

## **Potential Market Opportunities in Brazil**

### **01. General Market Description**

The eighth largest economy in the world by GDP (PPP) with over USD 3.3 Trillion in 2018, Brazil has suffered severely from the economic recession during the period of 2014-2016. The economic activities have declined around 7% and the foreign trade by 8.5% causing an increase of unemployment and drastic fiscal crises. The Country slightly recovered from the recession in later 2017, where the GDP growth has risen over 1% after the implementation of structural reforms. The GDP growth in 2018 was 1.2% slightly higher than in 2017, was mainly driven by the health investment growth, backed by the low interest rates. In 2018, the economic growth was still affected by the weak labor market, investments deferred by uncertainties about the elections and the truckers' general strike. However, the government is predicted the GDP will be increased over 2% during 2019.

After the recession, economic reforms have been in the prominent issue as to how globalization and trade liberalization could affect economic growth, job creation as well as income generation. Even though Brazil is the 8<sup>th</sup> largest economy in the world, and the largest in Latin America, it is still a closed market when compared to other leading markets and heavily depend on its largest domestic market (*larger economies are normally depend more on their domestic markets but the expectation level is much lower in Brazil*). The Trade penetration (share of exports and imports in GDP) in Brazil is extremely low around 25% of the GDP and the lowest among BRICS members.

On the investment side, Brazil is promoting particularly on investments in transport, infrastructure, energy, aeronautics and other technology-intensive sectors as well as education and research sectors. In this context, ITC continues to thrive through the country's leading Trade Support Institutions and aims to work both at the national and state levels, giving more priority to the SME integration in to regional and global value chains.

The new president, Jair Bolsonaro has taken office in January 2019; the country is looking forward for positive government regulations and business friendly engagements, projects and policies. The domestic market is closely eyeing on the implementation of measures to balance Brazil's fiscal accounts specially the pension reforms (Brazil spends nearly 9% of its GDP on pensions). However, investors have been positive towards the end of 2018, both business confidence and foreign direct investment inflows are increased.

## **02. International Trade**

The Brazil's total export value in 2018 was USD 239 Bn which is a 10% increase when comparing with the exports value in 2017. (USD 239.89 Bn -2018, USD 217.74Bn - 2017). The total imports from the world by Brazil were USD 181.23 Bn in 2018 registered as a 20% increase when comparing with 2017. (USD 181.2 Bn -2018, USD 150.7- Bn 2017)

The major export partners include China (21.8%), USA (12.5%), Argentina (8.1%), Netherlands (4.2%), Japan ( 2.4%) and Chile (2.3%). Brazil exports nearly 2.1% from its total exports to India and registered nearly 4% annual export increase during 2013-2017. The total exports from Brazil to world have been increased by 10% during 2018 and 2017. The main exports from Brazil to world at 6 digit level are Soy beans (HS 120190- 13.83%), Petroleum oil (HS 270900-10.48%) , Non- agglomerated iron ores (HS 260111- 6.97%), Chemical wood pulp (HS 470329- 3.27%) , oil cake and other oil residues (HS 230400- 2.79%), Cane sugar (HS 170114- 2.25%), frozen boneless meat of bovine animals (HS 020230- 1.89%) , coffee (HS 090111- 1.82%) and maize (HS 100590- 1.68%)

The major import destinations are represented by China (18.1%), USA (16.7%), Argentina (6.3%), Germany (6.1%), and South Korea (3.5%). The annual imports have been increased by 20% during 2017 and 2018. Most notably Brazil's imports from Asian region has been increased including India by 24%, Vietnam 6%, Thailand 5%, Pakistan 22%, Bangladesh 35% Sri Lanka 3%. The main imports to Brazil from the world at 6 digit level are Medium oil and preparations of petroleum or bituminous minerals (HS 271019 - 4.19% ), Light oils and preparations of petroleum .. (HS 271012 - 2.92% ), Light vessels, fire floats, floating cranes and other vessels (HS 890590 - 2.9%), Petroleum oil and oil obtained from bituminous minerals (HS 270900 - 2.78%), floating or submersible drilling or production platforms (HS 890520 - 2.42%), Potassium Chloride for use of fertilizer (HS 310420 - 1.71%), Bituminous coal, whether or not pulverized (HS 270112 - 1.57% ), Motor vehicles for the transport of goods (HS 870421 - 1.44% )

