



Perspectives on Bilateral Trade Between the USA and Brazil Under President Lula's New Government

Organized by:

Brazil - California Chamber of Commerce

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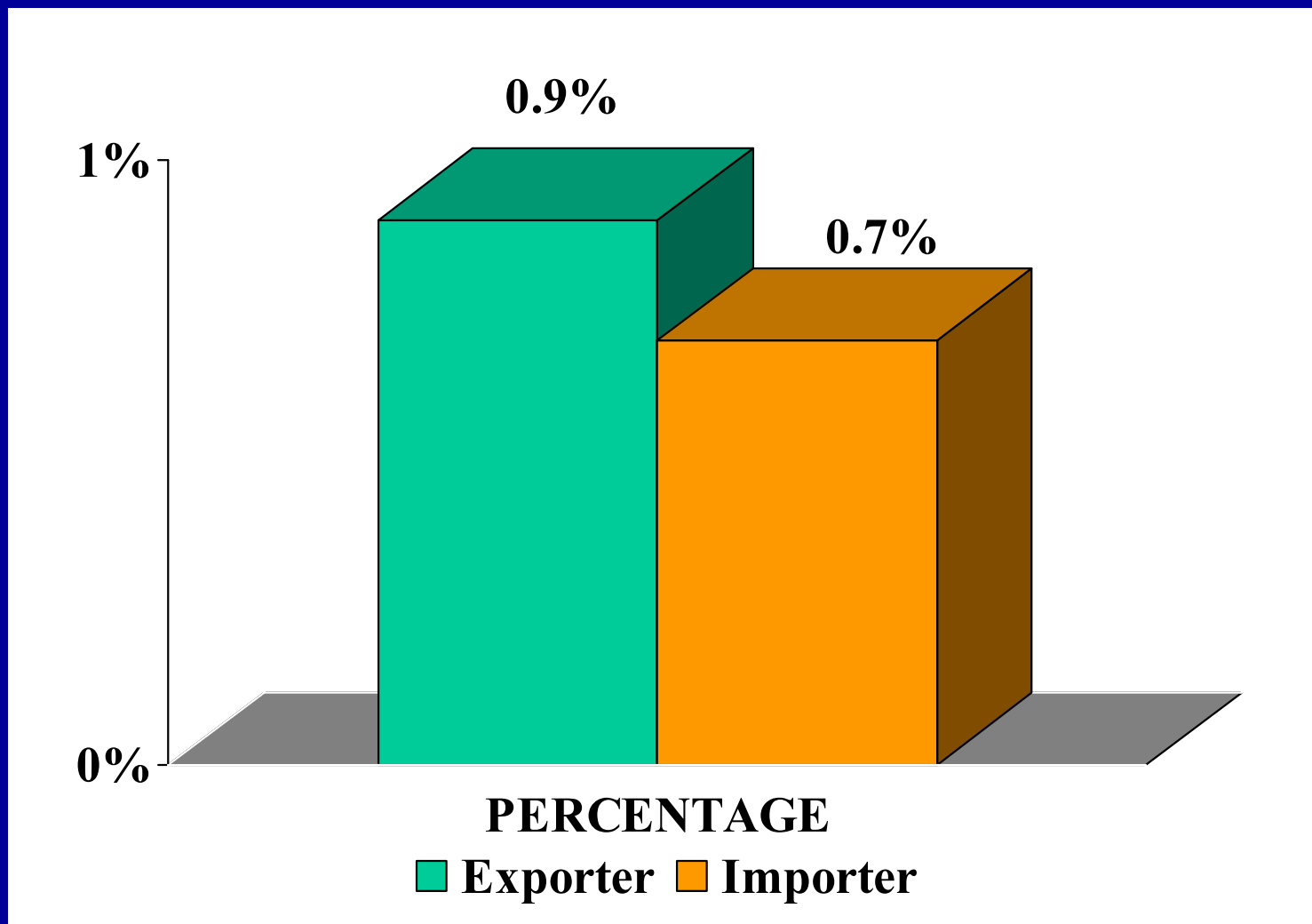
**São Paulo, Rio de Janeiro, Brasília, Curitiba, Porto Alegre
Londres, Lisboa, Miami, Los Angeles, Buenos Aires, Shanghai**



