Market Access Sectoral and Trade Barriers Database

-Brazil-

last updated on 2002-07-12

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GENERAL FEATURES OF TRADE POLICY

Being the ninth world economy, Brazil and in a wide expression Mercosur, is one of the main economic and political partners of the EU. In effect the EU is Brazil's main trading partner, before the United States and the other main Mercosur memeber: Argentina.

Brazil's principal exports are iron and steel, automotive products (the largest sector in Latin America), chemicals, mechanical products, footwear, paper and cellulose, electrical machinery, textiles and a wide range of agricultural products (coffee, meat, tobacco, orange juice, etc.). Exports to the EU are mainly in agriculture and fisheries.

Brazil imports mainly manufactured products (chemicals, non-electrical machinery, cars, and office machines and telecommunications equipment), and fuels.

EU trade relations with Brazil have increased since the end of its protectionism. Until 1990, Brazil pursued highly protectionist trade policies based on a complex system of non-tariff barriers and export incentive schemes which, combined with fiscal incentives and subsidies, resulted in a high degree of protection for specific sectors. Since then Brazil has taken decisive steps to achieve a comprehensive trade liberalisation within the framework of an ambitious structural adjustment policy (the "Real Plan"). This has resulted in the nearly total elimination of quantitative restrictions and has made ad valorem duties the main import policy instrument.

This liberalisation policy has however led to a trade deficit that late in the '90s provoked calls for renewed protection of sensitive sectors. This renewed protectionism has taken various forms, notably through import licensing schemes and minimum import prices. On 12 November 1997, the Mercosur Common External Tariff was also increased by 3%, with new maximum rates being 23%. This increase was lowered by 0.5% in December 2000.

As consequence of the Real strong devaluation since January 1999 exchange rate liberalisation, it is expected a lowering of the pressure from the industry for tariff protection (with the exclusion of agricultural products that benefits from export subsidies) as it partly recovered its external competitivity. Currently the Government is launching various exports supporting initiative. On the other side, devaluation linked to poor inflation rate has affected domestic consumption and consequently imports performances.

Brazil is one of the latest Latin America countries to undergo the privatisation process of public services. FDI opportunities in services could compensate the parallel decrease on industrial FDI resulted by the stagnating production expectations.

Brazil is the main member of Mercosur and represents its principal market. Future EU economic and political relations with Brazil could only be understood now via the negotiation for an Association Agreement between the EU and the Mercosur. Respecting the WTO requirements, substantial trade liberalisation among the parties will be pursued, besides assuring a more transparent and predictable use of trade defence instruments.

Further information about the framework for trade between the EU and Brazil is available at the European Commission's **Directorate General for Trade (DG Trade)** website, specifically in the pages on **Bilateral Trade Relations with Brazil**.

The following table is an overview of the tradeflow between the European Union and Brazil

Section	Year	Import(Euro)	Export(Euro)
Animals & animal products	1996	281,130,750	111,534,370
	1997	378,606,950	103,216,040
	1998	379,632,390	122,477,760
	1999	490,030,970	71,846,770
	2000	728,457,540	96,758,480
	2001	1,048,521,310	72,240,970
	2002	995,953,810	61,032,430
	2003	1,037,513,900	39,181,770
Vegetable products	1996	1,592,566,820	116,166,770
	1997	2,855,053,100	138,930,910
	1998	2,540,923,820	132,540,390
	1999	2,396,888,320	99,718,860
	2000	2,809,772,700	135,325,680
	2001	3,580,948,840	148,640,640
	2002	3,254,692,930	134,944,210
	2003	3,528,883,260	153,158,100
Animal or vegetable fats	1996	29,700,750	66,364,340
	1997	48,522,290	61,425,620
	1998	37,346,860	56,806,590
	1999	25,134,020	16,221,730
	2000	32,936,430	63,371,630
	2001	36,952,200	56,164,300
	2002	26,419,490	56,269,470
	2003	20,515,800	51,091,130
Prepared foodstuffs	1996	2,644,722,950	210,929,220
	1997	2,392,705,750	221,251,440
	1998	2,298,301,470	240,865,090
	1999	2,281,207,710	187,093,780
	2000	2,881,733,850	226,453,210
	2001	3,231,905,730	213,206,860
	2002	3,140,382,960	177,084,980
	2003	3,034,651,210	140,310,110
Mineral products	1996	1,254,640,370	235,264,460
	1997	1,503,554,970	303,292,250
	1998	1,613,228,540	291,286,180
	1999	1,534,804,780	238,165,360
	2000	2,055,425,320	179,379,750
	2001	2,199,012,370	197,065,460
	2002	2,057,124,800	262,075,520
	2003	2,246,408,730	168,563,550
Chemical products	1996	288,992,310	1,403,851,110
	1997	396,408,890	1,788,525,720
	1998	424,358,200	1,889,653,030
	1999	401,000,670	2,047,418,000
	2000	496,490,610	2,304,794,220
	2001	539,206,700	2,546,973,180