## **03. Trade in Service, Brazil**

Based on the statistics received from the Ministry of Economic in Brazil, the total value of Service exports to world by Brazil in 2017 is USD 29.8 Bn. The management and management consulting services, professional services, technical services, auxiliary financial services and commercial service are the highest contributors for service exports. In 2017, total services imported by Brazil are USD 42.9 Bn which is a

1.6% decrease when compared with 2016. The top service imports include, Operating lease contracts (mainly for oil and gas industry) - 37.3% (from the total service imports), Shipping transportation (9.5%), copy rights and IP (8.7%), financial services (4.4%), advertising (4.3%), telecommunication & IT (6.49%). The key service importers to Brazil are USA, Netherlands, UK, Germany and Switzerland.

Ministry of Economy in Brazil working together with respective authorities in USA (services), & China (goods & services), UK (services), Argentina (services), & Canada (services), to facilitate and promote bilateral cooperation in service sectors between above countries. Further, Brazil has Bilateral arrangements for professional services with Portugal (architects, urban planners and engineers), and with France (architects and urban planners).

Most of the IT providing companies and related services are located in Sao Paulo, Rio de Janeiro, Curitiba, Belo Horizonte, Porto Alegre, and the capital Brasilia. The key advantage for Brazil as an IT destination with the EU and USA is that shared economic and cultural similarities influenced by Western Europe and America.

#### **04. Brazil's Trade with Sri Lanka**

The total trade between Brazil and Sri Lanka in 2018 is USD 78.4 Mn is a decline of 36% when comparing with 2017 mainly due to the 70% decrease of Brazil's export to Sri Lanka.

The total trade figures are mentioned below.

#### **Sri Lanka's Imports, Exports and Balance of Trade with Brazil**

*Value in US\$ Million*

<b>Year</b>	<b>Imports</b>	<b>Exports</b>	<b>Total Trade</b>	<b>Balance of Trade</b>
2004	20.16	7.99	28.15	- 12.16
2005	13.12	1 3.18	26.30	0.06
2006	31.68	12.26	43.94	- 19.42
2007	5.92	17.76	23.68	11.84
2008	12.09	22.51	34.60	10.42
2009	48.88	16.03	64.91	-32.85
2010	57.75	22.95	80.70	-34.81
2011	47.02	31.49	78.51	-15.53
2012	103.11	37.76	140.87	-65.35
2013	127.68	62.96	190.64	-64.73
2014	128.34	54.75	183.09	-73.59
2015	127.24	44.22	171.46	-83.02
2016	193.16	44.15	237.31	-149.01
2017	125.2	53.53	178.78	-71.67
2018	20.045	58.35	78.395	38.305

