

Recommendations of the US-Brazil CEO Forum

October 10, 2007

Brasilia, Brazil

The Strategic Vision

Competitive Scenario

In light of the formation of economic alliances in different areas of the globe that constitute powerful competing strengths, we should build upon the strong complementary relationship between the economies of Brazil and the United States (“US”). These complimentary forces are strongly perceived by the CEO Forum members of the two countries. The ability to bring these complimentary forces together to become more effective will certainly result in strengthening the competitiveness of both countries.

Integration

The Brazil-US CEO Forum understands that the two countries should seek the integration of their economies in a very resolute way and with the understanding that the sooner it is achieved the better the benefits for both countries and their partners.

Primary Actions

Understanding that the strategic political and economic integration we propose will not take place immediately, this Forum suggests that the following primary actions should be pursued, without however losing the focus, on the relevance of the main goal which is the competitive integration of our two economies.

Executive Summary

The CEO Forum made recommendations in five major areas: promoting trade, industry and investment as a means toward economic growth; improving competitiveness through innovation and entrepreneurship; partnering in skills development to create solutions in education and workforce development; promoting technology exchanges in key areas; and supporting an enabling environment for the rapid and secure movement of goods.

The CEOs made two recommendations for priority action:

1. Bilateral Tax Treaty – Double taxation between the countries could restrict investment between the two countries. The CEO's recommended the governments adopt a Tax Treaty to eliminate this barrier.
2. Both governments should adopt benchmarking practices, similar to the private sector, to improve their performances with the goal of improving the business climate and increasing the competitiveness of Brazilian and American economies.

The CEOs highlighted a few other areas which they would like to see the governments address in a timely manner:

1. Successful completion of WTO Doha negotiations will provide new opportunities for investment and trade between both countries. The CEO's recommend that both countries make a speedy and successful conclusion to the Doha negotiations a priority but they also recognize that any obstacle in these talks should not limit progress that can be made on other areas of bilateral relations.
2. The CEOs urge both countries to explore international arbitration mechanisms to address the issue of investment protection.
3. The relative tax burden on corporations is high in both the US and Brazil. The CEO's recommended both countries explore opportunities to simplify or lower tax rates as a means to spur new investment.
4. The visa requirement for travellers between both countries can be a barrier to business and tourism. The CEO's recommend both countries work to speed the visa process with the ultimate goal of elimination of the visa requirement for travellers between the countries.
5. Education is a key enabler to the competitiveness of both countries. The business community is interested in undertaking projects at universities and other levels to support educational initiatives. The CEO's recommend the governments provide tax deductibility or other financial incentives to the private sector for their investments in education.

Vision: To promote trade, industry and investment as a means for economic growth for both Brazil and the United States

Mission: To enable the private sector to make recommendations at the highest levels of governments that can be implemented in the near and medium term and that would strengthen the economic and commercial ties between the two countries.

Introduction:

The US and Brazil have a number of cultural values in common, a high regard for democracy and freedom, ethnic diversity, and are both countries of continental dimensions. They are even practically the same age.

Recognizing these common values, in March 2007, the governments of the US and Brazil announced the establishment of the US-Brazil CEO Forum. In a joint statement from Camp David, Presidents Luiz Inácio Lula da Silva and George W. Bush “resolved to continue deepening the strategic dialogue between Brazil and the United States, as reflected in the determination to increase bilateral cooperation based on the shared values of democracy, human rights, cultural diversity, trade liberalization, multilateralism, environmental protection, defense of international peace and security, and promotion of development with social justice.” During their meeting at Camp David in March, President Bush and President Lula noted the formation of the group designed to directly engage business leaders in the two countries to discuss economic and trade-related topics. The governments charged the Forum with developing a road map for increased partnership between the governments and the private sector and for removing impediments to the economic relationship between our two countries.

The CEO’s agree that our economies are exceptionally complementary and the existing opportunities, if explored thoroughly, will raise our relationship to new heights, thereby fulfilling a destiny bequeathed even by our geographical proximity. The Forum is a unique opportunity to bring together business leaders from both countries to discuss ways to improve the climate for business in the US and Brazil. The group is focused on creating an enabling environment and in other areas removing barriers that impede business today.

Brazilian private enterprise has a natural interest in the scale of the US market. Private enterprise in the US also has a focus on the dimensions and potential of the Brazilian market. In addition, the increased scale of global competition requires creation of more linkages, partnerships and synergies between the two countries. The CEO’s feel strongly that the governments must adopt policies that recognize the impact of global competition on the trade between the two countries. This combination of factors clearly indicates the need for us to join forces and build a positive agenda leading to a closer relationship, one that overcomes stalemates, which could place impediments in the path to increased integration.