	2002	543,869,190	2,385,287,920
	2003	582,516,880	2,260,670,690
Plastics & rubber	1996	125,319,450	437,588,010
	1997	109,399,660	590,553,930
	1998	155,657,000	601,930,650
	1999	166,747,850	570,042,300
	2000	232,381,640	742,287,170
	2001	202,403,200	744,733,560
	2002	254,926,190	695,109,270
	2003	314,630,260	602,570,040
Hides & skins	1996	338,669,570	23,069,460
	1997	379,373,480	26,501,700
	1998	385,393,590	24,201,660
	1999	323,109,200	18,863,050
	2000	495,470,310	32,024,160
	2001	581,477,150	31,035,460
	2002	521,558,890	26,199,610
	2003	424,228,710	24,998,020
Wood & wood products	1996	413,097,520	15,151,140
	1997	501,618,180	30,336,770
	1998	487,687,570	34,684,630
	1999	546,012,120	18,955,740
	2000	738,865,010	23,305,210
	2001	747,375,650	21,219,140
	2002	691,489,990	11,135,760
	2003	681,973,610	7,111,970
Wood pulp products	1996	460,098,640	317,192,110
	1997	486,660,960	419,886,620
	1998	509,263,980	373,702,180
	1999	595,489,360	261,805,530
	2000	965,115,300	380,849,220
	2001	744,803,020	331,781,560
	2002	819,655,990	258,336,430
	2003	919,718,070	205,193,040
Textiles & textile articles	1996	209,219,080	233,657,890
	1997	170,279,480	256,213,940
	1998	146,705,580	257,914,280
	1999	133,091,250	221,639,000
	2000	166,245,810	259,911,820
	2001	234,368,720	234,821,090
	2002	238,008,010	189,955,320
	2003	229,959,100	150,889,720
Footwear, headgear	1996	181,831,370	12,792,610
	1997	225,459,070	11,786,970
	1998	188,921,010	12,397,280
	1999	197,341,580	9,628,550
	2000	227,783,570	13,231,230
	2001	221,469,680	15,898,470
	2002	225,103,310	10,091,960
	2003	219,840,910	7,352,250
Articles of stone, plaster, cement, asbestos	1996	58,137,570	142,009,010
	1997	72,149,600	184,014,400
	1998	68,380,920	191,432,690
	1999	95,010,450	160,121,630
	2000	98,717,760	193,390,550
	2001	88,315,530	202,392,070
	2002	100,467,540	155,292,660
	2003	132,084,470	143,458,650
	1996	276,298,310	53,879,890
	1997	114,122,560	110,360,760
	1998	123,509,830	113,737,300

