



TRADE POLICY DEVELOPMENTS PAPER NO. 64

**TRADE POLICY MONITORING REPORT
OF
BRAZIL
(JANUARY 2014 – MARCH 2014)
VOLUME XII**

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TABLE OF CONTENTS

ABBREVIATIONS	4
EXECUTIVE SUMMARY	10
I. INTRODUCTION	11
II. TRADE POLICY FORMULATION & EVALUATION	11
II.1 GENERAL ECONOMIC ENVIRONMENT	11
II.2 INFLATION	13
II.3 UNEMPLOYMENT	14
II.4 MONETARY POLICY	14
II.5 CURRENT ACCOUNT DEFICIT	15
II.6 INDUSTRY	16
III. TRADE AGREEMENTS AND ARRANGEMENTS	16
IV. FOREIGN INVESTMENT REGIME	19
V. MEASURES AFFECTING IMPORTS:	20
V.1 TARIFFS	20
V.2 TECHNICAL BARRIERS TO TRADE	24
V.3 SANITARY AND PHYTO SANITARY MEASURES	24
V.4 ANTI DUMPING MEASURES	24
VI. MEASURES DIRECTLY AFFECTING EXPORTS	26
VII. TRADE POLICY BY SECTOR	29
VII.1 AGRICULTURE	29
VII.2 TELECOMMUNICATION	30
VII.3 ENERGY	31
VII.4 AIR TRANSPORT	32
VII.5 PORT DEVELOPMENT	32
VIII. DISPUTE SETTLEMENT	33
ANNEXURE	ERROR! BOOKMARK NOT DEFINED.

ABBREVIATIONS

ANP	-	National Agency of Petroleum
ANVISA	-	National Health Surveillance Agency
APEC	-	Asia-Pacific Economic Cooperation
APEDA	-	Agricultural Products Export Development Authority
ARFs	-	Automatic Registration Forms
Art.	-	Article
ASEAN	-	Association of South-East Asian Nations
BL	-	Bidding Laws
BNDES	-	Brazilian National Bank for Economic and Social Development
BOFT	-	Bureau for Fair Trade for Imports and Exports
CAAC	-	General Administration of Civil Aviation
CBRC	-	China Banking Regulatory Commission
CCC	-	China Compulsory Certification
CEPA	-	Comprehensive Economic Partnership Agreement
CERC	-	China Electricity Regulatory Commission
CET	-	Common External Tariff
CIRC	-	China Insurance Regulatory Commission
COFIN -	-	Social Security Financing Condition
COFINS	-	Social Contribution for
COPOM	-	Brazilian Central Bank's Monetary Policy Committee
CPC	-	Communist Party of China
CQC	-	The China Quality Certification Centre

CSRC	-	China Securities Regulatory Commission
CSS	-	Social Contribution for Health
DECOM	-	Department of Commercial Defense
DFEC	-	Department of Foreign Economic Cooperation
DITEA	-	Department of International Trade and Economic Affairs
DSB	-	Dispute Settlement Body (WTO)
EEA	-	European Economic Area
EEC	-	European Economic Community
EFTA	-	European Free Trade Association
EPA	-	Economic Partnership Agreement
EU	-	European Union
FDI	-	Foreign Direct Investment
FINEP	-	Brazilian Innovation Agency for the Financing of Social Security
FTAs	-	Free Trade Agreements
GAC	-	General Administration of Customs
GAT	-	General Administration of Taxation
GATT	-	General Agreement on Tariffs and Trade
GDP	-	Gross Domestic Product
GIs	-	Geographical Indications
GPA	-	Agreement on Government Procurement
GPA	-	Agreement on Government Procurement GPA
HS	-	Harmonised System
IBII	-	Investigation Bureau for Industry Injury
ICT	-	Information and communications technology
IMF	-	International Monetary Fund

INMETRO Quality	-	National Institute of Metrology, Standardization and Industrial
INSS	-	National Institute for Social Security
IP	-	Intellectual Property
IPI	-	Tax over industrialized products
IPR	-	Intellectual Property Rights
ISO	-	International Organization for Standardization
IT	-	Information Technology
ITES	-	Information Technology Enabled Services
MDIC	-	Ministry of Development, Industry and Foreign Trade
MERCOSUR	-	Common Southern Market
MLPS	-	The Multi-Level Protection Scheme
MOA	-	Ministry of Agriculture
MOF	-	Ministry of Finance
MOFCOM	-	Ministry of Commerce
MPS	-	The Ministry of Public Security
MRRFTO Operators	-	Measures for Registration for the Record of Foreign Trade
NAFTA	-	North American Free Trade Agreement
NBER	-	National Bureau of Economic Research
NCAC	-	National Copyright Administration of China
NDRC	-	National Development and Reform Commission
NME	-	Non-Market Economy
No	-	Number
NPC	-	National People's Congress

NPK	-	Sodium, Phosphorous, Potassium
NT	-	National Treatment
OECD	-	Organization for Economic Cooperation and Development of Development, Industry and Commerce
OTEXA	-	US Office of Textiles and Apparel
PBC	-	The People's Bank of China
PIS	-	Social Security Tax
PNMPO	-	National Program of Oriented Productive Microcredit
PPP	-	Purchasing-power parity
PRC	-	People's Republic of China
PSI	-	Pre-shipment inspection
QIP	-	Quarantine Inspection Permit
RAIEG	-	Regulation on the Administration of the Import and Export of Good
RMB	-	Renminbi
ROO	-	Rules of Origin
SAARC	-	South Asian Association for Regional Cooperation
SAC	-	The Standardization Administration of China
SAFE	-	State Administration of Foreign Exchange
SAIC	-	The State Administration of Industry and Commerce
SASAC	-	State-Owned Asset Supervision Administration Commission
SAT	-	Chinese State Administration of Taxation
SCNPC	-	Standing Committee of the National People's Congress
SDA	-	Secretariat of Animal and Plant Health
SECEX	-	The Foreign Trade Secretariat
SEZs	-	Special economic zones

SIPO	-	State Intellectual Property Office
SISCOMEX	-	Integrated System of Foreign Trade
SOEs	-	State-owned enterprises
SPC	-	Supreme People's Court
STE	-	State-trading enterprises
TBT	-	Technical Barriers to Trade
TCF	-	Textiles, clothing and footwear
US	-	United States
WTO	-	World Trade Organization
TRIMs		Trade-Related Investment Measures
TRIPs	-	Trade-Related Aspects of Intellectual Property Rights
TRQs	-	Tariff-rate quotas
USTR	-	United States Trade Representative
VAT	-	Value-added Tax
WAP	-	The WLAN Authentication and Privacy Infrastructure
WIPO	-	World Intellectual Property Organization
WLANs	-	Wireless Local Area Networks
WTO	-	World Trade Organization

EXECUTIVE SUMMARY

- The Brazilian economy grew by 0.7% in GDP terms during the quarter, with the improvements in external sector and fixed investment. The consumer prices rose by 0.92% by the end of the quarter, however the inflation was within the *Banco Central do Brazil's* tolerance margin. The Current Account Deficit decreased to USD 6.25 Billion at the end of the quarter from USD 11.6 Billion at beginning of the quarter. The decrease in deficit has eased some pressure on the Brazilian policy makers'.
- Standard & Poor's has downgraded Brazil from BBB to BBB- citing reasons of fiscal deficit and meager growth in recent years. Investors are of the view that the upcoming FIFA World Cup would have a huge impact on the economy of the country.
- The Brazilian Agency for the Promotion of Exports and Investments launched "Investment Guide to Brazil" with an aim of attracting foreign investors to the country. The country also undertook various other measures to attract foreign capital into the country.
- The Ministry of Development, Industry and Foreign Trade of Brazil has adopted various measures that have affected the imports and exports of the country. However, the Report notes that Brazil continued to use trade defense mechanisms. Trade contingency measures such as Anti-Dumping, which Brazil has aggressively pursued in the recent past, saw a decline this quarter.
- The report also discusses the various policies that were adopted in the quarter with respect all the major sectors of Brazil – agriculture, energy, telecommunication, transport and port development. Agriculture is expected to grow by 4% in 2014 though the sever drought at the beginning of the quarter is expected to have a significant impact on the harvests. The telecommunication and transport sector are expected to grow by a large margin due to the upcoming FIFA World Cup.
- The report also discusses the Public Consultation of the WTO Cotton dispute initiated by Brazil against United States of America. The Retaliation process was suspended in 2010 due to a bilateral interim agreement between the two countries.

**TRADE POLICY MONITORING REPORT OF BRAZIL
FOR THE QUARTERLY PERIOD: JANUARY - MARCH 2014**

I. INTRODUCTION

This is the twelfth Quarterly Trade Policy Monitoring Report prepared by the Centre for International Trade and Economic Laws (CITEL), Jindal Global Law School. This report will monitor and discuss the trade and macroeconomic policy developments that took place in Brazil during the period of January - March 2014.

II. TRADE POLICY FORMULATION & EVALUATION

II.1 GENERAL ECONOMIC ENVIRONMENT

In the fourth quarter, the GDP increased by 0.7% over the previous quarter, the decrease conflicted the decrease of 0.5% the previous quarter and the rise was greater than the 0.3% increase expected by the market. The rise was due to the improvements in the external sector and fixed investment.^{1 2} On the domestic side, the fixed investment recovered from a 2.2% contraction in the previous quarter to 0.3% ascent in the fourth quarter. Private consumption added 0.7% over the previous quarter (Q3: +1.0% quarter-on-quarter), conversely government consumption decreased to 0.8% from 0.9% the previous quarter.³ On the external side of the economy, exports of goods and services rebounded from a contraction of 1.2% in third quarter to a 4.1% expansion in fourth quarter. However, imports fell by 0.1% and further stimulating the decrease of 0.5% the previous quarter. Annually the GDP increased by 2.3% that was greater than the 1.0% growth registered in 2012.⁴

Investors have hopes on the upcoming FIFA World Cup but economists like Botham say, “FIFA wont have a huge impact on GDP. It will have some impact, but much less than people expect.” The slowdown has not affected the public and private companies from increasing the investments by 6.3% last year.⁵

¹ FOCUS ECONOMICS, ECONOMIC GROWTH STAGES A RECOVERY IN Q4, FEBRUARY 27 2014
[HTTP://WWW.FOCUS-ECONOMICS.COM/EN/ECONOMY/NEWS/BRAZIL-GDP-](http://www.focus-economics.com/en/economy/news/brazil-gdp-economic-growth-stages-a-recovery-in-q4-2014-02-27)

[ECONOMIC GROWTH STAGES A RECOVERY IN Q4-2014-02-27](http://www1.folha.uol.com.br/internacional/en/business/2014/02/1419175-investments-pull-brazilian-gdp-slow-growth-to-continue.shtml) (LAST VISITED MAY 4 2014).