Brazil's Macroeconomic Indicators

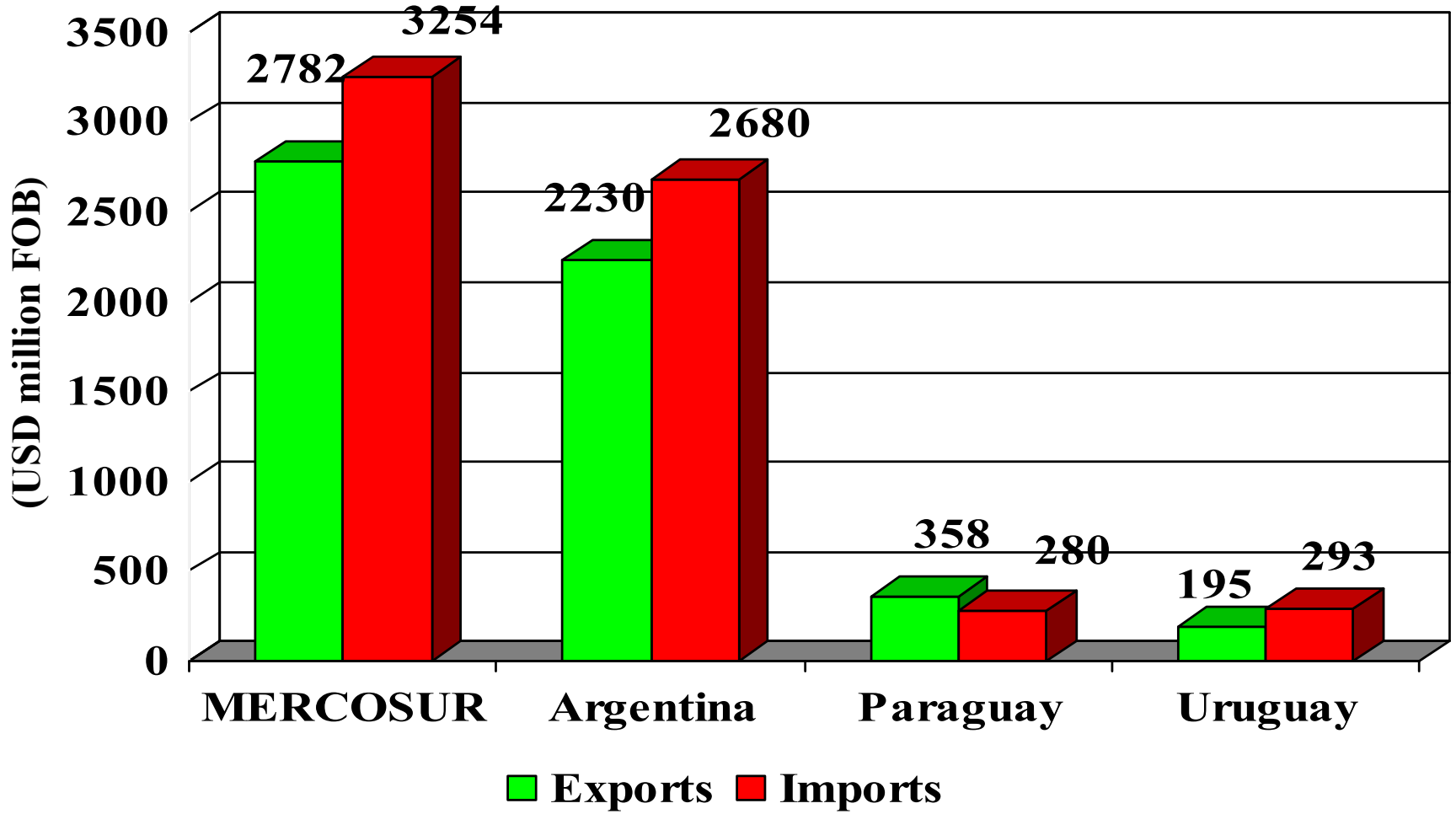
- **Foreign Trade Volume:** USD 75,888 million from Jan-August 2003
- **Growth compared to the same period in 2002:** 10.48 %
- **Exports:** USD 45,510 million from Jan-August 2003
- **Imports:** USD 30,378 million from Jan-August 2003
- **GDP:** R\$ 711 billion (approximately USD 246 billion) in the first semester of 2003

