



International Agenda of Industry 2018



*National Confederation of Industry
Brazil*

CNI. THE STRENGTH OF THE BRAZILIAN INDUSTRY



International Agenda of Industry 2018

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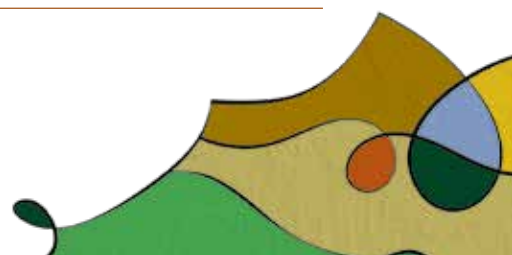
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List of Acronyms

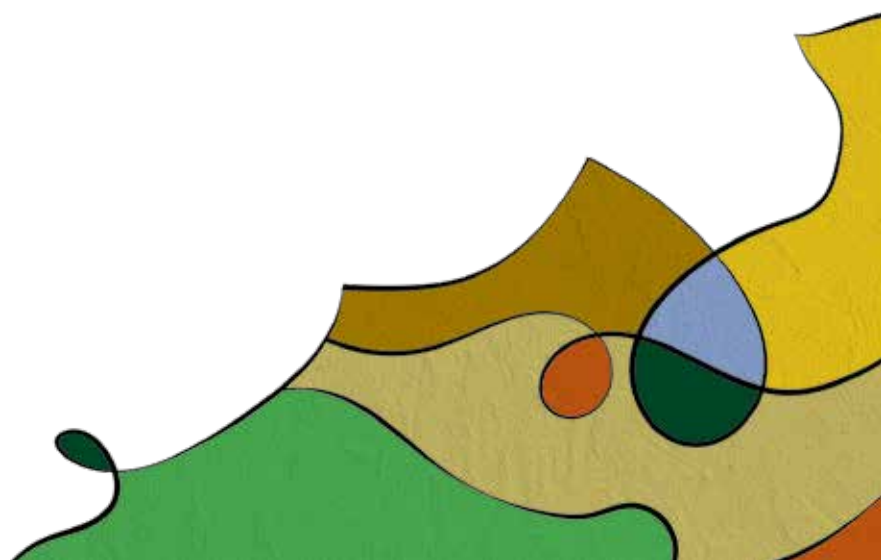
ABGF	Brazilian Guarantees and Fund Managements Agency
AEC	Advance on Exchange Contract
ACE	Advances on Foreign Currency Receivables
DTAs	Agreements to Prevent the Double Taxation
Aladi	Latin American Integration Association
Anac	National Civil Aviation Agency
Antaq	National Water Transportation Agency
Anvisa	National Health Surveillance Agency
Asean	Association of Southeast Asian Nations
B2B	Business to Business
BB	Bank of Brazil
BNDES	National Economic and Social Development Bank
BRICS	Brazil, Russia, India, China and South Africa
BRICSBC	BRICS Business Council
BUSBC	Brazil-United States Business Council
Camex	Foreign Trade Chamber
CCE-Brazil-Japan	Economic Cooperation Committee Brazil-Japan
CEB	Brazilian Enterprise Coalition
CEMBRAR	Brazil-Argentina Business Council
CIFAs	Cooperation and Investment Facilitation Agreements
CNI	National Confederation of Industry
Cofig	Financing and Export Guarantee Committee
Confac	National Trade Facilitation Committee
Confaz	National Financial Policy Council
Coninv	National Investments Committee
Copcom	Trade Promotion Committee
Decom	Trade Defense Department
DCO	Digital Certificates of Origin
DU-E	Single Export Declaration
EaD	Distance Education
EEN	<i>Enterprise Europe Network</i>
EFTA	European Free Trade Association
EPZs	Export Processing Zones
EU	European Union
FCE	Export Competitiveness Forum
FDIs	Foreign Direct Investments
FET	Brazilian Transnational Companies Forum
FGE	Export Guarantee Fund
FGTS	Guarantee Fund for Length of Service (Workers' Guarantee Fund)
FGV	Getúlio Vargas Foundation
GSP	Generalized System of Preferences
GTBFAC	Barriers and Trade Facilitation Work Group
GTDC	Trade Defense Technical Group
GTIP	Technical Group on Public Interest Evaluation



