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TRADE POLICY MONITORING REPORT

OF

BRAZIL

VOLUME V

(APRIL 2012- JUNE 2012)

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ABBREVIATIONS

ANP	-	Agência Nacional do Petróleo/National Agency of Petroleum, Natural Gas and Biofuels
ANVISA	-	Agência Nacional de Vigilância Sanitária/National Health Surveillance Agency
BNDES	-	Brazilian National Bank for Economic and Social Development
CET	-	Common External Tariff
COFIN	-	Social Security Financing Condition
COFINS	-	A Contribuição para o Financiamento da Seguridade/ Social Contribution for the Financing of Social Security
Copom	-	Brazilian Central Bank's Monetary Policy Committee
CSS	-	Social Contribution for Health
DECOM	-	Department of Commercial Defense
EEC	-	European Economic Community
FINEP	-	Brazilian Innovation Agency
GATT	-	General Agreement on Tariffs and Trade
GPA	-	Agreement on Government Procurement
ICT	-	Information and communications technology
IMF	-	International Monetary Fund
INMETRO	-	National Institute of Metrology, Standardization and Industrial Quality
INSS	-	Instituto Nacional do Seguro Social/National Institute for Social Security
IPI	-	Imposto sobre Produtos Industrializados/Tax over industrialized products
IT	-	Information Technology
MDIC	-	Ministério do Desenvolvimento, Indústria E Comércio Exterior/Ministry of Development, Industry and Commerce
MERCOUSR	-	Mercado Comum do Sul / Common Southern Market
No	-	Number
OTEXA	-	US Office of Textiles and Apparel
PIS	-	Social Security Tax
PNMPO	-	National Program of Oriented Productive Microcredit
PSI	-	Investment Support Program
SDA	-	Secretariat of Animal and Plant Health
SISCOMEX	-	Integrated System of Foreign Trade
TRIMS	-	Agreement on Trade-Related Investment Measures
US	-	United States
WTO	-	World Trade Organization

EXECUTIVE SUMMARY

- During this quarter, the Government announced a number of cuts in tariffs with a focus on sectors like Information Technology and Communication (ICT), computer equipment, etc.
- The Government initiated various measures with a view to promote exports. The main measures implemented were – reducing the percentage of export sales, giving credits to national exporters and making the export credit insurance and guarantees more flexible for the use of micro, small and medium sized exporters. Government also tripled the resources to support exports.
- The Government announced that it would support some of the sectors by investing in those sectors, which include areas of health, defense, education, clothing, footwear and agriculture.
- The Government was actively engaged in initiating the anti-dumping measures, especially against the US and China. Besides, a few of the measures were also initiated against countries like Russia and Germany.
- Brazil was not very actively engaged in requesting consultations with the WTO Secretariat nor was there any dispute matter brought by any country before the WTO against Brazil during the review quarter. However, Brazil actively exercised its right to witness the disputes on the grounds of it being a third party to the same.
- The Government reduced the import duties in the services sector with a view to attract foreign investments in the sector.

TRADE POLICY MONITORING REPORT OF BRAZIL

FOR THE QUARTERLY PERIOD: APRIL- JUNE 2012

I. INTRODUCTION

This is the fifth 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: April-June 2012.

II. ECONOMIC ENVIRONMENT

II.A Fiscal Policy

In April 2012, the primary fiscal surplus of the consolidated public sector reached R$14.2 billion. The central and regional governments recorded a surplus of R$11.5 billion and R$2.8 billion respectively, and state-owned companies recorded a deficit of R$6 million. This year, the surplus reached R$60.2 billion (4.34% of GDP), compared to R$57.3 billion (4.43% of GDP) in the same period of 2011. In twelve-month cumulative data, the surplus amounted to R$131.6 billion (3.11% of GDP).

Appropriated on an accrual basis, nominal interests totalled R$17.2 billion in April 2012, compared to R$21 billion of March 2012. The lower number of working days in April contributed to this reduction.

In April 2012, the nominal result including the primary fiscal surplus and appropriated nominal interest, registered a deficit of R$3 billion. During the year, the nominal result accumulated a deficit of R$16 billion (1.15% of GDP), compared to R$21.3 billion (1.64% of GDP) in the first quarter of 2011. In cumulative twelve-month data, the nominal deficit closed at R$102.7 billion (2.42% of GDP) compared to R$101.3 billion (2.41% of GDP) of March 2012.

The nominal deficit in the month has been financed by an increase of R$35.1 billion in the securities debt in the market, partially offset by reductions, of R$13.1 billion in net external financing, of R$10.4 billion in net banking debt and R$8.6 billion in other domestic sources of domestic financing, which include the monetary base.[1]

In June 2012, the primary surplus of the consolidated public sector reached R$2.8 billion. The Central Government and state-owned companies posted respective surpluses of R$2 billion and R$1.1 billion and the regional governments registered a deficit of R$333 million.

The nominal interests, appropriated on accrual basis, amounted to R$18.7 billion in May 2012, however, in June 2012 the interests were decreased to R$16.1 billion. A contributing factor to this decrease was the lesser number of working days in the month.

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[1] Press Release (31 May 2012), *see* Banco Central DO Brasil, http://www.bcb.gov.br (last visited 10 August 2012).

The nominal result, which includes primary surplus and nominal appropriated interests, posted a deficit of R$13.3 billion in June 2012.

The nominal deficit for June 2012, was financed through expansions of R$24 billion in the securities debt market, and R$7 billion in the other sources of internal financing which include monetary base, partially offset by reductions of R$17.4 billion in net banking debt, and of R$310 million in net external financing.[2]

II.B Monetary Policy

In May 2012, the average daily balance of the monetary base totalled R$190.1 billion, after increasing by 0.3% in the month and 7% in twelve months, as a result of 0.3% monthly increase in currency issued and stability in the balance of banking reserves.

Among the factors influencing monetary issue, the movement in the National Treasury operating account was down at R$15 billion, while operations with federal government securities, including the Central Bank in the adjustment of money market liquidity expanded to R$13.7 billion. The impact of government bonds corresponded to net purchases of R$31.3 billion in the secondary market and to net placements of R$17.6 billion in the primary market.

In May 2012, the restricted money supply (M1) reached an average daily balance of R$258.9 billion, marking an increase of 0.3% in the month. On comparison, the average balance of currency held by the public varied between 0.4% and 10.9%, and demand deposits varied between 0.2% and -1.9%.

In May 2012, the M3 concept, which includes the M2, quotas of fixed income funds and public securities backing repo operations between the public and the financial sector, totalled R$3.3 trillion, after a growth of 1.1% month-on-month, which contributed to a growth of 0.7% in the balance of quotas of fixed-income funds, totalling to R$1.5 trillion. The M4, comprising M3 and public securities by non-financial holders, showed an increase of 1.6% in the month and 18.6% in the last twelve months, reaching R$3.8 trillion.[3]

In June 2012, the monetary base reached an average daily balance of R$192.5 billion with an increase of 1.3%, as a result of the increment of 1.4% in the average balance of currency issued and 0.9% in bank reserves. In twelve months, the monetary base grew by 6.9%.

The average daily balances of the restricted money supply (M1) reached R$262.6 billion in June 2012, after increasing by 1.5% during the month. Demand deposits grew by 1.3% the month, but retreated by 0.7% in the last twelve months.

The money supply on the M2 concept, which corresponds to the M1 plus savings deposits and private securities, reported an increase of 0.4% in June, amounting to R$1.6 trillion. This result reflected, above all, the evolution of M1 and growth of 1.5% on the balance of savings deposits. During the month,

[2]Press Release (31 Jul. 2012), *see* Banco Central Do Brasil, http://www.bcb.gov.br (last visited 10 August 2012).

[3] Press Release (26 Jun. 2012), *see* Banco Central Do Brasil, http://www.bcb.gov.br (last visited 10 August 2012).

the monthly net inflows of savings totalled R$5.1 billion, while the private securities turned in net redemptions of R$7.7 billion.

