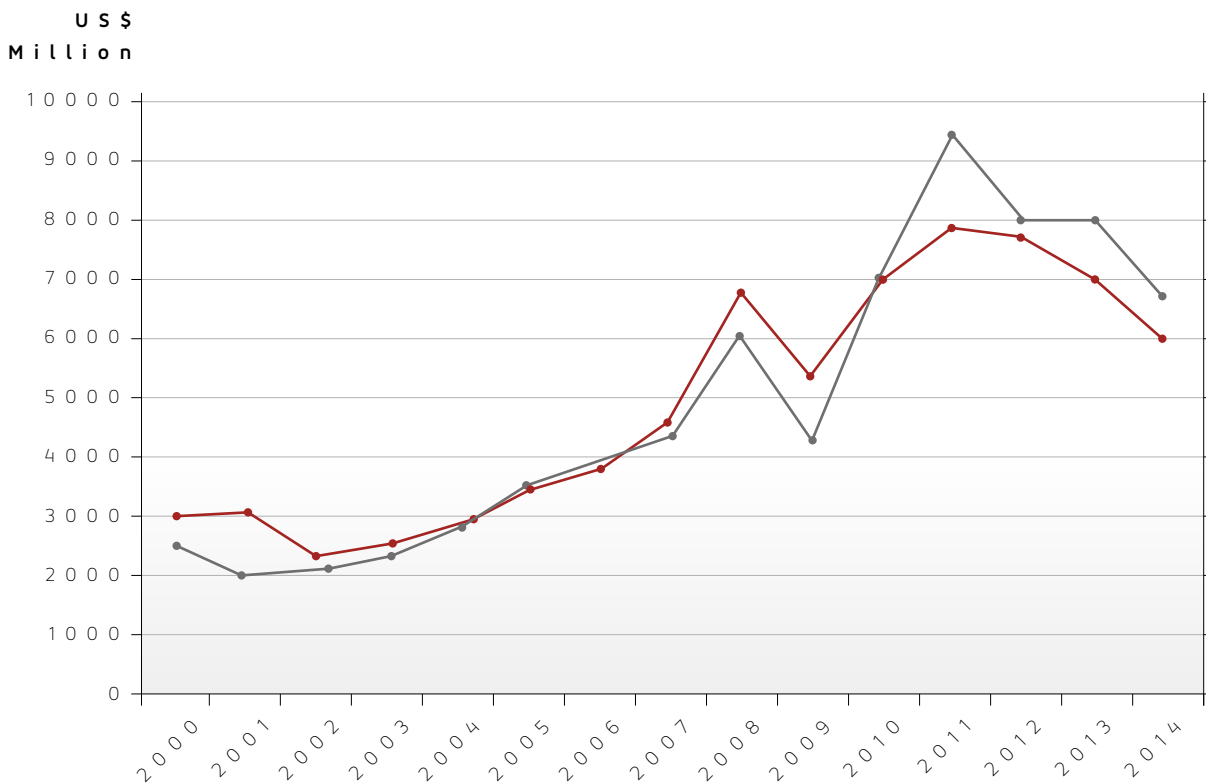
Considering that reaching a comprehensive EPA might take time, CNI and Keidanren also decided to include complementary proposals for specific bilateral initiatives which could be implemented during the period of EPA negotiations and which would contribute to eliminate some obstacles to trade and investment.

This report includes: a brief review of the evolution of Brazil-Japan economic relations in the recent period (Section 2); a proposal of a roadmap for reaching a comprehensive bilateral EPA (Section 3); a set of specific bilateral initiatives that could be implemented during the period of the trade negotiations (Section 4); and general conclusions and recommendations (Section 5).

2. Brazil - Japan Economic Relations

Brazil-Japan economic relations have grown during the last fifteen years but have been below the expectations that prevailed in the beginning of the last decade. Brazilian exports to Japan expanded by 172% between 2000 and 2014 while Japanese exports to Brazil grew by 99% during the same period.