GCC	Gulf Cooperation Council
ICMS	Tax on the Circulation of Goods and Services
ICTs	Information and Communication Technologies
IMF	International Monetary Fund
Inmetro	National Institute of Metrology, Quality and Technology
MAPA	Ministry of Agriculture, Livestock and Food Supply
MDIC	Ministry of the Industry, Foreign Trade and Services
Mercosur	Southern Common Market
MRA	Mutual Recognition Agreements
MSEs	Micro and Small Enterprises
Nafta	North America Free Trade Agreement
OECD	Organization for Economic Cooperation and Development
AEO	Authorized Economic Operator
WTO	World Trade Organization
STCs	Specific Trade Concerns
IFCP	Cooperation and Investment Facilitation Protocol
GDP	Gross Domestic Product
PNCE	National Exporting Culture Plan
PPHs	Patent Prosecution Highways
Proex	Export Financing Program
ProSur	Argentina, Chile, Colombia, Ecuador, Paraguay, Peru and Uruguay
Recof	Special Computer-Based Industrial Warehouse System
Recof-Sped	Special Computer-Based Industrial Warehouse System of the Public Digital Bookkeeping System
Rede CIN	Brazilian Network of International Business Centers
Reintegra	Special Regimen of Tax Value Reintegration for Exporting Companies
RFB	Brazilian Federal Revenue Service
Sebrae	Brazilian Micro and Small Enterprises' Support Service
SEM Barreiras	Barrier Monitoring Electronic System
SENAI	National Service for Industrial Training
SICA	Central American Integration System
SPS	Sanitary and Phytosanitary Measures
TBT	Technical Barriers to Trade
LTIR	Long Term Interest Rate
LTR	Long Term Rate
TPP	Transpacific Partnership
TFA	Trade Facilitation Agreement
TRFs	Regional Federal Courts
TTIP	Transatlantic Trade and Investment Partnership
UNCTAD	United Nations Conference on Trade and Development

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Message from the President





The challenge of increasing competitiveness and productivity of our economy includes, necessarily, a greater and a better international insertion of our industry. A more active and integrated country in value chains increases scale, stimulates technological innovation and creates better jobs.

Brazilian exports are growing and have been fundamental for the industry to overcome the most severe recession phase. However, the foreign trade cannot be seen as an escape valve for crisis periods. The country needs a permanent and consistent strategy to support its integration to the global economy. After all, we are the world's 8th largest economy, but only the 30th largest exporter of manufactured products.

In order to support government and companies in this process, the National Confederation of Industry (CNI) publishes the 3rd edition of the International Agenda of Industry. The document was constructed based on consultations with the industrial sector, dialogue with Federation of Industries, sectorial associations and unions and companies of all sizes.

The 2018 Agenda presents 98 actions divided in two pillars: influence on Brazilian trade policy - from trade agreements to the improvement of the foreign trade logistics - and services in support to the internationalization of companies, such as capacity building and business promotion.

CNI expects the Agenda to remain as the reference document for the debate between the public and private sectors for the country's international integration. A strong engagement on foreign trade will be one of the fastest and most efficient means for Brazil to recover the path of development. There is a lot of work to be done and no time to lose.

Robson Braga de Andrade

President of CNI

1 Introduction



The International Agenda of Industry presents CNI's priorities of action for the international insertion of Brazilian companies. The 2018 document, its third edition, congregates the vision of enterprise entities and industrial sector companies, being composed by initiatives in two great pillars:

1. Actions to influence trade policy.
2. Services in support to the internationalization of companies.

The initiatives developed, in the scope of these two pillars, are not standalone, having an important degree of complementarity. The division adopted aims at facilitating the understanding of the *stakeholders* of the actions nature developed in each one of them: formulation and policy advocacy, in the first case, and provision of services, in the second one.

The Agenda is organized in seven sections. The second section presents its construction process and the consultation mechanisms used for the identification of the priorities. The third section brings a brief analysis of the international and domestic contexts, in which the actions will be developed. The fourth section identifies, in summary, the priorities of the International Agenda of Industry. The fifth section presents the priorities actions on influencing trade policy. The sixth section congregates the priorities in the field of services in support to the internationalization of companies. Finally, the seventh section presents a brief account on the Agenda of 2017.

2 Construction of the Agenda and Consultation Mechanisms



The priorities selected in this document are the result of a three-stage construction process and meet one of the core guidelines of the Strategic Planning from CNI's International Affairs area.

First, requests brought up in the following consultation mechanisms lead by CNI were gathered: the Brazilian Enterprise Coalition (CEB); the Brazilian Transnational Companies Forum (FET); the Export Competitiveness Forum (FCE); the business councils with Argentina, BRICS, United States and Japan; and the Brazilian Network of International Business Centers (*Rede CIN*). Moreover, we included requests from two working groups: Trade Remedies Work Group (GT-Defesa) and the Barriers and Trade Facilitation Work Group (GTBFAC). Picture 1, below, summarizes the composition and objectives of the consultation mechanisms.

The second step was the analysis of the results of CNI's survey named Challenges to the Competitiveness of Brazilian Exports, published in 2016, that counted on answers from 847 companies, mostly small businesses.

Finally, the priorities went through an assessment and validation process that involved face-to-face meetings with different groups of *stakeholders*: Federation of Industries, sectorial associations and unions and exporting companies of all sizes.