In June 2012, the M3 concept, which includes the M2, the quotas of fixed-income funds and the public securities that back repo operations between the public and the financial sector, expanded 0.7%, reaching R$3.3 trillion, starting from a growth of 1.1% in the balance of fixed-income fund quotas which reached $1.5 trillion. The M4, which comprises the M3 and the public securities by non-financial holders, turned in an increase of 0.9% during the month and 18.2% over the last twelve months, totalling to R$3.8 trillion.[4]

II.C Stimulus Package

On 3 April 2012, the Government announced a stimulus plan to Brazilian industry, as part of the "Bigger Brazil" plan, amounting to R$60.4 billion, to spur investment in the country, boost the Brazilian industries, to increase investor confidence, and to hike the growth level. The spending of the total amount to be spread over 25 years, of which the next five years is allotted R$79.5bn. Out of R$60.4, R$3.1 billion are related to exemption from payroll. 15 labour incentive sectors get a reduction of payroll from of 20% to 0%. The tax inventive structure gives different treatment to different sectors. It is also easy to get identified as "a predominant exporter" under the plan to get the tax benefits.[5] The plan also aims to increase the role played by private players in the market, by providing concessions.[6] Fifteen industry sectors- intensive hand labour; four sectors – clothing, leather and footwear, call center and information technology, had already been discharged in 2011. The plan will initially concentrate on the infrastructural framework of highways and railways, and then will move on to airports, ports and waterways.[7] Other parts of the package are:

- The launch of "Operation Red Tide", Brazil's largest-ever anti-fraud operation for trade.
- Details of the previously announced "Buy Brazil" act, granting a public procurement preference margin to domestic producers of up to 8% on medicines, 20% on pharmaceuticals, and 25% on biopharmaceuticals, for a period of two to five years.
- Decree detailing Brazil's 2013 – 2017 automotive regime. Accordingly tax credits against the IPItax can be obtained according to their performance in three main areas: (i) the level of local content; (ii) investment in Brazil-based research and development; and (iii) as yet un-defined standards of key components set by INMETRO (Brazil's main standard setting body).

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[4] Press Release (24 Jul. 2012), *see* Banco Central Do Brasil, http://www.bcb.gov.br (last visited 10 August 2012).

[5] 'Brazil: Econmic Policy: New Economic Package Announced – April 2012', http://www.ukti.gov.uk/export/countries/americas/southamerica/brazil/premiumcontent/287820.html (last visited 15 Sep. 2012).

[6] 'Brazil Changes Tack With New Stimulus Plan', http://www.bbc.co.uk/news/business-19262828 (last visited 20 Sep. 2012).

[7] 'Brazil Unveils $66bn Stimulus Plan', http://www.ft.com/intl/cms/s/0/b498bc4c-e6e4-11e1-965b-00144feab49a.html#axzz29IQTJ5i4 (last visited 20 Sep. 2012).

- Tax cuts, credits at lower interest rates, grace periods and longer payment were also announced. New sectors are being benefited by a margin of preference of government purchases and new rules for the automotive sector.[8]

In June 2012, the government announced to spend $4 billion on equipment purchases to stimulate the country's weak economic growth in the face of a global downturn. The package aims to use the purchasing power (of the Brazilian government) to maintain and accelerate economic growth.[9]

II.E Balance of Payments

The balance of payments registered a surplus of $1.1 billion in May 2012. The financial account registered a surplus of $3.9 billion, with emphasis on net inflows of $3.7 billion in foreign direct investment (FDI). The current account deficit reached $3.5 billion in May and $50.9 billion in the last twelve months, equivalent to 2.11% of GDP. In the first five months of 2012, the current account deficit amounted to $21 billion, decreased by $22.6 billion than the same period in 2011.

The service account registered a deficit of $3.7 billion in May, 0.6% lower than the same month in 2011. The net expenditure on international travel amounted to $1.3 billion, 13.8% higher than in May 2011, highlighting a 9.7% increase in spending of Brazilian tourists abroad. Net spending on transportation amounted to $827 million, an increase of 8.5% on the same basis for comparison. Net spending on equipment rental totalled $1.6 billion, compared to $1.5 billion of the same month in 2011. On the same basis of comparison, there was a reduction in net remittances on computing and information services of 36.4% and net expenditures of royalties and license fees of 4.7%.

In May 2012, net remittances of income abroad totalled $3 billion, decreased by 30.7% than in May 2011; net remittances of profits and dividends totalled $2.6 billion, against $4.2 billion from the same period in 2011. In the first five months of 2012, gross remittances of profits and dividends totalled $11.9 billion, a decrease of 22.1% year-on-year; while revenues from profits and dividends totalled $3.5 billion, compared to $600 million of the period January to May 2011. Net interest expenses totalled $504 million in May, compared to $167 million remitted in the same month of 2011.

Monthly unilateral transfer net inflows totalled $281 million, of which $137 million was related to the resident's maintenance account.[10]

The balance of payments posted a surplus of $627 million in June 2012. The current account deficit totalled $4.4 billion in the month and $25.3 billion in the first half of 2012, decreased by $26 billion seen in the same period of 2011. The financial account registered a surplus of $4.8 billion, with an emphasis on a net inflow of $5.8 billion in Foreign Direct Investment (FDI).

The service account registered a deficit of $3.4 billion in June 2012, same as that in June 2011. Net spending on international travel reached $1.2 billion, decreased by 12.4% compared to that in June 2011; highlighting a reduction of 9.8% in the spending of Brazilian tourists abroad. Net expenditure on

[8] 'Medidas De Estímulo À Indústria Lançadas Pelo Governo Somam R$60,4 Bilhões', http://www.mdic.gov.br/sitio/interna/noticia.php?area=1&noticia=11426 (last visited 10 August 2012)
[9] 'Brazil Announces $4 Bn Stimulus Package', http://www.arabnews.com/brazil-announces-4-bn-stimulus-package (last visited 10 August 2012).
[10] Press Release (22 Jun. 2012), *see* Banco Central Do Brasil, http://www.bcb.gov.br (last visited 10 August 2012).

transportation was $686 million, increased by 8.7% year-on-year. Net expenditure on equipment rental totalled $1.6 billion, increased by 13.4% year-on-year. On the same comparison basis, there was an increase in net remittances of computing and information services of 4%, and net expenditures of 4.8% on royalties and license fees.

In June 2012, net remittances of income abroad totalled $2.2 billion, decreased by 53.3% compared to June 2011. Net remittances of profits and dividends totalled $1.5 billion in June, against $4.1 billion of June 2011. In the first half of 2012, gross remittances of profits and dividends totalled $14 billion, a decrease of 28% over the first half of 2011; while revenues from profits and dividends in June 2012 totalled $4 billion, compared to $690 million in June 2011. Net interest expenditures totalled $681 million in the month, compared to $634 million in June 2011.[11]

III. FOREIGN DIRECT INVESTMENT

On 17 May 2012, the Ministry of Development, Industry and Foreign Trade initiated a new phase of the programme 'First Exports', which aims to help small and medium enterprises to access international markets. Through the First Export program, forty companies will be initially trained in for a period 27 months to sell their goods abroad; after conducting market research, product adaptations and trade promotion. In addition to State and Municipal governments, the programme relies on the involvement of the Brazilian Agency for Export and Investment Promotion Agency.[12]

Brazilian direct investments abroad posted net outflows of $1.1 billion in May 2012. The acquisition or expansion in equity participation in companies abroad posted a net total of $1.4 billion, while net amortizations of loans paid by companies abroad to headquarters in Brazil amounted to $332 million.

Net inflows of FDI totalled $3.7 billion during May 2012, consisting of $3.1 billion related to the modalities of equity participation and $661 million to net disbursements of inter-company loans. In the 12-month period ending in May 2012, net inflows of FDI totalled $63 billion, comprising 2.61% of the GDP.

Foreign portfolio investment posted net outflows of $2.3 billion in May 2012, of which $2.4 billion was in stock, and net inflows of $165 million in fixed-income securities. Investments in fixed-income securities traded in foreign markets turned into net outflows of $449 million due to net amortization of $103 million in bonds and $347 million in notes and commercial papers. There were no transactions in short-term fixed-income securities traded abroad. Domestic fixed-income securities yielded a net inflow of $615 million.

