



TRADE POLICY DEVELOPMENTS PAPER NO. 11

REPORT ON BRAZIL

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Abbreviations

ANVISA	<i>Agência Nacional de Vigilância Sanitária</i> (Brazilian Health Surveillance Agency)
BLADDEX	Banco Latinoamericano de Comercio Exterior (BLADDEX)
BNDES	Banco Nacional de Desenvolvimento Economico e Social (Brazilian National Bank for Economic and Social Development)
CAMEX	<i>Camara de Comercio Exterior</i> (Foreign Trade Chamber)
CIDE	Contribuição e Intervenção no Domínio Econômico (a type of Brazilian tax)
COFINS	A Contribuição para o Financiamento da Seguridade (Social Contribution for the Financing of Social Security)
DSE	Simplified Export Declaration
EU	European Union
GDP	Gross Domestic Product
INMETRO	The National Institute of Metrology, Standardization and Industrial Quality
INPI	The National Institute of Industrial Policy
IOF	Brazilian tax charged over financial transaction
IPI	<i>Imposto Sobre Produtos Industrializados</i> (Tax over industrialized products)
IU	International Unit
MAPA	<i>Ministério da Agricultura, Pecuária e Abastecimento</i> (Ministry of Agriculture, Livestock and Food Supply)
MDIC	Ministério do Desenvolvimento, Indústria E Comércio Exterior (Ministry of Development, Industry and Commerce)
MERCOSUR	<i>Mercado Comum do Sul</i> (Common Southern Market)
NCM	<i>Nomenclatura Común del Mercosur</i> (Common Nomenclature of MERCOSUR)
No	Number
PIS	Social Security Tax
PROEX	Export Financing Program
SDA	<i>Secretaria de Defesa Agropecuária</i> , (Secretariat of Agricultural Protection),
SECEX	<i>Portarias da Secretaria de Comercio Exterior</i> (Ordinances of the Department of Commerce)
SELIC	<i>Sistema Especial de Liquidação e de Custódia</i> (Special System for Settlement and Custody)
UK	United Kingdom
US	United States
VEETC	US Volumetric Ethanol Excise Tax Credit
WTO	World Trade Organization
YoY	Year Over Year

Executive Summary

- Brazilian GDP has slowed down, but the balance of trade is fairly good. The Real exchange rate has remained same in the start and at the end of the quarter eventhough it showed variations in between.
- As investment measure, Brazil opens up the cap on cable operators (telecom), expands and modernizes the Brazilian shipyards, and is strengthening the ties with EU. Brazilian Government is aiding the micro and small industries, by relaxing their export registration. BNDES and BADEX have also taken measures by signing contract to finance exports of machinery and equipment. Brazil has revised the customs procedures of textiles and clothing.
- Brazil conditionally reduced the IPI [*Imposto Sobre Produtos Industrializados* (Tax over industrialized products)] on certain items of car industry, based on the fulfillment of specific local content requirement. It also extended the zero import tariff of ethanol till December 31, 2015. Brazil has also made many tariff changes to industrial products through various resolutions and circulars.
- Brazil maintains technical barriers to trade (i) in the nature of by formalizing a restriction to the sale of rural land to foreigner investors and Brazilian companies in which foreign investors hold more than 50 percent (ii) technical regulation for organic systems of animal and vegetable production (iii) Conformity Assessment Procedure for refrigerators.
- Brazil initiated countervailing measures on imports of yarn (other than sewing thread) of synthetic and artificial staple fibres from *India*, Indonesia and Thailand.
- Brazil provided special procedure for checking non-preferential origin for the application of import licensing, established criteria for allocation of quotas for the importation of certain items.
- Eleven sanitary and phytosanitary measures were taken by MAPA and ANVISA, during this quarter.
- Eleven anti-dumping measures at various stages and a countervailing measure were reported by Brazil during this quarter.
- INPI reduced the average time for the analysis of patent.

INTRODUCTION

According to the International Monetary Fund (IMF), Brazil's GDP growth slowed down to 2.9% YoY in 2011, as against 7.9% YoY in 2010,¹ and was 2.1% in the last quarter of 2011.² Brazil has a trade surplus of \$2.355 billion in October 2011, US\$31.1 billion in September, up from US\$1.1 billion YoY, according to the Ministry of Trade.³ The trade surplus plunged to 583 USD Million in November, while exports growth increased by 23.1% YoY and imports growth rate increased by 21.08% YoY.⁴ In 2011 Brazil recorded US\$256 billion in exports and a US\$29.7 billion trade surplus. The trade surplus is the highest since the month of October 2007. China is the main importer of Brazilian products, and represents 17% of total Brazilian exports. Brazilian exports to China reached US\$44.3 billion, more than 43% higher than 2010.⁵ The net inflows for 2011 totalled US \$ 65.3 billion, up from US \$ 24.4 billion in 2010. Central bank foreign exchange reserves rose by US \$ 63.4 billion to US \$ 352 billion.⁶ The imports in the month of October reached \$22.140 billion as compared to \$18.381 in October 2010. The reasons for the increase in the trade surplus are too early to be identified. Brazil is the second largest exporter of soy and iron ore. A strong Real and domestic demand boosted imports in 2011. Export revenues hence were high during this year.⁷

Brazilian Central Bank has undertaken another cut in SELIC rate (*Sistema Especial de Liquidação e de Custódia* - the settlement system for most, around 96%, of central government's domestic securities) bringing it down to 11.50%.⁸ Central Bank declared that Brazil attracted \$56 billion in foreign direct investment in the first 10 months of 2011, compared to \$48.4 billion in 2010. The current account deficit reached \$39.09 billion between January and October; this figure remains virtually unchanged compared to the same period of 2011. It also declared that Brazil's foreign exchange reserves in October totalled \$352.9 billion, up by \$3.2 billion from September. Its foreign debt amounted to \$297.6 billion, unchanged from September.⁹

¹IMF, World Economic Outlook, January 24, 2012.