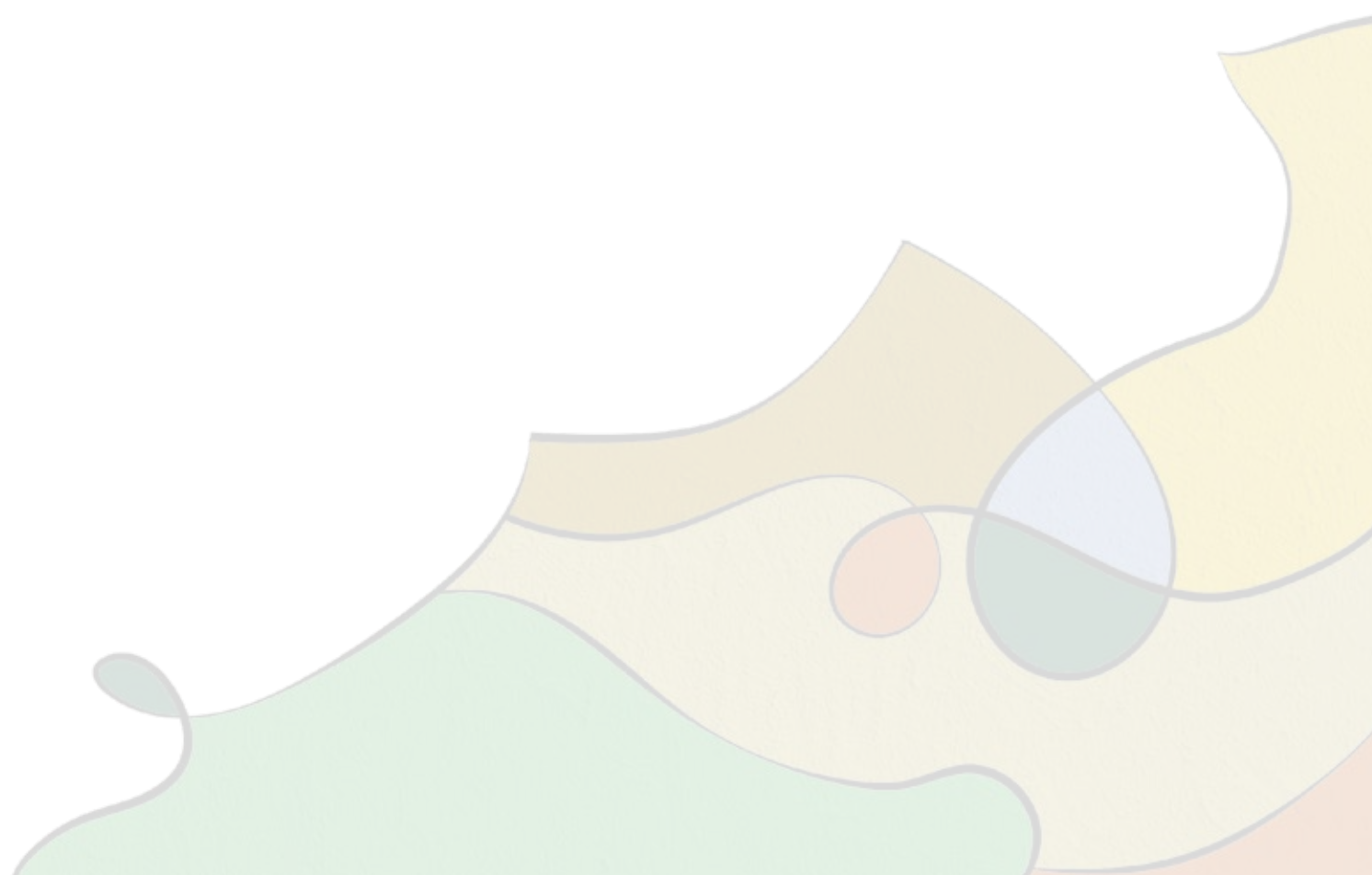
Picture 1 – Mechanisms of consultation lead by CNI International Affairs area

Mechanisms with focus on themes	
	Brazilian Enterprise Coalition (CEB): congregates companies and business entities with the objective of following and influencing trade agreement negotiations.
	Brazilian Transnational Companies Forum (FET): congregates Brazilian companies with investments abroad to promote policies that support and facilitate companies' foreign operations.
	Export Competitiveness Forum (FCE): congregates large Brazilian exporting companies - without restriction of origin of capital - to promote the increase of exporting competitiveness.
Mechanisms with focus on the geographic base	
	Brazilian Network of International Business Centers (Rede CIN): congregates the 27 State Federations of Industries and the Federal District with the objective of promoting the internationalization of Brazilian companies.



Mechanisms with strategic market focus	
	Brazil-Japan Economic Cooperation Committee (CCE-Brazil-Japan): congregates companies and business entities with the objective of improving the business environment and promoting trade and investments between Brazil and Japan.
	Brazil-United States Business Council (BUSBC): congregates companies and business entities with the objective of improving the business environment and promoting trade and investments between Brazil and the United States.
	BRICS Business Council (BRICSBC): congregates companies and business entities with the objective of improving the business environment and promoting trade and investments among Brazil, Russia, India, China and South Africa.
	Brazil-Argentina Business Council (CEMBRAR): congregates companies and business entities with the objective of improving the business environment and promoting trade and investments between Brazil and Argentina.

Source: CNI.



3 Context



The definition of priorities of the International Agenda of Industry 2018 takes place in a context of recovery of the economic growth and international trade, and the end of recession in the Brazilian economy. Yet, both in the international and domestic spheres, there are doubts regarding the sustainability of the recovery process. Domestically, the pre-electoral period and the severe fiscal situation make the environment unfavorable for implementing public policies that involve fiscal costs or projects with relevant political implications.