Pearls, (semi-)precious stones, metals	1999	94,675,150	145,763,280
	2000	158,881,400	212,637,930
	2001	152,211,560	223,143,370
	2002	276,157,530	117,386,730
	2003	159,975,190	67,646,920
Base metals & articles thereof	1996	616,495,020	562,184,940
	1997	702,932,220	676,108,500
	1998	991,163,630	741,048,540
	1999	887,215,000	548,507,690
	2000	965,090,820	664,172,550
	2001	848,664,560	774,822,880
	2002	928,776,600	710,478,940
	2003	1,068,910,260	602,152,050
Machinery & mechanical applicances	1996	596,586,820	4,252,705,330
	1997	667,321,810	5,483,552,990
	1998	781,815,760	5,638,987,560
	1999	804,986,110	5,209,449,820
	2000	1,141,592,180	5,666,812,600
	2001	1,173,906,170	6,682,247,580
	2002	1,353,625,200	4,872,658,720
	2003	1,392,264,940	3,806,675,420
Transportation equipment	1996	276,154,360	1,179,259,810
	1997	538,308,370	1,739,346,330
	1998	1,034,304,000	1,537,337,640
	1999	1,055,630,850	1,616,916,140
	2000	1,339,701,250	1,899,745,270
	2001	837,274,260	1,751,868,530
	2002	561,838,150	1,747,477,900
	2003	511,831,830	1,428,696,260
Instruments - measuring, musical	1996	35,277,410	510,472,780
	1997	39,427,720	599,886,910
	1998	48,187,820	616,993,280
	1999	58,654,450	533,758,850
	2000	80,775,790	630,982,720
	2001	89,697,870	750,215,420
	2002	73,289,030	615,087,090
	2003	72,987,320	493,446,870
Arms & ammunition	1996	3,720,640	4,619,430
	1997	5,550,260	8,182,090
	1998	3,141,870	13,406,080
	1999	3,569,330	38,535,240
	2000	4,810,400	25,434,270
	2001	4,450,370	7,596,900
	2002	3,648,120	7,783,530
	2003	4,039,850	6,658,970
Miscellaneous	1996	163,706,320	103,753,230
	1997	204,682,370	162,162,060
	1998	167,684,630	172,170,820
	1999	193,666,170	158,159,920
	2000	261,256,560	159,509,620
	2001	230,498,740	175,942,600
	2002	243,974,830	118,481,660
	2003	278,297,130	86,147,270
Works of art	1996	1,245,830	7,178,910
	1997	9,460,360	10,875,000
	1998	26,458,280	18,950,100
	1999	1,710,040	11,117,530
	2000	1,409,790	10,225,230
	2001	1,941,980	7,061,970
	2002	3,335,280	9,465,160
	2003	9,549,920	4,585,990

Other	1996	19,553,390	30,849,670
	1997	23,920,960	30,903,940
	1998	31,776,930	47,350,250
	1999	44,857,070	54,016,340
	2000	46,812,320	56,475,440
	2001	69,417,040	77,054,050
	2002	63,262,740	54,065,220
	2003	61,730,370	50,347,140

Agriculture and Fisheries
last updated on 2002-01-08

The EU is by far the main agricultural client of Brazil, importing in particular soy, bovine meat and tropical products. As agricultural export concentrates more than 40% of Brazil total export to the EU, the respect of SPS requirements is of particular importance for both sides . As a consequence, in the framework of the negotiation of the EU/Mercosur Association Agreement, a bilateral sanitary and phytosanitary agreement is being negotiated. EU export in this sector is mainly concentrated in products where Brazil has a supply deficit : dairy, cereals , olive oil and wines.

Chemicals
last updated on 2001-10-30

Brazilian chemicals sector is the eighth in the world. Economic opening has favoured the presence of all the most important multinational companies. Besides the important industrial sector to supply the agricultural huge production is heavily dependent by agrochemical production. Trade imbalances in certain sector have led to the introduction of non-automatic import licences.

Electronics
last updated on 2001-10-30

The electronics sector is still one of the main protected . The sector is not yet harmonized under the Mercosur CET and Brazil requires telecommunication service providers to discriminate in favour of Brazilian technologies in their purchases of technology and services in cases of equivalence of bids.

Iron, Steel and Non-Ferrous Metals
last updated on 2001-10-30

Brazil is one of the world's biggest player on iron production and exports. Brazil has traditionally maintained exports at around 50% of its output. The main export markets for Brazilian iron are Japan an the EU.

Machinery
last updated on 2001-10-30

The machinery sector in Brazil is characterised by the intra industry trade flows and the important complementation. In effect the sector shows significant performances both in exports and in imports. Traditionally the EU is one of the main suppliers. Compulsory technical regulations are applied to domestic and import products. However, Brazilian norms conform generally to international standards.

Services - Communications & Audiovisual
last updated on 2002-01-08

Regardless of the privatisation process, various constraints on free movement of services in this areas are reported. Furthemore the absence of a clear regional policy in standards implementation , does not favour "global " operativity of foreigners operators present in the regions. The licensees are not allowed to change control within the first five years the concession was granted. The National Telecommunications Agency (ANATEL), has to give prior approval on mergers, splitting, incorporations or decrease of equity. In addition, there are limitations and visa restrictions to use expatriate key persons. Each operator is granted specific license (by authorisation or concession), within which they are allowed to work, for instance: fixed or mobile services separated by areas; internet providers; long distance carriers; paging services etc.