Figure 1: Brazil-Japan Trade Flows 2000/2014



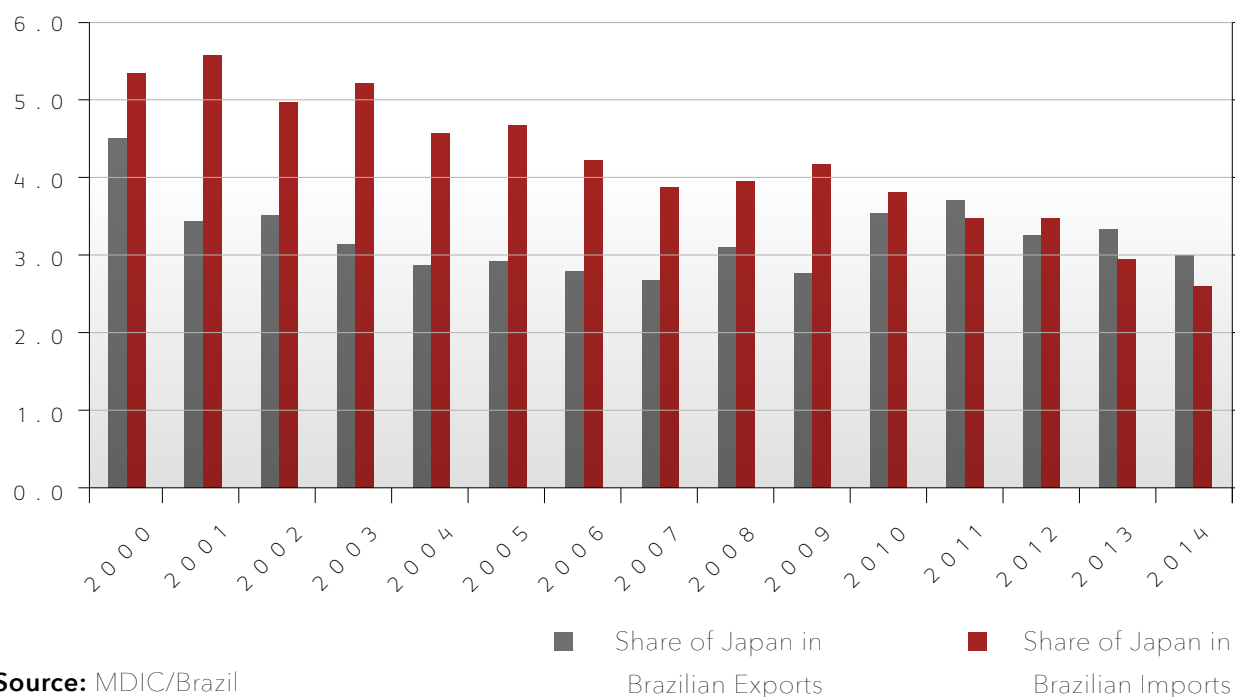
Source: MDIC/Brazil — **Brazilian Exports to Japan** — **Brazilian Imports from Japan**

During this period, the Japanese share as a destination of Brazilian exports fell from 4.5% in 2000 to 3.0% in 2014. The share of Japanese products in Brazilian imports declined from 5.3% to 2.6% during the same period indicating a loss of market-share of both countries in each other's market.

Japan occupies the 5th place in the ranking of Brazilian export destinations since 2000 but has fallen from the 4th to the 9th position as a provider of Brazilian imports. On the Japanese side, Brazil is the 25th destination of Japan's exports, coming down from the 24th position in 2000. Brazilian position as a supplier of Japanese imports has shown an upgrade in this period, from the 25th position in 2000 to the 19th in 2014. These trends indicate that there is much room for expanding bilateral trade for the benefit of the two countries.

Figure 2: Japanese Share in Brazilian trade flows

In %



Source: MDIC/Brazil

The bilateral trade balance resulted in deficits for Brazil in eight of the ten years ranging from 2000 to 2009 but this reality began to change from 2010 onwards. In the last two years, the surplus in bilateral flows for Brazil exceeded US\$ 800 million per year.

Japanese investment in Brazil has also shown significant growth during this period, although the most relevant cycle of growth was concentrated in the pre-crisis period. Currently, there are 450 Japanese companies operating in Brazil accounting for 5% of foreign capital invested in the country. Japan ranks 6th as a foreign investor in Brazil while Brazil occupies the 10th position as a destination of Japanese direct investment abroad.

2.1. Brazilian Exports to Japan

Two main features emerge from the analysis of Brazilian exports profile to Japan: (i) the high and increasing concentration in a few products; and (ii) the high weight of mineral products, and, to a lesser extent, food and forestry.