**Sri Lanka's Major Export Products to Brazil: 2014-2018**

*Value in US\$ million*

<b>HSCO</b>	<b>Description</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
61 & 62	Apparel	17.66	16.64	17.99	19.52	23.915
4015	Gloves, mittens & mitts	15.18	14.12	13.361	15.447	13.677
4011	New pneumatic rubber tyres	5.084	6.704	4.253	5.401	5.629
4012	Retreated or used pneumatic rubber tyres	4.191	3.144	2.9	3.671	3.402
5510	Man-made staple fibres, yarn	4.094	4.151	1.852	2.203	1.925
4001	Natural rubber	0.267	0.325	0.366	1.929	1.515
8504	Electrical transformers	0.065	0.198	0.658	0.697	1.195
0801	Desiccated Coconuts	3.404	.054	.641	.577	1.142
90	Optical photographic, cinematographic	5.12	0.8	0.61	0.78	0.759
4013	Inner tubes, of rubber	0.176	0.445	0.13	0.15	0.588
'4016	Articles of vulcanised rubber (excluding hard rubber)	0.415	0.246	0.248	0.424	0.507
'9506	Toys, games & sports requisites	0.057	0.068	0.055	0.056	0.498
84	Machinery & Machinery appliances	0.749	0.052	0.082	0.188	0.384
'1513	Coconut "copra", Coconut Oil	0	0	0.465	0.643	0.386
'8544	Insulated "incl. enamelled or anodised" wire, cable "incl. coaxial cable"	0.007	0.166	0.132	0.105	0.346
8542	Electronic integrated circuits; parts	0	0	0.176	0.194	0.288
3301	Essential oils	0.196	0.174	0.352	0.291	0.258
5810	Embroidery on a textile fabric ground, in the piece, in strips	0	0.219	0.314	0.435	0.21
0902	Tea	0.052	0.057	0.019	0.064	0.154
3802	Activated carbon	0.914	0.323	0.316	0.341	0.101
6911	Porcelain ware	0.163	0.223	0.153	0	0.081
	Other	7.244	3.886	3.852	3.541	1.39
	<b>Total Exports</b>	<b>65.038</b>	<b>51.995</b>	<b>48.925</b>	<b>56.657</b>	<b>58.350</b>

**Sri Lanka's Major import Products from Brazil: 2014-2018**

*Value in US\$ million*

<b>HSCO</b>	<b>Description</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
5209	Woven Fabric of Cotton	0.319	4.687	3.89	1.973	4.959
4002	Synthetic Rubber	1.66	2.093	4.582	8.291	3.322
3503	Gelatin	1.521	1.522	2.292	2.207	2.033
4804	Uncoated kraft paper and paperboard, in rolls of a width > 36 cm	0.68	0.403	1.932	2.666	1.79
2401	Unmanufactured tobacco; tobacco refuse	0.102	0.426	1.424	0.59	1.425
2524	Asbestos	1.404	1.552	0.279	1.592	0.677
5211	Woven fabrics of cotton	0.032	1.218	3.283	1.072	0.544
0713	Dried leguminous vegetables, shelled, whether or not skinned or split	0.149	1.381	0.065	0.061	0.498
4114	Chamois leather	1.365	0.858	0.473	1.09	0.464
4107	Leather further prepared after tanning or crusting "incl. parchment-dressed leather", of bovine ...	0.438	0.393	0.301	0.498	0.425
0904	Pepper of the genus Piper; dried or crushed or ground fruits of the genus Capsicum or of the ...	0	0	0	0	0.313
2102	Yeasts, active or inactive	0	0	0.039	0.183	0.259
7201	Pig iron and spiegeleisen, in pigs, blocks or other primary forms	0	0.203	0	0.328	0.246
2309	Preparations of a kind used in animal feeding	0.029	0.091	0.17	0.29	0.161
8429	Self-propelled bulldozers, angledozers, graders, levellers, scrapers, mechanical shovels, excavators, ...	0.	0	0	0	0.154
3808	Insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant-growth ...	0	0.217	0.145	0.144	0.144

8452	Sewing machines furniture, bases and covers ...	0.077	0.078	0.055	0.206	0.128
4017	Hard rubber	0	0	0	0	0.122
2710	Petroleum oils and oils obtained from bituminous minerals	0.029	0.027	0.022	0.013	0.112
6402	Footwear with outer soles and uppers of rubber or plastics	0.028	0.228	0.293	0.09	0.103
4011	New pneumatic tyres, of rubber	0.08	0.211	0.253	0.148	0.095
1701	Cane or beet sugar and chemically pure sucrose, in solid form	88.939	92.788	135.447	0.368	0
	Others	12.093	8.392	5.887	44.402	2.071
	Total Imports	108.945	116.768	160.832	66.212	20.045

Pl refer attached annexure on trade data on chapter 9, 40 and 61/62.

