**British-Brazilian Conversa, Palacio da Cidade, Rio de Janeiro, 19-21 February 2016 - Summary Report**

The success of Conversa 1 in Cambridge 5-7 September 2014 created momentum for a Conversa 2 in Brazil, even at a time of political and economic difficulty there. We are grateful to our Brazilian and UK sponsors for their faith in us and for the sterling support of the British Embassy to Brazil, Brazilian Embassy to the UK, BNDES in Rio and London and EY, especially Ed Hudson in London, a great champion of Conversa.

Mayor of Rio Eduardo Paes graciously gave us use of the magnificent Palacio da Cidade, formerly the British Ambassador's residence and acquired by the City of Rio in 1975 after the British Embassy completed its move to the new Federal Capital Brasilia. It was the perfect setting for a Brazilian-British event.

Conversa 2 began with visits on the afternoon of Friday 19 February organised by the Mayor's staff to see the impressive Rio Operations Centre and then to view the recently re-inaugurated Mauá Square from the roof of the new Art Gallery with views over the new landmark of the city, the Museum of Tomorrow. This gave the British visitors an insight into the beginning of the revitalisation of the oldest parts of the City which will be a legacy of the Mayor's term of office.

An opening reception was held at Palacio da Cidade on the Friday evening. I reminded guests of the wonderful parties held there by British Ambassador Lord Russell in the 1960s with his wife and daughter Georgiana. Don't miss the video of the Queen hosted there by the Russells in 1968 atwww.**youtube**.com/watch?v=ryWvwOGcZBk   [Cached](http://r.search.yahoo.com/_ylt%3DA7x9Un4hbuhWVW8AFMx3Bwx./RV%3D2/RE%3D1458101921/RO%3D10/RU%3Dhttp%3A//188.125.66.159/search/srpcache%3Fp%3Dyou%2Btube%2Bthe%2Bqueen%2Band%2Bduke%2Bin%2Brio%2B1968%26type%3Die.11.w81.hp.19-02.gb.avg._._%26param1%3DrVPbbtQwEP0VXuK3RL4kTvzgh93uBlUqEiqF8lb5urtALrWThf4945RlV6pACFWKPOPxmfHMOY45WJnVuqkqvuGY53gjRF6yNc3XLeV5K9ryarOm7RaXWW2RlYSJWtCSVwJjjGyUq09v0TfV76TrUQfVuPem0sZhinVZWyas0cqWpiReWGVEzqgiFVUce2OaCmrV3HLqS6aNpZ7BVhjntEMjVIvKu92sgkVjkD6goySioAUuGOXoag7B9dN7tXMfb2_kfprGjKmMevi6p-hUMPtCHXeFGToIjYCLYE8HcfyRMW86uCdjNqP8EczTMGdUT7N2yezT-jg714NVPYC0nb-m4CFFwmGAlQjeQHZUcLvdj-AmPsBPWbxbqr8aK1DR_Oq3qtf_pBsAN5B2hKQzeRCwESIgX3LBS0DaErEYignsddqwFS0Xk4706h3AxwB4H9LQvT0NDfM_KJM4IKnJySxN6gRfGv4tZcImetAHF44uXG_kHfR9s_qc37dbUqNb5x0IG06axr-JmhT8Pz5eX5hL2S_INcNyE_Q8aVhS5PzmzlSmQKI9x2X-rALGAkYH9plKgZcK_oHYi8eIDqMUuCCiKkgFqQ0aorw_9Hb4Ht80BUFaXm-Rht-KFBgZJ-_C7NCX-Oz8BA2%26param2%3Dbrowser_homepage%26param3%3Die.11.w81.hp.19-02.gb.avg._._%26hsimp%3Dyhs-fh_lsonsw%26hspart%3Davg%26fr%3Dyhs-avg-fh_lsonsw%26ei%3DUTF-8%26u%3Dhttp%3A//cc.bingj.com/cache.aspx%3Fq%3Dyou%2Btube%2Bthe%2Bqueen%2Band%2Bduke%2Bin%2Brio%2B1968%26d%3D4700967812860425%26mkt%3Den-GB%26setlang%3Den-GB%26w%3DgzoRxdar1k9ZwMcEVBTBiSmtIj9Rww-Z%26icp%3D1%26.intl%3Duk%26sig%3DLDFDQRoEUwOSOHEQi4dM5Q--/RK%3D0/RS%3D8tEbDgTl1Mv30KcqfPg5VNr56VE-)