In 2000, the 30 main products in the Brazilian exports list to Japan responded for 77% of total exports. This concentration increased during this period reaching 91.1% in 2014. The five products on the top of this list in 2000 represented 48% of total exports while in 2014 these same products accounted for 63% of the total.

The sectorial specialization of Brazilian exports to Japan is evident: the weight of mineral products (iron ore and ferroalloys) was 41.3% in 2000 and increased to 42.2% in 2014. Other relevant sectors include: poultry meat, coffee, pulp and plywood, orange juice, soybeans and maize. The participation of manufactures not intensive in natural resources in Brazilian exports to Japan is very limited. Only four products among the main 30 in the list of Brazilian exports to Japan could be classified in this category.

Although the share of Japan in the Brazilian exports is relatively small – and has fallen during the last 15 years – the country is a very relevant market for the export of some Brazilian products. This is the case of glutamic acid (99%), ferrosilicon (86%), extracts, essences and concentrates of coffee (77.4%), wood and articles of wood (75%), aluminum hydroxide (75%), and raw aluminum (almost 70% of Brazilian exports go to Japan).

On the other hand, for the most relevant Brazilian products exported to Japan, the country is a key supplier of the Japanese market. For 13 of the main products in the list of Brazilian exports to Japan, Brazil is one of the three main suppliers. For 7 products, Brazil is the main supplier. Australia, Canada and the United States are the main competitors of Brazil in the Japanese market. It is important to realize that Japan has negotiated or is engaged in negotiations of free trade agreements with all of them.

Most of the products exported by Brazil enter the Japanese market free of duties or are subject to very low import tariff rates. Nevertheless, for 8 of the 30 main products exported to Japan tariffs can be equal or higher than 10%. Tariffs charged on imported orange juice and leather or leather products are particularly high.

There are many other products which are part of the Brazilian exports list to the world but face very high tariffs and/or non-tariff barriers in the Japanese market. In some cases, more relevant than tariff barriers are non-tariff barriers, particularly the sanitary and phytosanitary measures that represent barriers for many Brazilian exports such as bovine meat or fresh fruits.

Japan has signed 15 free trade agreements of which 14 of them are in force. Furthermore, Japan is negotiating bilaterally with 7 countries or regions, in addition to its engagement in the TPP and RCEP. If Japan is successful in concluding new preferential trade agreements with countries that are among Brazil's main competitors Brazilian companies could compensate trade diversion and enjoy a level playing field by having an EPA with Japan.

2.2. Japanese Exports to Brazil

The main features of the Japanese exports to Brazil are very different from those highlighted for the Brazilian exports to Japan. Concentration is much smaller than that observed in Brazil's case, although it has increased in the last 15 years. The 30 main products in the Japanese list of exports to Brazil responded in 2000 for 29.6% of Brazilian imports increasing to 37.8% in 2014.

In 2000, five of the main products exported by Japan to Brazil represented only 11.2% of bilateral exports. In 2014, the share of these same five products had slightly increased to 14.3%.

Manufactures of high added value dominate Japanese exports to Brazil. The main products in this list are machinery and mechanical appliances, electrical machinery and equipment, and automotive products. These three groups of products responded for 22 of the 30 main products in the list of Japanese exports to Brazil. Automobiles became the first product in the rank of Brazilian imports from Japan in 2014.

In 2014, there were some novelties in the list of the 30 main products imported by Brazil from Japan: articles of iron or steel and ships and floating structures are examples.

In the case of electrical machinery and equipment, participation in the Japanese exports to Brazil went down from 11.4% in 2000 to 1.5% in 2014. It seems that Japanese exporters have been losing market share in Brazil to Chinese competitors.

Japan is one of the three main suppliers of the Brazilian market for 8 of the main products in its exports list to Brazil. The country is the main supplier of parts of spark-ignition internal combustion piston engines and of tools for pressing, stamping or punching.

China is the main competitor of Japan in the Brazilian market for the main products exported by Japan to Brazil. South Korea - with a relevant share of Brazilian market for auto parts and for electronic circuits - and Germany - in vehicles and auto parts -, in addition to Argentina and Mexico (these two with preferential access to the Brazilian market), are the other main competitors of Japan.