### 05. Potential products for Sri Lanka

HS Code	Description	SL Exports to World (USD Mn)	SL Exports to Brazil (USD Mn)	Brazil's Total Imports from world USD Mn	Main Exporters
<b>08</b>	<b>Edible Fruits &amp; Nuts</b>				
080111	Desiccated coconut	88.802	0.710	26.205	Indonesia, Philippines, Vietnam
080131	Cashew Nuts	0.006	00	8.823	Côte d'Ivoire, China, UK
<b>09</b>	<b>Coffee, Tea, Mate &amp; Spices</b>				
090210	Green Tea in immediate packing <=3kg	44.835	0.023	0.845	Spain, China, Japan
090220	Green Tea in >3kg	5.507	0.055	0.774	China, Germany, Argentina
090230	Black Tea immediate packing <=3kg	647.45	0.076	0.815	China, Spain, Canada
090240	Black Tea >3kg	815.416	0	0.494	USA, Argentina, China
0906	Cinnamon not crushed or ground	202.515	0	10.190	Indonesia, Vietnam, China

0908	Nutmeg, mace and cardamoms	20.132	0	1.211	Indonesia, India, Guatemala
<b>15</b>	<b>Animal or Vegetable Fats or Oils</b>				
151311	Crude Coconut Oil	83.192	0.228	3.511	Philippines, Sri Lanka, India
151319	Coconut Oil & its Fractions	11.305	0.158	7.431	Uruguay, Malaysia, Philippines
<b>16</b>	<b>Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates</b>				
160414	Prepared or preserved tunas ( <i>New</i> )	0.006	0	23.62	Ecuador, Thailand, China
<b>23</b>	<b>Residues and waste from the food industries; prepared animal fodder</b>				
230990	Preparations used in animal feeding	60.801	0	264.587	China, USA, Netherlands
<b>38</b>	<b>Miscellaneous chemical products</b>				
380210	Activated carbon	82.342	0.101	16.454	USA, China, India
<b>40</b>	<b>Rubber and articles thereof</b>				
400129	Natural rubber in primary forms/flat shapes	23.358	0.318	44.439	Indonesia, Thailand, Vietnam

401519	Gloves of vulcanized rubber	137.918	13.326	185.305	Malaysia, Thailand, Sri Lanka
401511	Surgical gloves, of vulcanised rubber	60.074	0.351	9.514	Malaysia, China, Sri Lanka
401290	Solid Cushion Tyres	329.074	3.402	7.276	Sri Lanka, China, Malaysia
401150	Rubber pneumatic tyres for bicycles New	23.229	3.727	26.835	China, Indonesia, Sri Lanka
401180	New pneumatic tyres	68.696	1.712	141.176	USA, Japan, Spain
401190	New pneumatic tyres, of rubber	61.033	0	53.444	China, USA, Argentina
401699	Vulcanised rubber, articles	77.155	0.026	225.173	China, USA, S.Korea
<b>55</b>	<b>Man-made staple fibres</b>				
551011	Single Yarn	16.607	1.925	184.025	China, Indonesia, Turkey
<b>61</b>	<b>Articles of apparel and clothing accessories, knitted or crocheted</b>				
610990	T-shirts & vests knitted	292.192	3.039	57.599	China, Thailand, Indonesia
610510	Men's shirts of cotton, knit/crochet	77.438	0.288	42.503	Peru, Bangladesh,

					China
610822	Women's briefs & panties of man-made fibres, knit/crochet	172.607	0.997	19.723	China, Sri Lanka, Hong Kong
6104	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers	495.913	1.184	78.704	China, Vietnam, Turkey
611610	Gloves with plastics/rubber, knit/crochet	276.364	4.283	31.074	China, Sri Lanka, Pakistan
611120	Babies' garments & accessories of cotton, knit/crochet	176.730	0.139	20.792	China, Thailand, Bangladesh
610910	T-shirts & vests of cotton, knit/crochet	144.792	0.661	101.220	China, Peru, Bangladesh
6112	Track-suits, ski-suits and swimwear, knitted or crocheted	118.647	0.192	23.145	China, Bangladesh, Vietnam
<b>62</b>	<b>Articles of apparel and clothing accessories, not knitted or crocheted</b>				
620520	Men's shirt of cotton	216.049	0.207	96.188	China, Bangladesh, India
620342	Men's trousers & shorts of cotton	232.600	0.295	69.943	Bangladesh, China, Paraguay
621210	Brassieres	589.274	1.649	20.102	China, Sri Lanka,