²Brazil Economic Digest ,December 2011, CORPORATE EXECUTIVE BOARD, www.executiveboard.com

³ News Brief, January 3, Brazilian Outlook, October 2011, INDIANBRAZILIANCHAMBER, www.indiabrazilchamber.org

⁴Brazil Economic Digest ,December 2011, CORPORATE EXECUTIVE BOARD, www.executiveboard.com

⁵ News Brief, January 3, Brazilian Outlook, October 2011, INDIANBRAZILIANCHAMBER, www.indiabrazilchamber.org

⁶ News Brief, January 5, Brazilian Outlook, October 2011, INDIANBRAZILIANCHAMBER, www.indiabrazilchamber.org

⁷Luciana Lopez, Tiago Paris, Asher Levine, *Brazil Trade Surplus at more than Double Forecasts*, REUTERS, November 2, 2011, available at <http://in.reuters.com/article/2011/11/01/idINIndia-60254820111101?type=economicNews> (last visited January 23, 2012)

⁸*Brazil Central Bank President: Not making 'Bets' with Interest Rate Cuts-Report*, TRADE FOREX, January 23, 2012, <http://www.nasdaq.com/article/brazil-central-bank-president-not-making-bets-with-interest-rate-cuts---report-20111119-00018> (last visited January 24, 2012)

⁹*Brazil Could have Zero Growth in Q3:Top Official*, GOOGLENEWS, November 22, 2011, <http://www.google.com/hostednews/afp/article/ALeqM5gi8X7MbMKh4SKtCo7AyVSXwKpg4w?docId=CNG.54c197b60d6bb9efa5075bad11f3d7d7.a1&index=0> (last visited January 24, 2012)

The Brazilian real depreciated against US dollar by 18% in September.¹⁰The Real weakened against the U.S. Dollar and Euro by 5.8% and 1.4% respectively in December.¹¹ Even though the central bank cut interest rates to spur economic growth, the consumer spending declined. The following graph shows the exchange rate of Real as against US dollar

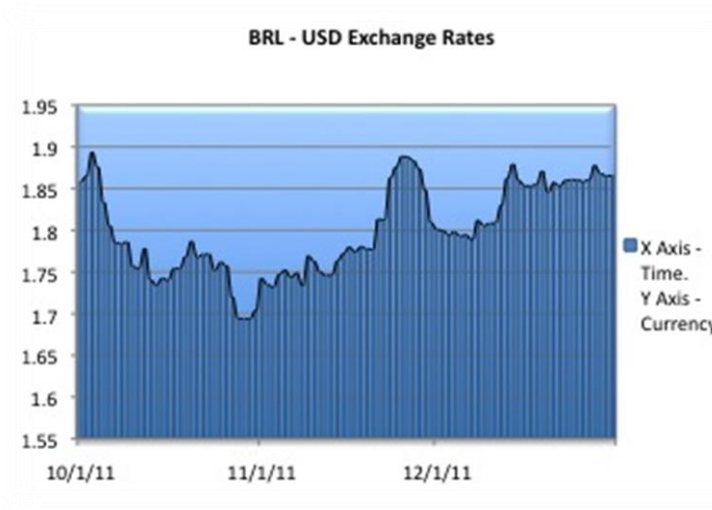


Table 1

USD – United States Dollar
 BRL = Brazilian Real
 1 USD = 1.85775 BRL on 1st October 2011
 100 USD = 185.775 BRL

Source: <http://www.exchange-rates.org/history/BRL/USD/T>

After 3 months drops, industrial output in Brazil rose 0.3% in November. According to IBGE, November's industrial production fell 2.5% compared with a year earlier.¹²Inflationary pressure eased as the Consumer Price Index declined to 6.6% YoY growth in November, marginally above the Central Bank's upper limit of 6.5%.The Industrial Confidence Index of Brazil fell 1.6% after falling 2.2% in August, according to the Getulio Vargas Foundation. It has fallen for nine consecutive months.

CUSTOMS PROCEDURE, VALUATION AND IMPORT LICENSING

Ministry of Foreign Trade (SECEX) of the Ministry of Development, Industry and Foreign Trade (MDIC), signed an ordinance on December 7, 2011 at the 20th Plenary Meeting of the Permanent Forum of Micro and Small Enterprises, to enable the measurement stimulus to this business category. Accordingly the exports of goods made by Simplified Export Declaration (DSE) can use Export

¹⁰ News Brief, January 5, Brazilian Outlook, October 2011, INDIANBRAZILIANCHAMBER, www.indiabrazilchamber.org

¹¹ News Brief, December 13, Brazilian Outlook, January 2012, INDIANBRAZILIANCHAMBER, www.indiabrazilchamber.org

¹²*Id.*

Financing Program (PROEX), even without export registration but are limited to the amount of \$ 50,000. PROEX is a mechanism for the support, mainly for exports of micro and small enterprises, and includes those with gross annual revenues of up to \$ 600 million. The financial agent of PROEX is the Bank of Brazil.¹³

Banco Nacional de Desenvolvimento Econômico e Social (BNDES) and Banco Latinoamericano de Comercio Exterior (BLADEX) signed contract for financing Brazilian exports of machinery and equipment to countries in Latin America and the Caribbean, on December 6, 2011. The funding will be done through Automatic BNDES Exim, which can give greater operational ability to finance Brazilian exports of machinery and equipment and other items of higher added value, through the provision of credit lines to banks abroad. Disbursements of the proceeds will be made by BNDES, in real, directly to exporters in Brazil, which will advance for their exports, without risk of a commercial nature and politics. There will be no remittance of funds from the BNDES abroad, in these operations. The partnership between BNDES and BLADEX provide an important tool for promoting trade between Brazil and the countries of Latin America and the Caribbean.¹⁴

The Government of Brazil on October 14, 2011, revised customs procedures on imports of textiles and clothing (NCM Chapters 61 and 62) under “Panos Quentes III” Scheme. Goods passing through the “grey” and “red” customs procedures now subject to physical inspection by sampling. The Government also issued specific regulations on government contracts for the deployment, maintenance and improvement of information technology and communication systems, under which bidding may be limited to goods and services whose technology is locally developed and are produced in accordance with the basic production process. For such contracts to be considered strategic a joint act by 3 ministers is required.

