



June 12, 2013

**ORAL TESTIMONY OF ANDRES GLUSKI, PRESIDENT AND CEO OF THE AES CORPORATION
BEFORE THE COMMITTEE ON WAYS AND MEANS SUBCOMMITTEE ON TRADE**

Thank you very much Chairman Nunes, Congressman Rangel, and Members of the Committee.

It is an honor to be here today to assist in any way I can to better U.S.-Brazilian relations and understanding. I am the CEO and President of the AES Corporation, a Fortune 200 company headquartered in Arlington, Virginia. We own and operate electric generation plants and electric distribution companies in 25 countries, including Brazil, where we serve 6.5 million customers in the city of Sao Paulo and another 1.2 million customers in Rio Grande do Sul. In addition, we operate 3.3 gigawatts of hydro and thermal generation capacity in the country. As Brazil is one of our most important businesses, I am a member of the U.S. – Brazil CEO Forum. I am also a member of the Business Roundtable, and one of the Directors of the Council of the Americas.

When speaking of U.S.-Brazil trade relations there is much we can do to increase trade and investment between the two largest economies in the Americas. Brazil's economic policy differs from the U.S. in having a more prominent role for the central government. It is for this reason that the National Development Bank, B-N-D-E-S, has played an instrumental role in the execution of Brazil's industrial policy. In this regard they have actively financed various sectors of the economy, lending more money last year than the World Bank and Inter-American Development Bank combined. However, the private sector still plays the key role in domestic capital markets. Sao Paulo's stock exchange, the Bovespa, is one of the largest stock exchanges in the world by capitalization. Brazil is not only a destination for U.S. investments, but it is also a source of capital for partnerships and even a source of foreign direct investment in the United States.

AES' two largest companies in Brazil, AES Tiete and AES Eletropaulo are listed on the Bovespa and we are controlling partners together with B-N-D-E-S in both. It is important that U.S. tax policy recognizes the new realities of the growth of emerging capital markets and does not discriminate against investment in controlled companies that are locally listed versus private partnerships. A bilateral taxation treaty between the two countries would also further incentivize investments in both countries.

Today there are tremendous complementarities between the two economies. Brazil is in the midst of an offshore oil boom which will require U.S. technology, services and investment. The country is also fortunate to have substantial shale gas deposits; an area where U.S. companies possess a clear competitive advantage. While certain property ownership issues must be resolved in Brazil, U.S. companies should be prepared to participate. Another area for collaboration is the use of Brazil's strength as a bio-ethanol producer, both to increase the availability of ethanol products in the U.S. and to establish a dependable base for U.S. bio-engineering technologies.

There are many good examples of successful bi-national cooperation. Embraer is a world leader in the production of regional jets and relies on U.S. made avionics and turbines. AES has become one of the leaders in the Brazilian electricity sector and recently spun off a one billion dollar telecommunications company that it built from the ground up in Rio de Janeiro and Sao Paulo. GE currently produces electric components in Brazil, including wind turbines, to comply with high domestic content requirements. High domestic content requirements admittedly increase the cost of doing business in Brazil, but it is a national policy aimed at increasing domestic value-add.

Brazil and the U.S. share many common values which facilitate strong ties. In Brazil, AES helped normalize electricity service and brought the benefits of electricity to two and a half million people in the shanty towns or "favelas" of Sao Paulo and rural areas of Rio Grande do Sul. Together with US AID, another 2 million people will benefit from improved electrical service in Sao Paulo. Public Private Partnerships can work. As the first private company to partner with the Millennium Challenge Corporation, established by Congress in 2004, AES brought electricity to more than 180 thousand people in El Salvador in only three years. We thank you for your support to help make a difference.

Mr. Chairman, I thank you for your time and your interest in this very important bilateral relationship. I am happy to respond to your questions.