BRAZIL

TRADE SUMMARY

The U.S. goods trade surplus with Brazil was $7.6 billion in 2017, a 88.7 percent increase ($3.6 billion) over 2016. U.S. goods exports to Brazil were $37.1 billion, up 23.2 percent ($7.0 billion) from the previous year. Corresponding U.S. imports from Brazil were $29.4 billion, up 12.9 percent. Brazil was the United States' 10th largest goods export market in 2017.

U.S. exports of services to Brazil were an estimated $25.3 billion in 2017 and U.S. imports were $6.5 billion. Sales of services in Brazil by majority U.S.-owned affiliates were $42.2 billion in 2015 (latest data available), while sales of services in the United States by majority Brazil-owned firms were $1.8 billion.

U.S. foreign direct investment (FDI) in Brazil (stock) was $64.4 billion in 2016 (latest data available), a 11.9 percent increase from 2015. U.S. direct investment in Brazil is led by manufacturing, finance/insurance, and nonbank holding companies.

TECHNICAL BARRIERS TO TRADE / SANITARY AND PHYTOSANITARY BARRIERS

Technical Barriers to Trade

Telecommunications – Acceptance of Test Results

Pursuant to Resolution 323 of November 2002, the Brazilian National Telecommunications Agency (ANATEL) requires testing of telecommunication products and equipment by designated testing facilities in Brazil, rather than allowing testing by a facility certified by an independent certification body. The only exception is in cases where the equipment is too large or too costly to transport to the designated testing facilities. Because of these requirements, U.S. manufacturers and exporters must present virtually all of their information technology and telecommunication equipment for testing at laboratories located in Brazil before that equipment can be placed on the Brazilian market. This redundant testing increases costs for U.S. exporters and can delay the time to market for their products. At the end of November 2017, ANATEL issued a draft regulation for the Conformity Assessment and Approval of Telecommunications Equipment, which, if adopted, would replace existing regulations that govern the conformity assessment process for telecommunications equipment in Brazil (Resolution 242/2000 and 323/2002). The United States is monitoring developments and analyzing the potential effects of the proposed changes.

The United States has urged Brazil to implement the Inter-American Telecommunication Commission (CITEL) Mutual Recognition Agreement (MRA) with respect to the United States. Under the CITEL MRA, CITEL participants may agree to provide for the mutual recognition of conformity assessment bodies and mutual acceptance of the results of testing and equipment certification procedures undertaken by those bodies to determine whether telecommunication equipment meets the importing country’s technical regulations. The United States and Brazil are both participants in CITEL. If Brazil implemented the CITEL MRA with respect to the United States, it would benefit U.S. suppliers seeking to sell telecommunication equipment in the Brazilian market by accepting product testing and certification conducted in the United States to meet Brazil’s technical requirements.

Conformity Assessment Procedures for Toys

In December 2016, Brazil’s National Institute of Metrology, Quality, and Technology (INMETRO) issued a final measure providing for testing and conformity assessment requirements for toys (Ordinance

563/2016). The measure will enter into force on December 30, 2018. Since July 2014, INMETRO had been developing new testing requirements (Ordinances 310/2014; 489/2014; 428/2015; and 597/2015), which are intended to improve conformity assessment procedures and consolidate all toy-related certification requirements into a single measure. Under previous regulations, toy manufacturers were required to register manufacturing facilities; the new regulation goes further and requires the registration of each toy as part of a family of products. In addition, it appears that product labels have to bear a separate registration number for each product family, which must be obtained through a new "Object Registration" (Registro de Objeto) system prior to importation. The application of the new Object Registration system to toys is expected to increase the complexity of the existing certification system, create delays in importing toys, and increase costs for importers and Brazilian consumers. This system also requires U.S. exporters to submit commercially sensitive and confidential business information.

Quality Requirements for Wine and Derivatives of Grape and Wine

In May 2016, Brazil notified to the WTO Committee on Technical Barriers to Trade (TBT) a draft technical regulation to set the official identity and quality standards for wine and derivatives of grape and wine products. The U.S. Government and industry submitted comments on the draft regulation in July 2016. Previous drafts of this measure were notified to the TBT Committee in 2010 and 2015. U.S. industry remains concerned that Brazil's definition of wine coolers and wine cocktails is overly trade-restrictive and does not allow for the addition of colors, aromas, and flavors that are already permitted in spirits-based beverages. There are also concerns with the measure's analytical parameters for laboratory analysis that do not correlate with the safety and quality of the product. The United States seeks to clarify the varieties of grapes that are allowed to make fine wine, the types of sugars that may be added to wine for sweetening, and pesticides that are permitted in the production process. The United States has raised concerns with Brazil regarding the drafts of this measure at TBT Committee meetings and submitted detailed written comments as part of Brazil's 2017 WTO Trade Policy Review. We will continue to raise concerns and seek clarifications as Brazil works on this measure in 2018.

Sanitary and Phytosanitary Barriers

Pork

U.S. fresh, frozen, and further processed pork products are ineligible for import into Brazil. Brazil has indicated it will only authorize imports of U.S.-origin pork and pork products that have been tested and shown to be free of trichinae, or if mitigation measures are enforced in the production process. The United States does not consider these import requirements for trichinae to be scientifically justified, as U.S. pork producers maintain stringent biosecurity protocols that have virtually eradicated the incidence of trichinae in U.S. commercial herds. In August 2016, the U.S. Department of Agriculture proposed a U.S. export certificate for fresh pork and pork products to the Ministry of Agriculture, Livestock, and Food Supply (MAPA). The United States has raised this proposal in various engagements with Brazil, including in November 2017. We will continue to work with MAPA in 2018 to gain approval of the proposed export certificate.

IMPORT POLICIES

Tariffs

Brazil is a founding member of the Southern Common Market (MERCOSUR) customs union, formed in 1991 and comprised of Argentina, Brazil, Paraguay, and Uruguay. (Venezuela has been suspended from MERCOSUR since December 2016). MERCOSUR's Common External Tariff (CET) ranges from zero to 35 percent *ad valorem* and averages 11.5 percent. The CET allows for a limited number of exceptions, but