3.1 The international context

The 2017 legacy

The year 2017 began under the impact of facts in the international context, that holds great uncertainty for the world economy and trade:

1. The election of Donald Trump in the United States and his protectionist threats: out of the vast arsenal presented during his campaign, he confirmed the withdraw from the Transpacific Partnership (TPP), the beginning of the renegotiation of the of North America Free Trade Agreement (NAFTA) and of the bilateral agreement of the United States with South Korea, and the application of a vast number of trade remedies measures. The main unfulfilled threat were the protection measures against China imports, although the risks of trade conflict between the two countries still remain.
2. *Brexit*: the United Kingdom has effectively started the exit negotiation process from the European Union (EU). Although they have announced their preference for the *hard Brexit* (a more radical model of separation), there are, still, little clarity on the format that will be conducted future relations between the United Kingdom and the EU.
3. Protectionism in the foreign direct investments (FDIs): the growth of Chinese investments in strategic assets in developed countries have driven protection measures, such as the screening mechanisms.
4. Geopolitical risks: the rise in tensions in East Asia generated by the North Korean threats and by the conflicts between China and their neighbors, regarding maritime sovereignty.
5. World Trade Organization (WTO): it has trailed its “near-paralysis” trajectory in 2017, as the Buenos Aires Ministerial Conference ended without any effective results.



Although the year has been dominated by unfavorable events for global integration, some positive events cannot be left aside:

1. China: attempted to present itself as a leader of the globalization, taking the gap left by the new American protectionist and nationalist attitude. The *One Belt, One Road* project, launched by the country in 2017, may bring important growth to direct investments in infrastructure and to some strategic sectors, with potentially positive impacts for the world trade.
2. EU: the block has made progress in two relevant agreements - they have ratified the agreement with Canada and concluded the free trade agreement with Japan. The latter is in phase of legal coherence analysis and translation to be submitted to ratification process by the European Parliament, by the Member States and Japan.
3. Elections in France and Germany: fears of an explosion of a "populist bubble" in Europe have cooled down, although there are still risks in future elections in both countries.

The results from different events that impacted the world economy and trade in 2017 were less negative than what was feared in the beginning of the year.

In fact, in spite of the environment of uncertainties that has dominated the international scene, the growth in the gross domestic product (GDP) and in the world trade have surpassed the results of the previous year and the expectations of international organizations. The most striking characteristic of the current recovery is the convergence of positive performances in the world's largest economies, with the expansion of investments, trade, industrial production and employment, and the improvement on consumers and companies confidence.

According to the International Monetary Fund (IMF) *World Economic Outlook*, from October 2017, the growth of world's GDP in 2017 will be of 3.6%, 2.2% in the developed countries and 4.6% in the developing countries. These forecasts represented a slight progress to previous forecasts and result from upward revisions of the growth of the Euro Zone, China and Japan, and the end of the recession in Brazil and Russia.

The world trade, that performed weakly in 2016, growing only 2.4% in that year, should grow 3.6% in 2017, taking the ratio between the growth rates of the world income and trade to a level a little above 1. With that, trade comes back to growing a little above the GDP, but the ratio of the two growth rates are still far below the historical average of 2.1, in the period between 1986 and 2007.

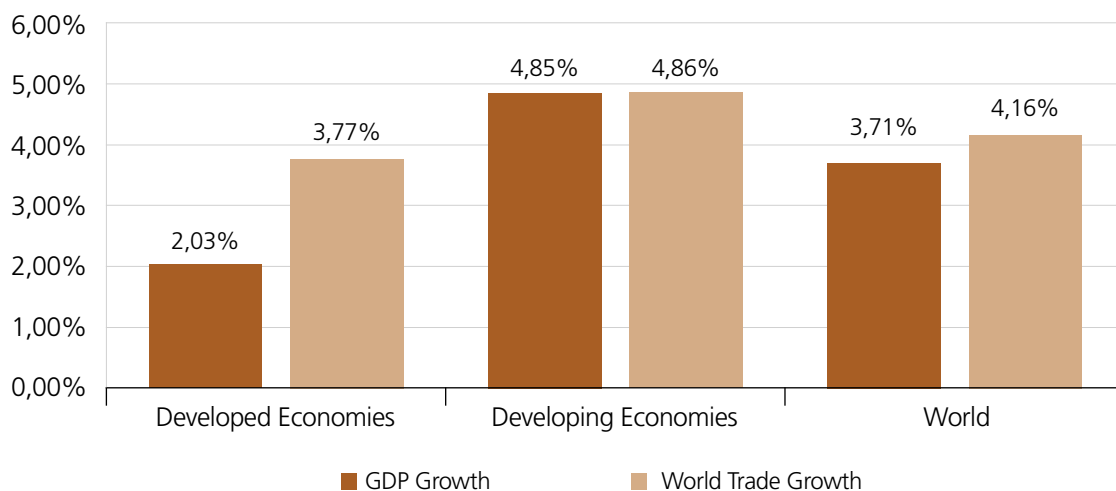
Amongst the main drivers of the stronger momentum of the world trade are the recovery of consumption growth and investments.

The perspectives for 2018

The perspectives for the international scenario in 2018 involve a lesser degree of uncertainties in relation to the beginning of 2017. Nevertheless, there are many doubts concerning the sustainability of the cyclical recovery of the worldwide economy, initiated one year ago.