**The Discussions**

**1. Transparency: how do we ensure there is trust in our politics and business?**

The backdrop to this session was the current corruption scandals which are rocking the Brazilian political system and some of Brazil's most important companies, as well as disillusion in the UK with the conduct of some of its legislators and companies. We were fortunate to have Minister Benjamin Zymler (TCU) presiding and a discussion led by former Supreme Court Justice Ellen Gracie Northfleet and Graham Stuart MP and with the informed contribution of Bruno Brandão of Transparency International.

The session thought there was a lack of trust in politicians rather than politics. Globalisation was including an ever more widespread expectation of accountability. Fraudulent activity was no longer accepted with a shrug of the shoulders and there was a tightening in the definition of what was unacceptable. In Brazil, Datafolha had reported that for the first time corruption was the single greatest concern of Brazilians far outstripping the usual leaders health, unemployment and security.

In the UK there had been intense scrutiny of the expenses of MPs. the media had played their part in pressing for answers. Some MPs had been imprisoned for fraudulent claims. The press had also been under pressure for their behaviour. One prominent former editor had been imprisoned.

A central issue in both countries, and many others, was the funding of political parties and elections. The UK had legal limits. It was not always clear that these were strictly adhered to, but it was the case that political campaigns in the UK involved much less money than in the US or Brazil.

Party funding was a key driver in Brazil of corruption. The parties who spent the most tended to win. So they developed a cosy relationships with big business and some of the money was diverted for personal gain. The more money parties needed the less likely it became the donor would pay just out of the goodness of his heart. The involvement of government in several big companies; the complexity of Brazilian bureaucracy; the impenetrability of the tax system; the huge burdens on the judicial system; and the political system promoting a proliferation of parties were all contributory ingredients. Political reform was needed but not likely to happen soon. Above all, there was a cultural problem. Politicians and others had to realise that corruption was not acceptable and that they would be brought to justice.

On the positive side, the Brazilian judiciary was showing its ability to think and act independently. The Federal Police were investigating with skill and able to resist any pressures from governments or legislatures. The process of tackling corruption had been helped by a ruling that after a conviction at the second instance a person convicted could be imprisoned and was unable to spin out the process pending further appeals. The media were investigating and reporting freely.

People in both countries demanded more transparency and the trend was in that direction. The UK already ranked high in the OECD league table, but could do more to ensure better practice in its dependent territories. In Brazil civil society was exerting pressure - there remained much to do.

This was a fascinating and important discussion - to be continued in Conversa 3 in UK in 2017.

**2. Defence and Security: Is the world becoming more dangerous? What policies and systems do we need to protect ourselves?**

The backdrop to this was concern about conflicts and rising tensions in several parts of the world and the risk that economic downturns can lead to increased violence. There is a higher threat of terrorism, notably from so-called IS. the two countries have in the past collaborated on defence systems, although pressure on Brazilian budgets means this is in a quieter phase currently, and on security - notably on the Olympic Games in both countries. The discussion was chaired by Ambassador Eduardo dos Santos.

The session was wide-ranging touching on a spectrum of defence and security threats, including international crime, the impact of poverty and food security. The UN had highlighted global risks in 2004 and these had become more acute in the last 12 years.

There was deep concern about the situation in Europe whereas South America, though with its problems, was more of a source of stability and hope.Dealing with these issues required a long-term perspective looking at the possibilities for bilateral co-operation. So, for example, whereas tight defence budgets limited the opportunities for now on working together on defence and security equipment we should keep in mind how we have worked together with success in the past, consider involvement of other countries, and projects with dual military and civilian use. This applied also to areas such as UN peacekeeping where it was possible the UK might return to making a greater contribution. Cyber security and the need to marry this with citizens' demand for privacy was a further area on which to focus. The framework governing bilateral co-operation should be improved.