The Forum’s aim is to put in place a plan of pragmatic cooperation leading to mutually beneficial short, medium, and long-term benefits. It seeks decisive collaboration to deepen the economic and commercial relationship of our two countries.

The Forum believes that it is vital to apply, and periodically disclose, a series of indicators and benchmarks measuring the progress against global best practices and achieved via implementing these recommended initiatives in such a way as to enable the Forum to speedily rectify any potential intrinsic problems. We believe the government should work with the private sector to develop these metrics and the Co-Chairs will meet with the Brazilian and US governments every six weeks to assess progress on the recommendations of the Forum.

Recommendations for Priority Action:

The CEO Forum identified two recommendations for priority action. We believe focused attention of the two governments on the issue of a bilateral tax treaty will allow private enterprise to speed investment and promote trade within and between our two countries. We also believe the two governments should benchmark best practices which promote trade between countries, and work toward adopting such practices.

Bilateral Tax Treaty

Brazil and the US have been holding informal tax treaty discussions for many years. However, the two countries have been unable to reach a successful conclusion to those negotiations. The CEO's believe it would be most desirable to reach an agreement eliminating dual taxation between the two countries, by the time of the next CEO Forum meeting. Tax treaties clearly facilitate trade and capital flows between nations. The absence of a bilateral tax treaty significantly impacts the flow of investments between Brazil and the US.

Also, the CEOs recognize the importance of having competitive tax systems with the respective countries. The CEOs acknowledge that both Brazil and the US have a very high tax burden. Both countries should consider opportunities to reduce the tax burden and to promote the simplification of their current tax structure and should undertake an effort to adopt best practices on tax policies that encourage investment, innovation and competition.

Benchmarking

The group also feels strongly that both governments should adopt benchmarking practices, similar to the private sector, to improve their performances with the goal of improving the business climate and increasing the competitiveness of Brazilian and American economies, benefiting their respective companies in the global marketplace. Benchmarking would allow the members of the CEO Forum, and the private sector generally, to assess the progress of the governments towards these goals.

Ongoing Recommendations

The Forum was established to facilitate the exchange of information and encourage dialogue between our two countries on the manner in which the Governments of Brazil and the US could:

- A. Promote trade, industry and investment as a means toward economic growth:
 - a. The CEO's collectively agree that a successful conclusion of the Doha negotiations will spur investment within and between our two countries. The CEOs encourage both governments to redouble their efforts to reduce the remaining differences.
 - b. The CEOs also acknowledge the existence of commercial and regulatory differences that can become barriers to increased trade and such differences should be resolved swiftly since they are not representative of the potential of bilateral business. Thus, it proposes the creation of a permanent bilateral mixed (government and the private sector) commission, to put forward suggestions rapidly identifying solutions to any commercial variances between the two countries. Whenever feasible, this should include the input of the interested parties themselves.
 - c. The private sector should identify sectors which would be appropriate for sectoral trade agreement consistent with WTO guidelines.
 - d. Both Brazil and the US are democratic countries ruled by law. Notwithstanding, the pace in which judicial services sometimes are provided may raise uncertainties that can become obstacles to fulfilling the potential of foreign investment. The CEOs agree that both sides should start talks to find ways they can cooperate to overcome such obstacles and to provide full protection for investments. They should consider utilization of international arbitration mechanisms to resolve disagreements and as a means to also protect investments.
 - e. There is considerable potential for investments in infrastructure between our two countries and the Forum could very effectively disclose investment opportunities both in Brazil and in the US. For this, the Forum would avail itself of standard models for evaluating and presenting these opportunities and respective regulations. Both government and the private sector should act together to create a consistent flow of physical infrastructure and logistic projects, viable to private companies, focusing in the implementation management of such projects. The Forum is also confident that the establishment of policies and credit lines in institutions such as the World Bank, BID, *BNDES*

(National Economic and Social Development Bank), EXIMBANK, and others would support long term investment funds, inclusive structuring warranties mechanisms, for infrastructure work that would further cement this hemispheric integration.

- f. The US and Brazil should continue their joint efforts to, together, expand the markets in which both countries have great interest such as, for example, renewable fuels, and biofuels.

B. Improve competitiveness through innovation and entrepreneurship:

- a. Since technology is paramount for ensuring future competitiveness, we urge the governments to increase support for universal access to contemporary IT technologies in educational institutions, and fulfill the promise to make available, and adequately financed, inexpensive computers, and access thereto for low income families.
- b. Businesses today rely on a global IT network to operate critical communications, manufacturing and other functions, connecting businesses to their customers, suppliers and other locations. The lack of a robust IT infrastructure across the country can be a limiting factor to new investment, especially in more remote areas. The Forum encourages adoption of appropriate regulations, policies and information sharing that would lead to new investment in IT infrastructure and encourage adoption of innovative connectivity technology to improve communication and connectivity.
- c. Promote contact between both countries' Venture Capital Funds and ensure they always receive timely information on investment opportunities in Brazilian innovative technology companies. Also, seek the simplification and equalization of regulatory standards from both SEC and CVM for this group of companies in a way to allow that an application accepted by SEC be automatically accepted by CVM and vice versa.

