

## **Joint statement by the Finance Minister of Brazil and the Chancellor of the Exchequer at the 2nd UK-Brazil Economic and Financial Dialogue held in Brasilia on 31 July 2017**

1. We, the Finance Ministers of Brazil and the UK, met today in Brasília for the 2<sup>nd</sup> round of the Economic and Financial Dialogue (EFD). At today's meeting we discussed furthering bilateral cooperation in financial services, infrastructure and trade and investment.

### **Global economy and policy responses**

2. We welcome the encouraging signs of strengthening global growth momentum and a pick-up in global trade growth. The UK was the second fastest growing major advanced economy in 2016. Brazil has resumed growth as structural reforms have been carried through. Both countries reiterate their belief that a combination of a more responsible, more transparent, more predictable macroeconomic framework, aligned with international standards, is crucial for sustainable economic growth and development.

3. Brazil and the UK agree that globalisation has had positive impact on the world, and remain advocates for free markets and free trade. We agree that international cooperation is vital if we are to make the global economy work for everyone and address shared global challenges. Both sides commit to strengthen our co-operation in the G20, WTO, IMF and other multilateral bodies to that end.

4. We support maintaining a strong, quota-based and adequately resourced IMF to preserve its role at the centre of a strengthened global financial safety net. We urge all members to work constructively towards the completion of a new quota formula and of the 15th General Review of Quotas by no later than the Annual Meetings of 2019 in order to reflect the relative positions of the countries in the world economy. We are supportive of efforts to further enhance the effectiveness of the IMF's toolkit to cover short-term liquidity shocks owing to capital volatility.

5. Brazil and the UK reiterate their commitment to the Tax Transparency agenda, including the implementation of exchange of information on beneficial ownership. Both countries highlighted the importance of their active participation in the work of the OECD/G20 Inclusive Framework on BEPS, the Global Forum on Transparency and Exchange of Information on Tax Matters, and also the implementation of initiatives to the automatic exchange of information for tax purposes, with reference to financial assets and income, tax rulings and country-by-country reporting by multinational groups.

6. The UK welcomes the significant steps Brazil has taken to improve its anti-money laundering and counter-terrorist financing regime, and encourages the fulfilments of Brazil's commitments as a Financial Action Task Force member.

7. The Finance Ministers recognise Brazil's progression in the World Bank's Ease of Doing Business ranking through data integration and information sharing projects aimed at reducing compliance costs, improving trading across borders and eliminating redundant tax obligations.

## **Bilateral economic relationship**

8. In 2015, the value of trade between Brazil and the UK was £6.5 billion. Brazil represented a significant share of UK total exports to Latin America and the UK represented 8.3% and 7.4% of Brazilian total exports and imports to European Union, respectively. In the last four years the number of Brazilian companies establishing their business in the UK has grown by 30%, including 26 new firms generating over 600 new jobs in the last year.

9. Brazil and the UK reinforce their willingness to expedite implementation of the Trade Facilitation agenda - in particular with the full and timely implementation of the WTO Trade Facilitation Agreement – significantly reducing transaction costs for businesses importing and exporting goods.

10. Building on discussions held by Trade Ministers at the JETCO 2016, Brazil and the UK reaffirm their commitment to continue to explore means to deepen future UK-Brazil trade and investment relations and market access. Both countries also reiterated their support for the timely conclusion of an ambitious and balanced EU-Mercosul FTA Association Agreement.

11. The Finance Ministers welcome the announcement that UK Export Finance (UKEF) support for trade with Brazil is doubling to up to £3 billion. For the first time, support will be available in Brazilian Real, making sourcing from the UK even more competitive for Brazilian buyers.

12. UKEF and BNDES, the Brazilian development bank, look forward to working together on facilitating UK trade with Brazil.

## **OECD accession**

13. The UK welcomes Brazil's application to start the OECD accession process, and supports Brazil's ambition to adhere to the OECD's high standards of technical criteria. The UK recognises Brazil's close working relationship with the OECD. As a 'Key Partner', Brazil has subscribed to 35 OECD instruments and 23 OECD bodies, and is the most closely aligned non-OECD country to OECD standards.