CUSTOMS TARIFF, QUOTAS AND TRQ'S

Government of Brazil through Decree No. 7.567/11 (September 15, 2011), effective from 15 September 2011 to 31 December 2012 reduced the IPI (*Imposto Sobre Produtos Industrializados*) internal industrial tax on certain items of the car industry (i.e., car, lorries, and commercial trucks) for companies fulfilling specific requirements on, local content (at least 65%), investment provisions (invest at least 0.5% of after-tax income in R&D in Brazil). The tax increase is a part of the new industrial policy. The vehicles that meet the following requirements may be excluded from this tax increase: At least 65% of the final product must originate in one of the MERCOSUR members or Mexico; The research and development

¹³ MDIC, *Exports could be Funded by Simplified PROEX*, December 7, 2011, www.mdic.gov.br

¹⁴ MDIC, *BLADEX and BNDES will finance Brazilian exports of machinery for Latin America and the Caribbea*, December 7, 2011, www.mdic.gov.br.

expenses in Mercosur countries or Mexico are equal to or at least 0.5 percent of the company's sales; At least six of the following eleven activities must take place in Brazil, or by a company in which 80% of its production carries out six of the following eleven operations in a Mercosur country or Mexico. The regulation will affect Australia, Belgium, Canada, China, Finland, France, Germany, Hungary, Italy, Japan, Republic of Korea, Slovenia, Spain, Sweden, Thailand, Turkey, UK, USA, Northern Ireland. This development may have a potential implication for India. The affected tariff lines are tractors (other than works trucks), public transport type passenger motor vehicles, motor cars and vehicles for transporting persons, motor vehicles for transport of goods, special purpose motor vehicles nesoi.¹⁵Manufactures have two months to prove that they produce 65% or more of their components in Brazil, or to adjust its production chain and assembly operations. Decree No.7567 also established higher IPI rates (ranging from 30% to 55%) applicable until 31 December 2012 on vehicles (NCM 8701; 8703; 8704).

The decision is having a punitive effect on some imported cars. The tax on some imported cars is 55% on top of import tariffs. This is an act of protectionism and seems like a GATT violation of the WTO TRIMS Agreement. This is mainly aimed at imports from China and to the manufacturers to have an industrial manufacturing unit in Brazil. Many Chinese industrialists do not see China as a fair trader. They also complain about non-tariff barriers from China on manufactured goods such as obstructive state purchasing agents. The trade between China and Brazil has become 17 fold since 2002. Brazil has an overall trade surplus with China, but has a widening deficit in manufactures. Most of Brazil's exports include commodities and in particular, iron ore, soya beans and crude oil. Trade between China and Brazil is taking off. According to Brazil-China Council, until 2009, it amounted to about \$500m. In 2010, \$19 billion was announced, but \$12.7 was finalized. Now China is the single largest foreign investor in Brazil.¹⁶Fenabreve, the Brazilian dealer's association declared that the car sales dropped by 7.4% less than that of October 2010, in October. In September Brazilian industrial production was down as the auto manufacturers were closed down due to growing inventories. After the expansion of the economy to 7.5% in 2010, the highest over the last two decades, the economy is contracting. In the last decade, Brazil was a crucial market for all global automakers. The European automobiles in Brazil are now facing a tough competition from Asian companies. Some corporations in Brazil are Italy's Fiat, Germany's Volkswagen, the US General Motors and Ford, Germany's Mercedes Benz.¹⁷

On December 2011, the Government of Brazil through Resolution #94 of the Ministry of Development, Industry and Commerce (MDIC)/ Chamber of Commerce (CAMEX) extended the zero import tariff

¹⁵Brazil, *Temporary Increase of Internal Taxes Applicable to Imported Vehicles*, Measure #2758, October 11, 2011, GLOBALTRADEALERT, <http://www.globaltradealert.org/measure/brazil-temporary-increase-internal-taxes-applicable-imported-vehicles> (last visited January 13, 2012)

¹⁶*China has become Brazil's biggest economic partner-and its most difficult one*, THE ECONOMIST, Jan 14, 2012, available at <http://www.economist.com/node/21542780>

¹⁷MercoPress, *October Car Sales in Brazil Drop 10% Surprising Dealers and the Auto Industry*, November 4, 2011, available at <http://en.mercopress.com/2011/11/04/october-car-sales-in-brazil-drop-10-surprising-dealers-and-the-auto-industry> (last visited January 23, 2012)

applied to ethanol with less than 1 percent water from December 31, 2011 to December 31, 2015. Under the Mercosur agreement the import tariff for ethanol is 20%. But from April 2010, ethanol was included in the list of exceptions, due to the request of Government of Brazil with an applied tariff of zero percent.¹⁸ The decision was taken on the background of the US Volumetric Ethanol Excise Tax Credit (VEETC) to be set to expire on 31st December 2011. VEETC has provided the gasoline blenders with a credit of 45 cents for each gallon of ethanol blended with gasoline. If VEETC would have expired, the blenders would have been unable to keep the tax credit, and ultimately it would have been passed on to the consumers in the form of a 4.5-cent discount on ethanol blended gasoline at the pump; there would have been less incentive to blend ethanol. The demise is good for the exporters of ethanol to US. The US Renewable Fuels Association (RFA) opined that the corn ethanol is the lowest-cost motor fuel source in the world. Brazil makes sugarcane ethanol which is classified by EPA as advanced biofuel. Both these would directly compete with each other.¹⁹

During this quarter Ministry of Development, Industry and Foreign Trade through resolutions have made the following tariff changes.