The session highlighted the scope for new joint initiatives on: reform of international organisations; combating corruption and money-laundering; tackling the financing of terrorist groups and arms smuggling; tackling transnational health threats such as Zika virus and H1N1; and promoting socio-economic development.

**3. Education, Research and Innovation: How do we make our economies ready for 2030?**

We were fortunate to have highly qualified Conversa members in the session including Glaucius Oliva, former President of CNPq, Carlos Henrique Brito Cruz, Scientific Director of FAPESP, Graham Stuart MP, formerly Chair of the House of Commons Education Select Committee, and chaired by Dr Joanna Newman, Vice-Principal of King's College.

 In the 21st century more than ever before an excellent education system - from basic education to advanced research - is a necessary condition for a healthy and successful economy. Both countries have challenges to shape their systems for 2030.

Brazil has experienced a massive rise in demand for Higher Education. Student enrolment has doubled in the last ten years to about 8 million, with the help of government schemes giving financial support. In the UK over 50% of young women and over 40% of young men go on to Higher Education. In both countries affordability is an issue going forward. A few years ago, government controversially started to allow universities (except in Scotland) to triple fees up to £9000 which enabled it to reduce the proportion of university funding provided through government. This does not seem to have affected the numbers of students enrolling from the lower socio-economic classes.

The Brazilian government's investment in Science Without Borders, sending 101,000 Brazilians abroad for a period of study greatly enriched the experience of these students. It also helped create new partnerships in Education between Brazil and UK.

There is a focus in both countries on employability of people after their Higher Education. In Brazil, there is no longer the great expansion in academic posts; the need is for more people with the ability to contribute to industry and commerce. This means there is need for modernisation of curricula and teaching approaches.

It is still the case that the majority of people do not go to Higher Education and that there is a great need in both countries for a workforce with the skills to deliver what businesses need. The Association of Colleges has sought to work with Brazil on Skills Without Borders.

The quality of basic education is central. In Brazil, there is a view that this has declined overall. There is a question about preparation for Further and Higher Education and the roles of public and private schools. It is inequitable that privately-schooled pupils benefit disproportionately from access to excellent public universities.

The two countries devote comparable proportions of GDP to research and innovation. Both are concerned to increase the impact of this spend - scientifically, economically and socially. the Newton Fund is already enabling new partnerships between the two countries, as has the application of Brazilian funds from bodies such as FAPESP. It is essential that business is closely involved in this.

The conclusion was upbeat. There is a great deal of scope for learning from, and collaborating with, each other in this vital field.

**4. Energy and Sustainable Development: What energy mix do we need? What policies do we need to get there? Can this be done without damaging the planet?**

We were joined by Deputy Federal Environment Minister for this discussion, chaired by British Ambassador Alex Ellis. The backdrop was the redesign of energy policies in most of the world to be more sustainable and the huge experience of Brazil in renewables, notably hydropower and ethanol. The fall of the oil price was a challenge but was not likely to halt the direction of travel. There was also an issue of how to maintain progress at a time of macro-economic crisis. Brazil has a clear leadership role in the world, although its reputation for deforestation has not yet been fully overcome.

Part of the equation is the move from first to second generation renewables. This was not likely to succeed until the cost of second generation came down to the cost of first. The commoditisation of ethanol had not yet happened but could lie in the future. For Brazil, improvements in the efficiency of the power grid were essential - so much was lost currently. The group raised the issue of Chinese steel produced with much more energy compared with Brazil and the absence of a mechanism to take this into account on world markets.

There was emphasis on the importance of public-private partnerships.

There was an exchange of ideas on bilateral co-operation:

- on biofuels combining EU resources and Brazilian know-how;

- on mechanisms to attract funding from the private sector;

- on wind and wave technology where the UK has expertise, especially on off-shore wind, and Brazil favourable conditions in the North East and on the Amazon.

This a key issue for the future of the planet, in which Brazil/UK co-operation can play a significant part.