The other Brazilian investment abroad recorded net returns of $2.1 billion in May 2012. There were $3.9 billion returns of Brazilian banks deposits, and expansion of deposits held by non-financial corporations of $184 million. The net granting of loans and short-term commercial credits abroad totalled $2 billion.

[11] Press Release (24 Jul. 2012), *see* Banco Central Do Brasil, http://www.bcb.gov.br (last visited 10 August 2012).
[12] Secretária Lança Nova Etapa Do Primeira Exportação Em Vitória-Es, http://www.mdic.gov.br/sitio/interna/noticia.php?area=5&noticia=11541 (last visited 10 August 2012).

Other foreign investments in the country registered net inflows of $2.4 billion in May 2012. Short-term commercial credits witnessed net inflows of $2.9 billion; Long-term loans had net amortizations of $83 million, with emphasis on the net inflows of organizations of $542 million and net amortization on loans for purchasers of at $739 million. The short-term loans totalled net amortizations of $33 million during the month.[13]

Brazilian direct investment abroad posted net investments of $1.1 billion in June 2012. Equity participation in companies abroad totalled $805 million, while net granting of loans to foreign companies through parent companies headquartered in Brazil, reached $312 million.

Net inflows of Foreign Direct Investment (FDI) totalled $5.8 billion in in June 2012, consisting of $4.6 billion related to the modality equity participation and $1.2 billion in net disbursements of inter-company loans. In the 12 month period which ended in June 2012, FDI net inflows totalled $63.9 billion, equivalent to 2.66% of GDP.

Foreign portfolio investments marked net inflows of $1.2 billion in June, of which $146 million was in stock and $1 billion in fixed income securities. Investments in fixed income securities traded in the foreign market posted net inflows of $274 million as a result of net repayments of $23 million in bonds and net inflows of $298 million in notes and commercial papers. There were no transactions in short-term fixed income traded abroad. Domestic fixed income securities yielded a net inflow of $744 million.

The other Brazilian investments abroad recorded net investments of $3.2 billion in June. There was an increase of $2.4 billion in Brazilian bank deposits and $943 million in deposits of non-financial companies. Net amortization of loans and short-term commercial credits abroad totalled $393 million.

Other foreign investments in the country registered net inflows of $2.6 billion in June 2012. Short-term commercial credits presented net inflows of $947 million. Long-term loans presented net inflows of $1.9 billion, with an emphasis on the net inflows of direct loans of $2.1 billion; of organizations of $415 million; and net amortizations related to buyers of $663 million. Short-term loans totalled a net amortization of $14 million.[14]

IV. IMPORT EXPORT

In April 2012, the Brazilian exports totalled $13.310 billion, with a daily average of $950.7 million decreased by 10.5% compared to April 2011 ($1.061 billion). Among the semi (-13.8%), the decrease is on account of raw sugar, raw aluminium, crude soybean oil, and hides and skins. For basic (-12.7%), the reduction is mainly due to soybean meal, soybeans, coffee beans, iron ore, tobacco leaves, chicken, beef and pork. In manufacturing (-5.7%), the decrease in shipments was observed between cars, rolled, cargo vehicles, earthmoving machinery, and auto parts. Compared to the average of March 2012 ($950.5 million), income from exports was stable and was appointed sales growth of semi (7.6%) and basic (2.8%), whereas decreased shipments of manufactured goods (-6.3%). On the other hand, the daily average of monthly imports ($963.4 million) remained stable as compared to April 2011 ($963.8 million).

[13] Press Release (22 Jun. 2012), *see* Banco Central Do Brasil, http://www.bcb.gov.br (last visited 10 August 2012).

[14] Press Release (24 Jul. 2012), *see* Banco Central Do Brasil, http://www.bcb.gov.br (last visited 10 august 2012).

There was an increase in spending, especially with fuels and lubricants (24.9%), steel (9.3%), pharmacists (9.2%), mechanical equipment (4.4%), and optical and precision instruments (1.4%).

In April 2012, there was a trade deficit of $177 million, with a daily negative average of $12.6 million. The flow of trade totalled $26.797 billion, with a daily average of $1.914 billion. By average, there was a decrease of 5.5% compared to April last year ($2.025 billion) and an expansion of 5.8% in comparison to March 2011 ($1.809 billion).[15]

In May 2012, Brazilian exports totalled $23.215 billion, showing an increase of $23.209 billion compared to May 2011, imports amounted to $20.3 billion, showing an increase of $19.7 billion compared to May 2011. The current value of trade for the month of May is the largest of the series ($43.5 billion), surpassing the record of May 2011 ($42.9 billion). The country recorded the largest trade surplus of the year ($2.9 billion) in May, increased by $0.9 billion to that of March 2012.[16]

In June 2012, foreign sales decreased by 0.7% in comparison to May 2012 and by 16.5% in comparison to June 2011 ($1.128 billion). The daily average of foreign sales was $942.3 million during June. Compared to June 2011, there was a decrease in exports of the three product categories: semi (-27.2%, decline in semi-manufactured shaped gold, raw sugar, iron, semi-manufactured iron and steel, ferro-alloys, cellulose and crude soybean oil); manufacturing (-19.8%, due to refined sugar, cargo vehicles, tractors, fuel oils, automobiles, flat-rolled automotive and footwear); and basic (-11.0%, mainly due to oil, coffee beans, iron ore, beef and pork, chicken, copper ore and soybean meal). The daily average of imports in June 2012 was $946 million, increased by 3.2% year-on-year ($917.1 million).[17]

V. MEASURES AFFECTING IMPORTS

On 18 May 2012, the Government published an ordinance, MDIC / MCIT No. 111/2012, changing the prevailing provisions of the (Basic Productive Process) (BPPB) and to allow manufactures of professional digital cameras in Manaus. The manufacturers are now free to import the parts of the items needed for industrialization that are not manufactured in Brazil for a period of next two years.

The ordinance defines professional digital cameras as that which use special systems to capture such images, as an example, Reflex or Mirrorless; having control of light input made by the aperture and the shutter speed, enabling zoom and focus adjustment by the lens itself and that which are also equipped with interchangeable lenses.[18]

VI. MEASURES AFFECTING EXPORTS

On 3 April 2012, the Government has announced to increase the competitiveness of Brazilian export sector by reducing the percentage of export sales within the business, from 70% to 50%. With this

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[15] 'Terceira Semana De Abril Registra Superávit De Us$103 Milhões', http://www.mdic.gov.br/sitio/interna/noticia.php?area=5&noticia=11484 (last visited 10 August 2012).
[16] 'Maio Teve O Maior Superávit Do Ano', http://www.mdic.gov.br/sitio/interna/noticia.php?area=5&noticia=11580 (last visited 10 August 2012).
[17] 'Quarta Semana De Junho Tem Exportações De Us$4,075 Bilhões', http://www.mdic.gov.br/sitio/interna/noticia.php?area=5&noticia=11630 (last visited 10 August 2012).
[18] 'Filme De Privacidade Para Computador, Ultrabook E Máquina Fotográfica Profissional Terão Benefícios Fiscals', http://www.mdic.gov.br/sitio/interna/noticia.php?area=2&noticia=11565 (last visited 10 August 2012).

reduction in percentage, more companies will fall into the category of 'preponderantly exporting company' and will contribute significantly to eliminate the federal tax credits arising from exports.

In addition, there will be a new form of financing of Advances on Exchange Contracts for indirect exports. Businesses that sell their products abroad will be benefited from the step.

The Government has now allowed the companies which export via trading companies to finance their production at low interest rates. The measure is expected to boost the participation of micro, small and medium enterprises in the international market, increasing the share of this segment in productive trade.[19]

On 3 April 2012, the Government has instituted several measures to augment funding and credit to national exporters with an aim to increase and diversify the products sold to foreign markets by Brazil.

