

**Opening Statement
Chairman Eliot L. Engel**

House Foreign Affairs Subcommittee on the Western Hemisphere

U.S. – Brazil Relations

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2:30 p.m.

Friends, if you ask an average American what he or she knows about Brazil, you might hear, “that’s where the Amazon is, right?” or “I hope to go to Rio sometime.” That’s understandable. For years, Brazil has flown below the radar in the United States. We never paid much attention to what was happening in the largest country in South America.

Well, I’m pleased to say that we’re reaching the end of that period of ignorance and neglect and that we, in America, are finally waking up not only to Brazil’s importance, but to how natural this relationship should be.

The countries with the warmest ties and the deepest strategic dialogue with the United States often embody a range of traits. Those nations are democracies with market-based economies. They embrace freedom of religion, protection for minorities, and a recognition and celebration of diversity among their populations. Brazil, it seems, meets every factor and embodies the values which the United States seeks in its closest friends.

Moreover, Brazil has the largest economy, population, and land mass in South America and physically borders every other country on the continent except Chile and Ecuador. It plays an important role in international organizations, has a large and growing economy, is a world leader in biofuels, and is expanding its outreach to countries around the world.

That is why I believe we are at the point of a strategic confluence of interests with Brazil. And, that is why Secretary of State Condoleezza Rice calls Brazil “the regional leader and our global partner.” These are words we reserve for only a few countries – those where the partnership makes the most sense.

Is that to say that things are perfect in Brazil? Of course not. There are problems, and I’m hoping we’ll talk about some of them at this hearing today. Brazil has faced challenges on forced labor, the environment, poverty, crime, and in other areas. But, these are problems that Brazil is facing and taking steps to address.

Our presidents – though seemingly strange bedfellows – have strengthened the U.S. – Brazil partnership, and I believe that we in Congress must continue to elevate our relationship with Brazil’s legislative and executive branches. To this end, I am pleased to

announce that I will be leading a bipartisan congressional delegation to Brazil in November and I invite my colleagues to join.

On March 9th, the U.S. and Brazil – the world’s two largest ethanol-producing countries – signed a Memorandum of Understanding (MOU) to promote greater cooperation on ethanol and biofuels in the Western Hemisphere. Brazil is the right country with which to cooperate on biofuels. Decades of state investment have helped Brazil become the world’s largest consumer and producer of ethanol from sugar cane. And by the end of 2006, 80% of new cars sales in Brazil were flex-fuel, meaning that they can run on a mixture of ethanol and gasoline. As a member of the Energy and Commerce Committee, I have spent a lot of time looking at ways to reduce our dependence on oil and have introduced an energy bill called the DRIVE Act – parts of which were included in the energy package that passed the House in August. I believe that we as Americans can learn a great deal from Brazil as we try to reduce our dependence on oil and diversify our energy resources.

Our bilateral partnership is establishing both countries as leaders in the energy field in the hemisphere. I am particularly pleased by joint U.S. – Brazilian efforts to provide technical assistance to build biofuels industries in third countries, including the Dominican Republic, Haiti, El Salvador and St. Kitts and Nevis. I very much hope that we expand our technical assistance throughout the hemisphere. I urge Presidents Bush and Lula to move to a second wave of countries to receive similar technical assistance.

Many argue that for too long, the U.S. has focused its agenda in the hemisphere on “trade and drugs” at the exclusion of other elements. The deepening of our energy cooperation with our friends in the hemisphere – particularly Brazil – is helping us to develop a positive agenda that I hope will continue to grow in the coming years.

I want to quickly raise two U.S. policy concerns I have vis-à-vis Brazil. I have been a vocal critic of what I see as an insufficient amount of U.S. foreign assistance going to the Western Hemisphere. I am particularly concerned about the drastic reduction in U.S. assistance to Brazil in the President’s FY 2008 budget. From 2005-2007, our small USAID mission in Brasilia not only has made a major impact on a shoestring budget but also has managed to leverage nearly \$80 million in support from the private sector and the Brazilian government. In FY 2007, \$14 million in assistance to Brazil was handled through our USAID mission. The President’s FY 2008 budget provides Brazil with a mere \$2 million.