Audiovisual market is reported to be particularly closed to third countries. As a medium/long term peerspective it should be emphasized that EU/Mercosur negotiations include a specific chapter on services reciprocal liberalisation.

Services - Financial
last updated on

The establishment of new branches and subsidiaries of foreign financial institutions, as

2002-01-08

well as increases in the participation of foreign persons in the capital of financial institutions incorporated under Brazilian law, is only permitted when subject to a case-by-case authorization by the Executive Branch, by means of a Presidential decree. EU and other foreign investors are currently participating to the privatization programme that involves the most important state banks. the insurance sector has been also recently opened to foreign investors . The size of the market has motivated the entry of new companies mainly via joint ventures.

Shipbuilding
last updated on 2001-10-30

Ship prices quoted by Brazilian yards are said to be 20 percent higher than the international level and the builders have to rely on imports for sophisticated or high technology equipment for ships, not only foreign but also domestic shipowners are feared to refrain from placing orders with Brazilian yards. Even domestic orders are precarious because PETROBRAS (National Petroleum Corporation), which used to be a buffer to protect Brazilian shipbuilders from recession, is deteriorating in financial status. Thus the Brazilian shipbuilding industry is anticipated to suffer stagnation in the short and medium-term outlook.

Telecommunications Equipment
last updated on 2001-10-30

There are no strong domestic suppliers of telecommunications equipment. However high national import tariffs, excluded by the Mercosur CET up to year 20006, have been used to incentive FDI. NEC, Alcatel, Ericsson, Nokia and Siemens have set up local production facilities.

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TARIFFS AND DUTIES

The Mercosur Common External Tariff (CET) entered into force in 1995 on the basis of the Protocol of Ouro Preto. CET is applied by the four Mercosur countries, Argentina, Brazil, Paraguay and Uruguay.

According to the schedule, Argentina and Brazil were due to be fully incorporated into the CET by 1 January 2001, with the exception of telecommunication and information technology products for which the four Mercosur countries have a transitional period ending on 31 December 2005. In addition, Uruguay and Paraguay have a transitional period until the latter date for capital goods, and Paraguay has a separate basic list of temporary exceptions. Over time, number of (temporary) modifications were made. In 1997, the CET was increased with 3% for a period of three years. This increase was extended at a level of 2.5% for another 2 years at the Mercosur Summit in December 2000. In addition, that Summit gave each Mercosur Member permission to apply for 100 products national tariffs deviating from the CET

In summary, the following deviations to the CET exist :

1. Transitional increase of the CET: the 1997 CET increase of 3% was due to be eliminated by 31 December 2000. At the Mercosur Summit of last December, Mercosur decided to maintain the increase at 2.5% (i.e. reduction of 0.5%) until 31 December 2002. Mercosur Members may have exceptions to this increase (i.e. not apply the extra 2.5%).

2. Exception lists: at this moment, there are four types of exception lists

a. Capital goods and telecom: in force in all Mercosur countries, until 31 December 2005
b. Capital goods: in force in Paraguay and Uruguay, until 31 December 2005
c. Basic list: in force in Paraguay, for a maximum of 399 items
d. New lists (December 2000 Summit): applicable to the four Mercosur members until 31 December 2002, for up to 100 tariff lines. If negotiations on these lists do not lead to conclusion, each country can maintain

up to 100 tariff lines of its previous Basic List (i.e. the lists of exceptions which Brazil, Argentina and Uruguay had to eliminate by 31 December 2000). Each half-year, Mercosur members can replace 20 tariff lines from its list with 20 new tariff lines.

In addition to higher than CET applied tariffs in certain sectors, Mercosur party states have also deviations from the CET or tariff suspension programs which in some cases lead to applied levels that are below the CET. Current duty rates may be searched by either an HS Product Code (4 or 6 digits) or by Keywords describing the product in the **Applied Tariffs section** of this Database.