Both the Organization for Economic Cooperation and Development (OECD) and the IMF, have reviewed upwards in 0.1% their growth projections for the world economy in 2018, in relation to previous forecasts. Both institutions had projected, in October 2017, a growth of 3.7% for the world economy in 2018, while the IMF foresees a growth of 2% for the developed countries and 4.8% for the developing ones.

Graph 1 – World trade and economic growth in 2018



Source: IMF, *World Economic Outlook*, Oct. 2017.

The economic growth cycle in developed countries shows a degree of alignment that was not observed for a long time. The projection of the IMF for the growth of the United States is 2.3% in 2018, assuming that there will not be significant surprises in the economic policy of the Trump administration. In the longer run, the performance of the country will probably slow down due to the limits imposed by the weak growth in the United States productivity and labor force.

For the Euro Zone, the IMF foresees a growth of 1.9% in 2018, 0.2% below the projections for 2017. Similar to the United States, the maintenance of higher economic growth rates in the Euro Zone is limited by the weak performance of the productivity and availability of labor force and, in some countries, by the elevated public and private debt. For the United Kingdom, the forecasts are being lowered, as the depreciation of the pound had a negative impact on families' purchasing power and the uncertainties around the negotiation for the *Brexit* remain high.



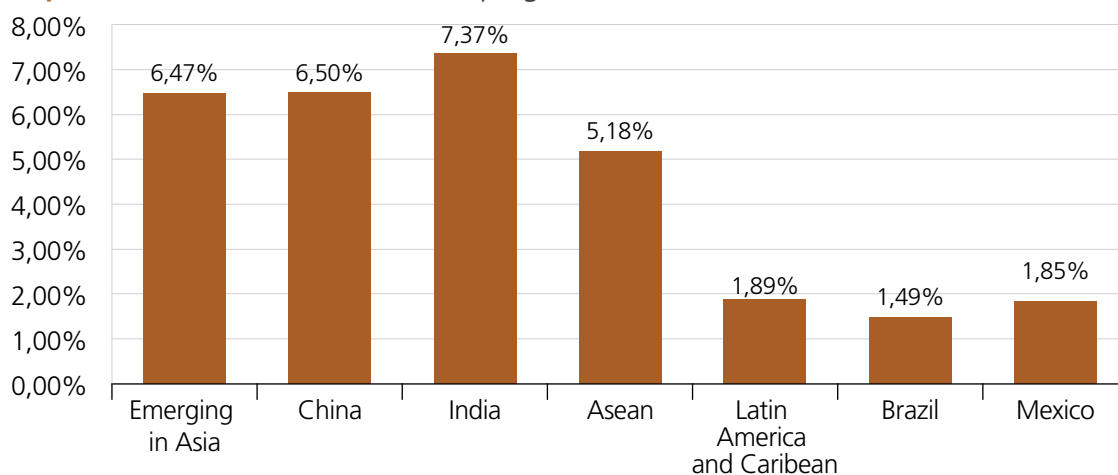
In Japan, the recovery of the growth in 2017, supported by economic policy measures for the sustaining of the demand, should slow down in 2018, with projections of 0.7% expansion. In the mid run, the labor force contraction remains as an obstacle to the sustained growth of the economic activity.

The IMF forecasts, in October, for developing countries, have been adjusted upwards in 0.1% (4.9% in 2018) compared to the ones in April 2017. In contrast, in emerging and developing countries, there is no synchrony. Asia maintains higher rates of expansion, while Latin America, Sub-Saharan Africa and the Middle East continue to disappoint.

Although the projected growth for China in 2018 (6.5%) is below the forecast for 2017 (6.8%), it is above what was expected in April 2017. The increase in the forecast happened due to the expectation that the Chinese authorities will keep a combination of expansionist economic policy, in order to reach the goal to double the GDP at constant prices, between 2010 and 2020.

In India, the evolution of some structural reforms, particularly the tax reform, should continue driving the accelerated growth, forecasted for 7.4% in 2018 and over 8% in the mid run. The countries of the Association of Southeastern Asian Nations (Asean-5) should also keep expressive growth rates, driven by the demand from China and Europe.

Graph2 – Growth forecast in Developing Countries in 2018



Source: IMF, *World Economic Outlook*, Oct. 2017.

In contrast, the group of Latin American and the Caribbean countries, that have shown a 1% contraction in 2016, will probably grow at 1.2% in 2017 and 1.9% in 2018. Although in ascending trajectory, the foreseen growth rates for the region are significantly lower compared to Asia. Anyways, it is curious to notice that, in contrast to the recent period, during which the growth was very heterogeneous among the largest countries in the region, for 2018 the projections are more homogeneous: 1.5% in Brazil, 1.9% in Mexico, 2.5% in Argentina, 2.5% in Chile and 3.5% in Colombia.

In the group of Latin American countries, the gradual recovery of Argentina stands out, where it seems to enter in a period of moderate, but sustained growth.

For Sub-Saharan Africa, the IMF projects a growth of 3.4% in 2018, much higher than the 2.6% in 2017. The oil exporting countries, that had faced a strong retraction in 2016, began their recovery, although with relatively low growth rates (as in Angola and Nigeria). In South Africa, the political uncertainties continue limiting growth, even with the improvement in the prices of exported commodities and the good performance of the agricultural production. In the oil importing countries, the growth projection is of 4.4% in 2018, above the 3.9% projected for 2017.