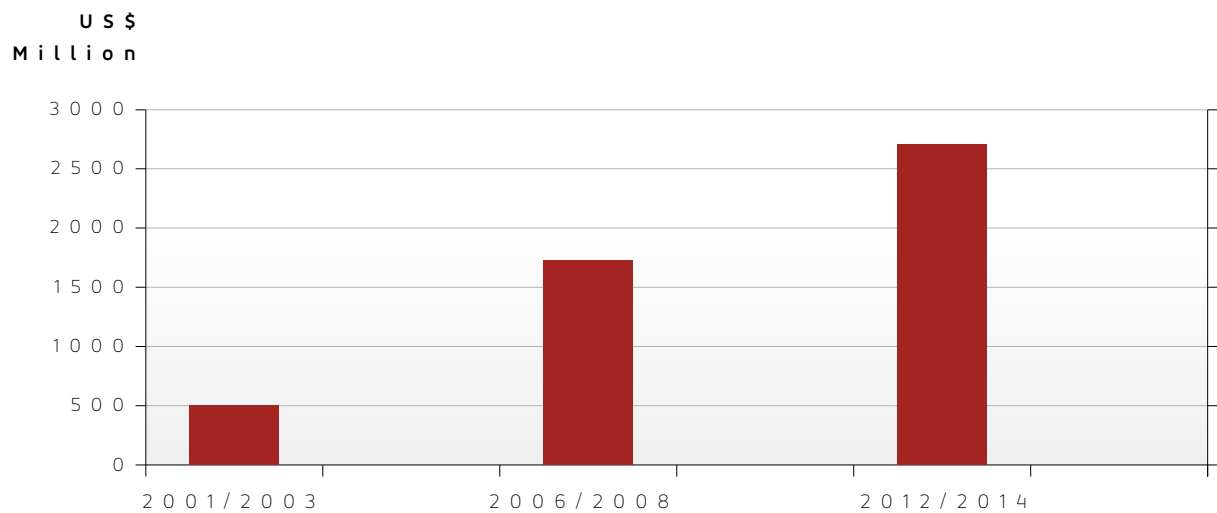
Japanese goods face high import tariffs when entering the Brazilian market. Indeed, 23 among the 30 main products exported by Japan to Brazil pay import tariffs equal or higher than 14%. Among these, 21 face import tariffs between 14% and 18% and 2 of them face tariffs of 35%. Of these 30 products, only 4 enter free of import duties in Brazil.

Brazil has negotiated few preferential trade agreements. Besides Mercosur and free trade agreements with the other South American countries, Brazil has trade agreements with Israel and Egypt and limited preferential agreements with Mexico, India and South Africa. However, the country is currently engaged in the negotiations of a free trade agreement with the European Union.

2.3. Japanese Investment in Brazil

Japanese investment in Brazil has grown since the beginning of this century, although growth was more intense before the outbreak of the international financial crisis of 2008.

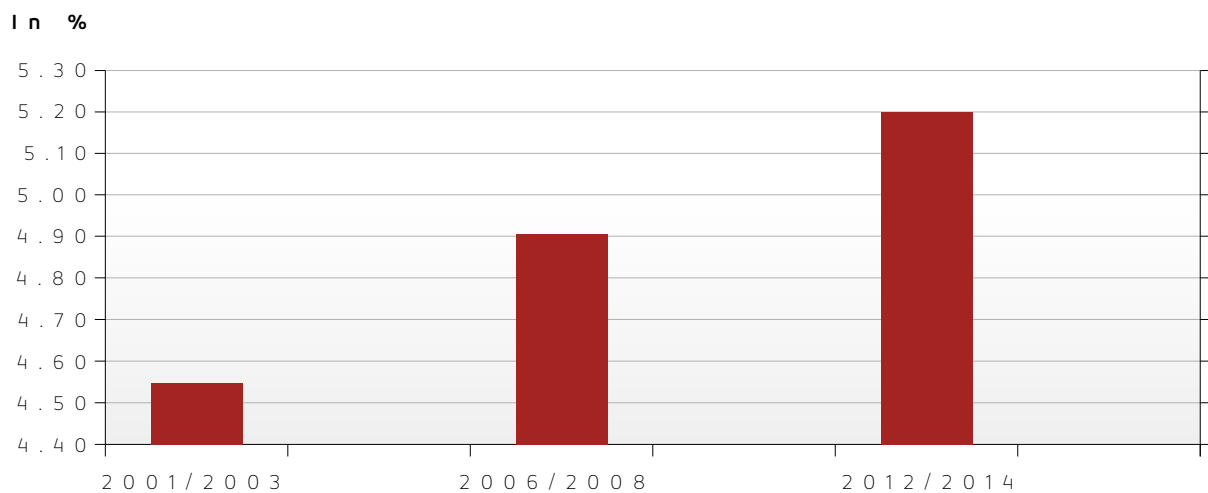
Figure 3: Evolution of Japanese Investment Flows in Brazil