The resources to support exports will almost be tripled from R$1.24 billion ($0.614 billion) to R$3.1 billion ($1.535 billion). The magnification values will be divided as follows:

- Resources for Proex Funding – direct credit to Brazilian exporters or importers with funds from the Treasury – will be increased from $800 million to $1.6 billion.
- The budget Proex Equalization, the mechanism by which Treasury pays low interest rates offered on the line of credit will increase from £445 million ($745.03 million) to £1 billion ($1.61 billion).
- As a way to improve access to this line Proex, the exporter may receive funding prior to shipment of the goods or services revenue. Earlier, this was only done after shipment. The deadline will be extended from 10 to 15 years, which will cheapen Brazilian exports, and the maximum percentage of the amount financed will rise from 85% to 100%.
- The Government will disburse $500 million to the Fund For Export Financing, established under the Greater Brazil Plan. The fund will finance foreign sales of micro, small and medium businesses with gross annual revenues of up to $90 million.
- To facilitate access to Proex, the Government will provide guarantees for the amount financed to the exporter, eliminating the need for bank's letter of credit transactions up to $50,000 made by companies with annual revenues of R$3.6 million ($1.78 million). Financing operations of $20 million will become automatic and no longer need to be approved by the Committee for Finance and Guarantee of Exports (COFIG), which integrates the Foreign Trade Chamber (CAMEX). The Export Guarantee Fund (EGF) will expand the scope of the approval of the Secretary of International Affairs of the Ministry of Finance from $5 million to $20 million.

The Government will also expand the definition of 'preponderantly exporting company' (which does not pay taxes on the purchase of inputs for production); currently, a company which exports 60% of products in the case of labour intensive sectors, and 70% of products in the remaining cases. After the measures come into force, the companies that sell 50% of its products to foreign markets will be

[19] 'Governo Anuncia Medidas Para Aumentar Competitividade Das Empresas Exportadoras', http://www.mdic.gov.br/sitio/interna/noticia.php?area=1&noticia=11421 (last visited 10 August 2012).

recognized as 'preponderantly exporting companies' and does not have to pay IPI (Tax on Industrialized Products) and COFINS (Contribution to Social Security Financing) in the purchase of inputs.[20]

On 5 April 2012, the Government published resolutions – CAMEX Resolution No. 20 and CAMEX Resolution No. 21, which facilitate the access to export credit insurance and guarantees more flexible presentation to micro, small and medium sized Brazilian exporters. Resolution No. 20 raises the threshold of gross annual revenues of the company receiving Export Credit Insurance of R$60 million ($29.71 million) to £90 million ($145.22 million). The resolution also provides that the EU guarantee could be granted for operations in pre-shipment (production) linked with operations in post-shipment (marketing). Insurance of the Export Credit aims to ensure export credit operations against commercial risks (insolvency of the debtor), political and extraordinary (moratoria, wars, revolutions, natural disasters, etc.).[21]

VII. FREE TRADE AGREEMENTS (FTAS)

In April 2012, the Government signed the bilateral Aviation Partnership Memorandum of Understanding (MOU) with the US, which will provide a coordinated venue for both countries to address aviation sector priorities; including technical cooperation on aviation infrastructure, air transportation; and air traffic management technologies. The U.S. Trade and Development Agency (USTDA) also held an Airports Modernization Technologies Reverse Trade Mission for Brazilian officials in June 2012, which was the inaugural activity of the U.S. Brazil Aviation Partnership.[22]

On 27 April 2012, the Government signed a document with Angola, creating a new line of credit in the amount $2 billion to the African country. In return, the Angolan government committed to maintain a balance in escrow account at the Bank of Brazil equivalent to 20 billion barrels of oil per day.[23]

On 22 May 2012, the Government signed a Memorandum of Understanding (MoU) with the government of Italy in order to promote the Brazilian marine industry. The two countries agreed to work for the implementation of nautical sports centers, and encourage the start-up of Italian companies in the segment and technology transfer. The focus will be on industry parts and equipment for vessels, and ship parts.[24]

On 28 May 2012, an agreement was signed between Local Productive Arrangements (LPAs) of Brazilian metal mechanic sector and Poles of Competitiveness of France with a view to enhancing the technology for the transportation industry, energy, robotics, mechatronics and intelligence systems in the two countries. Qualification courses are planned in France, for engineers and technicians working in LPAs Brazilian industry and conducting trade missions to the French poles and clusters Brazilians. The

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[20] 'Financiamento À Exportação É Ampliado', http://www.mdic.gov.br/sitio/interna/noticia.php?area=1&noticia=11420,(last visited 10 August 2012).
[21] 'Camex Amplia Acesso A Seguro De Crédito Para Empresas Exportadoras', http://www.mdic.gov.br/sitio/interna/noticia.php?area=1&noticia=11434,(last visited 10 August 2012).
[22] 'U.S. Relations With Brazil', http://www.state.gov/r/pa/ei/bgn/35640.htm (last visited 10 August 2012).
[23] 'Brasil Amplia Crédito Para Angola Em Us$2 Bilhões', http://www.bcb.gov.br (last visited 10 August 2012).
[24] 'Pimentel Firma Parceria Com Itália Para Desenvolver Indústria Náutica', http://www.mdic.gov.br/sitio/interna/noticia.php?area=1&noticia=11554, (last visited 10 August 2012).

agreement also includes perspectives of partnerships between Poles and LPAs in oil and gas, including the possibility of transfer of French technology for Brazilian APLs in these sectors.[25]

In May 2012, the Government signed two MoUs with Japan in order to facilitate the transfer of technology between the two countries in the naval area. It is estimated that over the next six years, there will be a demand for approximately 5000 vessels in Brazil.

Two firms – SOG Oil and Gas A/S, Brazil, and Toyo Engineering Corporation, Japan entered into an agreement with a view to promote construction and integration of maritime platforms.[26]

In May 2012, Brazil and Israel agreed to issue a notice of cooperation for project financing up to $500,000 in the areas focusing on ICT (Information and Communication Technologies), life sciences (biotechnology and pharmaceuticals) and avionics.[27]

On 21 June 2012, the Government signed the Report of Discrepancies Bilateral Trade Statistics Goods with the Chinese government. The report identified the causes for the differences between the number of bilateral trade between the two countries. The document will be the basis for future analysis, but Brazil and China will continue to develop their statistics unchanged.[28]

On 22 June 2012, the Ministry of Development, Industry and Foreign Trade renewed the agreement with the Department of Trade and Industry of the State of Goiás as regards the exchange of information on productive investments in the country. The Technical Cooperation Agreement will be valid until 31 March 2015. The document allows the exchange of information on projects and investment opportunities, incentives, economic data and industry studies of supply chains and policies to stimulate economic activity.[29]

VIII. TARIFFS

On 3 April 2012, the Government announced the extension of the payroll tax relief, a key measure of Greater Brazil Plan, to 11 new sectors of national industry – automotive, aviation, textiles, furniture, electrical goods, capital goods, plastics, bus, ship and hotels, which will no longer collect the employer's contribution on the sheet, whose present rate is 20% and will contribute a tax of 1% of revenue.

The contribution to INSS was reset to the area of integrated circuits or design house, and partially offset, as in other cases, with the imposition of a rate of 2% of revenue. The total annual exemption is estimated to be £7.2 billion ($11.62 billion). Since the measure takes effect in July, the projection is that this value may be approximately R$3.1 billion ($1.54 billion) for 2012.

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[25] 'Apls Brasileiros De Metal Mecânica E Clusters Franceses Assinam Acordo Para Parceria Tecnológica', http://www.mdic.gov.br/sitio/interna/noticia.php?area=2&noticia=11564 (last visited 10 August 2012)
[26] 'Brasil E Japão Assinam Memorandos Em Tecnologia Naval E Petróleo', http://www.mdic.gov.br/sitio/interna/noticia.php?area=1&noticia=11574 (last visited 10 August 2012)
[27] 'Brasil E Israel Financiarão Projetos Conjuntos Na Área De Inovação', http://www.mdic.gov.br/sitio/interna/noticia.php?area=3&noticia=11507 (last visited 10 August 2012)
[28] 'Brasil E China Produzem Relatório Sobre Estatísticas De Comércio Exterio', http://www.mdic.gov.br/sitio/interna/noticia.php?area=1&noticia=11625 (last visited 10 August 2012)
[29] 'Mdic Fecha Acordo Com Estados E Df Para Intercâmbio De Informações Sobre Investimentos Produtivos', http://www.mdic.gov.br/sitio/interna/noticia.php?area=2&noticia=11629 (last visited 10 August 2012).