Brazil's Share of World Trade - 2002



Brazilian Trade with MERCOSUR

January/July - 2003





Prospective Free Trade Agreement

- MERCOSUR - Andean: Free Trade Agreement, under consideration

Negotiations deadline set on December 31, 2003

- MERCOSUR - EU: Free Trade Agreement, under negotiation

Negotiations began in March 2000

- MERCOSUR - EFTA: Free Trade Agreement, under consideration

Declaration on Co-operation signed on December 12, 2000



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Brazil - USA Bilateral Trade

Brazil - USA Trade Volume

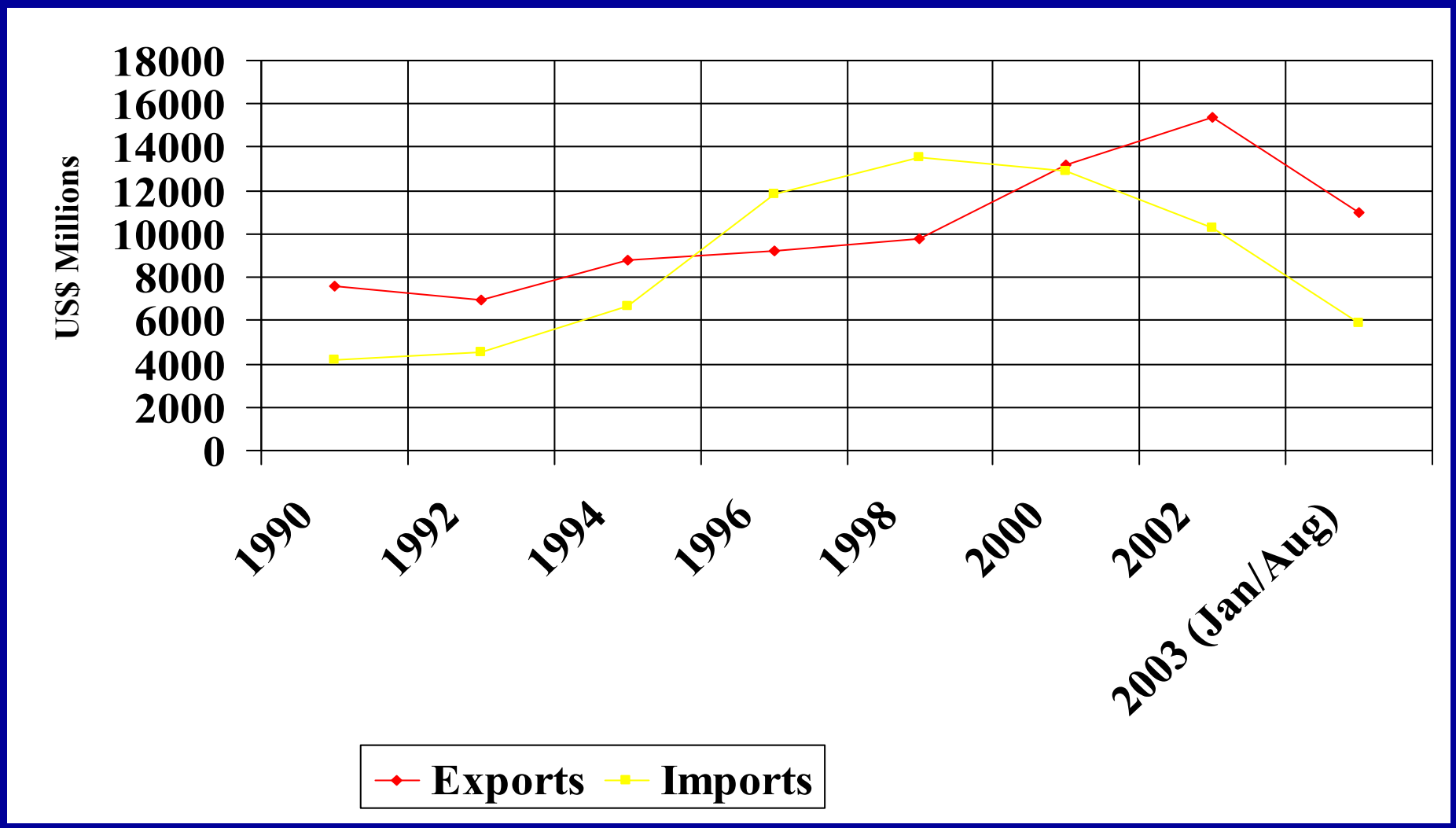
Presently the USA is Brazil's leading trade partner.