Resolution Details	Action	Item Description
CAMEX Resolution No.72 of 5 October 2011, published in the Official Gazette on 6 th October 2011	Changed the import tax terms of Resolution No. 08/08 Group Mercosur Common Market	Changed to 2% for a period of twelve months for 1 item (NCM 2933.71.00); to 2% for a period of 4 months of 1 commodity (NCM 7220.90.00); to 2% for a period of 6 months for 1 commodity (NCM 7326.90.90)
CAMEX Resolution No. 74 of October 5, 2011	Temporary reduction of import tariffs to 2% effective until December 31, 2011	On 16 capital goods tariff lines (NCM 8419, 8421, 8431, 8439, 8457, 8458, 8464, 8471, 8477, 8502, 9024, 9027, 9031)
CAMEX Resolution No.83 of October 31, 2011, published in November 3, 2011	Change rates of the import tax terms of Resolution No.08/08 Group Mercosur Common market-GMC	On 3 products (NCM 0303.71.00; 2835.31.90) change ad valorem rates of import duty to 2% for a period of 12 months; On 2 products (NCM 3002.10.39; 3002.10.37) change ad valorem rates of import tax to 0% for a period of 11 months; On 1 product (NCM 3002.10.39) change ad valorem duty of import duty to 0% for a period of 12 months; On 1 commodity (NCM 7326.90.90) change of ad valorem import tax to 2% for a period of four months
CAMEX Resolution 84 of November 9, 2011 published in the Gazette of October 11, 2011	Changes to 2% the rates of import duty levied on goods and informatics telecom, on the condition of ex-tariff, until December 31, 2012	On 5 goods (NCM 001 Ex 8471.90.12; 001 Ex 8517.62.39; 002 Ex 8517.62.39; 005 Ex 9030.82.10; 002 Ex 9032.89.82)
CAMEX Resolution	Changes to 2% the rates of	ON 162 capital assets

¹⁸USDA Foreign Agriculture Service, *Biofuels-Ethanol Import Tariff*, GAIN Report No. BRI2001 (Dec 1, 2012).

¹⁹Brian Balboa & William Lemos, *End of Tax Credit, tariff, to challenge US Ethanol*, ICIS, December 28, 2011, <http://www.icis.com/Articles/2011/12/28/9519117/outlook-12-end-of-tax-credit-tariff-to-challenge-us-ethanol.html> (last visited January 28, 2012)

85 of November 9, 2011 published in the Gazette of October 11, 2011	import tax levied on goods capital, as a former tariff, until December 31, 2012	
CAMEX Resolution 85 of November 9, 2011 published in the Gazette of October 11, 2011	Revokes change of import tax rate made under Resolution No.08/08 of MERCOSUR-GMC	Goods classified as NCM 7326.90.90.
CAMEX Resolution 95 of December 9, 2011 published in the Gazette of December 14, 2011	Changes to 2% the rates of import tax incidents on goods of informatics and telecommunications, provided ex-tariff, until December 31, 2012.	On 5 items (NCM8517.62.59 Ex 015; 002 Ex 8532.24.10; 9030.89.90 Ex 022; 023 Ex 9030.89.90; 002 Ex 9032.89.23)
CAMEX Resolution 96 of December 9, 2011 published in the Gazette of December 13, 2011	Changes to 2% the ad valorem import tax levied on capital assets, in ex-tariff condition.	On 284 capital assets
CAMEX Resolution 97 of December 23, 2011 published in the Gazette of December 26, 2011	Changes the ad valorem import tax on goods to 2% for a period of twelve months	On 2 goods (NCM 3206.11.19; 3904.10.20)
CAMEX Resolution 98 of December 29, 2011 published in the Gazette of December 30, 2011	Extends the term of the rate of import tax of 35% until December 31, 2012	On 14 items (NCM 9503.00.10; 9503.00.21; 9503.00.22; 9503.00.31; 9503.00.39; 9503.00.40; 9503.00.50; 9503.00.60; 9503.00.70; 9503.00.80; 9503.00.91; 9503.00.97; 9503.00.98; 9503.00.99)
CAMEX Resolution 99 of December 29, 2011 published in the Gazette of December 30, 2011	Extends the term of the rate of import tax of 35% on peaches until December 31, 2012; effective from January 1, 2012.	NCM 2008.70.10; 2008.70.90
CAMEX Resolution 99 of December 29, 2011 published in the Gazette of December 30, 2011		
CAMEX Portaria No.30 (2 September 2011)	Temporary reduction of import tariffs (to 2%)	On coated paper and paper board (NCM 4810.13.90) (quota 2,500 tonnes) and flanges (NCM 7307.91.00) (quota 90 tonnes)

Note: All resolutions shall take effect from the date of notification unless especially mentioned.

Source: www.mdic.gov.br.

Provisional Measure No.540/2011 adopted by Congress and regulated on December 1, 2011, expands the Greater Brazil plan through the scheme of Reintegra (The Special tax for the Reintegration of Values for Exporting Countries). The scheme provides for the exemption of waste from indirect taxes (CIDE, IOF, PIS, COFINS and the like) on the Brazilian industrial products exported. Under the scheme companies will be entitled to reinstatement benefit equivalent to the percentage of 3% of export revenues. Scheme

will benefit from the 8630 tariff codes that responded in 2010 by more than \$ 80 billion in exports. The scheme will run from December 1, 2011 to December 31, 2012.²⁰

TECHNICAL BARRIERS TO TRADE

On 23 August 2010, Government of Brazil formalized a restriction to the sale of rural land to foreign investors and Brazilian companies in which foreign investors hold more than 50 percent. The new regime sets the maximum amount of land to be purchased to 50 "Undefined Exploration Modules". Undefined Exploration Modules are a unit of account set in hectares that varies between 5 and 10 ha depending on the region the property is located in. The property need not be continuous. Property may only be acquired for agricultural, industrial or development purchases that is in line with the central business as specified in the statutes of the foreign investor. Property purchases of less than three Undefined Exploration Units have been exempt from the stated regulation. Products of agriculture, horticulture and market gardening; live animals and animal products; forestry and logging products; fish and fishing products; real estate services; agricultural; mining and manufacturing services sectors will get affected by the measure.²¹