² INVESTMENTS PULL BRAZILIAN GDP; SLOW GROWTH TO CONTINUE, FOLHA DE S.PAULO, FEBRUARY 28 2014
<http://www1.folha.uol.com.br/internacional/en/business/2014/02/1419175-investments-pull-brazilian-gdp-slow-growth-to-continue.shtml> (LAST VISITED MAY 4 2014).

³ SUPRA, N.1

⁴ IBID.

⁵ BRAZIL GDP SURPRISES, BUT INVESTORS SHOULDN'T GET THEIR HOPES UP, FORBES, FEB. 27, 2014 AT,

Standard & Poor's has downgraded Brazil from 'BBB' to 'BBB-' for the first time on March 24 2014 by citing reasons like fiscal deficits in recent years, meager growth prospects and the devaluation of the Brazilian Real. S&P also warned that it would further downgrade if there were sharp deterioration in external and fiscal accounts.⁶

The agricultural output increased by 2.4% recovering from the contraction in last quarter. This increase was because of higher production of wheat (30.4%), sugar cane (10%) and tobacco (5.5%). However the production of orange and cassava decreased by 14.8% and 9.5% respectively on year-on-year terms.⁷

The manufacturing sector rose by 1.3% slowing from 1.9% last quarter. The growth was driven by higher production of machines, electronic and transport equipment, perfumes, oil and wood products. Construction rose at the same pace as in the previous quarter (2.4 percent); electricity, water and gas supply expanded 3.4 percent (3.7 percent in Q3) and mining advanced 0.7 percent, slightly up from 0.9 percent in the third quarter.⁸

According to the Inflation Report by Banco Central do Brazil; the GDP is expected to grow by 2.3% in 2014 whereas the panelists of LatinFocus Consensus Forecast expect the GDP to grow by 2.1% in 2014 and by 2.2% in 2015.⁹

Caio Megale, economist, argues that drawbacks in infrastructure and productivity have been holding back the progress of the economy and placing the need to increase investments in the highlight and organizing events like 'FIFA World Cup' would offer opportunities to make enormous new investments and thereby accelerate development of different sectors. The 12 cities that are hosting the event will benefit from the expanded airports, improved transport systems and improved telecommunication services.¹⁰ Aldo Rebelo, Minister of Sports for Brazil, says that many of the public

<http://www.forbes.com/sites/kenrapoza/2014/02/27/brazil-gdp-surprises-but-investors-shouldnt-get-their-hopes-up/> (LAST VISITED MAY 6, 2014).

⁶ *S&P DOWNGRADES BRAZIL: NOT JUNK, NOT GREAT*, THE ECONOMIST, MAR. 25 2014 AT , <http://www.economist.com/blogs/americasview/2014/03/sp-downgrades-brazil?zid=305&ah=417bd5664dc76da5d98af4f7a640fd8a> (LAST VISITED MAY 6 2014).

⁷ TRADING ECONOMICS, BRAZIL GDP ANNUAL GROWTH, <http://www.tradingeconomics.com/brazil/gdp-growth-annual> (LAST VISITED MAY 4 2014).

⁸ *IBID.*

⁹ *SUPRA, N.1.*

¹⁰ CAIO MEGALE & MARCELO WEISHAAPT PRONI, *WHAT THE WORLD CUP WILL DO TO BRAZIL'S ECONOMY* ,WORLD CRUNCH, JAN. 7 2014 AT <http://www.worldcrunch.com/opinion-analysis/what-the-world-cup-will-do-to-brazil-039-s-economy/economy-corruption-tourism-football-investment-spending-money-debt/c7s14631/#.U2isJK2SwWW> (LAST VISITED MAY 6, 2014).

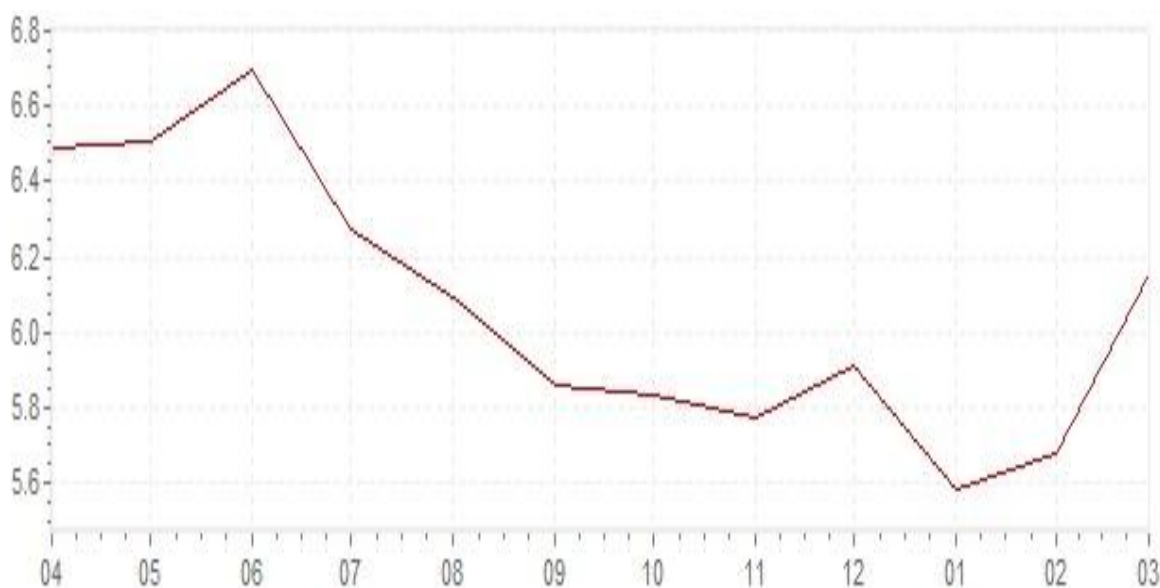
infrastructure projects were already included in the government's general infrastructure plan, known as the growth acceleration programme.¹¹

According to a report by Moody's, a credit rating agency, "a successful World Cup would raise Brazil's stature on the world stage but it would not affect Brazil's sovereign credit rating or that of most of its companies." The agency also said that the Brazilian economy is very large and the duration of the World Cup is very limited and also the investment is only restricted to few cities and hence the impact is not large.¹²

II.2 INFLATION

The consumer prices rose by 0.92% in March over the previous month and by 1.61% over the beginning of the quarter. The rise was beyond the market expectation of a 0.85% rise. The prices of all the goods that are monitored have increased and food and beverages being the highest. The annual inflation increased from 5.6% in January to 6.2% in March, marking the highest since July 2013. However, the inflation is in the tolerance margin of $\pm 2.0\%$ around its target of 4.5%. In its quarterly inflation report, the central bank estimated the inflation at 5.6% at end of 2014 and 5.4% at end of 2015.¹³ The increased inflation for 2014 is mainly because of the severe drought in southern Brazil damaged crops and raised food prices.

The below graph shows the variation of Consumer Price Index in the last 12 months:¹⁴



¹¹JOE LEAHY, *WORLD CUP WILL HAVE LITTLE IMPACT ON BRAZIL, SAYS MOODY'S*, FIN. TIMES, MAR. 31 2014 AT, <http://www.ft.com/intl/cms/s/0/770b70c8-b6b7-11e3-8695-00144feabdc0.html#axzz30q1LsbMD> (LAST VISITED MAY 6 2014).

¹² *ID.*

¹³ FOCUS ECONOMICS, *INFLATION INCREASES TO AN 8-MONTH HIGH IN MARCH*, <http://www.focus-economics.com/en/economy/news/Brazil-Inflation-Inflation-increases-to-an-8-month-high-in-March-2014-04-09> (LAST VISITED MAY 4 2014).

¹⁴CURRENT INFLATION BRAZIL - CPI INFLATION, IFLATION.EU, <http://www.inflation.eu/inflation-rates/brazil/current-cpi-inflation-brazil.aspx> (LAST VISITED MAY 6, 2014).

II.3 UNEMPLOYMENT

Brazil's unemployment rate fell by 0.1% in March when compared to last month and this was way less than the market forecasts. The slow growth of GDP and high inflation rate is a major reason for the overheating of Brazilian labor market. However even in this period of inflation and slow growth rate, Brazil has continued to provide jobs to more citizens than ever before. The Brazilian Institute of Geography and Statistics (IBGE) said that the unemployment rate in February was the lowest since the agency launched its current system of measuring unemployment in 2002.¹⁵ The below graph shows the unemployment rate from 2002 to 2014.¹⁶



II.4 MONETARY POLICY

The Monetary Policy Committee of Banco Central do Brazil increased the key interest rates once in the fourth quarter by 25 basis points, bringing it to 10.75% in February 2014. This hike matched the market expectations and the decision came at a time when concerns are raised over the inflationary pressures and the bleak situation of economic growth in Brazil. This rate hike was a smaller hike when compared to the aggressive increases that lifted the benchmark-lending rate by 325 basis points in less than a year and through the smaller rate hike the central bank has signaled the end of tightening cycle.¹⁷ The most eye-catching policy introduced by the government was the introduction of a primary surplus target, for the savings that governments make in order to reduce the public debt and this will be equivalent to 1.9% of the GDP.¹⁸

¹⁵ DOW JONES, *BRAZIL UNEMPLOYMENT RATE RISES TO 5.1% IN FEBRUARY*, NASDAQ, MAR. 27, 2014 AT, <http://www.nasdaq.com/article/brazil-unemployment-rate-rises-to-51-in-february-20140327-00442> (LAST VISITED MAY 6, 2014).