					Thailand
620462	Women's trousers & shorts of cotton	115.000	1.916	53.084	China, Bangladesh, Paraguay
620640	Women's blouses & shirts of man-made fibres	70.935	1.117	75.032	China, India, Vietnam
620630	Women's blouses & shirts of cotton	60.760	0.176	18.148	China, India, Bangladesh
620343	Men's trousers & shorts of synthetic fibres	38.875	0.386	52.230	China, Vietnam, Bangladesh
620443	Women's dresses of synthetic fibres	56.696	0	23.578	China, India, Morocco
<b>64</b>	<b>Footwear, gaiters and the like; parts of such articles</b>				
6402	Footwear with outer soles and uppers of rubber or plastics	7.327	0	54.989	Vietnam, Indonesia, China
6406	Parts of footwear	75.562	0	47.802	China, Vietnam, Paraguay
<b>84</b>	<b>Machinery, mechanical appliances, nuclear reactors, boilers; parts</b>				
843120	Parts of fork-lift trucks	54.777	0.006	37.257	Germany, China, USA
841191	Parts of turbojets or turbo propellers	16.684	0	459.113	USA, Germany, Canada

847150	Processing units for automatic data-processing machines,	8.332	0	313.546	USA, Mexico, China
<b>85</b>	<b>Electrical machinery and equipment and parts</b>				
853710	Boards for electric control	25.864	0.001	419.398	France, China, Germany
850431	Transformers, power handling capacity <= 1 kVA	27.392	0	69.284	China, S. Korea, USA
850440	Static converters	3.452	0	508.192	China, Germany, Austria

## **06. Duties and Tariffs**

Brazil's tax system is overly complex, including over 80 different taxes implemented by the federal, state and municipal level. It contributes to collect nearly 32% of GDP as tax revenue. The Federal taxes in Brazil include mainly, income taxes on individuals and legal persons/firms, Social contribution on net income, tax on credit, exchange and insurance transactions, rural territorial tax, import taxes, VAT and a variety of indirect taxes.

In 2017, duties and other taxes on foreign trade transactions accounted for less than 15% of federal tax revenue, the largest contributions being attributable to COFINS & import duties. The maximum duty rate is 55% and simple average tariff across all products is 13.41%. The total duty free imports in 2017 were USD 39.7 Bn and duty free tariff line share is 17.72%.

Some of the taxes applicable for import Goods are listed below.

### **5.1 Import Duty (II)**

Import duty is a federal product-specific tax levied on a CIF (Cost, Insurance, and Freight) basis. It is payable upon customs clearance of foreign goods, at the moment the import declaration (Declaração de Importação - DI) is registered. Rates usually applied on ad valorem basis and comprise 19 tariff rate bands (2017) with rates ranging from 0% - 55%. Brazil's bound tariff rates for Agricultural products are between 0% -55% and for non-agricultural products are between 0%- 35%.

### **5.2 Tax on Industrialized Products (IPI)**

The IPI is a federal tax levied on domestically produced and imported manufactured goods, following the value-added principle. For domestically produced goods, the tax is levied on the ex-factory value of a product when its release from the manufacturing facility. The IPI levied on imports is based on the CIF value plus the import duty and other applicable fees and foreign exchange charges.

Most IPI rates are in the zero to 20% range, but may be higher for some products, including perfumes, alcoholic beverages and cigarettes. In principle, the same rates apply on domestically produced and imported goods.

### **5.3 Tax on the Distribution of Goods and Services (ICMS)**

The ICMS is a state government value-added tax applicable to both imports and domestic products. The ICMS tax on imports is assessed ad valorem on the CIF value, plus import duty, plus IPI. Although importers have to pay the ICMS to clear the imported product

through Customs, the tax is included to the final price of the product and is paid by the end user.

The ICMS tax is levied on both intrastate and interstate transactions and is assessed on every transfer or movement of merchandise. The rate varies among states: in the State of São Paulo, the rate is 18%.