The pay roll tax relief has already been provided to the sectors like clothing, and leather and footwear, where they pay 1.5% of revenue instead of social security contributions of 20%, and software and call center companies, sectors in which the rate is 2.5%. In the first two cases, the rate will fall from 1.5% to 1%, and for the last two, the percentage will increase to 2%, equalling the pioneer sectors.

If a neutral rate was instituted fully offset by the collection of revenue, the percentage for sectors would vary from 1.72% in the case of buses, to 6.67% in the case of integrated circuits. By removing the burden of taxes on wages, the federal government encourages the creation and formalization of jobs and lowers the cost of production and export.

Moreover, the new rate on billing will not focus on exports. Imports will now suffer increased PIS/ COFINS. The National Treasury will offset any loss of revenue from social security contributions through a provisional measure. The sectors covered with payroll relief are those volunteered, but the government can evaluate the inclusion of new sectors of industry upon request.

Besides this, the Government also announced a tax benefit for the third month following a triggering event within the PIS-COFINS for auto parts, shoes, clothing, furniture and textiles. These sectors collected certain taxes in April and May 2012, and will do so only in November and December 2012.[30]

On 3 April 2012, the Government announced the initiation of a five Special Systems Sector programme in relation to the Greater Brazil Plan (PBM). For its strategic importance, the automotive, Information Technology and Communication (ICT), and naval will have incentives to stimulate production, innovation and jobs in Brazil.

The automotive sector will be exempted from Tax on Industrialized Products (TIP) associated with the investment industry. The following factors will be taken into account for the granting of the benefit – increased participation in national strategic inputs, increased spending on engineering, research and development, improving the energy efficiency of vehicles produced in Brazil, increased participation of labelling programme in vehicles and the increase of productive activities in Brazil.[31]

By Ordinance No. 10 of 2 April 2012, Brazilian Department of Trade, set the export quota for the automotive trade between Brazil and Mexico. From 19 March 2012 to 18 March 2013, the export quota is fixed at a total value of U.S $ 1,450,000,000.00 (one billion, four hundred and fifty million US dollars).[32]

Resolution No 19 of 4 April 2012, Resolution No. 41 of 25 June 2012[33], granted temporary reduction of tax rates from of imports under Resolution No.08/08 Group Mercousur Common Market – GMC. Tax rates of certain goods under Article 1 are reduced to 0% until July 31, 2012 and for certain

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[30] 'Governo Amplia Desoneração Da Folha Para Mais 11 Setores', http://www.mdic.gov.br/sitio/interna/noticia.php?area=1&noticia=11424 (last visited 10 August 2012)

[31] 'Regimes Especiais Setoriais Irão Ampliar Competitividade Da Indústria', http://www.mdic.gov.br/sitio/interna/noticia.php?area=1&noticia=11423 (last visited 10 August 2012).

[32] SECEX Ordinance No. 10 of 2 April 2012, published in Gazette of 3 April 2012.

[33] Resolution No. 41 of 25 June 2012, published in the official gazette of 27 June 2012.

other goods to 2% for a period of 180 days.[34] Same measure was taken by Resolution No.39 of 13 June 2012, reducing *ad valorem* import duty to 2% and 0% for a period of 12/10 months (NCM 8705.10.90; Ex 001; Ex 024; Ex 025).[35]

On 18 May 2012, the Government reduced the Import Tax (II) to 2% and 4% with a view to increase the competitiveness of the Brazilian Industry. The Government had already announced for a 2% reduction in rates for buying overseas items as regards computer equipment and telecommunication. It is to be noted that the concessions are for specific items and not for all products covered by the respective codes of the Mercosur Common Nomenclature (MCN). The reduction in rates will apply until 31 December 2013.

By Resolution No. 23 of 19 April 2012, Brazil amended the list of exceptions to the Brazilian fare MERCOUSR Common External grants and reduced temporarily the rate of tax of imports under Resolution No. 08/08 Common Market Group of MERCOUSR – GMC (NCM 7208.51.00; Ex 001).[36]

Resolution No. 37 of 11 June 2012, Resolution No. 34 of 17 May 2012, amended the rate of import duties levied on around 500 goods capital in ex-tariff condition.[37] Also Resolution No.28 of 25 April 2012, Resolution No. 34 of 17 May 2012, amended the rate of import tax on capital goods on condition of ex-tariff until June 30, 2012 for around 200 capital goods.[38]

In May 2012, the Government announced a temporary tariff reduction of the ad-valorem import duty of capital and information technology goods, its parts, pieces and components. This temporary reduction may take place whenever it is found that there is no domestic production of these goods. To implement these reductions, the Brazilian authorities are allowed to create new tariff positions.

Through Resolution No.18 of 4 April 2012, the Government determines the temporary application of a 2% ad-valorem import duty for certain telecommunications, information technology; and capital goods; classified under Chapters 84, 85, 86, 89 and 90 of the Harmonized Tariff System.[39] The Brazilian legislation, through the "ex-tarifarios" regime, authorizes the temporary reduction of the ad-valorem import duty of capital and information technology goods, its parts, pieces and components. This temporary reduction may take place whenever it is found that there is no domestic production of these goods. To implement these reductions, the Brazilian authorities are allowed to create new tariff positions. Forty seven sectors are affected by the resolution.[40]

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[34] Resolution No. 19 of 4 April 2012, Published in the Official Gazattee of 5 April 2012.

[35] Resolution No. 39 of 13 June 2012, Published in the Official Gazattee of 14 June 2012.

[36] Resolution No. 23 of 19 April 2012, Published in the Official Gazattee of 23 April 2012.

[37] Resolution No. 37 of 11 June 2012; Resolution No. 34 of 17 May 2012.

[38] Resolution No. 28 of25 April 2012, Published in the Official Gazattee of 9 May 2012.

[39] 'Brazil: Temporary Tariff Reduction on Certain Telecommunications, IT, and Capital Goods', http://www.globaltradealert.org/measure/brazil-temporary-tariff-reduction-certain-telecommunications-it-and-capital-goods-3 (last visited 10 August 2012).

[40] Ibid.

On 31 May 2012, the Government announced an increase of the tariff on industrialized goods applicable to air conditioning systems. Additionally, the Brazilian authorities included microwaves and certain types of motorcycles in this tax regime. According to this decree, as on 31 May 2012, the applicable IPI rate for air conditioning systems would be 35%, and as on 4 June 2012, the applicable IPI rate for microwaves and these types of motorcycles would also be 35%.

The products subject to tax increase are classified under the following headings of the MERCOSUR Harmonized System: 8415.10.11, 8415.90.10, 8415.90.20, 8516.50.00, 8711.10.00 and 8711.20.[41]

Global investments are linked to the new Ex-tariff approved amount of $5.7 billion. The investments in equipment imports will be $461.3 million. The main sectors benefitted; from the value of global investments; are the oil (47.95%), services (19.47%), rail (9.57%) and construction (3.08%). In relation to the value of imports, the sectors that will have the largest investments are telecommunications (21.93%), rail (10.93%), capital goods (10.78%) and auto parts (7.58%). The products are imported mainly from China (28.1%), Germany (19.8%), U.S. (11.1%), Italy (9.0%) and Spain (8.3%).

The Ex-tariff scheme does not include consumer goods. The new concessions that are part of the Resolutions CAMEX are related to projects regarding production of diesel, kerosene and gasoline with low sulfur content; installation of petrochemical complex in Rio de Janeiro; expansion of subway line beyond construction of cement plants, aluminium cans, boats, portable computers, among others. The goal of the new investment promotion measure is to increase the supply in the domestic market, increase Brazilian exports, preserve the environment, improve transportation and infrastructure, and, improve urban infrastructure to support oil extraction.[42]

According to Decree No. 7734 published on 28 May 2012, the Brazilian legal system is incorporated to the CMC Decision No. 39/11 of Mercosur. The decision allows the temporary lifting of the Common External Tariff (CET) up t0 35% for industrial goods and 55% for agricultural products for not more than one hundred items that may have a higher rate, due to the reasons of trade imbalances caused by the international economic situation, for a period of twelve months;[43] the final term of validity of the list is 31 December 2014.