Source: BCB/Brazil

Despite this growth, the share of Japan in FDI in Brazil has slightly diminished considering the average flows of the last three years. Japan seems to have had some difficulty in expanding FDI in Brazil. Even so, Japan ranks 6th when considered the stock of FDI in Brazil and 5th in the FDI destined to the processing industry in Brazil.

Figure 4: Share of Japan in total FDI in Brazil



Source: BCB/Brazil

The manufacturing sector concentrates Japanese investment in Brazil, although its participation in the total has been reduced in recent years (between 2010 and 2013). In 2013, processing industry accounted for 51.6% of the stock of Japanese capital invested in Brazil while extractive industry responded for 26.3%. Financial services gained relevance reaching 17.2% of the stock, movement also seen with commercial services and reparation of automobiles and motorcycles, each representing 6.5% of the total.

The complementarities between the two economies are remarkable. Japan dominates technologies in several areas in which Brazil is an increasing demander. Brazil has dominant comparative advantages in products and sectors intensive in natural resources such as energy and food. Furthermore, Brazil offers many investment opportunities that can attract Japanese capital.

3. Brazil-Japan Economic Partnership Agreement (EPA)

In order to enhance bilateral economic relations as well as provide a legal basis for free trade and investment an EPA should be comprehensive and address the following issues.

3.1. Trade in Goods

- a. In order to achieve an ambitious and comprehensive EPA, tariffs should be eliminated for more than 90% of trade volume/value in 10 years after the entry into force of the agreement. There should be no a priori exclusion of products from the liberalization schedule and the EPA should foresee the complete elimination of quotas.
- b. In the course of negotiations, both sides should consider options for dealing with the most sensitive products. These products could be contemplated with longer phase-out periods for tariff elimination but should not be completely excluded from liberalization commitments.
- c. The list of sensitive products should not be concentrated in one sector in order to avoid the exclusion of an entire sector of the liberalization process.
- d. The liberalization process should include the whole spectrum of tariffs rates, including ad valorem, specific, mixed, temporary/seasonal tariff rates and tariff-rate quotas.
- e. Japan has been keen on eliminating tariffs on automobiles, auto parts, steel, machinery, electronics, chemical products, construction materials and equipment, among others. For Brazil, the products of highest interest for trade liberalization in Japan include beef and innards, corn, certain fruits, sugar and ethanol, soy oil, leathers, skins and footwear, processed foodstuffs, wood and textiles. The EPA should promote a balanced result with relevant gains in terms of market access for both sides.
- f. Brazil should request consultations with Mercosur members regarding the launch of EPA negotiations with Japan. If Mercosur members are not ready to join this initiative Brazil should seek pragmatic options to proceed with launching negotiations, including but not limited to a request for a waiver of Mercosur Decision 32/00.

3.2. Rules of Origin

- a. Rules of origin must be simple, flexible and transparent and should not hamper the ability of companies to benefit from the trade preferences negotiated in the EPA.
- b. Simple, flexible and transparent administrative procedures should be adopted regarding certification and verification of origin.

3.3. Trade Facilitation and Customs Procedures

- a. In order to facilitate bilateral trade and to allow companies to reap the full benefits of the trade preferences negotiated under the EPA, Brazil and Japan should join efforts to implement the Trade Facilitation Agreement (TFA) reached at the WTO Bali Ministerial Conference.
- b. Brazil and Japan should negotiate bilaterally, under the EPA, the deepening of the TFA provisions, incorporating issues that could not be agreed upon in the multilateral negotiations but that could contribute to reduce costs and time involved in administrative and customs procedures for bilateral trade.
- c. Brazil and Japan should implement a Mutual Recognition Arrangement of each country's Authorized Economic Operator program.