Tariff Levels

970022- *Tariff instability* [2003-02-05]

By decision of 12 November 1997, the Mercosur Common External Tariff was increased by 3%. Brazil implemented this decision immediately, following which it's normal maximum applied CET level became 23%. The measure was proposed by Argentina in order to replace the 3% statistical tax condemned by a WTO panel, and Brazil was keen to accommodate Argentina given its trade deficit. Argentina, Paraguay and Uruguay implemented the tariff increase on 1st January 1998.

The increase was originally put in place until December 2000 but it was subsequently reduced to 2,5% in 2000 (67/00) and to 1,5% in 2001(D6/01).

The Mercosur Grupo do Mercado Comum (GMC), meeting in Brasilia on 27-28 November 2002, approved the proposal to extend the application of the 1.5 % temporary additional duty to Mercosur’s Common External Tariff (CET) until 31 December 2003.

The GMC’s decision has to be confirmed by the Conselho do Mercado Comum (CMC).

The application of the additional CET duty to EU textile and clothing exports is covered by the 2002 EU-Brazil Memorandum of Understanding (MoU), which was officially signed on 6 November 2002. One of the provisions of the MoU requires Brazil not to apply the additional duty on such products. Brazilian CAMEX Resolution Nr. 35, of 18 December 2002, (in combination with Resolution Nr. 42 of 26 December 2001,)(both attached) includes, in its Annex II, the list of textile and clothing products exempted from this duty as a result of the MOU.

Under the draft CMC decision individual Mercosur countries are allowed to notify unilateral exceptions to the duty during a 30-day period. Such exceptions do not have to be approved by the other Mercosur countries. In this respect, Brazil should have notified the textile exemption agreed under the MoU.

Wood, Paper and Pulp

Tariff Quotas

010010- *Paper tariff suspension* [2002-11-13]

Based on the Brazilian Federal Constitution paper imports are divided into duty free and commercial papers. The duty free paper group was established in the 1930s to promote educational purposes as domestic production could not meet the demand. For many grades the situation prevails as demand outstrips local supply.

Duty free papers are exempt from import duties, excise tax and VAT. For the allocation of duty free papers, printers, merchants, and publishers apply for permits covering the annual need. According to the Community industry volume needed is covered by around 200 permits. Applications for permits are based on sales in the previous years and sales plans for the current year.

However, the Brazilian customs authorities are usually granting a handful of permits, which causes serious difficulties for the customers and suppliers of paper. The customs authorities have referred to the lack of man power restricting the handling of permits. However, according to the EU industry, this has not prevented the Brazilian authorities from issuing permits regarding those paper grades that are not produced in Brazil.

Problems already started in 1990 but delays have become more severe. Particularly customers and suppliers of fine paper have been severely hit. Domestic supply cannot cover consumption and around 1/3 of demand for fine paper has to be imported.

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TRADE DEFENCE INSTRUMENTS

Brazil imposed provisional safeguard measures in the form of an additional tariff of 15% on imports of toys in 1996. Definitive measures were taken in January 1997,which were in effect until 31 December 1999. Following an expiry review, in which the EC participated, Brazil extended the application of its safeguard measures in November 1999 for further four years (until 18 November 2003).

As regards Brazil's antidumping measures taken against EU exports, they affect the following commodities:

- Canned Peaches, from Greece (since 27.10.200)
- Methyl methacrylate, from France, Germany, Spain and the United Kingdom (since 14.03.2001)
- Insulin products, from France and Denmark (since 12.02.2001)
- Cold-rolled flat stainless steel, from France and Spain (since 26.05.2000)
- Hydroethylcellulose, from the Netherlands (since 19.04.2000)
- Polycarbonate resins, from Germany (26.07.1999), and
- Sodium tripolyphosphate (STPP), from the United Kingdom (since 05.08.1997)

There are no countervailing duties in force against EU goods.

Agriculture and Fisheries

Anti-Dumping Measure

030019-*Anti-dumping duties on canned peaches* [2003-02-06]

By Resolution n° 5 of 25 April 2002 Brazil imposed definitive anti-dumping duties on imports of canned peaches originating in the EU. The level of the duties is between 17.4% and 26.4%. The investigation had been opened on 27 October 2000.

The anti-dumping duties are coupled with a high customs duty of 55%, which the Brazilian authorities have indicated will be reduced.

By Brazil's CAMEX Resolution No. 11 of 22 May 2002, Brazil suspended the anti-dumping duties and only applies the 55% customs duty.