¹⁶ TRADING ECONOMICS, *BRAZIL UNEMPLOYMENT RATE*, <http://www.tradingeconomics.com/brazil/unemployment-rate> (LAST VISITED MAY 4 2014).

¹⁷ *BRAZIL SET TO SLOW PACE OF INTEREST RATE HIKE AS ECONOMY FLAGS*, CHI. TRIB., FEB. 26 2014 AT, http://articles.chicagotribune.com/2014-02-26/news/sns-rt-brazil-economy-rates-20140225_1_rate-hike-benchmark-lending-rate-so-called-selic-rate (LAST VISITED MAY 6 2014).

¹⁸ *BRAZILIAN CENTRAL BANK SLOWS INTEREST RATE RISES*, FOLHA DE S.PAULO, FEB. 27 2014 AT, <http://www1.folha.uol.com.br/internacional/en/business/2014/02/1418578-brazilian-central-bank-slows-interest-rate-rises.shtml> (LAST VISITED MAY 6, 2014).

The Brazilian Real had decreased by 0.7% at the end of quarter but it gained 6% on a year-to-year basis and this gain might be the reason for the banks to end the tightening cycle.

The below graph shows the increase of interest rate from January 2013 to April 2014.¹⁹



Since last year, the government has been pursuing contradictory fiscal objectives. On one hand, it has made credit very expensive for controlling consumption and prices; on another hand it has increased spending with the aim to inject more money into industry and commerce. This contradictory policy is apparent and risky when the rise of dollar against the real is taken into account.

II.5 CURRENT ACCOUNT DEFICIT

At the beginning of third quarter, Brazil's Current Account Deficit (CAD) was USD 11.6 Billion and this was slightly greater than the USD 11.3 Billion registered in same month last year. However, the deficit decreased to USD 6.25 Billion by the end of the quarter and this was slightly lesser than the USD 6.8 Billion registered in the same month last year.^{20 21} The trade balance registered a surplus of USD 112 Million in March, which was an improvement from the deficit of USD 4 Billion registered at beginning of the quarter and this has eased some of the pressure on country's current account.²²

The policy makers of Latin America's largest economy are betting on faster global growth and sustained foreign direct investment to narrow the CAD, the gap that widened in 2013 as Brazil posted

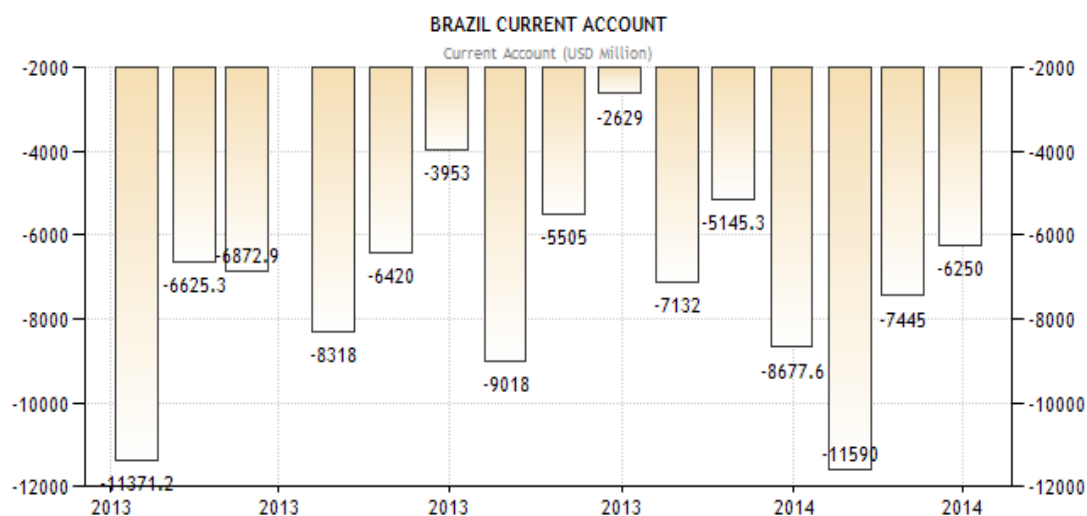
¹⁹ TRADING ECONOMICS, BRAZIL INTEREST RATE, <http://www.tradingeconomics.com/brazil/interest-rate> (LAST VISITED MAY 4 2014).

²⁰ FOCUS ECONOMICS, CURRENT ACCOUNT HITS RECORD DEFICIT IN JANUARY, http://www.focus-economics.com/en/economy/news/Brazil-Current_Account-Current_account_hits_record_deficit_in_January_-2014-02-21 (LAST VISITED MAY 4 2014).

²¹ TRADING ECONOMICS, BRAZIL CURRENT ACCOUNT, <http://www.tradingeconomics.com/brazil/current-account> (LAST VISITED MAY 4 2014).

²² TRADING ECONOMICS, BRAZIL POSTS TRADE SURPLUS IN MARCH <http://www.tradingeconomics.com/articles/04012014181922.htm> (LAST VISITED MAY 4 2014).

the worst trade balance since 2000 due to a steep decrease in imports.²³ The below graph depicts the variation of CAD of Brazil.²⁴



II.6 INDUSTRY

Brazil's industrial production in February rose by 5% on a year-to-year basis for the second straight month as the central bank boosts rates to fight the increasing inflation in the world's second-biggest emerging market.²⁵ The production increased by 0.4% from the previous month but was slightly less than the 0.5% increase of market forecast. The production of consumer durables rose by 3.3% and capital goods increased by 0.1% and 7% jump in motor vehicles.²⁶

III. TRADE AGREEMENTS AND ARRANGEMENTS

III.1 *Pimentel signs agreements to strengthen the auto parts industry*

On 11 February 2014, the Minister of Development, Industry and Foreign Trade (MDIC), Fernando Pimentel, signed three agreements to strengthen the auto industry in the country. Pronatec - Greater Brazil Plan (PBM) was signed for the automotive sector, whereas the Local Productive Arrangement (APL) Agreement Tooling ABC and MDIC-General Cooperation Agreement were signed for the Project

²³ MATTHEW MALINOWSKI, *BRAZIL'S MARCH CURRENT ACCOUNT DEFICIT NARROWEST SINCE NOVEMBER*, BLOOMBERG, APR. 25, 2014 AT, <http://www.bloomberg.com/news/2014-04-25/brazil-s-march-current-account-deficit-narrowest-since-november.html> (LAST VISITED MAY 6 2014).

²⁴ *SUPRA*, N.21.

²⁵ TRADING ECONOMICS, *BRAZIL INDUSTRIAL PRODUCTION*, <http://www.tradingeconomics.com/brazil/industrial-production> (LAST VISITED MAY 4 2014).

²⁶ TRADING ECONOMICS, *BRAZIL INDUSTRIAL PRODUCTION MOM*, <http://www.tradingeconomics.com/brazil/industrial-production-mom> (LAST VISITED MAY 4 2014).

Sebrae Chaining Production Automotive Chain.²⁷ The PBM agreement was signed with three entities namely: Anfavea Sindipeças, Economic Development Agency and the Greater ABC.

The agreement between the Ministry and Anfavea Sindipeças will develop a program that will be mapped from the demands that can be met by two types of courses. The first course consists of the Initial and Continuing Training (FIC), with minimal load-time of 160 hours and up to 600 hours - mapped by the ministry and managed by MDIC and Ministry of Education (MEC). The second type of course comprises of the long-term technical courses, equivalent to the 2nd scientific degree, subsequent or concomitant to that. The program will enable the training of workers for occupancy of new jobs or retraining of workers at work and all the courses are free.²⁸

The agreement between the Ministry and the Economic Development Agency of the Greater ABC is developing a program of industrial extensionism for about 25 industries - small and medium belonging to clusters of Tooling and Auto Parts, located in the Greater ABC Region. The objective is the development and strengthening of technological suppliers of auto parts for the automotive industry.²⁹

The MDIC-Sebrae General Cooperation Agreement for the Project Linking Production Automotive Chain aims at integration of micro, small and medium enterprises in the automotive value chain through the supply of various training courses. The budget for the project will come from Sebrae itself.³⁰

III.2 *Brazil and Argentina sign agreement to boost bilateral trade*

The representatives of the governments of Brazil and Argentina signed a Memorandum of Understanding on bilateral trade financing. The purpose of the memorandum is to promote trade between the two countries by reducing uncertainty and increasing confidence among business and financial operators, in addition to facilitating trade and ensuring payment flows relating to such transactions. Under the agreement, both countries are committed to ensuring the flow of trade, free from restrictions that cannot be justified by Article 50 of the Treaty of Montevideo 1980. This device comes to specific standards that justify trade restrictions for certain products eg, weapons, ammunition, and nuclear materials, among others.³¹

²⁷ GOVERNMENT NOTIFICATION, AVAILABLE AT <http://www.desenvolvimento.gov.br//sitio/interna/noticia.php?area=3¬icia=12994> (LAST VISITED MAY 4 2014).

²⁸ *ID.*

²⁹ *ID.*

³⁰ *ID.*

³¹ GOVERNMENT NOTIFICATION, AVAILABLE AT <http://www.desenvolvimento.gov.br//sitio/interna/noticia.php?area=1¬icia=13070> (LAST VISITED MAY 4 2014).