Ministry of Agriculture, Livestock and Food Supply (MAPA) prescribed certain technical regulation for organic systems of animal and vegetable production. The regulation is meant for consumer's protection. The regulation is made under *Ministerial Act N 46, October 6, 2011* and is published in the *Diário Oficial da União* (Federal Official Journal) of October 7, 2011 (section 1). It entered into force on October 7, 2011.²²

Government of Brazil through INMETRO (The National Institute of Metrology, Standardization and Industrial Quality) revised the Conformity Assessment Procedure for refrigerators issued under G/TBT/BRA/198/Add.2 by Ministerial Act n 374, September 27, 2011 (*Portaria N 374, de 27 de Setembro de 2011*).²³

CUSTOMS PROCEDURES, VALUATION AND IMPORT LICENSING

SECEX through Ordinance No. 39 of November 11, 2011, published in the official gazette of 16 November 2011, has provided for special procedure for checking non-preferential origin for the application of Art 3 of Resolution CAMEX No.80, November 9, 2010. It is providing for special

²⁰ MDIC, *Government Regulates the Program of Tax Relief for Exporters Reintegra*, December 1, 2011, www.mdic.gov.br

²¹ *Brazil, Restrictions to Sale of Rural Land to Foreigners*, Measure #2846, October 21, 2011, GLOBALTRADEALERT, <http://www.globaltradealert.org/measure/brazil-restrictions-sale-rural-land-foreigners>.

²² WTO, *Notification of Brazil to the Committee on Technical Barriers to Trade*, G/TBT/N/BRA/449 (November 2, 2011), original text available under

<http://extranet.agricultura.gov.br/sislegis/action/detalhaAto.do?method=abreLegislacaoFederal&chave=50674&tipoLegis=A>

²³ WTO, *Notification of Brazil to the Committee on Technical Barriers to Trade*, G/TBT/N/BRA/198/Add.3 (October 20, 2011), original text available under <http://www.inmetro.gov.br/legislacao/rtac/pdf/RTAC001737.pdf>.

procedures for import licensing for the verification of origin and consider among other factors, history of imports of goods declared on the import license application, history of operations carried out by the importer, history of exports to Brazil, the country of origin of goods declared, history of exports to Brazil, the companies declared as export and producing the good in question, conditions relating to certificates of origin or other documents that instruct asked for license and its issuer, and substantial complaints submitted to SECEX under the ordinance. Complaints about the potential falsehood of origin on import of goods under trade defense instruments or other non-preferential commercial policy should be forwarded to DEINT. The ordinance details procedures and other aspects.²⁴ Also Ordinance No. 43 of December 14, 2011, published in Official Gazette of Brazil on December 15, 2011, has provided for public consultation and provides other provisions relating to issuance of the Certificate of Origin Form A under the Generalized System of Preferences.²⁵ SECEX has also authorized 49 organizations to issue certificates of origin in export and other.²⁶

Brazil established criteria for allocation of quotas for the importation established by Resolution CAMEX No. 83, October 31, 2011, through Ordinance No. 40 of 23 November 2011, published in the Gazette of 24 November 2011. The following table shows the details.

NCM Code	Rate	Quantity	Duration
2835.31.90	2%	30,000 tons	November 11, 2011 to November 2, 2012
11/10/2833 Ex 001	2%	650,000 tons	November 3, 2011 to November 2, 2012
0303.71.00	2%	30,000 tons	November 3, 2011 to November 2, 2012
3002.10.39 Ex 019	0%	41,170 vials 500 IU	November 3, 2011 to October 2, 2012
3002.10.39 Ex 020	0%	78,760 vials 500 IU	(not mentioned)
3002.10.37	0%	426,600 bottles of 10g	November 3, 2011 to October 2, 2012
3002.10.39 Ex 021	0%	flasks with 15 000 1000 IU	November 3, 2011 to November 2, 2012
3002.10.39 Ex 022	0%	360 000 flasks with 250 IU, 360 000 flasks with 500 IU and flasks with 90 000 1000 IU	November 3, 2011 to November 2, 2012

Source: SECEX Ordinance, Ordinance No. 40 of 23 November 2011, www.mdic.gov.br.

²⁴SECEX, *Ordinance No.39 of 11 November 11, 2011*, www.mdic.gov.br.

²⁵SECEX, *Ordinance No.43 of 14 December, 2011*, www.mdic.gov.br.

²⁶SECEX, *Ordinance No.45 of 23 December, 2011*, published in the Gazette of 26 December 2011, www.mdic.gov.br. This ordinance has been repealed by Ordinance SECEX No.2 of 2012.

SANITARY AND PHYTOSANITARY MEASURES

Secretariat of Animal and Plant Health-SDA of Ministry of Agriculture, Livestock and Food Supply-MAPA issued the following Normative Regulations as sanitary and phytosanitary measures.