However, it should be noted that the suspension of the anti-dumping duties is only applicable in so far as canned peaches continue to be included in the list of exceptions to the Mercosur Common External Tariff. Therefore, it is expected that anti-dumping duties would be applied again if the import duty is reduced.

Other Industries

Anti-Dumping Measure

960227- *Toys safeguard* [2004-08-10]

On 18 June 1996, Brazil initiated a safeguard investigation on imports of toys originating in all third countries (Secex circular No 33 of 17 June 1996). On 7 November 1996, the investigating authority made a serious injury finding and recommended definitive safeguard measures (DECOM Brief No 17). On 4 July 1996, Brazil imposed a provisional safeguard measure on imports of toys, under the form of a tariff increase from 20% to 70% (Interministerial Order No 9 of 21 June 1996) for a three-year period. On 1 January 1997, increased duties were imposed on all types of toys, within the WTO bound tariffs except for 3 categories of toys with are of specific interest for the EC.

On 19 November 1999, following an expiry review, in which the EC participated, Brazil extended the application of its safeguard measures in the form of special tariff duties of 15% for further four years (until 31 December 2003).

Finally, on 30 December 2003, Brazil published in its Official Journal the decision by which it decided to extend the safeguard measure for another year, setting the level of the safeguard measure at 10 %.

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NON TARIFF BARRIERS

Brazilian imports are subject to licensing through a computerised Integrated Foreign Trade System (SISCOMEX) set up by the Secretariat of Foreign Trade (SECEX) to handle imports. Import licensing can be automatic or non-automatic; almost all products may be imported through automatic licenses.

Standards, Sanitary and Other Technical Requirements

As a member of the World Trade Organisation (WTO), Brazil has made commitments to subscribe to the Sanitary and Phytosanitary (SPS) Agreement. Brazil has also committed to the **Office of International Epizootic (OIE)** principles and to the underlying **Codex Alimentarius (CODEX)** standards.

Quantitative Restrictions and Related Measures

970224- *Non-automatic import licensing* [2003-01-07]

Brazil requires non-automatic licenses for a wide variety of products. The goods and operations subject to non-automatic licensing are listed in public communiqués issued by the Department of Foreign Trade Operations (DECEX) of the Foreign Trade Secretariat (SECEX) of the Ministry of Development, Industry and Foreign Trade (MDIC). Although non-automatic licenses may be requested before shipment of goods abroad, the applications often remain indefinitely pending, without formal reply, and thus imports are stopped at the border. These procedures and practices are restricting trade and causing damage to EC exporters.

The issue of non-automatic import licensing was examined in a TBR investigation following a complaint raised by Cerestar Holding B.V. and by Commission Decision of 27 May 2002 (OJ No. L151/14), it was found that the non-automatic import licensing system, as applied with a minimum price requirement, appeared to be in breach of several WTO Agreements.

Following WTO consultations held with Brazil in November 1999 and joined with the US in July 2000, as well as further bi-lateral contacts, the TBR procedure was suspended in June 2001, in order for the Commission services to monitor the situation in close contact with the Community industry.

On the basis of information provided by the industry and the facts available, the Commission concluded that the challenged barriers to trade specifically for sorbitol and CMC had been eliminated and consequently the TBR procedure was terminated.

The situation will be monitored to see if non-automatic licensing requirements continue to act as a barrier for other export products.

970225- *Minimum import prices* [2002-11-20]

Brazil has been imposing minimum prices on several imported products and notably on textile products, Sorbitol and Carboxymethylcellulose (CMC). These minimum prices are established by the Ministry for Development, Industry and Foreign Trade (MDIC) under request of and after consultations with the national industry, and are systematically applied at the border by the customs authorities either (1) in order to obtain an import licence or (2) as the basis on which to calculate the customs value.

Moreover, the measures imposing the minimum prices have not been published anywhere, and importers are informally advised by the Brazilian customs authorities of the existence of a minimum price when foreign products are stopped at the border.

The issue of non-automatic import licensing, together with minimum import prices, was examined in a TBR investigation following a complaint raised by Cerestar Holding B.V. and by Commission Decision of 27 May 2002 (OJ No. L151/14), it was found that this practice appeared to be in breach of several WTO Agreements.