III.3 *President reiterates willingness to negotiate trade agreements with the European Union*

On 24 February 2014, President Dilma Rousseff, at the EU-Brazil summit held in Brussels, reaffirmed Brazil's willingness to start negotiations for a free trade agreement between the EU and Mercosur.³² At the meeting with the presidents of the European Council, Herman Van Rompuy, and European Commission, José Manuel Barroso, Rousseff also criticized the response of the EU to the special tax regime of the Manaus Free Zone. Rousseff said that he was surprised by the defense taken by the EU at the WTO about the Manaus Free Trade Zone and the Self-Innovate programs that grant tax incentives to companies producing in Brazil. According to the President, the two programs are essential for the Brazilian economy, with the Auto-Innovate being the major technological project of the country with the predominant participation of European companies. The Free Zone, according to the President, is essential for the conservation of the Amazon rainforest. "The Manaus Free Trade Zone is not an export zone for Brazil and if it generates jobs and income," the President stated.³³

III.4 *Brazil and EU inch closer to free trade deal*

The initial conversation between Brazil's President Dilma Rousseff, European Council President Herman Van Rompuy and European Commission President Jose Manuel Barroso apparently went well and Rousseff told reporters, "For the first time, we're close to an agreement."³⁴ She was referring to negotiations on a shared free trade deal sought by both sides for years. "But there are more than just import and export considerations at stake. Brazil would likely rather have sealed the deal on its trade pact with the EU sooner but Brazil is part of the South American free trade zone known as Mercosur and hence its government cannot simply sign the agreement - it has to be approved by the other Mercosur members, Argentina, Uruguay, Paraguay and Venezuela. But in light of a Mercosur stipulation, individual member states are permitted to forge ties with the EU at a "varying pace," meaning that individual customs agreements can be worked out. On March 21, both sides want to present their concepts for easing trade. Then we'll see how ambitious we are on each side," said Barroso during the meeting.³⁵

III.5 *Brazil and United States signed a memorandum to facilitate bilateral investment flow*

The Director of Corporate Management of the Brazilian Agency for the Promotion of Exports and Investments (Apex-Brazil), Tatiana Porto, and Under Secretary of Commerce of the United States signed a memorandum of understanding to facilitate the exchange of information, care and good practice, with a

³² GOVERNMENT NOTIFICATION, AVAILABLE AT <http://www.desenvolvimento.gov.br/sitio/interna/noticia.php?area=1¬icia=13013> (LAST VISITED MAY 4 2014).

³³ *Id.*

³⁴ JAN D. WALTER & , *BRAZIL AND EU INCH CLOSER TO FREE TRADE DEAL*, DEUTSCHE WELLE, FEB. 25 2014 AT <http://www.dw.de/brazil-and-eu-inch-closer-to-free-trade-deal/a-17456134> (LAST VISITED APR. 27 2014)

³⁵ *Id.*

view to facilitate flow of bilateral investments. The United States is a priority market for Brazil, not only for its size and global importance (that are indisputable) but also because of the historical ties between the two countries and their people. This Memorandum of Understanding between Apex-Brazil and SelectUSA strengthens bilateral relations between the two countries and, certainly, promote bilateral foreign direct investment. The memorandum fulfills a key commitment of the Brazil-US Business Dialogue and reinforces the strong commercial relationship between the two countries. According to the agreement, strengthen both parties to act as focal points of contact for existing and potential foreign investors seeking investment opportunities and information on bilateral investment flows.³⁶

IV. FOREIGN INVESTMENT REGIME

IV.1 *Apex launches Investment Guide to Brazil and goal is to attract foreign capital to the country*

The Brazilian Agency for the Promotion of Exports and Investments (Apex-Brazil) launched the Investment Guide to Brazil in 2014, containing the main information for foreigners who want to invest in Brazil. This brings the major sectors to attract capital, as well as address more complex issues relating to doing business in the country.³⁷ "The guide presents the sectors with more business opportunities and also deals with sensitive issues, such as the purchase of land by foreigners and environmental licensing", says Maria Luisa Cravo, executive manager of Apex Investment. The document contains, for example, information about opportunities in agribusiness and also in technology sectors, such as semiconductors, and health and pharmaceuticals, for which the country seeks to attract capital. The publication brings together information from various government sources - Apex-Brazil and the Ministries of Development, Industry and Foreign Trade, Foreign relations, and Agriculture with support from the National Information Network Investment (Renai) - and is intended both to investors with little familiarity with Brazil as those who already invest in the country and want to expand their operations.³⁸

³⁶ BRAZIL AND THE UNITED STATES FIRMAM MEMORANDUM AIMED AT FACILITATING BILATERAL INVESTMENT FLOW, COMEX DO BRASIL, FEB. 10 2014 AT, <http://comexdobrasil.com/brasil-estados-unidos-firmam-memorando-destinado-facilitar-fluxo-de-investimentos-bilaterais/?lang=en> (LAST VISITED MAY 6 2014).

³⁷ GOVERNMENT NOTIFICATION, AVAILABLE AT <http://www.desenvolvimento.gov.br//sitio/interna/noticia.php?area=2¬icia=13020> (LAST VISITED MAY 4 2014).

³⁸ GOVERNMENT LAUNCHES GUIDE FOR FOREIGN INVESTMENTS IN THE COUNTRY INTERESTED IN APPLYING, COMEX DO BRASIL, FEB. 24 2014 AT, <http://comexdobrasil.com/governo-lanca-guia-de-investimentos-para-investidor-estrangeiro-interessado-em-aplicar-pais/?lang=en> (LAST VISITED MAY 6 2014).

The promotion of the material began to be taken last week during the Brazil-European Union Business Summit, held in Brussels, Belgium's event brought together entrepreneurs from various sectors that received the printed guide and also by electronic means.³⁹

IV.2 ABEEólica and Apex-Brazil organized the EWEA 2014, seminar for attracting investments

The Brazilian Agency for the Promotion of Exports and Investments (Apex-Brazil), in partnership with the Brazilian Association of Wind Energy (ABEEólica). This is seen as an opportunity for representatives of companies and investors to come together and define the strategic direction for the actions of the sector in Europe. Organized by Apex-Brazil and Invest in the Brazil seminar - Wind Energy will bring together leaders of the renewable energy industry to discuss opportunities and challenges of investment, specific, wind energy and will be open to participants from EWEA. According to the Executive Investment Manager of Apex-Brazil, Luisa Cravo, the Agency shall treat the supply chain of components for wind energy as a priority for investment attraction, since Brazil has excellent conditions for stimulating the development of this industry, both climate and in terms of demand, with different capacity factor, competitive price and continuous wind. "The main objective of this event is to strengthen the strategic position of Brazil in the global wind scenario, highlighting crescimento prospects and investment opportunities and, mainly, attract new investors to join the wind supply chain in the country. We are at a crucial time for the industry and this move is strategic for the sector's sustainability in the long term ", Melo highlights Elbia, executive chairman of ABEEólica.⁴⁰

V. Measures Affecting Imports:

V.1 Tariffs

V.1.1 Camex temporarily reduces import tariff for primary aluminium

Brazil's foreign trade chamber, Camex, has announced a reduction to the import tariff for primary aluminum to 2% from 6%, valid for 180 days. The benefit is limited to 39,000 tonnes and will expire on

³⁹ APEX LAUNCHES INVESTMENT GUIDE TO BRAZIL AND GOAL IS TO ATTRACT FOREIGN CAPITAL TO THE COUNTRY, COMEX DO BRASIL, MAR. 6 2014 AT, <http://comexdobrasil.com/apex-lanca-guia-de-investimentos-para-brasil-objetivo-e-atrair-capital-externo-para-pais/?lang=en> (LAST VISITED MAY 6 2014).

⁴⁰ ABEEÓLICA AND APEX-BRAZIL ORGANIZED THE EWEA 2014, SEMINAR FOR ATTRACTING INVESTMENTS, COMEX DO BRASIL, MAR. 10 2014 AT, <http://comexdobrasil.com/abeeolica-apex-brasil-organizam-na-ewea-2014-em-barcelona-seminario-para-atracao-de-investimentos/?lang=en> (LAST VISITED MAY 6 2014).

17 August 2014. According to an official statement released by Camex, initially each company will be granted a maximum quota of 5,000 tonnes of the product for export.⁴¹

V.1.2 Camex extending reduction of import duty for cars methanol and firefighting at airports

CAMEX Resolution No. 21, adopted ad referendum of the Council of Ministers, extending the reduced rate of import duty for cars methanol and firefighting at airports. The two products are in the List of Exceptions to the Mercosur Common External Tariff.⁴²

The tariff reduction for methanol, classified in heading 2905.11.00 of the Mercosur Common Nomenclature (NCM), was extended to October 2, 2014 for a quota of 282,500 tonnes. The reduction was in force until the 4th of April.⁴³

The CAMEX also extended the tariff reduction in Letec for fire fighting vehicles at airports. The import tariff that was reduced from 35% to 0% until March 16, 2014 - by former HS 001 NCM code 8705.30.00 - continues at a rate of 0% for a quota of 80 units, up to 16 March 2015. The purpose of this extension is to continue the process of modernization and raising standards of safety of airports.⁴⁴

V.1.3 Camex approves 430 ex-tariff

The Foreign Trade Chamber (CAMEX), chaired by the Ministry of Development, Industry and Foreign Trade (MDIC), approved the reduction of import duty (II) for 430 items, provided ex-tariff. Capital goods are 404 (277 new and 127 renewals) and 26 computers and telecommunication goods (7 new and 19 renewals) without manufacturing in Brazil. The lists of products with reduced rates integrate the CAMEX Resolution No. 19 and CAMEX Resolution No. 20.⁴⁵

The capital goods shall be reduced by 14% for 2% tax and computer goods and telecommunications, from 16% to 2% until December 31, 2015. According to information provided by the companies requesting money, investments global and investment on imports linked to 430 ex-tariff published today are, respectively, U.S. \$ U.S. \$ 13.215 billion and \$ 1.964 billion.⁴⁶

⁴¹ *RESOURCE NATIONALISM UPDATE: MINING AND METALS*, MARCH 2014 1 (ERNST & YOUNG), [http://www.ey.com/Publication/vwLUAssets/EY - Resource nationalism quarterly - March 2014/\\$FILE/EY-M-and-M-Resource-nationalism-March-2014.pdf](http://www.ey.com/Publication/vwLUAssets/EY_-_Resource_nationalism_quarterly_-_March_2014/$FILE/EY-M-and-M-Resource-nationalism-March-2014.pdf) (LAST VISITED MAY 3 2014).