#### 5.4 PIS (contributions to the social integration programme ) and COFINS (finance social security)

The PIS and COFINS are federal social contributions to fund the social security, and such contributions are levied on the Import of foreign product. These taxes are levied on a value-added basis, at a combined rate of gross revenue, for companies paying corporate income tax under the actual profit method.

Merchandise imports are taxed on their CIF value. Higher rates apply to imports of soft drinks and beer, machinery, motor vehicles and their parts, rubber tyres and air chambers, pharmaceuticals, and cosmetic products. In addition, non-ad valorem rates are levied on the importation of soft drink and beer containers, and fuels. Provisions for zero-rating or exemption are in place for a wide range of goods.

#### 5.5 Freight Surcharge for Renewal of the Brazilian Merchant Marine (Adicional ao Frete para Renovação da Marinha Mercante - AFRMM)

AFRMM is a fee to support the development of merchant marine and shipping construction. AFRMM is charged at a general rate of 25% over the international maritime freight and at 10% over the costal navigation freight.

# Simulador do Tratamento Tributário e Administrativo das Importações

## ■ Dados da Simulação

<b>Código NCM</b>	6101.20.00		
<b>Descrição NCM</b>	- DE ALGODÃO		
<b>Taxa de Câmbio do Dia 27/3/2019</b>	R\$ 3,8770		
<b>Valor Aduaneiro Convertido</b>	R\$193,85		
<b>Alíquota II (%)</b>	<input type="text" value="35,00"/>	<b>Tributo II</b>	R\$ 67,85
<b>Alíquota IPI (%)</b>	<input type="text" value="0,00"/>	<b>Tributo IPI</b>	R\$ 0,00
<b>Alíquota PIS (%)</b>	<input type="text" value="2,10"/>	<b>Tributo PIS</b>	R\$ 4,07
<b>Alíquota COFINS (%)</b>	<input type="text" value="10,65"/>	<b>Tributo COFINS</b>	R\$ 20,65

**As alíquotas podem ser preenchidas manualmente e os tributos recalculados**

## ■ CIDE, Antidumping e Medidas Compensatórias

Não há incidência de Antidumping

In the Ministry of Economics in Brazil's website, the applicable duty rate can be calculated based on their NCM (Common MERCOSUR Nomenclature, which is currently based on the 2017 version of the Harmonized System) and the shipment's value.

EX: Product under NCM 6101.20.00

Description of product: Men's or boys overcoats

Applicable exchange rate (as of 27.03.2019): Brazilian Real (BR\$) 3.8770

Shipment value: (USD 50 x 3.877) = BR\$ 193.85

Applicable duty rates i.e import duty – BR\$ 67.85 + PIS - BR\$ 4.07 + COFINS - BR\$ 20.65

## **6. Import procedures**

Brazil's single window programme (Programa Portal Único de Comércio Exterior) was introduced in 2014, and import and export procedures were administrated and operated through Integrated Foreign Trade System (SISCOMEX). This facilitates all importers, exporters and stakeholders involved in trading goods and should declare commercial imports in the SISCOMEX. All services and intangible transactions between a Brazilian and a foreign resident must also be registered in the Integrated System of Trade in Foreign Services, (SISCOSERV).

When importers complete their first transaction through SISCOMEX, they automatically registered with the Registry of Exporters and Importers (REI) under Secretariat of Foreign trade in the Ministry of Economics.

Some of the Brazilian Federal Agencies involve in Import procedures,

- Ministry of Economics,
- Central Bank of Brazil (Banco Central do Brasil – Bacen)
- Department of Federal Revenue of Brazil (Secretaria da Receita Federal - RFB)
- Brazilian Health Surveillance Agency (Agência Nacional de Vigilância Sanitária – ANVISA)
- Ministry of Agriculture, Livestock and Supply (Ministério da Agricultura, Pecuária e Abastecimento - MAPA)
- Federal Police Department (Departamento de Polícia Federal – PF)

## 7. Free and Preferential Trade Agreements

Brazil is part of two major regional trade agreements with the Latin American Integration Association (LAIA) and Southern Common Market (MERCOSUR) and is in the process of negotiating Bi-Regional Association Agreement with the EU. Currently two parties have Inter- Regional Framework Cooperation Agreement which entered in to force in 1999. The negotiations were paused in 2012, and restarted in 2016. The current negotiations covers, tariff, ROO, TBT, SPS, services, Government Procurement, IP, sustainable development and SMEs.