- Normative Instruction SDA n° 26 on August 15, 2011, amended by Normative Instruction SDA n° 38 on October 27, 2011 to establish the phytosanitary requirement of fresh fruit of *Citrus sinensis* and *Citrus medica* produced in Italy, previously notified under document G/SPS/N/BRA.642 on June 2, 2010. The instruction is published in the *Diário Oficial da União* (Federal Official Journal) of August 16, 2011.²⁷
- Normative Instruction to recognize the system approach for pest risk management of fruit fly in mango orchards; in the municipalities of Belém de São Francisco, Petrolina and Santa Maria da Boa Vista, in Pernambuco state through Normative Instruction SDA n° 23 on July 27, 2011, published in the *Diário Oficial da União* (Federal Official Journal) n° 144 of July 28, 2011, section 1, page 2, and entered into force on July 28, 2011²⁸; and in the municipalities of Abaré, Casa Nova, Curaçá, Juazeiro, Sento Sé e Sobradinho, in Bahia state through Normative Instruction SDA n° 34 on September 29, 2011, published in the *Diário Oficial da União* (Federal Official Journal) n 189 of September 30, 2011, section 1, page 32, and entered into force on September , 2011²⁹
- Normative Instruction SDA n° 31 on September 16, 2011, to recognize the State of Alagoas as free area of Blue mold (*Peronosporatabacina*) for determined period of time, since requirements for its maintenance are kept. The instruction is published in the *Diário Oficial da União* (Federal Official Journal) of September 20, 2011, section 1.³⁰
- Normative Instruction SDA n° 35 revoking the Normative Instruction SDA n° 20 of June 28, 2011 (G/SPS/N/BRA/713/Add.1) and n 33 of September 27, 2011. The instruction is published in the *Diário Oficial da União* (Federal Official Journal) of October 11, 2011. The phytosanitary import requirements have been revised by conducting a pet risk analysis for pests affecting palm ((*Elaeisguineensis*, *E. oleifera* and *E. guineensis* × *E. oleifera*) seeds and pre-germinated seeds from Costa Rica.³¹
- Normative Instruction SDA n° 27/2011, to establish the phytosanitary requirements for the importation into Brazil of ryegrass (*Loliumperenne* L.) seed from Italy. The instruction is published

²⁷WTO, *Notification of Brazil to the Committee on Sanitary and Phytosanitary Measures*, G/SPS/N/BRA/642/Add.1 (November 16, 2011).

²⁸WTO, *Notification of Brazil to the Committee on Sanitary and Phytosanitary Measures*, G/SPS/N/BRA/655/Add.2 (October 12, 2011).

²⁹WTO, *Notification of Brazil to the Committee on Sanitary and Phytosanitary Measures*, G/SPS/N/BRA/655/Add.3 (October 12, 2011).

³⁰WTO, *Notification of Brazil to the Committee on Sanitary and Phytosanitary Measures*, G/SPS/N/BRA/706/Add.1 (October 11, 2011).

³¹WTO, *Notification of Brazil to the Committee on Sanitary and Phytosanitary Measures*, G/SPS/N/BRA/713/Add.2 (October 31, 2011).

in the *Diário Oficial da União* (Federal Official Journal) n 157 of August 16, 2011, section 1, page 6, and has entered into force on August 16, 2011.³²

- Normative Instruction SDA n 32 establishing the phytosanitary requirements for the importation of seeds of pearl millet (*Pennisetum glabrum*) from Bolivia. The instruction entered into force on September 20, 2011.³³

Secretariat of Agricultural Protection of MAPA proposed phytosanitary requirements for the importation into Brazil of *in vitro* *Pinus taeda* seedlings from Chile. The requirements were established by conducting a pest risk analysis for pests affecting the seedlings. The measure was intended for plant protection, and for protection of territory from other damage from pests.³⁴

ANVISA – Brazilian Health Surveillance Agency issued the following resolutions as sanitary and phytosanitary measures

- Draft Resolution on Pyraclostrobin. This draft technical regulation modifies Resolution RE n°165, 29 August 2003, by including in it the use of pyraclostrobin in the cultures of potato (Furrow application MRL 0,1 mg/kg and safety period not determined due type of application). It entered into force on October 20, 2011. The resolution is published in the *Diário Oficial da União* (Federal Official Journal), September 20, 2011, section 1, page 64 and *Consulta Pública* (Draft Resolution) n 45, September 16, 2011 issued by ANVISA.³⁵
- Draft Regulation on Abamectin. This draft technical regulation modifies Resolution RE n°165, 29 August 2003, by including the use of Abamectin in the cultures of soy (Leaf application MRL 0,01 mg/kg and safety period of 14 days) and also changing the LMR in the cultures of soy (Seed application changing LMR from 0,005 to 0,01 and safety period not determined due type of application).³⁶
- Draft regulation on S-Metolachlor. This draft technical regulation modifies Resolution RE n°165, 29 August 2003, by including the use of S-metolachlor in the cultures of soy (Post-emergency application MRL 0,05 mg/kg and safety period not determined due type of application). The resolution is published in the *Diário Oficial da União* (Federal Official Journal), October 24, 2011,

³²WTO, *Notification of Brazil to the Committee on Sanitary and Phytosanitary Measures*, G/SPS/N/BRA/754/Add.1 (October 12, 2011).

³³WTO, *Notification of Brazil to the Committee on Sanitary and Phytosanitary Measures*, G/SPS/N/BRA/776 (October 11, 2011).

³⁴WTO, *Notification of Brazil to the Committee on Sanitary and Phytosanitary Measures*, G/SPS/N/BRA/782 (November 16, 2011). Original text is available at http://members.wto.org/crnattachments/2011/sps/BRA/11_3877_00_x.pdf

³⁵WTO, *Notification of Brazil to the Committee on Sanitary and Phytosanitary Measures*, G/SPS/N/BRA/777 (October 11, 2011). Original text is available at <http://portal.anvisa.gov.br/wps/wcm/connect/09ab9b00486650af8f888f2bd5b3ccf0/CP+N%C2%BA+45+GGTOX.pdf?MOD=AJPERES>.

³⁶WTO, *Notification of Brazil to the Committee on Sanitary and Phytosanitary Measures*, G/SPS/N/BRA/778 (October 31, 2011). Original text is available at <http://portal.anvisa.gov.br/wps/wcm/connect/fd48778048979d3e8829a8fa35813921/CP+N%C2%BA+49+GGTOX.pdf?MOD=AJPERES>

section 1, page 65 and *ConsultaPublica* (Draft Resolution) n 54, October 19, 2011 issued by ANVISA.³⁷

- Draft Resolution establishing procedure for food registration and notification of products exempt from sanitary registration, as well as evaluating allegations of functional and/or health and safety proprieties.³⁸This draft resolution to all food, food ingredients, raw material of foods, food additives, technology supporting, packages and other materials that come into contact with food, for national and imported food; and is granted for 12 months, from the date of entry into force.³⁹
- Draft technical resolution establishing the maximum tolerable limits for chrome and copper in food and beverages. The resolution applies only to establishments that produce , initialize , fractionize, distribute, import and/or commercialize food and beverages and does not apply to food in which copper is naturally present, water, food supplemented with copper and for other foods with maximum limit of chrome and copper established in specific resolutions.⁴⁰ The measure is intended for food safety. It is proposed to enter into force from February 2012. The resolution is published in the *Diário Oficial da União* (Federal Official Journal), September 25, 2011, section 1, page 50 and *ConsultaPublica* (Draft Resolution) n 55, November 18, 2011 issued by ANVISA.⁴¹

ANTI-DUMPING MEASURES

The following are the anti-dumping measures carried out by Brazil in this quarter.