⁴² GOVERNMENT NOTIFICATION, AVAILABLE AT <http://www.desenvolvimento.gov.br/sitio/interna/noticia.php?area=1¬icia=13047> (LAST VISITED MAY 4 2014).

⁴³ *ID.*

⁴⁴ *ID.*

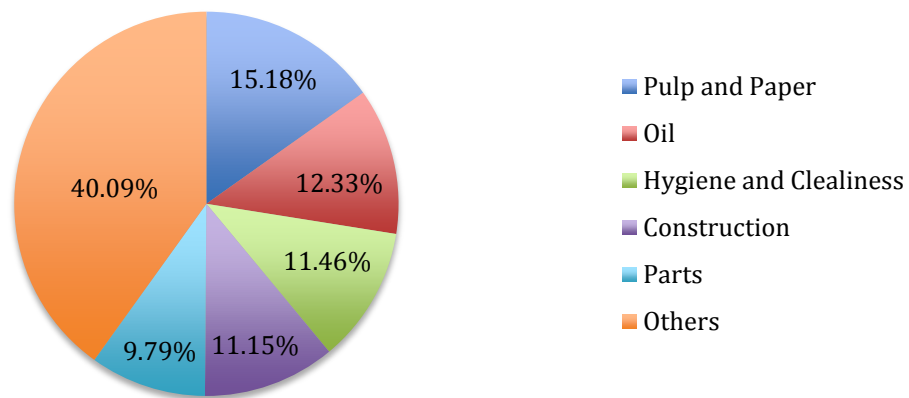
⁴⁵ GOVERNMENT NOTIFICATION, AVAILABLE AT <http://www.desenvolvimento.gov.br/sitio/interna/noticia.php?area=1¬icia=13046> (LAST VISITED MAY 3 2014).

⁴⁶ *ID.*

Among the projects benefited, are investments in the construction of a new pulp mill in Guaiba-RS; in increasing the production capacity of diesel in Cubatao-SP; the implementation of a new distribution center and storage in Itupeva-SP; and production of tires in Itatiaia-RJ.⁴⁷

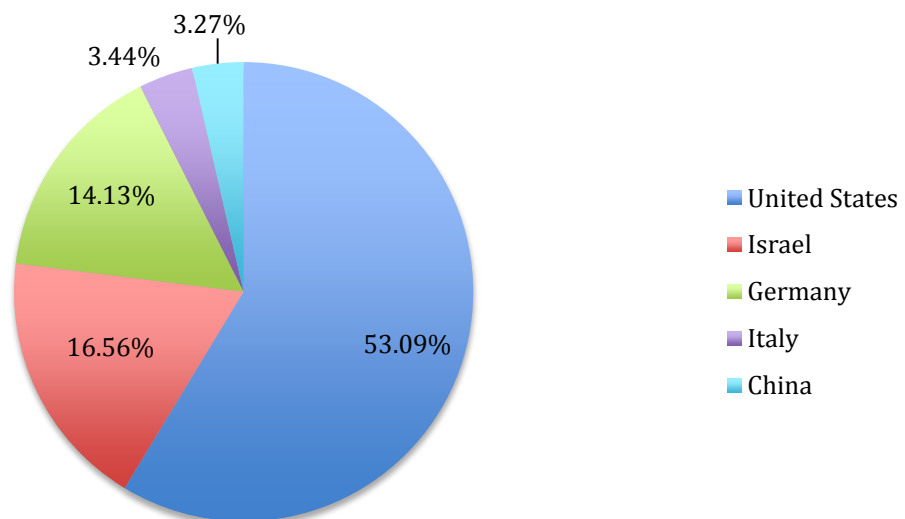
The main sectors benefitting in relation to overall investments are shown in the below pie-chart:

Sectors benefitting from overall investments



The products are mainly imported from:⁴⁸

Sales



⁴⁷ ID.

⁴⁸ ID.

V.1.4 Changes the Brazilian List of Exceptions to the Common External Tariff of MERCOSUR

CAMEX Resolution No. 6 changes the Brazilian List of Exception to the Common External Tariff of MERCOSUR. The List of Exceptions to the Common External Tariff, mentioned in Annex II of Resolution CAMEX the 94 of December 8, 2011, change in the rate of import duty and description of the Ex 001, in the following terms:⁴⁹

NCM	Product	Rate (%)
3004.90.78	Amprenavir; aprepitant; delavirdine or its mesylate; efavirenz;emtricitabine; etoposide; everolimus; fosamprenavir calcium;fludarabine phosphate; gemcitabine or its hydrochloride; raltitrexida;ritonavir; sirolimus; tacrolimus; teniposide	14
	Ex 001 - Amprenavir; aprepitant; delavirdine or its mesylate; efavirenz;emtricitabine; etoposide; everolimus; fosamprenavir calcium;fludarabine phosphate; gemcitabine or its hydrochloride; raltitrexida;sirolimus; teniposide	0

This resolution would come into force from February 18 2014.

V.1.5 CAMEX reduces import duty on Informatics and Telecommunications

Camex Resolution No. 19, reduced the import tax on Informatics and Telecommunications from 2% to 0%, on condition of Ex-Tariff. For further consideration,⁵⁰

NCM	DESCRIPTION
8528.49.21	Ex 002 - Professional Video Monitor "broadcast monitor" for use in TV systems, with video input SDI and HD-SDI interface. Tube or LCD monitors with at least 1,000 lines of resolution.
9030.89.90	Ex 013 - Equipment for monitoring video signals, audio and data, MPEG-2 and / or MPEG-4 (H.264) and analysis of digital television transmission protocols.

⁴⁹ GOVERNMENT NOTIFICATION, AVAILABLE AT: <http://www.camex.gov.br/legislacao/interna/id/1186> (LAST VISITED MAY 3 2014).

⁵⁰GOVERNMENT NOTIFICATION, AVAILABLE AT: <http://www.camex.gov.br/legislacao/interna/id/1199> (LAST VISITED MAY 4 2014).

V.1.6 *CAMEX reduces import duty on O-xylene*

Camex Resolution No. 4, reduced the import tax of O-xylene to 0% for a period of 180 days and a quota limit of 10,200 tons. For further consideration,⁵¹

NCM	Description	Share
2902.41.00	- O-Xylene	10,200 tons

V.2 TECHNICAL BARRIERS TO TRADE

Member countries of the World Trade Organization are required under the *Agreement on Technical Barriers to Trade* (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. The WTO Secretariat distributes this information in the form of “notifications” to all the Member countries. **Annexure A** summarizes notifications posted by the WTO during the past quarter related to Brazil.

V.3 SANITARY AND PHYTO SANITARY MEASURES

Various sanitary and phyto-sanitary measures were adopted during the quarter containing measures relating to plant and food safety, various edible products, use of certain chemicals and substances in food, etc. according to the standards of relevant international conventions.

For detailed information, please refer **Annexure B**.

V.4 ANTI DUMPING MEASURES

V.4.1 *Imports of sodium priofosfato of Canada, China and the U.S. are subject to provisional duty*

The Ministry of Development, Industry and Foreign through CAMEX Resolution No 22, imposed provisional anti-dumping duty for six months on Brazilian imports of sodium acid pyrophosphate of Canada, China and United States of America. The antidumping duty will be applied as a specific fixed rate as described below:⁵²

⁵¹ GOVERNMENT NOTIFICATION, AVAILABLE AT:
<http://www.camex.gov.br/legislacao/interna/id/1183> (LAST VISITED MAY 5 2014).

⁵² GOVERNMENT NOTIFICATION, AVAILABLE AT
<http://www.desenvolvimento.gov.br/sitio/interna/noticia.php?area=1¬icia=13050> (LAST VISITED MAY 1 2014).

Country	Producer / Exporter	Provisional Antidumping Law(US\$/t)
Canada	Innophos Canada Inc.	2.053,11
	Too	2.053,11
People's Republic of China	Hubei Xingfa Chemicals Group Co.,Ltd	948,85
	Thermphos (China) Food Additive Co., Ltd (Tianfu also called Food Additive Co., Ltd. (China)	769,37
	A. H. A International Co., Ltd., CHEMaster International, Inc., Dalian Coringlory International Co., Ltd., Foodchem International Corporation, Fooding Group Limited, Hainan Zhongxin Chemical Co., Ltd., New Step Industry Co., Limited, Shanghai Trustin Chemical Co., Ltd., Shanghai Zhongxin Yuxiang Chemical Co., Ltd., Shenzhen Bangjiebang Trading Co., Ltd., Shifang Kindia May Chemical Co., Ltd. e Wenda Co., Ltd	2.201,07
	Too	;
	Too	2.225,34
United States	Innophos Inc.	1.932,57
	Prayon Inc.	1.932,57
	Too	1.932,57

V.4.2 CAMEX approves dumping tires

The CAMEX Resolution No. 1 dated January 16 2014, imposed definitive antidumping duty up to 5 years on Brazilian imports of new rubber tires for cars originating in South Korea, Thailand, Chinese Taipei and Ukraine. The duty will be collected in the form of specific rate as mentioned below:⁵³

Origin	Producer / Exporter	Antidumping Law (U.S. \$ / kg)
South Korea	Hankook Tire Co. Ltd.	0.24
	Kumho Tire Co. Inc.	0.61
	Nexen Tire Corporation	0.14
	Too	2.56
Thailand	Sumitomo Rubber (Thailand) Co. Ltd.	1.32
	Svizz-One Corporation Ltd.	1.35

⁵³ GOVERNMENT NOTIFICATION, AVAILABLE AT <http://www.desenvolvimento.gov.br/sitio/interna/noticia.php?area=1¬icia=12948> (LAST VISITED MAY 1 2014).