Summary of Brazil's Trade agreement is mentioned below.

Name of the Trade Agreement	Member countries	Type of the Agreement / Entry in to force	Coverage	Share of the total trade	Major product sectors trading with Brazil
Latin American Integration Association (LAIA)	Argentina, Bolivia, Brazil, Chile, Columbia, Cuba, Ecuador, Mexico, Panama, Paraguay, Peru, Uruguay, Venezuela.	Partial Scope Agreement (PSA) / 18.03.1981	Goods	35%	Vehicles, Copper, Machinery, Mineral Fuels, Iron & Steel, Plastics, Cereals, Organic Chemicals, Meat
Southern Common Market (MERCOSUR)	Argentina, Brazil, Paraguay, Uruguay, Bolivia (in the process of accession)	Customs union and economic integration agreement / 29.11.1991 (G) / 07.12.2005 (S)	Goods & Services	19%	Vehicles, Copper, Machinery, Mineral Fuels, Iron & Steel, Plastics, Cereals, Organic Chemicals, Meat, Rubber, Dairy products
Global System of Trade Preferences	42 member countries including Sri Lanka,	(PSA) 18.04.1989	Goods only	Not available	Not Available

(GSTP)	Bangladesh, India etc.				
Mercosur – India	MERCOSUR members + India	(PSA) 01.06.2009	Goods only	4.1% **	Organic Chemicals, pharmaceuticals, textile materials, machinery, sugar, pearl, iron & steel
Mercosur – Israel	MERCOSUR members + Israel	FTA 03.04.2010	Goods	0.8% **	Meat, oil seeds, vegetables, wood machinery, fertilizers, organic chemicals, plastics
Mercosur – Chile	MERCOSUR members + Chile	(PSA) 01.12. 1996	Goods	4.6%**	Mineral Fuel, Meat, machinery, vehicles, Copper, fish, ores, organic chemicals, fruits
Mercosur –Bolivia	MERCOSUR members + Bolivia	(PSA) 28.02.1997	Goods	1.6%**	Machinery, iron & Steel , vehicles, plastics Mineral Fuel, fertilizer, oil seeds, salt, vegetables,
Mercosur – Mexico	MERCOSUR members + Mexico	(PSA) 01.01.2003	Automotive products	4.9%**	Machinery, Vehicles, Iron & Steel, Wood, Meat, Rubber, Plastic, organic chemicals
Mercosur – Peru	MERCOSUR members + Peru	(PSA) 02.01.2006	Goods	2.1%**	Iron & Steel , vehicles, plastics, machinery, Ore, Mineral fuels, copper, inorganic chemicals,
Mercosur – Colombia, Ecuador and Venezuela	MERCOSUR members + Colombia, Ecuador, & Venezuela	(PSA) 02.01.2006	Goods	3.2%**	Vehicles, machinery, plastics, iron & steel, Rubber, cereal , sugar, salt, fertilizers, chemicals