I am extremely concerned that our reduction in assistance to Brazil is intended to bring about an eventual closing of our USAID mission in Brasilia. Last week, Ranking Member Burton, and I sent a letter to Acting Director of Foreign Assistance Henrietta Fore expressing our concerns. While one of the largest economies in the developing world, Brazil is still home to 50% of the people in Latin America defined as poor. And there are 35 million people living in dire poverty in Brazil’s North and Northeast. At a time when we are enhancing our partnership with Brazil, closing our USAID mission in Brasilia would be a grave mistake.

On the trade front, the Doha round of global trade talks realistically will not advance anytime soon. In the meantime, I hope that the U.S. and Brazil can find ways to enhance our trade partnership. The U.S. Generalized System of Preferences (GSP) provides duty-free access for certain products from Brazil. Some of this access has been jeopardized by the revocation of Competitive Need Limits (CNL) waivers for Brazil. H.R. 3427 – introduced by Congressman Jim McDermott – provides a legislative fix that will enable Brazil to continue to fully benefit from the GSP program. I hope the McDermott legislation can be quickly enacted.

As someone who cares deeply about Haiti, I am particularly pleased by Brazil's leadership of the multinational U.N. Stabilization Mission in Haiti (MINUSTAH). MINUSTAH has impressively integrated security and development in Haiti. After a recent visit to Haiti, U.N. Secretary General Ban Ki-moon stated that MINUSTAH has helped the Haitian population and that he would recommend that peacekeepers stay for at least another year. I agree. And I believe that all of us in the Americas owe a debt of gratitude to Brazil for its leadership in Haiti.

Finally, I want to focus on an issue that is close to my heart: combating forced labor. In 2001, Senator Tom Harkin and I developed the Harkin-Engel Protocol to help combat forced labor in the cocoa industry in West Africa. In Brazil – as in many countries throughout the world – there are concerns about forced labor. Since becoming Chairman of the Western Hemisphere Subcommittee, I have begun to take a closer look at the issue of forced labor in Brazil, particularly in the pig iron industry but also more broadly.

While more remains to be done, I have been pleased that since 2003, the Brazilian government has created a black list of companies using forced labor and has adopted stronger penalties to punish employers caught using slave labor. The government has strengthened the Special Mobile Inspection Group within the Labor Ministry, which has reportedly freed some 20,000 individuals from slavery over the past decade. In addition, the Citizen's Charcoal Institute (ICC) was created by Brazilian steel companies to inspect charcoal producers in northern Brazil and eliminate forced labor in the pig iron production chain. I believe that more resources should go to the Special Mobile Groups, and I would like to see more prosecutions related to force labor in Brazil. But I would be remiss not to commend Brazil on its leadership in combating forced labor and to offer my support to Brazil in its fight against forced labor.

I am now pleased to introduce our distinguished witnesses who are testifying today. Paulo Sotero is the Director of the Brazil Institute at the Woodrow Wilson International Center for Scholars. For the previous seventeen years, Mr. Sotero was the Washington correspondent for *Estado de Sao Paulo*, a leading Brazilian newspaper.

Stan Gacek is the Associate Director of the International Department at the AFL-CIO and a longtime expert on Brazil's labor movement. Prior to joining the AFL-CIO,

Mr. Gacek was Assistant General Counsel to the United Food and Commercial Workers International Union (UFCW).

Joel Velasco is Managing Director of Stonebridge International and manages the firm's Latin America practice. He previously served as a personal aide to former Vice President Al Gore and as a Special Assistant to the U.S. Ambassador to Brazil. He is here today as the Chief U.S. Representative of UNICA – Brazil's largest Sugar Cane Industry Association.

Finally, Mark Smith is the Managing Director for the Western Hemisphere at the U.S. Chamber of Commerce as well as the Executive Vice President of the Brazil – U.S. Business Council.

I want to close by noting that there is a cynical, old adage about Brazil that says, "Brazil is the land of the future, and always will be." Brazil's leadership at home, in the Americas and throughout the world is proving this statement to be false. I truly believe that Brazil's time has come. As Subcommittee Chairman, I look forward to focusing intensively on Brazil – a vital partner and friend.

Thank you. I am pleased to call on Ranking Member Burton for his opening statement.