Trade and investments in 2018

The IMF projections for the world trade growth, measured by the volume of goods and services imports, are of 4.2% for 2018, being 3.8% in developed countries and 4.9% in the developing countries¹. Although the trade growth has been robust at the beginning of 2017, partially stimulated by the return of the expansionist economic policy in China, in the second quarter of the year, growth has slowed down, which may suggest the return to a more moderate growth pace in 2018. The projections for 2018 point out a ratio between the growth of the world trade and GDP of around 1.2.

As the OECD points out, the slower trade growth may be caused by cyclic factors, such as a weak demand for intensive trade investment activities, but also due to more structural factors related to the slowdown in the process of production fragmentation and in the operations of the global value chains.

In the field of trade negotiations, even after the signing of the agreement between the EU and Japan, the uncertainties remain: NAFTA renegotiation; the United States, that have been undermining the ability of the WTO to act as a trade liberalization forum and, more recently, even of playing its role to solve disputes; and the Transatlantic Trade and Investment Partnership (TTIP) being paralyzed, without any new relevant negotiations to begin.

The OECD also calls the attention to the still low investment level to support the continuous productivity growth. The will to invest is being affected by a set of factors, highlighted below:

1. The risks inherited from 2017: trade protectionism and conflicts, geopolitical tensions and impacts of *Brexit*.
2. The emergence of new risks: the end of expansionist monetary policies in developed countries, with impacts on international capital flows; risks regarding the Chinese domestic debt growth; and the tax reform in the United States and its impacts on international investments.

1. The WTO foresees a trade growth of only 3.2% in 2018, with a 1.4% to 4.4% interval. However, it is important to notice that the world economy growth foreseen by the WTO for 2018 is also much lower than the one presented by the IMF: 2.8%.



The perspectives for the medium term in the world economy

The IMF foresees that the economic growth rates will increase marginally after 2018, reaching 3.8% in 2021. As the developed countries should converge to a potential growth around 1.7% a year, the additional growth of the world GDP should come from the developing countries. For these countries, the projected growth is at 5% in 2021, with increasing importance in the global activity.

These forecasts are based on the larger growth in the commodities exporting countries, although at lower rates if compared to the boom period of international prices between 2000 and 2015; sustained growth in India, driven by domestic reforms; and a slower, but still relevant, growth in China.

Based on the IMF forecasts, there are three scenarios for the world economy in a time landscape of three years:

1. Optimistic: the four biggest economies in the world (China, United States, Japan and the Euro Zone) implement structural reforms capable of guaranteeing growth and dissipating financial vulnerabilities. This scenario allows the cyclical growth to be boosted in the medium term.
2. Pessimistic: these economies fail in the implementation of the reforms, with the Trump administration advancing in their economic program, with tax cuts that increase the fiscal deficit and public debt, trade protectionism and barriers to immigration. In this scenario, the growth will be very low - possibly with recession and financial crisis.
3. Intermediate (probable): these economies partially implement the necessary reforms, preventing the worst risks (*hard landing* of China, for example) and the Trump administration follows its economic policy in a volatile and ineffective way, keeping a limited potential product growth.

The risk of the third scenario, of limited structural reforms in the key countries, is not only the low growth, but the maintenance of an unstable balance that makes the world vulnerable to economic, financial and geopolitical shocks. This is a probable scenario and one that keeps a high degree of uncertainties.

On the international trade point of view, the medium-term perspectives highly depend on that scenario for the global economic growth. However, two opposing events will have to act decisively. On one hand, the protectionist threats of the Trump administration and their impacts for the international trade regime. On the other hand, the perspectives for the *One Belt, One Road* project, led by China, that must have a high and positive impact for the countries directly involved, but also for the commodities exporters, such as Brazil. Besides their direct impacts on trade and investments, this project may have relevant geopolitical effects, increasing the weight of China as an international player.

3.2 The domestic context

The 2017 legacy

In Brazil, the cycle of severe recession has reached its end, with the economy returning to grow, although at modest rates (between 0.5% and 1%). The recovery of the families' consumption, fostered by the release of the Worker's Guarantee Fund (FGTS) and by the debt reduction, was the main driver, that also counted on the good performance of agriculture and exports.

The steep dive of the inflation helped to stabilize the real exchange rate and opened space for the reduction of the basic interest rate of the economy, with an expressive contribution to the country's fiscal situation.

As exports have grown at significantly higher rates compared to the imports, 18% versus 10% on average, trade surplus accumulated a record-breaking credit of US\$ 67 billion in 2017, also contributing for the recovery of the economic growth.

Graph 3 – Brazilian exports and imports from 2000 to 2017



Source: Secex/MDIC.