On 28 May 2012, the Government published the Basic Productive Process (BPP) for companies engaged in manufacturing netbooks and notebooks. The ordinance, MDIC/MCTI No. 121/2012 provides that six stages of manufacture of the product should be made in Manaus, but the company should no longer manufacture polycarbonate sheet to invest in Research and Development (R&D) in the Western Amazon. The amounts to be invested are defined in the document. The companies meeting the above mentioned conditions will be provided with tax benefits.

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[41] 'Brazil: Tariff Increase Applicable To Air Conditioning Systems And New Ipi Tax On Microwaves And Certain Types Of Motorcycles',
http://www.globaltradealert.org/measure/brazil-tariff-increase-applicable-air-conditioning-systems-and-new-ipi-tax-microwaves-and-ce (last visited 10 August 2012).
[42] 'Camex Extingue Direito Antidumping E Compromisso De Preços Para Importações De Tdi',
http://www.mdic.gov.br/sitio/interna/noticia.php?area=1&noticia=11545 (last visted 10 August 2012).
[43] 'Publicado Decreto Que Autoriza Elevação Do Imposto De Importação De Até Cem Produtos',
http://www.mdic.gov.br/sitio/interna/noticia.php?area=1&noticia=11566 (last visited 10 August 2012).

The Government's focus is to encourage the promotion of ultrabooks in the country with the benefits of Information Technology Law, which among other requirements, requires compliance of BPP established for the product.

For the reason that this system uses a type of memory that is not made in Brazil, the ordinances MDIC/MCTI No. 109 and No. 110 of 2012 allow manufacturers to import the product until 31 December 2012 at a reduced duty. The government is positive about the fact that manufacturing of the unit of data storage SSD (Solid State Drive) chip MCP (Multi Chip Package) called ISSD (Integrated Solid State Drive) would be started thereafter in Brazil.

The previous legislation (MDIC/MCT No. 232/2009) stated that, if this step was breached, the company would lose the right to tax benefits. The timeline for completion of the remaining steps has not changed.[44]

On 4 June 2012, the Government announced a reduction of the tariff on industrialized goods applicable to mineralized water and certain types of food preparations. According to this decree, as on 1 October 2012, the applicable IPI rate for these types of vehicles would be subject to a tariff reduction scheme that would be completed in 2013. The products subject to tax reduction are classified under chapters 21 and 22 of the Harmonized Tariff System.[45]

On 27 June 2012, the Ministry of Development, Industry and Foreign Trade; reduced the taxes on the import of almond oil and palm kernel from 10% to 2% for a period of 180 days. However, the reduction is limited to a quota of 223,365 tonnes.[46]

IX. GOVERNMENT PROCUREMENT

On 27 June 2012, the Government announced an additional £6.6 billion ($10.64 billion) increase in the government procurement in areas of health, defense, education and agriculture. Adding to the amount already budgeted for this year, the government will have $8.4 billion available for purchases of products manufactured primarily in Brazil.[47]

On 3 April 2012, the Government announced that, it may pay up to 25% more when purchasing medicines and biological products manufactured in Brazil for use in public health. The maximum margin of preference provided for in the Law on Government Procurement Plan of Greater Brazil was one of the measures to stimulate the industry, and it will be applied to biologics (biopharmaceuticals using drugs) for the next five years. For national medicines that use formulas in their domestic or imported inputs, the

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[44] 'Filme De Privacidade Para Computador, Ultrabook E Máquina Fotográfica Profissional Terão Benefícios Fiscais', http://www.mdic.gov.br/sitio/interna/noticia.php?area=2&noticia=11565 (last visited 10 August 2012).
[45] 'Brazil: Tariff Reduction Applicable To Mineralized Water And Food Preparations', http://www.globaltradealert.org/measure/brazil-tariff-reduction-applicable-mineralized-water-and-food-preparations (last visited 10 August 2012).
[46] 'Camex Reduz Imposto De Importação De Óleo De Palmiste', http://www.mdic.gov.br/sitio/interna/noticia.php?area=1&noticia=11637 (last visited 10 August 2012).
[47] 'Compras Governamentais De R$8,4 Bilhões Irão Priorizar Produtos Nacionais', http://www.mdic.gov.br/sitio/interna/noticia.php?area=2&noticia=11638 (last visited 10 August 2012).

margin is 20%. In the case of drugs in development or which are in a condition to be produced immediately, the margin is 8%. In both cases, the margin will be in force for two years.[48]

On 15 June 2012, the government bid for the purchase of clothing, footwear, etc., and granted a margin of preference of 20% to domestic products over imported items. The policy is a part of the Greater Brazil Plan and prioritizes state action; through government procurement as an inducer of industry development, encouraging investment in innovation and technological advancement. Margin of preference set applies only to products manufactured nationally when they meet the rule of origin set by the Ministry of Development, Industry and Foreign Trade, as per the regulation – MDIC No. 279 of 18 November 2011.[49]

X. CONTIGENT TRADE

X A. Anti-Dumping

On 9 April 2012, the Government initiated anti-dumping investigation on magnesium metal unwrought imports from Japan, marketed in the form of ingots and classified under code 8104.19.00 of the Mercosur Common Nomenclature (NCM).[50]

On 25 April 2012, the Government decided to levy anti-dumping duty on Brazilian imports of polymeric diphenylmethane diisocyanate (polymeric MDI), not mixed with other additives and viscosity at 25°C 100-600 mini pascal seconds, originating in China and the US. The product is classified under item 3909.30.20 of the Mercosur Common Nomenclature (MCN). The provision will be collected by means of a specific fixed rate, in the amounts described below:[51]

Country	Producer / Exporter	Provisional Antidumping Law in U.S. $/t
USA	BASF Corporation S.A. The Dow Chemical Company Huntsman International LLC Carboline Company, Chemtura Corporation, Cytec Industries Incorporation, Reichhold Inc. Sigma – Aldrich Logistik Gmbh	662,63 728,98 109,95 644,28
China	Yantai Wanhua Polyurethanes Co. Ltd. Bayer Polyurethanes (Shangai) Co. Ltd., Beijing Keju Chemical Material Co. Ltd., Nanjing Hongbaoli Co., Ltd., Ningbo Wanhua Polyurethane Co. Ltd., Nippon Polyurethane (Ruian) Co. Ltd., Shangai Lianheng Isocyanate Co. Ltd. (SLIC)	655,74

48 'Produto Nacional Terá Preferência Nas Compras Governamentais', http://www.mdic.gov.br/sitio/interna/noticia.php?area=1&noticia=11422 (last visited 10 August 2012).
49 'Governo Define Nova Margem De Preferência Para Compras Governamentais De Confecções E Calçados', http://www.mdic.gov.br/sitio/interna/noticia.php?area=2&noticia=11607(last visited 10 August 2012)
50 'Mdic Encerra Investigação Sobre Importação De Magnésio Metálico De Empresa Japonesa', http://www.mdic.gov.br/sitio/interna/noticia.php?area=5&noticia=11446 (last visited 10 August 2012)
51 'Camex Irá Aplicar Antidumping Provisório Sobre Importações De Diisocianato De Difenilmetano', http://www.mdic.gov.br/sitio/interna/noticia.php?area=1&noticia=11491 (last visited 10 August 2012).

