

REPORT OF THE 2001 GERMAN-BRAZILIAN ECONOMIC MEETING

(XXVIII MEETING OF THE JOINT COMMISSION ON ECONOMIC CO-OPERATION AND XIX ENTREPRENEURIAL MEETING)

The 2001 German-Brazilian Economic Meeting (XXVIII Meeting of the Joint Commission on Economic Co-operation and XIX Entrepreneurial Meeting) was held in Curitiba, State of Paraná, on November 19 and 20.

On November 19, the Meeting was opened by the Brazilian Vice-President, Dr. Marco Maciel, by the German Vice-Minister of Economy and Technology, Dr. Axel Gerlach, by the Governor of the State of Paraná, Dr. Jaime Lerner, by the President of the *Confederação Nacional das Indústrias* (CNI), Senator Fernando Bezerra, by the Vice-President of the *Bundesverband der Deutschen Industrie* (BDI), Dr. Bernd Gottschalk, by the President of the Ibero-Amerika Verein (IAV), Dr. Jürgen Harnisch, and by the President of the *Federação das Indústrias do Estado do Paraná* (FIEP), Dr. José Carlos Gomes Carvalho.

The Brazilian Delegation to the Joint Commission was headed by the Brazilian Secretary-General (designate) of Foreign Relations, Ambassador Osmar Chohfi, and by Senator Fernando Bezerra. The German Delegation was headed by the German Vice-Minister of Economy and Technology, Dr. Axel Gerlach, and by the member of the Board of Thyssen-Krupp, Dr. Jürgen Harnisch. The Agenda for the Meeting of the Joint Commission is set out in Annex I. The names of the members of both Delegations are listed in Annex II and III. The Final Report of the Entrepreneurial Meeting, with its proposals, is contained in Annex IV. The recommendations of the Entrepreneurial Meeting were forwarded to the competent authorities of both countries for analysis and eventual follow-up.

In his opening statement, Vice-President Marco Maciel stressed the excellent state of the German-Brazilian relationship in all domains. He emphasised the role of the Economic Meeting as a unique instrument of further strengthening the bilateral partnership, preparing and updating it for the challenges of globalisation. Vice-President Marco Maciel stressed the commitment of the Brazilian Government to the Joint Commission and the Entrepreneurial Meeting, regarded as privileged, dynamic and pragmatic fora that have been successfully promoting —through the joint efforts of public and private sectors— an effective and sustainable bilateral relationship in the economic and commercial fields. Vice-Minister Gerlach pointed to the forward-looking role of the German-Brazilian Economic Meeting, which is again discussing new areas of co-operation to the benefit of both countries.

Ambassador Chohfi and Vice-Minister Gerlach met in the first day of the Meeting for a thorough exchange of views on the economic situation in both countries and on the possible scenarios for the international economy after the September 11 attacks on the United States. They emphasised the importance of a common reflection upon the challenges derived from globalisation facing

Brazil and Germany. They reaffirmed their Governments' satisfaction with the launching of a new round of negotiations in the World Trade Organisation and their support to efforts aiming at the improvement of the international financial system, specially in the context of the G20. Both elements were deemed fundamental to improve global governance and to correct the current imbalances in world economy.

The two sides mentioned the important bilateral initiatives undertaken in 2000 and 2001 to strengthen the ties between Brazil and Germany —such as the visits of President Fernando Henrique Cardoso, of the President of the Bundestag, Wolfgang Thierse, of the German Minister of Finance, Hans Eichel. Specific reference was made to the upcoming visit of Federal Chancellor Gerhard Schröder next February, accompanied by the Minister of Economy and Technology, Werner Müller, and by a significant business Delegation. Both sides stressed the importance of the Federal Chancellor's visit and the priority they attach to its preparation.

Both Delegations stressed the importance of joint efforts to promote an intense and mutually advantageous German-Brazilian trade partnership, in the 7 billion dollars level since 1999. The Brazilian side recalled that, after Brazil's unilateral tariff cut down implemented in 1990, German exports to the Brazilian market increased over 200%, whereas exports the other way round increased less than 50%. The two Delegations emphasised the importance of fostering free trade and creating the conditions for the further increase of mutual exchange of goods. It was agreed that continued improvement in market access conditions is a prerequisite for the permanent growth of the economic relationship between Brazil and Germany. The Brazilian side informed that Germany has been chosen by the Ministry of Development, Industry and Trade as one of the six priority markets for a newly-designed export promotion programme.