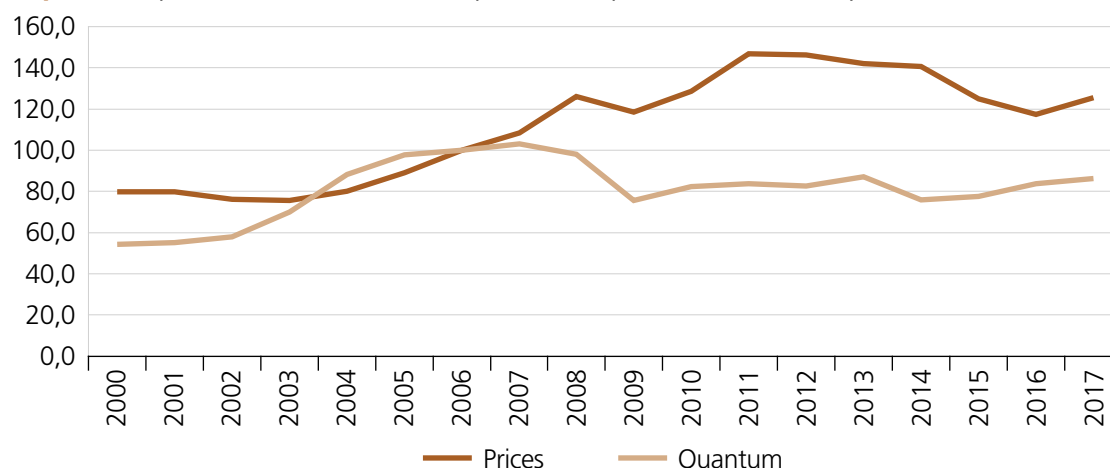
The growth in exports was driven by the performance of basic products, that have grown 29% compared to 2016, although the expansion of revenues with the exports of goods both semi manufactured (12%) and manufactured (9%) having also given relevant contributions.

The increase in the international commodities prices, mainly iron ore and soy, have contributed for the growth, in value, of the exports in 2017. The amount exported have also increased.



The prices in dollar of the manufactured products exported by Brazil have grown 5.6%, while the amounts exported have increased only 1.7%, below the 2016 rate (3%).

Graph 4 – Exports of manufactured products: prices index and *quantum*



Obs.: the indices related to 2017 are monthly. Source: FUNCEX.

In 2017, the Brazilian economy continued presenting a comfortable situation in the balance of payment with an inflow of foreign direct investments of US\$ 70.3 billion, although it is important to state that this value includes remittances from subsidiaries of Brazilian companies abroad to their headquarters in Brazil, and significant loans between the HQs of transnational companies and their branches in the country.

Regarding the Brazilian investments abroad, there was a growth in disinvestment announcements from leader companies in internationalization (oil and gas, steel, engineering, among others). However, there are indications of investment growth of mid-sized Brazilian companies abroad, which may suggest the consolidation of a sectorial diversification trend in the activity.

In the area of economic policies that affect exports, the core issue remains the fragility of the fiscal situation. In this context, it was possible to elevate the Special Regimen of Reintegration of Tax Values for Exporting Companies (*Reintegra*) from 0.1% in 2016 to 2% in 2017. However, trade and industrial policy remain strong driven by the fiscal priority: the *Reintegra* rate, that should have been raised to 3% in 2018, was kept at 2%.

Another measure with impact over the industry costs was the substitution of the Long-Term Interest Rate (LTIR) - that was in effect for the majority of the loans granted by the Brazilian Social and Economic Development Bank (BNDES) - by the Long Term Rate (LTR), that it will implicate in the reduction of the underlying subsidy in the bank loans.

The defeat of Brazil in the first phase of the dispute initiated in the WTO dispute settlement body by EU and Japan, against seven Brazilian industrial policy programs, will also have relevant impacts on the future design of public industry support mechanisms.

Inovar-Auto, a program of incentives to the auto industry, expired in December 2017 and was not renewed. There are disagreements among the several government agencies on the design of the Route 2030 Program, elaborated to substitute *Inovar-Auto*. The defeat at WTO, the fiscal restrictions and the differences in vision within the government, cast doubts over this type of instrument in Brazil.

In this period, trade policy was focused in low fiscal impact areas: business promotion, trade facilitation and trade negotiations. Among those, the opening of operations of a new export module of the Single Window of Foreign Trade was one of the main progress.

In the area of trade negotiations, the attentions had been turned to the agreements between Brazil and Mexico and between the Southern Common Market (Mercosur) and the EU. While the first front has advanced only in the rules part, in the second, the expectation of conclusion of a “political agreement”, that would be announced during the WTO Ministerial Meeting in Buenos Aires, in December 2017, was frustrated. The negotiations continue, without a formal definition of a new date as the goal for the announcement of the “political agreement”.

An initiative of relevant impact for the regulatory process and the institutional modernization of Brazil was the request to join the OECD. Although the acceptance has been postponed by the organization Board, the request is a positive indication on the routes that the regulatory process in Brazil may take. While the decision is not announced, the Brazilian government continues extending the engagement to OECD instruments.

The perspectives for 2018

The main uncertainties for 2018² are in the field of politics. Together with the domestic political turmoil, we see the typical turbulences of a polarized electoral process. Nevertheless, the Brazilian economy should consolidate a moderate growth trajectory in 2018, with the GDP and the industrial production growing at the pace of 2.7%.

The industrial investments directed toward the expansion of the productive capacity continue limited by the uncertainty scenario. Yet, the idleness of the installed capacity will allow the production growth at a lower inflation rate (4%).