In April 2012, the Government revoked the anti-dumping investigation on Brazilian imports of light-weight coated copper classified under item 4810.22.90 of MCN (LWC-Light-Weight Coated), coated on both sides, of total weight between 50 and 72 g/m (coating does not exceed 15 g/m by face) offset printing, with whiteness (brightness) between 60 and 95 percent. The fibre composition of the paper support should consist of at least 50% by weight of fibres and wood pulp which is to be obtained by a mechanical process. Duties are imposed on products originating in the United Kingdom of Finland, the Kingdom of Sweden, Kingdom of Belgium, Canada and Republic of Germany. Anti-dumping duty is imposed for a period of five years. The petition to initiate the investigation was filed in April 2010. Research on the petition was initiated through SECEX Circular No. 57 dated 8 December 2010, published in the Official Gazette of 10 December 2010. Investigations were carried out on spot in the premises of producers/ exporters from October to December of 2011.[52]

Provisional anti-dumping duty was applied on the imports of Brazilian Diisocyanate Polymeric Diphenylmethane– polymeric MDI originating in US and China, commonly classified under item 3909.30.20 of NCM. It is applied for a period of six months. The investigation was initiated by SECEX Circular dated 7 June 2011 and published in the Official Gazette of 8 June 2011. Spot investigation on the premises was conducted during November to December 2011. Evidence of dumping was taken for the period from April 2010 to March 2011. Normal value was calculated from the indicative prices of US' monthly sales from July 2009 to June 2010, and the export prices were calculated based on the weighted average prices of Brazilian polymeric MDI imports from USA and China, for the period of analysis of the evidence of dumping, which is from July 2009 to June 2010.[53]

Brazil abolished the definitive anti-dumping duty and approved price undertaking – applied to imports of toluene diisocyanate originating in United States and Republic of Argentina. The item is classified under NCM 10/21/2929.[54]

Brazil applied anti-dumping duty for imports of magnesium metal shaped Gross, containing at least 99.8% by weight of magnesium from Russia. The duty is imposed for a period of 5 years. The item is classified under NCM item 8104.11.00. Investigation was initiated through SECEX Circular 29 of 6 June 2011, published in the Official Gazette of 7 June 2011. On site investigation of the item was done in October 2011. The imported product from Russia and the Brazilian product were found to be 'like' products. Normal value was determined on the basis of information from a publication specialized in international metals, for the period of December 2009-November 2010. The export price was calculated on the basis of official statistics provided by RFB, corresponding to the average price in trading FOB conditions of imports of magnesium metals from Russia during the period of the analysis of dumping.[55]

On 10 May 2012, the Government initiated an anti-dumping investigation on monoethanolamine and its salts, and triethanolamine and its salts from Germany and the United States of America. This investigation was requested by the Brazilian enterprise Oxiteno Nordeste S.A. Indústria e Comércio.

[52] MDIC, Resolution No.25 of 19 April 2012, Camex Resolution 2012, www.mdic.gov.br (last visited 10 Sep. 2012).
[53] MDIC, Resolution No.27 of 25 April 2012, www.mdic.gov.br (last visited 10 Sep. 2012).
[54] MDIC, Resolution No.32 of 17 May 2012, www.mdic.gov.br (last visited 10 Sep. 2012).
[55] MDIC, Resolution No.24 of 19 April 2012, www.mdic.gov.br (last visited 10 Sep. 2012).

The product subject to investigation is classified under the following items of the MERCOSUR Harmonized Tariff: 2922.11.00 and 2922.13.10.[56]

On 17 May 2012, the Government concluded the anti-dumping investigation against certain table, kitchen or other household articles and parts of stainless steel from China, without the imposition of antidumping duties. The antidumping investigation was initiated on 22 December 2010, upon a request of the Brazilian enterprise Farroupilha S.A. Indústria Metalúrgica. The products subject to the anti-dumping investigation are classified under the following tariff code of Brazil's Harmonized System: 7323.93.00.[57]

On 25 June 2012, the Government initiated an anti-dumping investigation on certain type of motorcycle tyres from China, Thailand, Taiwan and Vietnam. This investigation was requested by the Associação Nacional da Indústria de Pneumáticos. The product subject to investigation is classified under the following item of the MERCOSUR´s Harmonized Tariff: 4011.40.00.[58]

XI. SANITARY AND PHYTOSANITARY MEASURES (SPS)

The following are the Sanitary and Phytosanitary Measures notified by Brazil to the WTO Secretariat during the review quarter:

Product Name/Code	Affected Regions/Country	Objective
Malathion	All trading Partners	Food Safety[59]
Saflufenacil	All Trading Partners	Food Safety[60]
Metconazole	All Trading Partners	Food Safety[61]
HS Code(s): 120740/ Shelled sesame (*Sesamum indicum*) grains	Nigeria	Plant Protection[62]
HS Code(s): 08013/ Cashew nuts (*Anacardium occidentale*)	Gambia	Plant Protection[63]
HS Code(s): 120730/ Castor seeds	Israel	Plant Protection[64]

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[56] 'Brazil: Initiation Of Antidumping Investigation On Monoethanolamine And Its Salts, And Triethanolamine And Its Salts From Germany And The US',
http://www.globaltradealert.org/measure/brazil-initiation-antidumping-investigation-monoethanolamine-and-its-salts-and-triethanolami (last visited 10 August 2012)
[57] 'Brazil: Conclusion Of The Antidumping Investigation Against Certain Table, Kitchen Or Other Household Articles And Parts Of Stainless Steel From China',
http://www.globaltradealert.org/measure/brazil-conclusion-antidumping-investigation-against-certain-table-kitchen-or-other-household (last visited 10 August 2012).
[58] 'Brazil: Initiation Of Antidumping Investigation On Certain Type Of Motorcycles Tires From China, Thailand, Taiwan And Vietnam',
http://www.globaltradealert.org/measure/brazil-initiation-antidumping-investigation-certain-type-motorcycles-tires-china-thailand-ta (last visited 10 August 2012).
[59] G/SPS/N/BRA/804, 4 April 2012
[60] G/SPS/N/BRA/803, 4 April 2012
[61] G/SPS/N/BRA/805, 4 April 2012
[62] G/SPS/N/BRA/807, 10 May 2012.
[63] G/SPS/N/BRA/808, 24 May 2012.
[64] G/SPS/N/BRA/809, 23 May 2012.

(*Ricinus communis* L.)		
HS Code(s): 230990 Feed	All trading partners	Food Safety, Animal Health[65]
HS Code(s): 060120, 060290/ Lilium (*Lilium* sp.)	Chile	Plant Protection[66]
Pyraclostrobin	All Trading Partners	Food Safety[67]
Clomazone	All Trading Partners	Food Safety, Plant Protection[68]
Azadirachtin	All Trading Partners	Food Safety, Plant Protection[69]
Clothianidin	All Trading Partners	Food Safety[70]
Imidacloprid	All Trading Partners	Food Safety[71]
Bifenthrin	All Trading Partners	Food Safety[72]
Thiabendazole	All Trading Partners	Food Safety[73]
Azoxystrobin	All Trading Partners	Food Safety, Plant Protection[74]

XII. TECHNICAL BARRIER TO TRADE (TBT)

The following are the Technical Barriers to Trade notified by Brazil to the WTO Secretariat during the review quarter:

Notified Under Article	**Products Covered**	**Objective**	**Brief Description**
Article 5.6.2	Personal Protective Equipment	Protection of human health	Draft Ministerial Act on conformity assessment procedures for Personal Protective Equipment (PPE) by a compulsory third party certification, carried out by an accredited body to determine that relevant requirements within the Brazilian System of Conformity Assessment - SBAC are fulfilled.[75]
Article 5.6.2	Parts and accessories for Bicycles (HS 8714);	Protection of consumer safety	Conformity Assessment Procedures for Components as regards Adult Bicycle Usage with a focus on safety, by a compulsory third party certification carried out by an accredited body to determine that relevant requirements

[65] G/SPS/N/BRA/810, 25 May 2012.
[66] G/SPS/N/BRA/811, 25 May 2012.
[67] G/SPS/N/BRA/812, 15 June 2012.
[68] G/SPS/N/BRA/813, 15 June 2012.
[69] G/SPS/N/BRA/814, 15 June 2012.
[70] G/SPS/N/BRA/814, 15 June 2012.
[71] G/SPS/N/BRA/816, 19 June 2012.
[72] G/SPS/N/BRA/817, 19 June 2012.
[73] G/SPS/N/BRA/818, 21 June 2012.
[74] G/SPS/N/BRA/819, 21 June 2012.
[75] G/TBT/N/BRA/480, 10 April 2012.