3.4. Regulatory Issues: Sanitary and Phytosanitary Measures and Technical Barriers to Trade

- a. Regulations and private standards are proliferating and creating new barriers to trade, particularly when they are set individually by countries out of the umbrella of international fora. Brazil and Japan should explore ways to address behind-the-border obstacles to trade with an emphasis on standards and regulations applied on imports of manufactured and agricultural products. It is important to find ways, for example, to protect human health or safety, animal or plant life or health and the environment as well as to prevent deceptive practices and to guarantee national security, without creating unnecessary barriers to trade.

- b. The EPA should incorporate an ambitious SPS (sanitary and phytosanitary) chapter that goes beyond the WTO SPS Agreement, addressing the requirements that SPS measures be based on science and on international standards. This chapter should refer to: (i) the promotion of a more prevention-based mechanism; and (ii) the expansion in breadth and depth of information-sharing.
- c. Both parties should develop deep cooperation in exchanging views and information at a bilateral level and in relevant international bodies engaged in food safety and human, animal or plant life or health issues; and in facilitating the timely exchange of information on their respective SPS measures. To this end, the EPA should incorporate a Sub-Committee on SPS Cooperation, to be composed by experts from both sides with the purpose of undertaking consultations, including science-based consultations, to identify and address specific issues that may arise from the application of SPS measures with the objective of achieving mutually acceptable solutions.
- d. An ambitious TBT (technical barriers to trade) chapter should also be incorporated to the EPA. The objective of this chapter should be to promote transparency and dialogue in the regulations and standards-setting process.
- e. The EPA should allow for reducing redundant and burdensome testing and certification requirements and by promoting confidence among certification bodies of both countries. Agreements on mutual recognition of tests and certification should be adopted in order to reduce costs and delays in bilateral trade. In this context, preference should be given to international standards. The agreement should also incorporate a Sub-Committee on TBT Cooperation to be composed of representatives of both governments and the relevant bodies in charge of standards and regulation setting. The Sub-Committee should invite representatives of relevant non-governmental entities with necessary expertise relevant to the issues to be discussed.

3.5. Trade Rules

- a. Abuse of trade remedies such as anti-dumping measures may adversely affect free trade.
- b. As for anti-dumping measures, introduction of a “lesser duty rule” and prevention of “zeroing” should be addressed. Moreover, Brazil and Japan may evaluate ways to mitigate the use of anti-dumping actions for goods manufactured in either country.
- c. Neither party shall introduce or maintain export subsidies in order to achieve compatibility with the WTO Agreement on Subsidies and Countervailing Measures (SCM). In accordance with the WTO Hong Kong Declaration commitments, agriculture export subsidies shall also be eliminated.
- d. Subsidies to specific sectors might create unfair competition among companies from the two countries in each other’s markets but also in the global market. In this context, the EPA should create a cooperation mechanism to promote dialogue and coordination as regards the adoption of subsidies.

3.6. Investment and Services

- a. Promoting foreign direct investment in major manufacturing and services sectors contributes to industrial development in the hosting country. It also creates jobs and facilitates technology transfer. From the view point of achieving connectivity of supply chains, manufacturing and services should be addressed under a unified scheme.
- b. In order to reach a substantial liberalization in trade in services, efforts should be undertaken to achieve substantial sectoral coverage in accordance with the General Agreement on Trade in Services (GATS) Article 5.
- c. The EPA chapter on investment should include commitments to eliminate or reduce, as appropriate, foreign capital ceilings and entry barriers. Both parties should also commit to the easing of local contents requirements, and to the unrestricted remittance of profits and capital, which are key to ensuring foreign direct investment.
- d. A robust chapter should also include a dispute settlement mechanism. Consideration should be given to the possibility of including Investor-to-State Dispute Settlement.

3.7. Intellectual Property Rights

- a. The protection of intellectual property rights is crucial to promote investment and innovation. Both countries shall grant non-discriminatory protection of intellectual property complying with the commitments established in the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).
- b. Both parties should commit to promote efficiency and transparency in the administration of their intellectual property systems and provide for measures for adequate and effective enforcement of intellectual property rights against infringement, including counterfeiting and piracy.
- c. Restrictions on the amount and duration of royalties should be lifted with a view to ensuring freedom of contract.
- d. Brazil and Japan should negotiate a Patent Prosecution Highway Agreement (PPH) to accelerate the examination of patent claims by companies of the two countries.
- e. An Intellectual Property Sub-Committee should be established under the future EPA to address these issues.