- From 1981 to 1994 - surplus
- From 1995 to 2001 - deficit

- In 2003 (from January to August) exports have increased 11.81%, totaling US\$ 10.96 billion, and the imports have decreased 16.84%, totaling US\$ 5.9 billion.

- In 2003, there is a surplus in the amount of US\$ 5.07 billion in favour of Brazil.

Evolution of Brazil - USA Bilateral Trade





Main Buyer Market JAN/JUL- 2003

US\$ MILLION

<i>VALUE</i>	<i>VAR.%</i>	<i>SHARE%</i>		
<i>• 1 - UNITED STATES</i>	<i>9,683</i>	<i>14.3</i>	<i>24.8</i>	
<i>• 2 - CHINA</i>	<i>2,537</i>	<i>152.4</i>	<i>6.5</i>	
<i>• 3 - ARGENTINE</i>	<i>2,230</i>	<i>86.5</i>	<i>5.7</i>	
<i>• 4 - THE NETHERLANDS</i>		<i>2,213</i>	<i>42.2</i>	<i>5.7</i>
<i>• 5 - GERMANY</i>	<i>1,738</i>	<i>34.2</i>	<i>4.5</i>	
<i>• 6 - MEXICO</i>	<i>1,464</i>	<i>17.8</i>	<i>3.7</i>	
<i>• 7 - JAPAN</i>	<i>1,276</i>	<i>9.5</i>	<i>3.3</i>	



MFN bound tariffs for all products - Brazil and USA

	Brazil	USA
• Binding coverage (per cent):	100	100
• Simple average:	31.4	3.6
• Coefficient of variation:	0.2	2.9
• Maximum <i>ad valorem</i> :	85.0	350.0
• Last year of implementation:	2004	2004
• Duty free (per cent):	0.6	37.2
• International peaks (per cent):	97.0	2.1
• National peaks (per cent):	0.0	7.1



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MFN bound tariffs for Agricultural products - Brazil and USA

	Brazil	USA
• Binding coverage (per cent):	100	100
• Simple average:	35.5	6.9
• Coefficient of variation:	0.3	4.4
• Maximum <i>ad valorem</i> :	55.0	350.0
• Last year of implementation:	2004	2003
• Duty free (per cent):	2.2	28.7
• International peaks (per cent):	96.2	4.0
• National peaks (per cent):	0.0	1.9



MFN bound tariffs for Non-Agricultural products - Brazil and USA

	Brazil	USA
• Binding coverage (per cent):	100	100
• Simple average:	30.8	3.2
• Coefficient of variation:	0.2	1.3
• Maximum <i>ad valorem</i> :	85.0	48.0
• Last year of implementation:	2004	2009
• Duty free (per cent):	0.3	38.5
• International peaks (per cent):	97.2	1.8
• National peaks (per cent):	0.0	8.2



MFN applied tariffs for all products - Brazil and USA

	Brazil (2001)	USA (2001)
•Total number of tariff lines:	9404	10187
•Simple average:	14.6	3.9
•Coefficient of variation:	0.4	1.4
•Maximum:	55.0	350.0
•Duty free (per cent):	2.4	69.3
•International peaks (per cent):	47.1	4.5
•National peaks (per cent):	0.0	7.9



applied tariffs for Agricultural products - Brazil and USA

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	Brazil (2001)	USA (2001)
•Total number of tariff lines:	946	1740
•Simple average:	12.5	4.7
•Coefficient of variation:	0.4	2.0
•Maximum:	55.0	350.0
•Duty free (per cent):	3.0	28.5
•International peaks (per cent):	27.5	7.2
•National peaks (per cent):	0.1	8.1



