

The United States and Brazil: Priorities for a Revitalized Alliance

April 12, 2021

Unique challenges in 2021 bring renewed opportunities to advance United States-Brazilian relations. A new administration in Washington brings with it a deep understanding of the significance of the bilateral relationship. New leadership in Brazil's Congress assures renewed focus on reforms designed to spur domestic economic liberalization and increase trade flows with key partners like the U.S. A series of meaningful high-level meetings between the two governments constitutes an encouraging start toward a renewed alliance between the two largest economies of the Western Hemisphere.

The U.S. Chamber of Commerce's Brazil-United States Business Council (BUSBC) looks forward to working with the Biden Administration in Washington and the Bolsonaro Government in Brasília, focusing on expanded priorities including:

- collaboration on Covid-19 pandemic;
- new digitized economy;
- green energy;
- environmental protection -- not only in the Amazon biome, but throughout Brazil; and,
- initiatives building on 2020's important, but incomplete, trade agreement.

1. Work with Brazil to fight the Covid-19 pandemic and support access to vaccines

On March 19, Brazilian Senate President Rodrigo Pacheco wrote to U.S. Vice President Kamala Harris soliciting vaccines manufactured in the U.S. BUSBC urges the U.S. government to respond positively to this request and support Brazil in its fight against the virus by expediting its vaccination program in light of the alarming spread of a dangerous Covid-19 variant in the country. At this time, there is no greater priority in the U.S.-Brazil relationship than containing the pandemic and restoring normalcy as soon as possible. U.S. assistance to Brazil on humanitarian grounds to ensure a greater supply of vaccines in the country is crucial to containing the pandemic and ameliorating the suffering of the Brazilian population.

2. Partner to address climate change and support environmentally sustainable development nationwide, including the Amazon biome

BUSBC welcomed the creation of the U.S.-Brazil Environmental Framework Dialogue in November 2020 for cooperation on critical environmental issues, such as fire prevention and management, combatting illegal logging, conservation of Amazon biodiversity, financing the bioeconomy, and basic sanitation services. The business community requests that the two governments expand the dialogue's mandate to include climate change, resource efficiency, green financing, and sustainable growth. We were especially encouraged to learn that the first high-level bilateral meetings between the two governments prominently included U.S. Special Envoy for Climate John Kerry.

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Post-pandemic, Brazil has a unique opportunity to rebuild its economy by embedding sustainability into its recovery plans. As a G20 member, Brazil can play a lead role in shaping global environmental sustainability criteria consistent with the country's unique ecological endowment and development strategy. Brazil can exercise that role at this year's COP26 Glasgow Summit and is already seeking a place for the carbon credits market on the agenda.

BUSBC is a platform for U.S. private sector interface between the governments and the business community on achieving, and assessing progress towards, collaborative sustainability goals. Via dialogue between the Brazilian government, international companies, and global stakeholders, BUSBC has made recommendations for sustainable investment, identifying potential areas for bilateral collaboration. Recommendations for the Brazilian government include:

- Assuming leadership roles in global sustainability and environmental dialogues;
- Providing regular updates on sovereign contributions under the Paris Agreement
- Promoting sustainable socio-economic opportunities in the Amazon; and,
- Committing to a green economy by taking advantage of Brazil's deep experience in alternative energy resources.

3. Deepen the bilateral commitment to digital trade

The U.S. and Brazil are innovation front-runners playing a crucial role in the global digital economy, with American investors showing increased interest in Brazilian fintechs and ecommerce providers. Americans and Brazilians share a talent for innovation, vital in growing trade, investment, and economic development, and in facing the challenges of COVID-19 recovery. Cooperation on data governance is central to the bilateral relationship; Washington and Brasilia have an opportunity to establish common frameworks for Latin America, ones that protect the shared values of privacy and freedom of expression while also promoting economic efficiency and productivity gains.

The COVID-19 pandemic fast-tracked the use of digital technologies and services, crucial to maintaining essential trade flows. Now is the time for the U.S. and Brazil to lock in bilateral commitments on digital trade, based on the high standards set by the U.S.-Mexico-Canada Agreement and the U.S.-Japan Digital Trade Agreement.