3.8. Natural Resources and Energy

- a. Access to raw material and inputs is essential. Export control measures and export tariffs should be avoided in the bilateral trade.
- b. Restrictions (such as local content requirements and foreign capital ceilings) should be eliminated or reduced, as appropriate, so as to promote joint projects and technology transfer related to natural resources and energy development.

3.9. Movement of Natural Persons

- a. Movement of natural persons is essential in enhancing business relations.
- b. Brazil and Japan should upgrade the current agreement on facilitation of visa procedures in order to expand the duration and reduce bureaucracy. In the long term, Brazil and Japan should also aim at mutual visa exemption for short-term stay.
- c. Free movement of intra-corporate transferees, including prompt issuance of working permits and visas, movement of specialists and students, among other aspects, should be addressed.

3.10. Business Environment

- a. Even if investment and trade in services are liberalized, business would not be facilitated unless domestic regulations of the hosting countries are transparent and rational.
- b. A mechanism should be established, comprised of representatives from government and the business community, to discuss issues on how to improve the business environment.
- c. Issues such as impediments to business activities due to domestic regulations, taxation and labor issues could be addressed, reviewed and corrected under this mechanism.

3.11. Government Procurement

- a. A chapter on government procurement should be included in the EPA aiming at guaranteeing transparency and predictability in government biddings. Not only the price factor but also quality should be evaluated throughout the tendering process.

3.12. Implementation of the EPA

- a. An Advisory Board composed of representatives from governments and the business community should be created in order to monitor the implementation of the EPA.

3.13. Dispute Settlement

- a. A robust mechanism for dispute settlement involving all the issues included in the EPA should be incorporated to the agreement.

4. Specific Bilateral Initiatives to Foster Brazil-Japan Economic Relations

While the EPA should be comprehensive and deep in its scope and disciplines, there are relevant obstacles for the development of bilateral economic relations that could be overcome through the negotiation of specific agreements apart from and concomitant to the EPA.

Some of these agreements can eventually be incorporated in the EPA, at the time its negotiations are concluded. Others, due to their specific nature, should be maintained in parallel to the EPA. Proposals for the scope and general content of these agreements are described below.

4.1. Updating of the Bilateral Tax Treaty

Brazil and Japan signed a Bilateral Tax Treaty (BTT) in March 1967, which was modified by a Protocol of March 1976, aimed at eliminating double taxation and guaranteeing predictability to the tax regime.

Since then, Japanese investment in Brazil has significantly expanded, new modalities of investment have been developed and changes in the Brazilian tax regime have been introduced. As a result, there are specific issues that need to be clarified in order to avoid misinterpretation and to provide certainty to investors regarding the taxes that will be due in each operation.

Not only foreign investors will benefit from this approach. For instance, according to the statistics of SISCOSEV, in 2014, Brazil imported US\$ 871 million in services from Japan. Many of these services are consumed by the Brazilian industry. Therefore, the clarification on the taxation of services and royalties and issues related to transfer pricing taxation is an important factor for the competitiveness of the Brazilian industry.

The Brazil-Japan BTT should be revisited in order to update its disciplines and eliminate uncertainties related to the interpretation of its provisions.

4.2. Mutual Visa Exemption

Brazil and Japan should start negotiations to achieve mutual visa exemption for short-term stay. As of December 2014, Japan had Visa Exemption Arrangements with 67 countries and regions; and, as of June 2015, holders of passports of 83 jurisdictions do not require a visa to visit Brazil up to 90 days for tourism or business purposes (unless otherwise noted).

Meanwhile, it is important that the progress achieved since the signature of the Memorandum on the Facilitation of the Issuance of Multiple Entry Visas for Business Purposes, in 2011, is consolidated in permanent and transparent procedures and that the criteria for the issuance of work permits are publicized so as to provide predictability to investors needing to count on expatriated workers. The mentioned Memorandum foresees the possibility that each country issues multiple-entry business visas valid for up to three years. Both countries have agreed to expedite visa-issuance procedures avoiding delays and on June 15, 2015, Japan has decided to begin the issuance of multiple-entry visas for short-stay to Brazilian citizens in order to foster tourism and business activities.