Mercosur – Cuba	MERCOSUR members + Cuba	(PSA) 02.07.2007	Goods	0.15%**	Iron & Steel, Pharmaceuticals, Tobacco, meat, cereals machineries, coffee
Brazil – Guyana	Brazil & Guyana	(PSA) 31.05.2004	Goods	0.016%	Machineries, vehicles, ceramics, vegetable fat, ores, cereals, malt
Brazil – Suriname	Brazil & Suriname	(PSA) 26.07.2006	Goods	0.014%	Machinery, meat, ceramic, footwear, cereals, vehicles, boats
Brazil – Mexico	Brazil & Mexico	(PSA) 02.05.2003	Goods	4.9%	Vehicles, machinery, iron & steel, wood, meat, organic chemicals
Brazil – Guyana/San Kitts and Nevis	Brazil & Guyana/San Kitts and Nevis	(PSA) 05.07.2012	Goods	0.017%	Machineries, vehicles, ceramics, vegetable fat, ores, cereals, malt, wooden products
Brazil – Bolivarian Republic of Venezuela	Brazil & Venezuela	(PSA) 14.10.2014	Goods	0.5%	Vehicles, machinery, plastics, iron & steel, Rubber, cereal , sugar, salt, fertilizers, chemicals
Mercosur – Southern African Customs Union (SACU)	Mercosur & Botswana, Lesotho, Namibia, Swaziland, South Africa	(PSA) 01.04.2016	Goods	1%**	Meat, vehicles, machinery, mineral fuels, paper, iron & steel, pearls, aluminum, organic chemicals
Mercosur – Egypt	Mercosur & Egypt	(PSA) <i>Signed &amp; Pending into Force</i>	Goods	1.14%**	Fertilizers, prepared fruits & vegetables, cotton, mineral fuels, meat, cereal, sugar
Mercosur – Palestine	Mercosur & Palestine	(PSA) <i>Signed &amp; Pending into Force</i>	Goods	0.0%**	Live animals, meat, fish, dairy products, live trees, vegetables

Agreement on Economic and Trade Expansion between Brazil and Peru	Brazil & Peru	(PSA) <i>Signed &amp; Pending into Force</i>	Investment, services, & government procurement	Not Available	-
Additional Protocol to Mercosur-Colombia on Trade in Services	Mercosur & Colombia	(PSA) <i>Under negotiation</i>	Services	Not Available	-

\*\* - Brazil's total trade with the partner country/ies as a% of Brazil's total trade with the world (Ex. with India, Israel ...)

## **8. NTM/NTBs**

Based on the World Bank data, Brazil's imports are subject to coverage ratio of 86% for non-tariff measures. Mostly imposed NTMs are relating to requirements of certifications, labeling, authorization, licensing, TBT, product quality, import monitoring and surveillance.

For textiles and clothing, the NTM coverage ratio is 93% and mostly imposed measures are labeling and certification requirements. For some products there are special authorization requirements, inspection requirements, product quality or performance requirements are in force.

For rubber related products, number of NTM includes, labeling requirements, Product registration requirement, Certification requirement, Processing history, Conformity assessment related to SPS, Prohibition for TBT reasons, Authorization requirement for TBT reasons, Restricted use of certain substances, Production or Post-Production requirements, TBT regulations on production processes, Product identity requirement, Product quality or performance requirement, Product registration requirement, Testing requirement, Pre-shipment inspection and other formalities, Import monitoring and surveillance requirements and other automatic licensing measures, Price control measures etc.

## **9. Recommended approach and strategy to increase exports**

According to various measures of trade openness, Brazil is still a much closed country with high import duties and regulations to secure domestic industries. The lack of engagement in the international value chain is also a result from this domestic protection.

However, most of the Asian countries are well played in the Brazilian market, including China 23.4% (total trade between Brazil & China in 2018 as a % of Brazil's total trade with the world), Bangladesh 0.33%, India 1.8%, Vietnam 1.01%, Malaysia 0.84%, Indonesia 0.67%, whereas Sri Lanka's total trade with Brazil represents only 0.02%. The tariffs and other charges are same for our competitive countries (apart from India for few product lines) and apply common market conditions. However, these countries continuously participate at the leading trade fairs, Exhibitions and entrenched their visibility among the trade.

As indicated above, Sri Lanka has very good market opportunity for Garments, Rubber products, Tea & Spices, Coconut Products, Footwear and Machineries. It is recommended for Sri Lanka to undertake continuous efforts to be visible in the Brazil market via trade exhibitions, fairs, business delegations, single business visits, etc.

Sources: Ministry of Economics, Brazil, Secretariat of Foreign Trade in Brazil, Ministry of Agriculture, Livestock and Supply in Brazil, Department of Federal Revenue of Brazil, International Trade Commission (ITC), World Bank (IBRD, IDA, WITS), WTO