- Initiation on May16, 2011 of anti-dumping investigation on imports of pile fabrics,including “long pile” fabrics and terry fabrics, knitted or crocheted (NCM 6001.10.20) from China ((possible circumvention of anti-dumping measures of imports of synthetic fibre blankets (NCM 6301.40.00) from China (imposed on 29 April 2010))⁴²

³⁷WTO, *Notification of Brazil to the Committee on Sanitary and Phytosanitary Measures*, G/SPS/N/BRA/779 (November 4, 2011). Original text is available at <http://portal.anvisa.gov.br/wps/wcm/connect/5449380048ced10eafd4afa3f2835ae8/CP+N%C2%BA+54+GGTOX.pdf?MOD=AJPERES>

³⁸This resolution revokes Resolution CNNPA n° 38, 12 October 1977, Administrative Act SNVS/MS n° 47, 31 October 1986, the Administrative Act DINAL/MS n° 9, 23 February 1990, the Administrative Act SVS/MS n° 579, 17 November 1997, the Resolutions n° 23, 15 March 2000 and n° 22, 15 March 2000 from ANVISA and Resolution RDC n° 27, 6 August 2010.

³⁹WTO, *Notification of Brazil to the Committee on Sanitary and Phytosanitary Measures*, G/SPS/N/BRA/780 (November 16, 2011). Original text is available at <http://portal.anvisa.gov.br/wps/wcm/connect/f7b78a8048cebf5eaf61afa3f2835ae8/CP+N%C2%BA+52+GGALI.pdf?MOD=AJPERES>.

⁴⁰It revokes administrative acts SNVS/MS no. 11, 20 May 1987 and SVS/MS no. 685, 27 August 1998, where it relates to the maximum limits of copper in food.

⁴¹WTO, *Notification of Brazil to the Committee on Sanitary and Phytosanitary Measures*, G/SPS/N/BRA/783 (December 20, 2011).

⁴²SECEX Circular No.20 (13May 2011) and WTO document G/ADP/N/202?BRA, 6 September 2010

- Initiation on May 16, 2011 of anti-dumping investigation on imports of synthetic fibre blankets (NCM 6301.40.00) from Paraguay and Uruguay (possible circumvention of anti-dumping measures of imports from China imposed on 29 April 2010).⁴³
- Initiation on 13 June of anti-dumping investigation on imports of cutlery made of stainless steel of the category superior or luxury (NCM 8211.10.00; 8211.91.00; 8215.20.00; 8215.99.10) from China⁴⁴
- Apply anti-dumping for a period of five years, Brazilian imports of supercladed exported by the French Republic, the Italian Republic and the Republic of Hungary.⁴⁵
- Apply anti-dumping for a period of five years, Brazilian imports of n-Butanol, exported by the United States of America.⁴⁶
- Extinguishes anti-dumping duty for a period of five years, Brazilian imports of barium carbonate exported by the People's Republic of China.⁴⁷
- Apply anti-dumping duty provisionally, for a period of 6 months, the Brazilian imports of lightweight coated paper, from the USA, Finland, Belgium, Canada and Germany.⁴⁸
- Apply anti-dumping for a period of 5 years, Brazilian imports of toluene diisocyanate (TDI-80/20) from USA and Argentina. Resolution No.75 of May 10 2011, published in the Gazette of October 6, 2011.⁴⁹
- On November 10, 2011, the Government of Brazil initiated an antidumping investigation on certain types of refined copper tubes and pipes from China. This investigation was requested by the *Associação Brasileira do Cobre (ABC)*. The product subject to investigation is classified under the following items of the MERCOSUR's Harmonized System: 7411.10.10 and 7411.10.90.⁵⁰
- Initiation on September 2011 of anti-dumping investigation on imports of yarn (other than sewing threads) of synthetic and artificial staple fibres "*fiocompostosporpelomenos 50% de fibre de viscose*" (NCM 5509.51.00; 5510.11.00; 5510.12.00; 5510.20.00; 5510.30.00; 55510.90.00; 5511.30.00) from Turkey and Vietnam.⁵¹

⁴³ SECEX Circular No.20 (13 May 2011) and WTO document G/ADP/N/202/BRA, September 6, 2010.

⁴⁴ WTO document, G/ADP/N/216/BRA, 23 September 2011

⁴⁵ Resolution No. 75 of May 10, 2011, published in the Gazette of October 6, 2011

⁴⁶ Resolution No. 76 of May 10, 2011, published in the Gazette of October 6, 2011

⁴⁷ Resolution No. 77 of May 10, 2011, published in the Gazette of October 6, 2011

⁴⁸ Resolution No. 85 published in the Gazette of November 9, 2011 and November 10, 2011

⁴⁹ Resolution No.92, November 17, 2011 and November 18, 2011, published in the Gazette of November 18, 2011.

⁵⁰ Brazil, *Initiation of Anti-Dumping Investigation on Refined Copper Tubes and Pipes from China*, Measure #2913, November 14, 2011, GLOBALTRADEALERT, <http://www.globaltradealert.org/measure/brazil-initiation-antidumping-investigation-refined-copper-tubes-and-pipes-china>; SECEX, *Circular No. 56 of 8 November 2011*, published in the Gazette of 10 November 2011, www.mdic.gov.br.