C. Partner in skills development to create solutions in education and workforce development:

- a. Digital inclusion should be a priority. Businesses today require workers that have familiarity and skills with all forms of technology. A better educated and technologically conversant populace will lead to a more skilled workforce, with better employability, which is a key enabler to business investment. The Forum believes the IT skills of Brazilian students and workers will be increased by improving access to the internet, at all levels of education, with the goal of connecting most schools by 2010.

- b. The governments should focus on education, training and workforce development enablement. Strongly promote English language lessons in Brazilian schools and universities. Expand and encourage exchange programs between the two countries by expanding the existing support for Brazilian study centers in a number of US universities and also strive for the creation of US studies in Brazilian universities and increase the availability of grants and sponsorship of student interchanges. Collaborate to increase the number of graduates in higher education trained in technology and administration.
- c. The countries should adopt policies to provide tax deductibility or financial incentives for investments by the private sector in education. Education is a social responsibility of both the governments and the private sector. The private sector should reference, coordinate and promote the various U.S. and Brazilian companies social responsibility initiatives in this area.

D. Promote technology exchanges in key areas:

- a. Promote interchange and interaction between US and Brazilian researchers through dual nationality research and development centers which focus in the area of biofuel research (including cellulosic and genetic modification) and development in order to improve the availability and efficiency of production of ethanol and other biofuels to help reduce the dependence of the world on petroleum and encourage sustainable growth.
- b. Expedite the creation of dual nationality research and development centers in pharmaceutical products (particularly those relating to tropical and Third World diseases), biotechnology, nanotechnology, and preservation of the environment, including projects of energy sources diversification, with emphasis on the adoption of renewables.
- c. Robust enforcement of intellectual property rights gives businesses the confidence they need to invest in the development of new technologies. Concerns over the protection of intellectual property ownership rights slows the exchange of technology. The Forum encourages the countries to renew their commitment to enforce the intellectual property rights of foreign companies operating within their borders.

E. Support an enabling environment for the rapid and secure movement of goods:

- a. Travel between the two countries has become more cumbersome in recent years and has become a barrier to trade and tourism between the countries. The CEO's propose that the US work diligently and

expeditiously to speed the visa process in the short term and both countries should eliminate the visa requirement between the two countries.

- b. Enhance physical and technological infrastructure at the ports and other points of importation and/or exportation. Also promote investment to improve infrastructure in sectors such as energy and transportation.
- c. The ability to move goods in and around both countries is critical to the smooth operation of industry. The Forum encourages the two countries to work together to debureaucratize and simplify customs procedures, as well as, equalization of both commodity description and coding system and system of weights and measures.
- d. Grant the more active bilateral commerce companies with an unblemished integrity record, express channels for processing their commercial documents and the flow of the respective customs clearance procedures.
- e. Increase the offer of commercial flights between the two countries by multiplying the options of cities served.

US-BRAZIL CEO FORUM MEMBERS**US Members****CUMMINS INC.**

Tim Solso
(Co-Chair)

ALCOA

Mr. Alain J. P. Belda

CARGILL

Mr. Gregory Page

CITIBANK

Mr. William R. Rhodes

THE COCA COLA COMPANY

Mr. Neville Isdell

GENERAL MOTORS

Mr. G. Richard Wagoner, Jr.

ILLINOIS TOOL WORKS

Mr. David B. Speer

INTEL CORPORATION

Mr. Craig R. Barrett

INTERNATIONAL PAPER

Mr. John V. Faraci

MOTOROLA

Mr. Greg Brown

Brazil Members**COTEMINAS**

Josué Christiano Gomes da Silva
(Co-Chair)

VOTORANTIM PARTICIPAÇÕES

Carlos Ermírio de Moraes

GRUPO GERDAU

Jorge Gerdau Johannpeter

SUCOCITRICO CUTRALE LTDA

José Luís Cutrale

CAMARGO CORREA

Luiz Roberto Nascimento

CONSTRUTORA NORBERTO**ODEBRECHT**

Marcelo Bahia Odebrecht

STEFANINI IT SOLUTIONS

Marco Antônio Stefanini

EMBRAER

Mauricio Novis Botelho

COMPANHIA VALE DO RIO DOCE

Roger Agnelli

BANCO SAFRA

Carlos Alberto Vieira