14. The UK is developing a programme of work worth up to £80 million to support Brazil in targeted areas of its economic development and poverty reduction efforts. This partnership will also expand the potential for global trade, catalyse investment, and increase opportunities for international business in Brazil, helping to secure Brazil's economic growth. Both countries recognise that alignment to OECD standards will cement Brazil's progress on business environment reform. As such, the programme includes working with Brazil to increase its alignment to OECD standards.

## **Infrastructure**

15. Recognising the importance of private participation in the delivery and financing of public infrastructure, Brazil and the UK agree to further strengthen the UK-Brazil Infrastructure and Capital Markets Task Force, agreed at the last EFD. Building on the work to date, both Ministers agree to: share best practice, identify barriers to investment, support Brazil in attracting capital from the UK, and examine the relevant legal and regulatory frameworks.

16. Brazil is attracting private participation in the infrastructure sector. The auctions for airports and transmission lines, held in 2017, will attract investments over the next 30 years and Brazil still have many attractive projects on pipeline.

17. Both Ministers welcome plans to advance cooperation on surety bonds and other insurance instruments for infrastructure. Brazil will analyse methods to guarantee the completion of the infrastructure constructions. To reinforce these studies, the UK will share expertise in surety bonds regulation and the British market experience of this product.

18. Both countries agree that the technical cooperation on infrastructure and Public-Private Partnerships (PPP) is a key aspect to strengthen the capabilities of Brazilian government agencies to plan and deliver infrastructure; and in this regard a future cooperation between the UK's Infrastructure and Projects Authority and Brazil's Federal and State-level PPP units is welcomed.

19. Similarly, the Finance Ministers welcome the collaboration between the UK's department for Business, Energy and Industrial Strategy (BEIS), the Brazilian Ministry of Industry, Foreign Trade and Services (MDIC) and the Brazilian Executive Secretariat for the Investments Partnership Programme (PPI) on Building Information Modelling (BIM), which will serve as a key tool for efficiency and transparency in infrastructure project spending. Both sides welcome the first joint workshop on BIM implementation that will be held in the coming months in Brasilia. They also note exploratory work with both countries professional licensing bodies on mutual recognition of qualifications in engineering and architecture, as an important step to facilitate technological exchange between both countries.

### **Green Finance**

20. Brazil and the UK recognise that to support environmentally sustainable global growth, it is necessary to actively scale up green financing. The UK welcomes the growing role Brazil has been playing in the area of green finance, in particular through BNDES, and its private sector. Both sides recognise the important role that the UK's green finance sector can play in directing financial resources in support of Brazil's green investments, with London bringing together expertise in financing, underwriting, legal and consultancy services.

21. Brazil and the UK recognise the importance of cooperating in global fora, including the work of the G20 Green Finance Study Group and the Financial Stability Board's Task Force on Climate-related Financial Disclosures. Both sides look forward to further collaboration on green finance under Argentina's Presidency of the G20.

22. In this light, Brazil and the UK agree to conduct joint work to collaborate further on green finance. Both sides welcomed the partnership between the UK and Brazil, including between the City of London's Green Finance Initiative and Brazil's Council for Sustainable Market Development, convened jointly by Brazil's Business Council for Sustainable Development (CEBDS) and the Climate Bonds Initiative (CBI).

23. Brazil also recognises the role that the UK's capital markets play in mobilising green finance. To this end, BNDES will make the best efforts to foster the development of the green finance agenda by establishing a closer relationship with the UK's financial community. Brazil also recognised the potential for its financial institutions to issue green bonds via London's capital markets in future.

### **Insurance and Reinsurance**

24. Brazil and the UK recognise the significant opportunity that exists to step up cooperation on insurance and reinsurance, and agreed to enhance and deepen collaboration across a broad range of fronts.