⁵¹ SECEX Circular No.44 (9 September 2011) and Portaria No. 35 (11 October 2011)

- Started anti-dumping investigation on exports of polycarbonate resin in the form of powder, flake, granule, or pellet (NCM 3907.40.90) from Republic of Korea and United Thailand to Brazil.⁵²

Table 2

SECEX of MDIC amended the provisions on filing petitions for investigation of anti-dumping established in SECEX Circular No. 21/1996 by Ordinance No.35/2011, and Ordinance No. 46 of 23 December 2011 published in the Gazatte of 29 December 2011, and will take effect from January 1, 2012. The amendment provides for greater predictability and speed and; increase the effectiveness of trade defense instruments, with reduction of deadlines for preliminary determination of investigation and closures. The new form anticipates a request for information that would be provided by the petitioner after the initiation of the investigation. After the investigation is initiated, the Department of Commercial Defence (DECOM) can arrange spot checks of data submitted by the petitioner. The petition should contain and have a casual link between evidence of dumping and injury

Source: MDIC, *SECEX simplifies the process of opening antidumping investigation*; SECEX Ordinance No. 46 of 23 December 2011, www.mdic.gov.br

COUNTERVAILING MEASURES

Brazil initiated on September 12, 2011, countervailing measures on imports of yarn (other than sewing thread) of synthetic and artificial staple fibres “*fios compostos por pelomenos 50% de fibre de viscose*” (NCM 5509.51.00; 5510.11.00; 5510.12.00; 5510.20.00; 5510.30.00; 55510.90.00; 5511.30.00) from *India*, *Indonesia* and *Thailand*.⁵³

FOREIGN DIRECT INVESTMENT REGIME

On 13 September 2011, Government of Brazil lifted the foreign ownership cap for cable operators (telecom). Prior to the change, foreigners were not allowed to command a share exceeding 49 percent in a given company. The service cable operators may provide to package deals including combinations of

⁵²SECEX, *Circular No. 68 of 27 December 2011*, published in the Gazatte of 29 December 2011, www.mdic.gov.br.

⁵³SECEX Circular No.45 (September 9, 2011)

broadband services (telephone, internet, TV). The measure affects the post and telecommunication services sector.⁵⁴

INTELLECTUAL PROPERTY RIGHTS

The National Institute of Industrial Policy – INPI reduced the average time for the examination of patent. The period was reduced from an average of 8.3 years in 2010 to 5.4 years in 2011. The reduction is primarily due to, the modernization of patent offices, archiving processes that were without pay and staffing, and stocks that contributed to the reduction of the queue and acceleration analysis.⁵⁵

GOVERNMENT PROCUREMENT

Brazil has made specific regulations on Government contracts for the deployment, maintenance and improvement of information technology and communication systems, under which the bidding may be limited to goods and services whose technology is locally developed and are produced in accordance with the basic production process. For such contracts to be considered strategic a joint act by 3 Ministries is required.⁵⁶

ECONOMIC COOPERATION

Brazil is trying to make the ties between Brazil and European Union. The Ministry of Development, Industry and Foreign Trade on December 9, 2011 offered its support to EU in its economic financial crisis. The Ministry and the European Affairs Commission of Industry and Entrepreneurship signed a memorandum for enhancing the cooperation between industry, especially small and medium enterprises of both sides. The memorandum will try to bring about exchange of information, practices that promote innovation and development of modern policies of clusters, and reduction of administrative burden and facilitates access to financing. During last 11 months, Brazilian exports to EU increased by 25.8% over the previous year.⁵⁷

⁵⁴Brazil: *Cap on Foreign Direct Investment in Cable Operations Lifted*, Measure #2845, October 21, 2011, GLOBALTRADEALERT, <http://www.globaltradealert.org/measure/brazil-cap-foreign-direct-investment-cable-operations-lifted> (last visited)

⁵⁵MDIC, *PTO Reduces Time Frame for Granting Patent*, January 26, 2012, <http://www.mdic.gov.br/sitio/interna/noticia.php?area=1¬icia=11270>

⁵⁶Annex 1, Report on G-20 Trade Measure (May to Mid October 2011), October 25, 2011, available at http://www.unctad.org/en/docs/unctad_oecd2011d6_report_en.pdf

⁵⁷MDIC, *Brazil is Open to European Investment*, December 14, 2011, www.mdic.gov.br (last visited January 2, 2012)

INTERNATIONAL RELATIONS

Brazilian and South African ties are getting stronger. Africa's trade with Brazil is presently only 5% percent. Brazil is trying to put hold on the South African countries. The sub-saharan exports with China, Indian and Brazil have 17%, 6% and 3% respectively.⁵⁸ The eight most promising emerging economies in sub-saharan Africa, not including South Africa has a growth of an average of 6.6% per year over the past decade, according to Deutsche bank. This is about the same rate as that of the BRIC group of emerging countries. Thus relations with South Africa are strengthened in the back ground of Brazilian exports getting dampened due to Eurpoe's woes and the anaemic growth of United States, which can make it difficult for Brazil to rebound from the growth of 3-4% in 2011.

On September 30, 2011, permanent delegation of Brazil was sent to the WTO for adoption of the Convention on Temporary Admission (Istanbul Convention of 26 June 1990). The Convention on Temporary Admission (the Istanbul Convention) is a single international instrument combining all the existing Conventions on temporary admission. The Convention aims to facilitate temporary admission by simplifying and harmonising procedures through the adoption of standardised model papers as international customs documents with international security, thereby contributing to the development of international trade.⁵⁹

⁵⁸As Rich World Sputters, Brazil Looks to Africa, REUTERS, November 17, 2011, available at <http://www.reuters.com/article/2011/11/17/us-brazil-africa-newspro-idUSTRE7AG1KN20111117> ((last visited January 24, 2012))

⁵⁹Treaties Office Database, EUROPA, <http://ec.europa.eu/world/agreements/prepareCreateTreatiesWorkspace/treatiesGeneralData.do?step=0&redirect=true&treatyId=533>.