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Agriculture and Fisheries

Subsidies

000009- *Alcohol subsidies* [2002-06-27]

Brazil's production of alcohol has been subsidised by the National Alcohol Programme (Pro-Alcool) that was created in 1975 with the aim of increasing the production of alcohol for fuel purposes.
Although the “Proalcool” programme has been phased out and the price of alcohol deregulated, many direct and indirect subsidies still remain, and new measures are regularly introduced.

The main government support now takes place in the form of “payment of subsidies to the price or transport of fuel alcohol” thanks to the revenues from the new tax called “CIDE” (Contribution to Intervention in the Economic Sector) created by Law no. 10336, of 19 December 2001. In addition, most Brazilian alcohol producers, which are under severe financial stress, have also been provided with substantial fiscal and bank debt relief by the federal government.

Besides the inconsistency of Brazilian subsidies with the WTO agreement on subsidies and countervailing measures (SCM), Brazil's support to fuel alcohol production is discriminatory against foreign traders of other products, because there is no market separation between subsidised fuel ethanol and unsubsidised traditional alcohol and the producers of subsidised alcohol are completely free to supply all the other markets (drinks, industrial and exports) on a variable cost basis, which represents a huge competitive advantage over foreign suppliers.

Quantitative Restrictions and Related Measures

970364- *Sorbitol* [2002-11-14]

The Brazilian non-automatic licensing system and the minimum pricing practice mentioned elsewhere were also applied to agricultural products (e.g. Sorbitol products: HS 2905 44 and 3824 60) in a way contrary to the WTO Agreement on Agriculture, whose article 4.2 on Market Access provides that members shall not maintain, resort to or revert to trade restrictive measures such as minimum import prices and discretionary import licensing procedures.

CERESTAR, one of the largest Community producers of Sorbitol, lodged a complaint under the Trade Barriers Regulation (TBR), which is an instrument of commercial offence to open third country markets by eliminating obstacles to trade for the benefit of EU exporters.

The complaint alleged that Community sales of sorbitol in Brazil were hindered by a number of obstacles including a non-automatic import licensing procedure, arbitrary and/or non-justified refusal by the Brazilian authorities to grant import licences for sorbitol entering Brazil below a minimum price and the implementation of minimum prices via de facto reference prices included in the customs valuation system. The investigation was also extended to carboxymethylcellulose (CMC) exports to Brazil.

The investigation found that the Brazilian authorities refused to grant import licences for Sorbitol and CMC on the basis of non-compliance with minimum prices. The implementation of this system appeared to infringe Brazil's obligations under several Articles of the WTO Agreement on Import Licensing Procedures, of the GATT, of the WTO Agreement on Agriculture and of the WTO Agreement on Sanitary and Phyto-sanitary measures.

On 19 November 1999, the Community held WTO consultations with Brazil, following which the Commission again tried to solve the problems via bilateral negotiations and also joined the U.S. in WTO consultations.

As a result, the TBR procedure was suspended for a period of 6 months on 8 June 2001, in order to allow the Commission services to monitor and supervise the situation, in close contact with the Community industry affected.

On the basis of the information provided by the industry and the facts available, the Commission concluded that the challenged barriers to trade of sorbitol and CMC in Brazil had been eliminated, and consequently, the TBR procedure was terminated.

Sanitary and phytosanitary measures

970032- *Brazil- Import restrictions (SPS)* [2004-10-01]

The import of apples, pears, plums, nectarines, peaches, marmelos, cherries and nuts is restricted by phytosanitary rules. These items are subject to inspection by the Department of Plant Health and Inspection Service (DDIV) that requires a phytosanitary certificate (PC) and additional declarations regarding fruit cultivation, treatment and shipment. Advanced notification of the shipment must also be provided to the DDIV.

040012-*Brazil, Bovine animals, meat and products* [2004-10-12]

Ban on the import of live ruminants, products and by-products and veterinary products (with the exemption of milk, dairy products, semen, embryos, de-proteined tallow, mbone meal, hides and skins, gelatine and collagen prepared from hides and skins) from countries with indigenous BSE cases.
The decision became public via the Brazilian O.J. (Diario Oficial da Uniao) N°222 in Portaria SDA N°75 dated 11 November 2003.
Notified to the SPS Committee via G/SPS/BRA/84 of 2 December 2003.