25. Both sides recognise the role insurance plays in supporting financial protection for families and businesses, and the fundamental role it plays in stimulating economic growth and stability, as well as the important role innovation has to play in reducing costs and improving insurance products. The UK therefore welcomes the creation of the Innovation Commission by SUSEP, bringing together the public and private sectors with the objective of supporting innovation in the Brazilian market – for example, in areas beyond online sales, such as digital claims management, binding electronic contracts, and the use of artificial intelligence in underwriting processes. Brazil welcomes the role that UK InsurTech companies can play in facilitating Brazil’s digital transition to support the efficient provision of cost-effective and tailored insurance products to meet the diverse needs of Brazilian consumers, including those on lower incomes.

26. Brazil and the UK also recognise the crucial role that reinsurance plays in managing complex risks, and agreed that greater collaboration was needed in this area to ensure risk is effectively moved offshore, thus promoting greater diversification, safety and soundness. Brazil recognises the UK’s specialist reinsurance expertise, while the UK welcomes Brazil’s commitment to maintain the recently adapted regulation that gradually liberalises the market for foreign reinsurers in Brazil and that will support the above objectives. Taking this to the next level, Brazil also commits to study the effect of additional barriers in the reinsurance market as a way to promote liberalisation, as well as further stimulate domestic competition and innovation.

27. Furthermore, both sides recognise the importance of international reinsurance markets in supporting the de-risking of economies. In this light, the UK welcomes Brazil’s availability to further examine the tax status of Admitted Reinsurers with due regard to the scope of activities in which Admitted Reinsurers actually engage.

28. Brazil and the UK welcome the establishment of the Insurance Taskforce at the last EFD, and note the progress it has made on bringing innovation to the forefront of the debate. Both sides identify the following areas as key themes for the collaboration to advance cooperation on over the coming years: sharing UK expertise and best practice; and reform of the Brazilian legal and regulatory framework for surety bonds in light of Brazil’s infrastructure investment needs.

29. Brazil and the UK also agree to explore insurance-related aspects as part of collaboration on green finance, including around the pricing of environmental risk, the development of a new range of innovative green insurance products, and effective decision making.

### **Asset Management**

30. Both sides recognise the significant opportunities for cooperation in asset management and institutional investment, and agree to further promote investment and capital flows between both markets. Brazil recognises the challenges facing Brazilian pension funds to increase their investments overseas. Currently, Brazilian pension fund investment overseas is limited to 25% of the total local investment vehicle. In this light, the UK welcomes Brazil’s commitment to explore transferring this limit directly to the foreign investment fund through the National Monetary Council, provided that the Brazilian authorities have access to the information necessary for compliance.

31. Both sides discussed the merits of further liberalising Brazilian regulation around pension fund investment, considering the benefits in terms of portfolio diversification, increased consumer choice, and the opportunities to deliver sustainable long-term returns to meet the demands of an ageing global population.

32. The UK Government will – for the fourth year – support the UK-Brazil Annual Pension Fund Mission to the UK which takes place in September. The Mission will bring Brazilian pension funds to the UK to showcase the UK’s expertise in asset management. The Mission will be co-sponsored by Aberdeen Asset Management, Columbia Threadneedle Investments and GAM.

### **FinTech**

33. Brazil and the UK highlight the significant opportunities presented by technology and innovation in the financial sector, including the vital role that they can play in promoting financial inclusion, improving consumer outcomes, and increasing the provision of accessible, secure, and high-quality financial services. In that vein, Brazil recognises the role that the UK plays as a leading global FinTech centre. Brazil also welcomes developments in open banking, acknowledging the UK’s experience and expertise in this area, and the potential opportunities and challenges this could pose for the Brazilian market.

34. To that end, Brazil and the UK agree to explore greater collaboration about the impact of technology and innovation on the financial sector. This includes facilitating discussions between the Brazilian Central Bank and the UK authorities to share relevant experience, including emerging trends and regulatory issues.

### **Next Steps**

35. We agree to continue to work closely to ensure follow through on our commitments, and look forward to the next edition of the EFD in 2018.