	Too	1.35
Chinese Taipei	All	1.43
Ukraine	All	1.23

V.4.3 *CAMEX approves antidumping for polypropylene resins and objects washer*

The CAMEX Resolution No. 2 dated January 17 2014, provided application of provisional antidumping duty for a period of six months for Brazilian imports of polypropylene resins of South Africa, South Korea and India. The duty will be collected in the form of specific rate as mentioned below:⁵⁴

Origin	Producer / Exporter	Provisional Antidumping Law (U.S. \$ / t)
South Africa	Sasol Polymers	111.78
	Other Exporters	161.96
South Korea	LG Chem	26.11
	Lotte Chemical	30.30
	GS Caltex	29.12
	Hyosung Corporation	29.12
	Samsung Total Petrochemicals	29.12
	Other Exporters	101.39
India	Reliance Industries	100.22
	Other Exporters	109.89

VI. MEASURES DIRECTLY AFFECTING EXPORTS

VI.1 *Worst Trade Gap since at Least 1991 on Export Drop*

Brazil in January recorded its largest monthly trade deficit on record as exports dropped and imports of consumer and capital goods increased. Brazil posted a trade deficit of \$4.06 billion after posting last year the worst annual trade balance since at least 1991, the Trade Ministry said in a report published today. Imports rose 5.4 percent on a daily average from December, totaling \$20 billion, while exports fell 27 percent to \$16 billion on a decline in foreign sales of cars and ethanol. Swap rates on contracts due in January 2015, the most traded in Sao Paulo today, rose four basis points, or 0.04 percentage point, to

⁵⁴ GOVERNMENT NOTIFICATION, AVAILABLE AT <http://www.desenvolvimento.gov.br/sitio/interna/noticia.php?area=1¬icia=12952> (LAST VISITED MAY 1 2014).

11.73 percent at 5:13 p.m. local time. The real weakened 1 percent to 2.4362 per U.S. dollar and is down 18 percent in the past year.

The median estimate of 19 analysts polled by Bloomberg was for a \$4.5 billion trade deficit in January. Exports of manufactured items fell 2.6 percent while imports of consumer and capital goods increased 8.8 percent and 7.1 percent, respectively, according to today's report.⁵⁵

VI.2 Amazon River Soy Route

Brazil became the world's biggest soybean exporter last year even without fixing thousands of pot holes that bedevil its trucks, and without solving delays to load cargo onto ships lasting as long as three months. Brazil is set to extend its lead on the U.S. through a short cut; it will go through the Amazon forest to link soybean farms in the interior to the Panama Canal and on to Asian buyers. Traders from Bunge Ltd. (BG) to Cargill Inc. are spending \$2.5 billion on the project, mostly on new docks, barge fleets and terminals along the Amazon river and tributaries. The project will become Brazil's biggest export route for soybeans and grain. Ships will shave two days off their route by sailing west over the Pacific instead of a longer journey across the Atlantic and Indian oceans. That could undercut futures prices in Chicago for the legume that's highly demanded in China and used in everything from meat substitutes to industrial oils.⁵⁶

VI.3 Mercosur expects to exchange tariff-reduction proposals with EU next June

The EU and Mercosur have been trying to reach an ambitious trade and cooperation agreement since 1999, an initiative that was re-launched in 2010 after several years of standstill. But last week Argentina and Brazil completed a round of low-key trade talks, which seemed to have opened the way for a major understanding with Europe. The two countries agreed to a mechanism to promote bilateral trade by providing the lubricant, scarce dollars and credit, and a memorandum of understanding was reached in the framework of the Inter-American Development bank which took place in the northeast of Brazil.⁵⁷

⁵⁵ MARIO SERGIO LIMA & MATTHEW MALINOWSKI, *BRAZIL HAS WORST TRADE GAP SINCE AT LEAST 1991 ON EXPORT PLUNGE*, BLOOMBERG, FEB. 4, 2014 AT, <http://www.bloomberg.com/news/2014-02-03/brazil-has-worst-trade-gap-since-at-least-1991-on-export-plunge.html> (LAST VISITED MAY 6 2014).

⁵⁶ GERSON FREITAS JR. & JEFF WILSON, *AMAZON RIVER SOY ROUTE SEEN EXTENDING BRAZIL LEAD ON U.S.*, BLOOMBERG, JAN. 10 2014 AT, <http://www.bloomberg.com/news/2014-01-10/amazon-soy-route-seen-extending-brazil-lead-on-u-s-commodities.html> (LAST VISITED MAY 2 2014).

⁵⁷ *MERCOSUR EXPECTS TO EXCHANGE TARIFF-REDUCTION PROPOSALS WITH EU NEXT JUNE*, MERCOPRESS, MAR. 31, 2014 AT, <http://en.mercopress.com/2014/03/31/mercotur-expects-to-exchange-tariff-reduction-proposals-with-eu-next-june> (LAST VISITED MAY 1 2014).

VI.4 Brazil/Argentina agree on deal to promote bilateral trade by guaranteeing 'dollar liquidity'

A scarcity of greenbacks in Argentina has curbed Brazilian exports of manufactured goods like cars and home appliances, reducing the country's trade surplus to its lowest in over a decade last year. Bilateral trade last year reached 39 billion dollars.

“This is the first step to unlock trade between both countries,” Brazilian Trade Minister Mauro Borges said after a meeting with Argentine officials in the sidelines of the Inter-American Development Bank annual meeting, which took place in Brazil.⁵⁸

VI.5 Brazil's trade deficit soars

February adds to the January shortfall of 4.06 billion in January, its largest monthly trade gap ever. Last year the country posted a February trade deficit of 1.279 billion.

The trade balance has become a serious challenge for Brazil, which is struggling with weaker demand for its commodities exports and low productivity among Brazilian manufacturers or the 'Brazil cost' with an impact on the competitive edge. A drop in the prices of some Brazilian exports like soy, and economic problems in neighboring Argentina have raised fears that Brazil may post a smaller trade surplus than last year or even a deficit.

VI.6 Uruguay and Brazil prepared to a 'two-speed' Mercosur/EU trade negotiation

Uruguay and Brazil could be prepared to go ahead with a 'two speed' trade negotiations between Mercosur and the European Union if the Argentine tariff proposal is not as ambitious as that from the rest of its members, according to Uruguayan diplomatic sources.

Following an hiatus of six years the EU and Mercosur resumed negotiations for a trade and cooperation agreement in 2010, but protectionist measures implemented by Argentina and reported to the World Trade Organization, WTO, by the US, EU, among others plus the suspension of Paraguay from the block in June 2012, (following the removal of then president Fernando Lugo), delayed negotiations.

⁵⁸ BRAZIL/ARGENTINA AGREE ON DEAL TO PROMOTE BILATERAL TRADE BY GUARANTEEING 'DOLLAR LIQUIDITY', MERCOPRESS, MAR. 31, 2014 AT <http://en.mercopress.com/2014/03/31/brazil-argentina-agree-on-deal-to-promote-bilateral-trade-by-guaranteeing-dollar-liquidity> (LAST VISITED MAY 1 2014).

VII. TRADE POLICY BY SECTOR

VII.1 AGRICULTURE

Brazil's Record Harvest: Grains, Soybeans, And Cattle To See Interesting 2014

Brazil's Ministry of Agriculture, Livestock and Food Supply said that they are confident of an aggressive rise of agriculture and the agri-business sector. The Ministry has forecasted a record harvest of 90 Million tonnes of soybeans, helping it to become the world's highest soybean producer by over-taking United States. It also forecasted a harvest of 193 Million tonnes of grains, projecting it to the ranks of world's highest food producers, presently dominated by U.S., India and China.⁵⁹

The GDP of agri-business sector could grow by 4% in 2014 and about USD 416 Billion and if this were met the sector's GDP would grow to 34% in last 10 years, accounting for 23% of country's economy.⁶⁰

Global Coffee Price: Expected Weak Production in Brazil

The severe drought in Brazil resulted in weak harvests, thereby reducing global coffee production and stockpiles, causing a significant price increase in the present quarter. Brazil is vital for global coffee production as it accounts for about half of the world's total Arabica production. Since October 2013, the market situation has changed due to weather related factors and the Brazilian Coffee harvest has failed and the prognosis for the next year's harvest is also not good.⁶¹

According to the statistics released by International Coffee Organization, the composite indicator price exceeded by 10% in February and March and the daily price in March ranged from a high of US cents 177.27 per lb. to a low of US cents 153.33 per lb. and this was 20% higher than February. The below graph shows the variation of daily prices:⁶²

⁵⁹ NAT RUDARAKANCHANA, *BRAZIL'S RECORD HARVEST: GRAINS, SOYBEANS, AND CATTLE TO SEE INTERESTING 2014*, INT'L BUS. TIMES, FEB. 11 2014 AT, <http://www.ibtimes.com/brazils-record-harvest-grains-soybeans-cattle-see-interesting-2014-1554721> (LAST VISITED MAY 7 2014).

⁶⁰ *Id.*

⁶¹ *GLOBAL COFFEE PRICE: EXPECTED WEAK PRODUCTION IN BRAZIL*, INDONESIA-INVESTMENTS, MAR. 15 2014, <http://www.indonesia-investments.com/news/todays-headlines/update-global-coffee-price-expected-weak-production-in-brazil-and-indonesia/item1765> (LAST VISITED MAY 7 2014)

⁶² Monthly Coffee Report – March 2014, *International Coffee Organization*, <http://dev.ico.org/documents/cy2013-14/cmr-0314-e.pdf> (last visited May 7 2014)



VII.2 TELECOMMUNICATION

Microsoft is planning to target the unused white space spectrum to improve the broadband internet in Brazil. The company plans to target the SME market and would work with the government to improve broadband coverage by increasing the wireless connectivity. According to TeleGeography's GlobalComms Database, less than a third of Brazil's households currently subscribe to fixed broadband services, with 19.37 million subscribers at the end of 2013.⁶³

With the 2014 FIFA World Cup and 2016 Olympic Games being held in Brazil, operators have been rushing to roll out new technology such as LTE and FttP networks. The asymmetric measures introduced by the General Competition Plan are a significant step in the Brazilian telecom environment. The regulation of network unbundling and controlled wholesale prices should pave the way for a more competitive broadband market. Brazil's telecom revenues are expected to reach R\$236 billion (\$94.4 billion) in 2014.⁶⁴ Brazil's state-backed operator Telebras has invested BRL76.3 million (USD32.8 million)

⁶³ MICROSOFT TARGETS WHITE SPACES TO IMPROVE BRAZILLIAN BROADBAND, TELEGEOGRAPHY, MAR. 31 2014 AT, <http://www.telegeography.com/products/commsupdate/articles/2014/03/31/microsoft-targets-white-spaces-to-improve-brazilian-broadband/> (LAST VISITED MAY 7 2014).