	Pneumatic tyres of rubber used in bicycles (HS 401150); Brakes (HS 871494); Frames and forks, and parts for bicycles (HS 871491); Pedals and crank-gear (HS 871496); Wheel rims and spokes (HS 871492); Bicycles & other cycles (not motorized), delivery tricycles (HS 8712).		in technical regulation are fulfilled. It revokes Ministerial Acts nº 284; nº 285; nº 286; nº 287, nº 288; nº 289; nº 290; nº 291 (6th October 2009), and nº 429 (10th November 2010).[76]
Article 2.9.2	Pharmaceutical Products	Protection Of human health	This draft technical regulation establishes prioritization of technical analysis of petitions within the General Drugs Registration Office. The criteria on this draft resolution was defined according to public relevancy to ensure or improve access to pharmaceutical care. The prioritization of technical analysis of petition applies to drugs that fit in one or more of the criteria established in Article 3 of the draft resolution and that achieves a minimum score of 10, as set out in its Annex I. It revokes Resolution RDC nº 28 (4 April 2007).[77]
Article 2.9.2	Grain Moisture Meters (HS 9025).	Protection of human health	Draft Resolution of Metrological Technical Regulation laying down the requirements that must meet the grain moisture meters used for measuring the moisture content of grains and seeds.[78]
Article 5.6.2	Vacuum cleaners (HS 85.08.1); Mixers (85.09.40); Hair dryers (HS 85.16.31).	Protection of human health and safety	Draft technical regulation which lays down procedures to assess the conformity on airborne acoustical noise of electrical appliances within the National Program of Education and Control of Noise Pollution.[79]

[76] G/TBT/N/BRA/481, 10 April 2012.
[77] G/TBT/N/BRA/482, 9 May 2012.
[78] G/TBT/N/BRA/483, 1 June 2012.
[79] G/TBT/N/BRA/484, 1 June 2012.

Article 5.6.2	Cookers (HS: 851660)	Consumer Safety	Draft Resolution of Metrological Technical Regulation laying down requirements that steel cookware for domestic use must meet.[80]
Article 5.6.2	Live Animals and genetic material (HS Section I - Chapter 1); (HS 05.11)	Prevention of deceptive practices and consumer's protection assuring traceability in marketing.	Draft technical regulation which sets requirements for assessment conformity related to zootechnical certification on animals and genetic material to be imported.[81]
Article 2.9.2	Pharmaceutical Excipients	Protection of human health	This draft technical resolution establishes Good Manufacturing Practices for pharmaceutical excipients, which must be followed by all manufactures of these products. The pharmaceutical excipient manufactures must hold authorization to operate, as well as hold the sanitary license, and their activities must be subjected to regular inspection by the competent health authorities. The manufacturer is responsible for the quality of pharmaceutical excipient and also for defining control measures, even though production operations are outsourced. Due to the variety of the excipients, some directives of this normative may not apply, which must be technically justified. Establishments covered by this draft Resolution will be granted a period of 12 (twelve) months from its publication to promote the necessary adjustments to conform to the technical regulations. From the publication of the Resolution, the new establishments and those wishing to start their activities, must fully meet the requirements contained therein, prior to the operation.[82]

XIII. WTO DISPUTE SETTLEMENT

Dispute against South Africa over anti-dumping duties on frozen meat of fowls by Brazil

In June 2012, Brazil objected and sought for consultations with the Republic of South Africa on its imposition of provisional anti-dumping duties on frozen meat of fowls of the species *Gallus Domesticus*, whole bird and boneless cuts, originated in or imported from Brazil. Brazil considered that the Republic of South Africa has not made a fair comparison between the export price and normal value of the exporters. Brazil also mentioned that the Republic of South Africa did not make an objective assessment

[80] G/TBT/N/BRA/485, 1 June 2012.
[81] G/TBT/N/BRA/486, 1 June 2012.
[82] G/TBT/N/BRA/487, 18 June 2012.

of the impact of the alleged dumped product, its impact on domestic producers and, causal link analysis. Procedural irregularity during the investigation is also accused against the Republic of South Africa.[83]

Brazil requested consultations with South Africa on 21 June 2012 with regard to preliminary determination and the imposition of provisional anti-dumping duties. Brazil considers that the anti-dumping measures on the part of South Africa be inconsistent with South Africa's obligations under the provisions of the GATT 1994 and Articles 2.4, 2.4.2, 3.1, 3.2, 3.4, 3.5, 4.1, 5.2, 5.3, 5.8, 6.1, 6.1.2, 6.2, 6.4, 6.5.1, 6.5.2, 6.7, 6.8, 6.9, 6.10, 7.1 and 12.2.1; paragraphs 7 and 8 of Annex I; and paragraphs 1, 3, 5, 6 and 7 of Annex II of the Anti-Dumping Agreement.[84]

XIV. SERVICES

On 5 April 2012, the Government has temporarily reduced the import duty (II) on machinery and equipment not produced in Brazil, pertaining to the use of telecommunication and IT sector. The new rules provide that the Review Committee of Ex-tariff will have the power to decide on what should be the percentage of the domestic product in an imported machine. The tariff reduction will be granted to all imports in which the percentage of the Brazilian products is greater than 2%. Further, the CAMEX resolution No. 17 prohibits the granting of reduced rates for goods used, remanufactured, reconditioned or subjected to any kind of reform.

On 5 April 2012, the Government has published the National Bank for Economic and Social Development (BNDES) in the Review Committee of Ex-tariff change made in late 2011 and incorporated in CAMEX Resolution No. 17. BNDES' participation reinforces the study of measures to support the development of domestic production of capital goods and information technology and telecommunications, and use of Ex-tariff regime as an instrument of industrial policy. The CAMEX Resolution No. 17 also specifies the criteria that will be used to verify the absence of domestic production. Consultations may be made public and/or queries to domestic manufacturers or their representative bodies, establishing a term of up to fifteen calendar days to respond and alerting those concerned that in the absence of manifestation, it can be considered that it has fulfilled the requirement of the absence of national production. At this stage, the database from BNDES was also used on the domestic production of goods.[85]

XV. AGRICULTURE

On June 28, 2012, Brazil launched a new agricultural and livestock plan for the 2012/2013 crops, which invests R$115.5b. Of the investment, R$ 86.9b will finance the cost and marketing of crops, and R$ 28.2b will support investment programs. The plan has the following features:

- The interest rate as per the plan is reduced from 6.75 percent to 5.5 percent, and thus will decrease the financing costs of the farmers. The interest free resources amount to R$21.3b. The focus of the plan are medium-scale, co-operative and sustainable production.

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[83] WTO, Notification of Brazil to the Committee on Anti-Dumping Practices, WT/DS439/1; G/L/990; G/ADP/D92/1 (25 June 2012).
[84] WTO, Dispute Settlement DS439, http://wto.org/english/tratop_e/dispu_e/cases_e/ds439_e.htm (last visited 3 Sep. 2012).
[85] Camex Aperfeiçoa Regras Para Concessão De Ex-Tarifários, http://www.mdic.gov.br/sitio/interna/noticia.php?area=1&noticia=11435 (last visited 3 Sep. 2012).

- The limits of financing costs and marketing for Brazil's agricultural crops have been increased from R$650,000 to R$850,000 per producer, and the marketing support has been increased from R$1.b to R$1.6b. Fund ceiling of co-operative through co-operative development program is raised from R$60m to R$100m per co-operative. Relevant incentives under Brazilian Agricultural and Livestock Plan and National Program Support to Medium Agricultural Producer are also made.

- Subsidies to rural insurance premiums are increased by 5.5 percent for 2012, totalling R$267m. The government will also support the marketing of agricultural products to ensure the selling price is determined based on estimates of the variable cost.

- Credit line for the purchase of breeding cattle and buffaloes is renewed. the limit per producer goes up to R$ 750,000 (US$ 361,300), with up to five years for payment , two years of grace period and an interest rate of 5.5 percent per year.

- A new credit line for retaining breeding animals is created, with a limit per producer of up to R$ 1.2 million (US$ 578,100) and a payment period of up to two years at an interest rate of 5.5 percent per year.

- A credit line has been opened for the acquisition of breeding sheep and goats, at up to R$ 600,000 (US$ 289,000), with payment of up to ten years, including three years of grace period and an interest rates of 5.5 percent.[86]

[86] Press Release (28 June 2012), *see* Brazil.gov.br, http://www.brasil.gov.br/para/press/press-releases/brazil-launches-agriculture-and-livestock-plan-for-the-2012-2013-crop/br_model1?set_language=en (last visited 10 Sep. 2012).