MFN applied tariffs for Non Agricultural products - Brazil and USA

	Brazil (2001)	USA (2001)
•Total number of tariff lines:	8458	8447
•Simple average:	14.9	3.8
•Coefficient of variation:	0.4	1.2
•Maximum:	35.0	109.7
•Duty free (per cent):	2.3	31.1
•International peaks (per cent):	50.0	4.1
•National peaks (per cent):	0.0	7.9



USA's Barrier to the Brazilian Products

- **Approximately 60% of Brazilian exports to the USA suffers from tariff barriers and non-tariff barriers in the American market.**
- **Among the restrictive measures adopted by the American government that will affect Brazilian exports in 2003 are the “Farm Bill”, “Trade Promotion Authority - TPA” and the recently approved “Bioterrorism Act.”**
- **In the industrial sector, the protection of inefficient sectors relied on the adoption of commercial defence mechanisms, such as safeguard measure in the steel sector.**

Tariff Barriers in the USA

- Tariff peaks remain for many Brazilian export products, such as:
- *SUGAR - US\$ 338.70 per ton extra quota*
- *TOBACCO - 350% extra quota*
- *ETHANOL - 2.5% plus US\$ 0.52 per gallon*
- *ORANGE JUICE - US\$ 0.785 per liter*
- *TEXTILE - 38% ad valorem plus US\$ 0.485 pr kilo*

While the average tariff applied by the USA on Brazil's 20 main export products reaches 39.1%, the average tariff applied by Brazil on the USA's 20 main export products represents only 12.9%.

Barrier to Brazilian products in the USA

SUGAR

- Preferential loans
 - Maintenance of high internal prices
- The quota for gross sugar was fixed at the minimum limit agreed in the Uruguay Round.
- Imports above the quota are subject to a higher tariff. (prohibited tariff)
 - Tariff quotas
 - Subsidies

Barrier to Brazilian products in the USA

SOYA BEANS

- **Production subsidy; pre-harvest preferential loan; complement to the price obtained by the producer**
- **“Emergency” payments due to low prices of the international market**
 - **Guarantee of minimum price**
 - **Agriculture Law of 2002 extended the subsidies**
- **Soya bean oil - a extremely high rate making imports to the US practically impossible**
 - **Exemption to third countries**



Barrier to Brazilian products in the USA

POULTRY

- Phytosanitary Barrier - certificate assuring that Brazil is free of the Newcastle disease
 - Subsidies

Barrier to Brazilian products in the USA

ORANGE JUICE

- Specific tariffs of US\$ 0.0785/L (equivalent *ad valorem*: 56%)
 - Antidumping
 - Equalisation duty in Florida

Barrier to Brazilian products in the USA

STEEL

- Brazil is one of the most affected countries of the commercial defence measures applied by the US.
 - Over rates vary from 6% to 142%
 - Antidumping measures
 - Countervailing measures
 - Comprehensive Safeguard measures

Barrier to Brazilian products in the USA

OTHER PRODUCTS

- *Cotton, Corn, Fruits and juice*
- *Shrimps*
- *Beef, Pork*
- *Tropical wood*
- *Tobacco*
- *Shoes*
- *Textiles*

Brazilian products subject to Antidumping Measures in the USA - in Dec/2002

- *Iron construction castings;*
Carbon steel butt-weld pipe fittings;
 - *Brass sheet & strips;*
- *Frozen concentrated orange juice;*
 - *Industrial nitrocellulose;*
 - *Silicon metal;*
- *Circular welded nonalloy steel pipe;*
 - *Carbon steel plate;*
 - *Stainless steel wire rods;*
 - *Silicomanganese;*
 - *Stainless steel bars;*
 - *Seamless pipe;*
- *Hot-rolled carbon steel flat products;*
 - *Carbon steel wire rods*

Brazilian products subject to Countervailing Measures in the USA -

- *Heavy iron construction castings;*
in Dec/2002
 - *Brass sheet & strips;*
 - *Carbon steel plate;*
 - *Carbon steel wire rods*