**5. Health, Food and Lifestyle: How do we promote better societies, long-term research and ensure access to good nutrition and healthy ways of life?**

The backdrop was increasing public focus on healthcare and the impact of food and lifestyle as well as systems.

On the topical issue of the outbreak of Zica virus, it was notable how Brazilian science, companies and the government were coming together rapidly to meet the challenge. There was also a step change in international scientific co-operation o this including between Brazil and the UK. We could see how the benefits of science could be diffused rapidly in these circumstances.

There was the question of meat. Brazil was the world's largest exporter of chicken and a major exporter of other meat products. Brazilians consumed 35-40 kilos of meat a year; in China this was much lower though growing and offering opportunities here and in other developing countries for more Brazilian business. But it was ever more widely considered as a result of health research in UK, Brazil and elsewhere that for health reasons consumption of meat should be moderate. This could have an impact on the Brazilian meat industry over time.

There were questions about how to intervene to support healthier lifestyles. Removing salt from tables, for example, was a small contribution which some restaurants were making. There were questions about changes in regulation. The obesity crisis in UK had led to fierce debate over introduction of a sugar tax. the two countries could co-operate over what regulation might be most effective and over campaigns, where Brazil had impressive achievements against smoking and HIV/AIDS.

The two questions had a rich agenda on which to work together arising from their national health systems which, while different in many respects, were founded on the same principles of comprehensive coverage free at the point of delivery (though many more Brazilians also had privet health insurance). The UK could learn from Brazil's engagement of social movements in the delivery of healthcare. The UK NHS had a strong record of using its purchasing power.

In both countries it was important to increase public awareness of health issues so that individuals could make their own decisions on food, lifestyle and treatments. We needed to think about use of the internet as well as more traditional means to make available more and better information in an easily understandable form.

One conclusion was that the two countries are particularly well suited in some areas to work together and learn from each other (the UK NHS walk-in centres were copied from Brazil years ago).

**6. Capital Markets and Financial Institutions: Challenges and Opportunities**

The backdrop to this discussion was the huge change since Conversa 1 in how Brazil is regarded internationally owing to the political crisis, corruption and economic recession. On top of this the international outlook was uncertain and the challenges of burgeoning technology posing ever more questions about systems.

The group included several contributors with considerable knowledge, experience and insight, such as Persio Arida, and representatives of key companies.

The Brazilian financial market has a number of strengths. It has not suffered banking crises in recent years despite adverse circumstances abroad and at home. It has high-quality regulation and prudential practices. Under Basel III, Brazilian banks were seen to be well managed. FDI had continued generally to be strong. The poorer classes continued to enjoy better access to credit.

But just as some international investors were eyeing Brazil as an opportunity for cheap investment, so Brazilians were showing declining confidence and looking to opportunities abroad. The Brazilian economic model was being questioned and political paralysis ruled out serious structural reform. Whereas CFOs previously had an easy time as regards access to capital, now they were challenged to develop more creative thinking to overcome challenges. The high cost of capital posed a risk to important projects.

Governments in the two countries had been reacting differently to systemic risks. In UK, capitalisation of banks had been a central policy. In Brazil, the crisis of derivatives and deterioration in credit availability had reinforced the importance of co-operation and co-ordination.

Looking ahead, there was a need to consider the impact of Big Data, data analysis and the Internet of things on financial markets and competition, as well as changes in society, for example around sustainability and the development of bio-economies.

**Path to Conversa 3 in UK in 2017**

There was strong interest in a further conference. A range of views were expressed on its content, preparation and follow-up. Suggested additional topics were: privacy of the internet v. government powers to investigate; our healthcare systems; the challenge of obesity; climate change; sustainable cities; funding for public education; converting science and technology into business; social security/ageing; contemporary problems for representative democracy; migration; foreign policy; a focus on key areas where greater Brazil/UK co-operation would be especially valuable. Some advocated a challenging keynote speaker to open the conference. There were views for and against preparing papers before the event.

All these ideas will be considered in the preparation of Conversa 3, which may have some more participants and more topics.