Bilateral negotiations on digital trade began on the margin of talks resulting in the October 2020 Trade Rules and Transparency Protocol, but that agreement ultimately did not include a digital trade chapter. Both governments should consider resuming negotiations and taking advantage of already open discussions on digital issues. Suggested areas of focus include:

- commitments to enable cross border data flows;
- data protection;
- prohibition on data localization;



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- non-discriminatory treatment of digital products;
- enhanced bilateral alignment on new digital regulatory frameworks, infrastructure, cybersecurity, and artificial intelligence.

Some digital issues are already a part of other U.S.-Brazil dialogues (e.g., Commercial Dialogue, Defense Industry Dialogue and the Strategic Economic Partnership) but there is no high-level dialogue on digital issues. The value of a bilateral digital relationship covering more than half a billion people cannot be underestimated and warrants the creation of a specific dialogue. Special emphasis by the U.S. on bilateral commitments related to digital trade is essential to improve the business environment in Brazil and the continued development of the digital economy in both countries.

4. Create a high-level bilateral framework to set ambitious strategic goals and elevate key priorities within bilateral dialogues

Existing dialogues are dynamic platforms for attainable, immediate goals, but should be revamped for building a long-term strategic alliance. Inspired by the newly re-established U.S.-Mexico Economic Dialogue (HLED), BUSBC recommends that a high-level strategic and economic dialogue be established to be led by senior officials of the White House and including key actors within the relationship, from the National Security Council and/or National Economic Council, U.S. Department of State, U.S. Department of Commerce, and the U.S. Trade Representative, joined by their counterparts from the Brazilian government. For this high-level dialogue to succeed, both governments must build an ambitious and comprehensive vision for the partnership that addresses the shared priorities of the business communities of both countries. Goals should include expansion of the trade protocol with new chapters on digital trade and environmental protection, among others, for a comprehensive deal. In the meantime, the Brazilian Congress should promptly ratify the protocol so that both countries can reap its benefits. Longer term goals should include bilateral tax and investment treaties, modernizing fiscal reforms on the Brazilian side, and reduction of technical barriers to trade across-the-board.

The bilateral dialogues have resulted in concrete progress over the years in several areas of cooperation. Now new opportunities for generating sustainable and inclusive growth through trade and investment should be explored in priority sectors such as:

- defense, building towards a binational program in the sector;
- sustainable agriculture;
- trade facilitation, which would include discussion of additional commitments in areas such as express delivery; and
- energy, which would prioritize development of alternative renewable resources.

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The participation of the private sector should be formalized in all dialogues to ensure alignment of priorities and policies.

5. Reinforce U.S. support for Brazilian accession to the OECD, part of a framework for structural reforms and transition to an open, market economy

Brazil formally requested OECD membership in May 2017 and has taken significant steps to meet high organization standards for sound economic governance. Brazil has long been a strategic partner of the organization and has adhered to numerous instruments. A new foreign exchange framework, designed to facilitate capital movements, will be implemented soon, upping adherence to 98 instruments. Priority areas identified by Brazil's government for additional reform include tax, investments, digital economy, innovation, regulatory policies, competition, and public sector governance.

The global business community recognizes that just the prospect of OECD membership for a country like Brazil can present a unique opportunity to advance meaningful economic reforms. Both in Washington and Brasilia, BUSBC has cited the importance of Brazilian OECD membership and alignment with global best practices. Toward this aim, BUSBC recommends that the U.S. government reaffirm its support of, and commitment to, Brazil's OECD membership. Brazilian accession would provide a strong incentive for much-needed reforms, encouraging foreign investment, and offering support as its developing economy struggles to recover from the economic effects of the Covid-19 pandemic. BUSBC, in partnership with the U.S. Council for International Business (USCIB) and Brazil's National Confederation of Industry (CNI), launched the Brazil OECD Business Policy Roundtables to convene Brazilian stakeholders and global corporate leaders to build consensus and extend policy recommendations to the Brazilian government to advance Brazilian prosperity, with impact across Latin America and globally. We would be happy to have White House officials join us to hear more about our assessments and joint recommendations as they consider Brazil's OECD accession case.