4.3. Cooperation in Trade Facilitation

Bilateral cooperation on trade facilitation between authorities from both countries should be strengthened in order to eliminate unnecessary red tape. Interfaces between both countries' single window programs should be explored.

Furthermore, a Mutual Recognition Arrangement (MRA) of Authorized Economic Operator (AEO) should be negotiated, aiming at expediting customs procedures and reducing costs associated to bilateral trade operations.

Although trade facilitation would be a chapter of the EPA, there is much scope for bilateral cooperation before a future EPA.

4.4. Patent Prosecution Highway Agreement

Brazil and Japan should sign a Patent Prosecution Highway Agreement (PPH) in order to promote the cooperation between Brazil and Japan patents offices.

The PPH is a platform that avoids the duplication of efforts and speeds up the examination process for corresponding applications filed in participating offices. It provides reciprocal access and allows voluntary use of analysis already elaborated by these offices, reducing the time spent in examinations.

The signature of a PPH between Brazil and Japan would contribute to strengthen the existing cooperation between the Japan Patent Office (JPO) and the Brazilian National Institute of Industrial Property (INPI).

4.5. Open Skies Agreement

An Open Skies Agreement between Brazil and Japan could foster the provision of air transportation services interlinking both countries resulting in a decrease of transportation costs not only for tourism and business travels but for cargo transportation as well.

Brazil and Japan have a long tradition of cooperation in air transportation - the first bilateral agreement

dates of 1956. This agreement has been amended and updated but its scope is very limited.

Both countries established a bilateral dialogue aimed at identifying potential interest for a more comprehensive bilateral agreement in this area. Nevertheless, negotiations have been facing obstacles that should be overcome in order to foster bilateral interconnection.

4.6. Mutual Recognition of Diplomas, Certificates and Other Proofs of Professional Qualification

Mutual recognition of diplomas, certificates and other proofs of professional qualification have a high potential of contributing to the strengthening of the economic bilateral relationship. Brazil and Japan signed in 1961 the Japan-Brazilian Cultural Exchange Agreement that foresees the examination of standards and criteria in order to facilitate and simplify the mutual recognition of diplomas and qualification certificates.

It is important that both governments dedicate efforts to expedite and facilitate the mutual recognition of diplomas and certificates and publicize information about the bilateral cooperation in this field.

5. Conclusion and Recommendations

Despite the good performance of bilateral trade and investment flows in the last 15 years, there is much room to promote economic cooperation between Brazil and Japan.

The establishment of a legal framework aiming at trade liberalization, elimination of investment barriers and enhancement of business environment would foster bilateral trade and reciprocal FDI. Brazil and Japan should commit to the launching of negotiations aimed at reaching a comprehensive EPA.

The bilateral EPA should incorporate the following thematic agenda:

- Trade in Goods
- Rules of Origin
- Trade Facilitation and Customs Procedures
- Regulatory Issues
- Trade Rules
- Investment and Services
- Intellectual Property Rights
- Natural Resources and Energy
- Movement of Natural Persons
- Business Environment
- Government Procurement

An Advisory Board composed of representatives from governments and the business community should be created to follow negotiations and to monitor the implementation of the EPA. Existing schemes such as the Joint Committee on the Promotion of Trade, Investment and Industrial Cooperation (so-called "MDIC-METI" Dialogue) may serve as a platform in this regard.

While the EPA should be comprehensive and deep in its scope and disciplines, there are relevant obstacles for the development of economic relations that could be overcome through the negotiation of specific agreements concomitantly to the EPA.

Some of these agreements can eventually be incorporated in the EPA, at the time its negotiations are concluded. Others, due to their specific nature, should be maintained in parallel to the EPA.

The most relevant areas for negotiations parallel to the EPA initiative include: revision of the Bilateral Tax Treaty; Mutual Visa Exemption; cooperation in Trade Facilitation; the negotiation of a Patent Prosecution Highway Agreement; the negotiation of an Open Skies Agreement; and Mutual Recognition of Diplomas, Certificates and Other Proofs of Professional Qualification.

Last but not least, Brazil and Japan should join efforts to strengthen the multilateral trade system.

In all these fields, the private sector of both countries can give a relevant contribution through the identification of obstacles to be removed and the construction of best solutions to cope with the challenge of fostering bilateral economic relations.





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