Both Delegations referred to remaining obstacles to the import of certain German and Brazilian products, in Brazil and Europe respectively, particularly in the field of non-tariff barriers. The Brazilian side made specific reference to European measures (including non-tariff barriers) affecting agricultural products (such as meat —beef, pork and poultry—, soybean oil, orange juice) and textiles. The German side referred to Brazilian measures affecting German exports of agricultural products e.g. licensing of German enterprises for certain food products and beverages, as well as sanitary and phyto-sanitary measures. Concerning the reference to orange juice, the German delegation underlined that still existing tariffs on several orange juice positions will be phased out according to the EU-market access offer in the EU-Mercosul negotiations.

The German side raised the issue of compulsory patent licensing in the sector of pharmaceutical products and mentioned its interest in further discussing the subject with Brazilian authorities.

Both Delegations pinpointed the following sectors as priorities for the strengthening of the German-Brazilian economic relationship, either through trade or the establishment of joint-ventures: agribusiness, oil and energy, small and medium-sized companies, infrastructure, human resources, software and tourism. These sectors deserve special efforts of the German-Brazilian economic community. Both Delegations agreed to consider joint initiatives aiming at improving access to third markets in their respective regions. Specific

mention was made to the Central and Eastern European and South American markets.

Both sides reiterated the relevance of a closer relationship between Mercosul and the European Union and welcomed the relevant work of the Bi-Regional Committee and the recent launching of tariff-reduction negotiations. They stressed the importance of the II Mercosul-EU Summit (Madrid, May 2002). As the leading economies within their respective integration areas, Germany and Brazil acknowledge the importance of these negotiations and understand that their bilateral relationship provides an excellent platform for a successful Mercosul-European Union association. Both sides agreed that the conclusion of this agreement will be determinant in stimulating trade and investment flows and will enhance the inter-regional relationship. The two Delegations are aware of the significant contribution of their respective private sectors to this process, mainly through the Mercosul-EU Business Forum.

The Brazilian side observed once more that, in the last 6 years, German participation in the total Foreign Direct Investment in Brazil has fallen from 12% to less than 8%. The German side was encouraged to participate in the process of privatisation currently implemented by the Brazilian Government with special emphasis on the more dynamic and strategic fields of energy, water and telecommunications. Both sides agreed that concentrated efforts are required, specially by the representative entities of the productive sector and financial institutions such as KfW and BNDES. The Brazilian side highly welcomed the recent participation of the German oil company Wintershall in the concession of oil fields by *Agência Nacional de Petróleo (ANP)*, as well as the interest of German companies in the privatisation of COPEL and in the Brazilian thermo-electrical priority programme. Both sides emphasised the need to modernise energy production and to diversify its sources, specially through the use of renewable sources, such as solar and wind energy .

The two Delegations referred to the importance of the new Brazilian Law on Information Technology, which represents a cornerstone to the attraction of new investments in the area.

The Brazilian side praised the strong interest of Muenchner Re in the privatisation of IRB Brasil Re and reassured the German part of its commitment to the liberalisation in the very near future of the Brazilian reinsurance market, still pending of a decision by the Supreme Federal Tribunal (STF).

The Brazilian delegation referred once more to the importance of recognising Brazil's positive economic record in credit risk assessment. The German side said it will continue working at OECD level in order to upgrade the Brazilian rating.

The two Delegations referred to the XXIV Meeting of the German-Brazilian Commission for Scientific and Technological Co-operation held in Brasília on November 12-14, 2001. Both sides stressed the interest in developing initiatives in the field of energy, specially in the following areas: small hydro power plants, wind energy, fuel cells, bio-mass, natural gas, energy efficiency and photovoltaic energy.

Both sides stressed the importance of continued efforts to encourage the technology transfer activities and welcome the new partnership between the

German-Brazilian Technology Institute and the *Escola Politécnica* of the University of São Paulo (USP) as a decisive step in this direction. Both sides agreed that the work in this area has to be intensified and integrated into the activities of the German-Brazilian Chamber of Commerce and Industry.

The Joint Commission took note of the successful bilateral programmes and workshops on educational and vocational education carried by MEC and CNI/ SENAI on the Brazilian side and by BMBF, CDG, BIBB and DIHK on the German side. A bilateral conference on educational training will be held in Brazil in 2002.

A statistical overview of the proposals set forth in recent years showed a high percentage of achievement. Both sides expressed satisfaction with the consolidation of the mid-term meetings —the last one held in Munich in May, 2001— in order to monitor and supervise the implementation of the proposals forwarded during the German-Brazilian economic meetings. The detailed report of the follow-up is contained in Annex V.

Both sides agreed that detailed minutes of the discussions could be prepared by the Brazilian Ministry of External Relations and the Embassy of the Federal Republic of Germany in Brasília immediately after the meeting, if and to the extent requested by either side.

The 2002 German-Brazilian Economic Meeting is envisaged to be held in the German city of Hamburg in June next year. Final confirmation will be conveyed through diplomatic channels.

For the Brazilian Delegation

For the German Delegation