⁶⁴ BRAZIL - TELECOM MARKET TRENDS, KEY STATISTICS AND REGULATORY OVERVIEW, PAUL BUDDE COMMUNICATION, MAR. 31 2014 AT, <http://www.budde.com.au/Research/Brazil-Telecom-Market-Trends-Key-Statistics-and-Regulatory-Overview.html> (LAST VISITED MAY 8 2014)

on the deployment of fibre-optic infrastructure to meet the expected demand for connectivity at the football World Cup to be staged in the country this summer.⁶⁵

According to a news report dated 25 February 2014, Brazil and the EU have agreed to lay an undersea communications cable across the Atlantic Ocean from Lisbon in Portugal to Fortaleza in Brazil. This agreement is termed in response to the U.S. surveillance and spying allegations on European and South African countries. The brand new US\$185 million cable venture would ensure exchanges between Brazil and Europe through telephone and the internet would remain confidential in the future. José Manuel Barroso, president of the European Commission, was present at the conference in Belgium and spoke about progress made between the EU and Brazil on the South American free trade group Mercosur. He said “Some areas are more sensitive than others on the two sides, we should concentrate on the huge potential in this agreement”.⁶⁶

VII.3 ENERGY

- (i) The drought, from beginning of the year, in the country might result into power and water rationing. BTG Pactual, Brazilian Investment Bank, said to its investors that the energy rationing would be prudent because the drought is responsible for emptying the dams and reservoirs and the fact that hydroelectric power is responsible for 70% of the total power output in Brazil. The reserves are likely to fall by 14 percent from November due to the high demand but a steep deterioration. According to a report by BTG, power and water rationing was last enforced in 2001 energy crisis. The government issued R\$12 billion of aid to energy providers in an attempt to protect consumers from being saddled with the volatile energy prices caused by the drought.⁶⁷
- (ii) According to a newspaper report in the ‘Rio Times’, dated 14 January 2014, the heat demand has led to improper supply resulting a blackout. According to the report, “On Friday, January 10th, energy consumption in Brazil reached an all-time high, failing by a whisker to break through the 80MW barrier. Peak demand stood at 79.96MW.”⁶⁸

⁶⁵ TELEBRAS SUPPORTS FOOTBALL IN BRAZIL, TELEGEOGRAPHY, MAR. 27 2014 AT, <http://www.telegeography.com/products/commsupdate/articles/2014/03/27/telebras-supports-football-in-brazil/> (LAST VISITED MAY 7 2014)

⁶⁶ BRAZIL, EU AGREE TO TELECOMM CABLE, THE RIO TIMES, FEB. 25 2014 AT, <http://riotimesonline.com/brazil-news/rio-daily/brazil-eu-agree-to-telecomm-cable/> (LAST VISITED MAY 7 2014)

⁶⁷ BRAZIL FACES RISK OF POWER RATIONING, THE RIO TIMES, MAR. 18 2014 AT, <http://riotimesonline.com/brazil-news/rio-daily/brazil-faces-risk-of-power-rationing/> (LAST VISITED MAY 7 2014)

⁶⁸ ALFRED RINALDI, HEATWAVE BRINGS RECORD BREAKING ENERGY DEMAND, RIO TIMES, JAN. 14 2014 AT, <http://riotimesonline.com/brazil-news/rio-business/heatwave-brings-record-breaking-energy-demand/> (LAST VISITED MAY 8 2014).

VII.4 AIR TRANSPORT

Brazil's National Civil Aviation Agency (ANAC) has granted permission for 1973 new flights operating between Brazil and other places in lieu of the FIFA World Cup across the 25 airports in the country. These additional flights would be functional in 12 cities, in addition to the 13 other airports, increasing connectivity from the 12 cities hosting the FIFA world cup. The ANAC president has approved extra 20,000 seats for the opening ceremony in São Paulo. For the closing ceremony ANAC has approved additional 25000 seats for the closing ceremony that is to be held on 12 July 2014. The airline companies have already started to sell tickets after the approval. This mega event is certainly expected to boost air travel throughout the country, since Brazil is supposed to host tourist from a number of countries. The government will monitor the prices every fifteen days and promised to tackle abusive practices.⁶⁹

VII.5 PORT DEVELOPMENT

The National Association of Shipbuilding and Offshore Construction and Repair Industry (SINAVAL) has announced that the shipping industry will generate approximately 30,000 jobs across new shipyards being developed in the country. The upcoming yards of Jurong Aracruz in Espírito Santo; Enseada do Paraguaçu in Bahia; EBR (Estaleiros do Brasil Ltda.) in Rio Grande do Sul; and CMO in Pernambuco are expected to significantly add to the 78,000 currently employed in Brazil's marine industry. Chairman of Sinaval Ariovaldo Rocha has stated that increase in demands for platforms, offshore vessels and tankers are going to increase the employment in next ten years. The Jurong Aracruz Shipyard, a wholly owned subsidiary of Sembcorp Marine Ltd, is expected to employ approximately 3,500 direct workers and 2,500 indirect employees, with the development stage employing approximately 2,500. EBR (Estaleiros do Brasil Ltda.), a joint effort between Japanese company, TOYO Engineering and Brazilian company, SOG Óleo e Gás, will invest R\$500 million in the first phase of their shipyard in São José do Norte, Rio Grande do Sul and plan to have 3,000 direct and 10,000 indirect employees during peak operations.⁷⁰

⁶⁹ MICHELA DELLAMONICA, *BRAZIL APPROVES 1,974 FLIGHTS FOR WORLD CUP*, RIO TIMES, JAN. 17 2014 AT, <http://riotimesonline.com/brazil-news/rio-sports/2014worldcup/brazil-approves-1974-flights-for-world-cup/> (LAST VISITED MAY 7 2014).

⁷⁰ CHESNEY HEARST, *NEW BRAZILLAN SHIPYARDS TO GENERATE 30,000 JOBS*, RIO TIMES, JAN. 13 2014 AT, <http://riotimesonline.com/brazil-news/rio-daily/new-brazilian-shipyards-to-generate-30000-jobs/> (LAST VISITED MAY 7 2014).

VIII. Dispute Settlement

Brazil – US Cotton Dispute

The CAMEX chaired by Ministry of Development, Industry and Foreign Trade has adopted a public consultation for the retaliation. Stakeholders have until the 31st of this month to speak out about the retaliatory measures on intellectual property that can be adopted by Brazil against the United States, under the dispute. The executive secretary of CAMEX, Andre Alvim Rizzo, reinforces that "the active participation of companies in this public consultation is very important because it will assist the Council of Ministers to decide the most effective measures. Measures in several areas, such as subtraction of rights protection of patents and compulsory licensing of medicines, including veterinarians, and pesticides being proposed; protection of plant varieties; protection of copyright on musical, visual and literary works; increased values on records of intellectual property and copyright; and charges for the commercial on the remittance of royalties to the United States.⁷¹

The litigation cotton was the result of nearly eight years of litigation and over four years of failure by the U.S. against decisions of the Dispute Settlement Body of the WTO. The annual amount of retaliation established by the WTO arbitrators in favor of Brazil was the second largest in the institution's history, totaling \$ 829.3 million.⁷²

Retaliation was suspended in 2010 due to a bilateral interim agreement, which forced the U.S. government to carry out annual payments of \$147.3 million, in monthly installments, the Brazilian Cotton Institute (IBA), until it was promulgated new U.S. Farm Bill. Since September 2013, the United States unjustifiably suspended these payments. As the developments in the WTO, Brazil can resume the process of retaliation.

⁷¹ GOVERNMENT NOTIFICATION, AVAILABLE AT <http://www.desenvolvimento.gov.br/sitio/interna/noticia.php?area=1¬icia=12944> (LAST VISITED MAY 2 2014)

⁷² GOVERNMENT NOTIFICATION, AVAILABLE AT <http://www.desenvolvimento.gov.br/sitio/interna/noticia.php?area=1¬icia=13007> (LAST VISITED MAY 2 2014)