Countries banned: France,UK Denmark,Portugal,....

- General statement during the SPS Committee on BSE (17/03/2004) in reaction to the USA's statement

040029-*Brazil- Seed potatoes* [2004-10-01]

On 13 November 2001 the Brazilian Authorities had given notice of new measures on imports of seed patatoes that Brazil had notified, but had not provided a delay for their implementation, no technical justification and had not respected the need for transparancy.
Ban on products from: The Netherlands and strong import conditions for UK

Automotive

Quantitative Restrictions and Related Measures

970025- *import ban on used goods* [2002-11-13]

Imports of used (second hand) consumer goods, including cars, motorcycles and tyres are prohibited. A special import authorisation is required for motor vehicles. In September 2001 Brazil extended the import ban of used tyres to also cover retreaded tyres (see barrier fiche 000027).

000027- *Import ban on retreaded tyres* [2004-04-23]

By means of Portaria No 8 of 25 September 2000, Brazil extended the blanket ban on the importation of used tyres to cover retreaded or recycled tyres as well. Furthermore, on 14 September 2001 Brazil issued Presidential Decree 3919 that made the importation, trade, transport, or stocking in Brazil of both used and retreaded tyres subject to a penalty of R$400 (165 €) per unit, although this penalty does not apply to parties trading in locally retreaded tyres. This has brought the Community exports of these products to Brazil to a halt.

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RESTRICTIVE EXPORT MEASURES

Textiles and Leather

Export Taxes

970033- *Export restrictions* [2003-05-14]

Exports of bovine raw hides, skins and wet-blue leather are subject to an ad valorem export tax of 9% (F.O.B.). The initial export restriction was put in place by Decree No. 3.684 of 7 December 2000. The export tax was then re-conducted by Brazil's "Câmara de Comércio Exterior" (CAMEX) at the same rate of 9% for two subsequent years, by Resolution No. 37 of

28 November 2001 and Resolution No. 28 of 18 November 2002, respectively. The current measures will expire on 30 November 2003.

Exports of raw hides and skins of wild animals are prohibited.

- The Resolution n. 1 of 2004 is certainly good news for the Community industry in relation to this long standing issue, which the Commission had raised in numerous occasions with the Brazilian authorities. However, it should be noted that the tax in itself has not been removed. The new Resolution simply reduces the rate to 0% from 1 January 2006 onwards. This legal nuance may become important in the future, since it is easier for the Brazilian authorities to merely increase the rate than to have to introduce a new export tax.

  The Delegation will continue to monitor developments in this sector, in case the rate were to be increase at some point in the future, following pressure from e.g. the Brazilian shoe industry.

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INVESTMENT RELATED BARRIERS

Foreign investment must be registered in order to repatriate the capital or to remit profits or dividends. Capital gains on a repatriated investment are subject to a 25% withholding tax. Establishing a branch of a foreign company requires a presidential decree.

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IPR

The Industrial Property Law entered into force in 1997. It covers patent and trademarks. As a new law it is in general considered as having enhanced the level of IPR protection in the country, but with the important exception of the pharmaceutical patents. In effect Brazil legislation, recognising patent protection only in case of local production, does not take into consideration the TRIPS consistent alternative of importing pharmaceutical products

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OTHERS

Compulsory technical regulations in Brazil are applied to domestic and import products. However Brazilian norms conform generally with international standards (ISO, IEC and Codex Alimentarius). CONMETRO is the Government agency establishing industrial standards and certification policy guidelines.
Certification is generally voluntary. Compulsory certification if restricted to products on services that have and effect on health, safety or the environment. For example toys are subject to certification. Brazil recognises testing procedures performed in the country of export, provided the imported product is accompanied by the relevant documents.

All importers must be registered with the Foreign Trade Department (DECEX). An import licence is also required for the majority of imports (see also chapters regarding licensing and minimum prices). The imports must present at least two copies of the commercial invoice and a copy of the bill of lading.

The time needed for customs clearance can differ considerably between different ports. In many cases normal duration of the entire clearing process is around one week but in others it has been reported to have taken up to 15 days. This results in additional warehousing costs of 2 - 3% of the cif value and unacceptable delays for market access of seasonal or perishable goods. Furthermore, particular problems have emerged as regards goods imported for trade fairs and exhibitions.