Annexure A

Technical Barriers to Trade

Notification and Date	Agency Concerned	Products Concerned	Purpose of Notification
G/TBT/N/BRA/569 January 6 2014	National Institute of Metrology, Quality and Technology	Water Dispensers	Conformity Assessment Procedures for Water dispensers by a compulsory third party certification
G/TBT/N/BRA/571 January 9 2014	Ministry of Agriculture, Livestock and Food Supply	Cane Sugar	To establish the necessary requirements to define the Sugar standard classification, quality requirements, sampling
G/TBT/N/BRA/570 January 9 2014	Ministry of Agriculture, Livestock and Food Supply	Animal Products	To approve the methodology for assessing zootechnical certification processes for the importation of cattle, buffaloes, sheep and goats and their genetic material
G/TBT/N/BRA/325 /Rev.1 January 14 2014	Ministry of Agriculture, Livestock and Food Supply	Cashew Chestnut Almonds	To establish technical regulation for Cashew Chestnut Almonds to determine classification, identity and quality requirements, sampling procedures
G/TBT/N/BRA/572 January 15 2014	Ministry of Agriculture, Livestock and Food Supply	Fertilizers	To establish analytical methods to be used by the Ministry of Agriculture, Livestock and Food Supply (MAPA) Laboratories or by a third party for the fertilizers and agricultural nutrients compound evaluation, verification and assurance of conformity in order to adjust the relative acidity or alkalinity of the soil as well as to verify the chemical contaminants.
G/TBT/N/BRA/573 January 23 2014	National Institute of Metrology, Quality and Technology	Waters	To establish within the Brazilian System of Conformity Assessment - SBAC, the voluntary certification for Bottled Natural Mineral Water, which should be carried out by an accredited body
G/TBT/N/BRA/574 January 24 2014	ANVISA – The Brazilian Health Surveillance Agency	Medicines	To define rules to be adopted by register holders in order to establish the interchangeability between similar medicines and reference medicines.
G/TBT/N/BRA/494 /Rev.1. January 28 2014	National Institute of Metrology, Quality and Technology	Wires, Cables and Electrical Cords	Relevant provisions to the technical requirements and compulsory certification for wires, electrical cables and flexible cords, which should be performed by a compulsory third party certification carried out by an accredited body within the Brazilian System of Conformity Assessment
G/TBT/N/BRA/491 /Rev.1 January 28 2014	National Institute of Metrology, Quality and Technology	Wires, Cables and Electrical Flexible Cords	The text proposes relevant provisions to the technical requirements and compulsory certification for wires, electrical cables and flexible cords, which should be performed by a compulsory third party certification carried out by an accredited body within the Brazilian System of Conformity

			Assessment
G/TBT/N/BRA/408 /Rev.1 January 28 2014	National Institute of Metrology, Quality and Technology	Parts and accessories for motor vehicles	Revision of the conformity assessment procedures through the establishment of a mandatory certification, carried out by an accredited body, for all parts used as components of automotive road vehicles in order to reduce risks of accidents on public roads.
G/TBT/N/BRA/401 /Rev.1 January 28 2014	National Institute of Metrology, Quality and Technology	Wooden furniture of a kind used in the bedroom	Establishing the revision to improve the kids Cribs Conformity Assessment Procedures, which should be performed by a third, party body, accredited by Inmetro.
G/TBT/N/BRA/343 /Rev.1 January 28 2014	National Institute of Metrology, Quality and Technology	Household and similar electrical appliances	Improvement of Conformity Assessment Requirements for Household and Similar Appliances, by a compulsory third party certification, carried out by an accredited body.
G/TBT/N/BRA/578 January 31 2014	Ministry of Agriculture, Livestock and Food Supply	Beer made from malt	Establish technical regulation to set Identity and Quality Standards (PIQ) for beers traded in the Brazilian market.
G/TBT/N/BRA/577 January 31 2014	Ministry of Agriculture, Livestock and Food Supply	Mineral Fertilizers	Establish technical regulation to provide rules for product characteristics and to lay down provisions for production, registration, packaging, labelling, etc. of mineral fertilizers.
G/TBT/N/BRA/576 January 31 2014	National Institute of Metrology, Quality and Technology	Spring Mattresses	Establish procedures to assess conformity of Spring Mattresses by a compulsory third party certification, carried out by an accredited body
G/TBT/N/BRA/575 February 3 2014	National Institute of Metrology, Quality and Technology	Spring Mattresses	Establish technical regulation establishing the requirements that must be met by springs mattresses, with a focus on performance to achieve user comfort, consumer relations' harmonization and fair competition
G/TBT/N/BRA/580 February 5 2014	National Institute of Metrology, Quality and Technology	Catalytic Converter Body	Establishment of criteria to the Conformity Assessment Program for Catalytic Converters body used to replace vehicles with Otto cycle engines
G/TBT/N/BRA/579 February 5 2014	National Institute of Metrology, Quality and Technology	Parts and accessories of the motor vehicles	Establishment of Compulsory Supplier's Conformity Declaration for imported automotive components covered by INMETRO Ordinances No. 445/2010, No. 301/2011 and its complementary

			ordinances, within the Brazilian System of Conformity Assessment - SBAC, framed as low volume automotive components to replace market demand.
G/TBT/N/BRA/581 February 6 2014	National Institute of Metrology, Quality and Technology	Furniture of Plastics	Establishment of criteria to the Conformity Assessment Program for Monobloc Plastic Chairs with no moving parts, for residential or non-residential use, through a mandatory certification mechanism by a third party certification carried out by an accredited body, aiming to decrease the risk of breakage during use and to prevent accidents.
G/TBT/N/BRA/582 February 27 2014	National Institute of Metrology, Quality and Technology	Powders fire extinguishers	Establish technical regulation proposing requirements for physical and chemical properties to be complied by the chemical agents in the powder form used for firefighting in fire classes A, B, and C, focusing on performance and aiming at the efficiency to extinguish fire start
G/TBT/N/BRA/583 March 12 2014	National Institute of Metrology, Quality and Technology	Protective gloves against biological agents	Conformity Assessment requirements for Protective Gloves against biological agents through compulsory certification, meeting the Technical Regulations requirements and focusing on security
G/TBT/N/BRA/584 March 24 2014	ANVISA - The Brazilian Health Surveillance Agency	Medical devices, hygiene products, cosmetics, food and medicines	Draft Normative Instruction n° 08, 10 March 2014 that adopts provisions on medical devices, hygiene products, cosmetics and food which manufacturing can be shared with medicines of human use, irrespective of previous authorization by ANVISA.

Annexure B

Sanitary and Phytosanitary measures

Notification	Agency Responsible	Product	Regions	Purpose	Description	International Regulating Authority
G/SPS/N/BRA/913	ANVISA – The Brazilian Health Surveillance Agency	Pesticides – Residues - Methoxyfenozide	All trading partners	Food Safety	Including active ingredient methoxyfenozide in list of monograph active ingredients of Pesticides	Codex Alimentarius Commission
G/SPS/N/BRA/915	Ministry of Agriculture, Livestock and Food Supply	Domestic Breeding Swine	All trading partners	Animal Health	Adoption of the animal health requirements established by MERCOSUR States Parties for the importation of domestic breeding swine	World Organization for Animal Health
G/SPS/N/BRA/914	Secretariat of Animal and Plant Health and Inspection (SDA) of the Ministry of Agriculture, Livestock and Food Supply	Bananas	All trading partners	Plant Protection	Recognition of the State of Pernambuco as free from <i>Ralstonia solanacearum</i> Race 2, under the rules governing the use of integrated measures in a system approach for pest risk management	International Plant Protection Convention
G/SPS/N/BRA/635/Rev. 1	Ministry of Agriculture, Livestock and Food Supply	Caprine semen	All trading partners	Animal Health	Adoption of animal health requirements established by MERCOSUR States Parties for the imports of frozen caprine semen	World Organization for Animal Health
G/SPS/N/BRA/634/Rev.1	Ministry of Agriculture, Livestock and Food Supply	Ovine semen	All trading partners	Animal Health	Adoption of animal health requirements established by MERCOSUR States Parties for the importation of frozen ovine semen	World Organization for Animal Health
G/SPS/N/BRA/920	ANVISA – The Brazilian Health Surveillance Agency	Pesticides - Chlorfluazuron	All trading partners	Food Safety	Including active ingredient chlorfluazuron in list of monograph active ingredients of Pesticides	None
G/SPS/N/BRA/919	ANVISA – The Brazilian Health Surveillance Agency	Pesticides – Pyroxsulam	All trading partners	Food Safety	Including active ingredient pyroxsulam in list of monograph active ingredients of Pesticides	None

G/SPS/N/ BRA/918	ANVISA – The Brazilian Health Surveillance Agency	Pesticides	All trading partners	Food Safety	Including active ingredient beauveria bassiana in list of monograph active ingredients of Pesticides	None
G/SPS/N/ BRA/917	ANVISA – The Brazilian Health Surveillance Agency	Pesticides - Bifenthrin	All trading partners	Food Safety	Including active ingredient Bifenthrin in list of monograph active ingredients of Pesticides	None
G/SPS/N/ BRA/916	ANVISA – The Brazilian Health Surveillance Agency	Pesticides	All trading partners	Food Safety	Including active ingredient bacillus thuringiensis in list of monograph active ingredients of Pesticides	None
G/SPS/N/ BRA/923	ANVISA – The Brazilian Health Surveillance Agency	Pesticides – Residues - Pyrimethanil	All trading partners	Food Safety	Including active ingredient Pyrimethanil in list of monograph active ingredients of Pesticides	None
G/SPS/N/ BRA/922	ANVISA – The Brazilian Health Surveillance Agency	Pesticides - Residues - Paclobutrazol	All trading partners	Food Safety	Including active ingredient Paclobutrazol in list of monograph active ingredients of Pesticides	None
G/SPS/N/ BRA/921	ANVISA – The Brazilian Health Surveillance Agency	Pesticides - Residues - Thiabendazol e	All trading partners	Food Safety	Including active ingredient Thiabendazole in list of monograph active ingredients of Pesticides	None
G/SPS/N/ BRA/924	ANVISA – The Brazilian Health Surveillance Agency	Pesticides - Benzovindiflu pyr	All trading partners	Food Safety	Including active ingredient Benzovindiflupyr in list of monograph active ingredients of Pesticides	None
G/SPS/N/ BRA/925	ANVISA – The Brazilian Health Surveillance Agency	Pesticides - Sulfluramid	All trading partners	Food Safety	Including active ingredient Sulfluramid in list of monograph active ingredients of Pesticides	None
G/SPS/N/ BRA/926	ANVISA – The Brazilian Health Surveillance Agency	Pesticides - Residues - Fluazinam	All trading partners	Food Safety	Including active ingredient F47- Fluazinam in list of monograph active ingredients of Pesticides	None
G/SPS/N/ BRA/927	ANVISA – The Brazilian Health Surveillance	Pesticides - Insecticides - Transflutrina	All trading partners	Protect Humans	Including active ingredient Transflutrina in list of	None

	Agency				monograph active ingredients of Pesticides	
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