With a comfortable external position in the balance of payment - current account deficit of 0.7% of the GDP in 2017 versus 4.2% three years before, financed by the direct investments flows in the country -, there is little pressure on the exchange rate. In this context, a trajectory of stability for the exchange rate of R\$ 3.30 in relation to the dollar is projected, following the inflation expected for 2018.

The trade balance figures should be around US\$ 50 billion, below the US\$ 67 billion registered in 2017, due to a larger dynamism of the domestic demand. For the direct investments in the country, a total of US\$ 80 billion is estimated in 2018, above the US\$ 70.3 billion registered in 2017.

2. The projections presented in this section are based on the Focus Bulletin, issued by the Central Bank.



In the scope of the policies that may affect the International Agenda of Industry 2018, the main issue continues to be the strong fiscal restriction. In a presidential election year, relevant reforms cannot be expected, but it is probable that the administration of the tax policy may happen through:

1. Specific measures to raise tax revenue.
2. Freezing of *Reintegra* in 2%.
3. Reincumbence of the payroll for most of the sectors.
4. Privatizations of companies and public services concessions.

In this context, trade and industrial policies must remain under the fiscal restriction, making it difficult to adopt policy instruments that have impact on public expenses and/or tax incentives.

In an election year, it is also less probable that the trade negotiations agenda incorporates new and ambitious initiatives. The attempt of reaching a “political agreement” in the negotiations with the EU should continue at the beginning of 2018. Besides the negotiations with the Europeans, the Foreign Trade Chamber (Camex) authorized the beginning of negotiations with Canada and South Korea. It is possible that the negotiators make efforts to advance in other initiatives, such as the Brazil-Mexico agreement, with the European Free Trade Association (EFTA) and the deepening of the fixed preferences agreement with India.

The perspective of the beginning of negotiations for Brazil to join OECD will have a significant impact in the business entities agenda. Should the request of the country be accepted, fact that may occur in mid-2018, we must expect the statement of the requirements from the organization. The negotiation process may last at least three years and will have implications for the policies in the areas of foreign trade and investments.

The medium-term scenarios for the Brazilian economy depend, basically, on the electoral perspectives in the race for President. The positions in the extremity of the political spectrum, that tend to prevail within the accented polarization of the election, prioritize more defensive and isolationist strategies in terms of international engagement. As for the strengthening of the center-wing would implicate in policies more aligned with the higher opening strategies.

3.3 Impacts for 2018 regarding trends

The International Agenda of Industry 2018 incorporates permanent objectives directed toward the greater and better international insertion of the Brazilian industrial sector to the world. These objectives are related, on one hand, to structure-based reforms, essential to level the playing field faced by the Brazilian industry in the international competition, and, on the other, to the provision of services that allow Brazilian companies to capture the best opportunities in the world market.

However, the strategies to reach these permanent objectives are not immune to changes in context and the evolution of the domestic and external scenarios. The challenges of adapting the priority actions to the Agenda are still bigger in a year of electoral polarization. The summarized analysis of the context carried out in the previous section indicates that the following trends must be taken in consideration in the execution of the International Agenda of Industry 2018.

Of the international context

Picture 2 - Trends and impacts of the international context in 2018 on the International Agenda of Industry

Trends	Impacts over the <i>International Agenda of Industry</i>
<ul style="list-style-type: none"> - Moderate but higher growth in the world economy and trade. - Convergence in the economic growth of developed countries. 	<ul style="list-style-type: none"> - Business intelligence for the identification of more promising markets for specific products. - Capacity-building and business sensitivity. - Maintenance of trade agreements in the center of the trade policy.
<ul style="list-style-type: none"> - High growth in Asian countries. 	<ul style="list-style-type: none"> - Business intelligence with focus on China, India and Asean. - Business promotion in China. - Identification of trade barriers in China, India and Asean. - Identification of interests for negotiations with the Asean. - Deepening of the trade preferences agreement with India.



Trends	Impacts over the <i>International Agenda of Industry</i>
<ul style="list-style-type: none">- Growth in Latin America, with economic recovery in Argentina and a new phase for Mercosur.	<ul style="list-style-type: none">- Attention to the Brazil-Argentina bilateral agenda, with a focus on the implementation of measures aiming at the free trade.- Deepening of the Mercosur integration agenda.- Business promotion in Argentina, Colombia and Chile.- Action towards the improvement of the environment for Brazilian investments in Argentina.
<ul style="list-style-type: none">- Recovery of the growth in the commodities exporting countries in Africa.	<ul style="list-style-type: none">- Business intelligence for the identification of business opportunities in African markets.
<ul style="list-style-type: none">- Risks of intensification of protectionism, in particular in the United States.-- Uncertainties and weak movement in international forums.	<ul style="list-style-type: none">- Emphasis in the monitoring and removal of foreign barriers to trade and investments.- Follow up and appeal to disputes at the WTO.- Increase of the exporter support in trade remedies.- Focus in preferential negotiations of Brazil with a more possibility of success in growing markets.
<ul style="list-style-type: none">- <i>One Belt One Road</i>: Chinese initiative with impact over the investments and trade in the long term.	<ul style="list-style-type: none">- Market and business opportunities analysis with countries benefited by the initiative.- Market studies with focus on opportunities for Brazil of investments in logistics and infrastructure in the scope of the initiative.

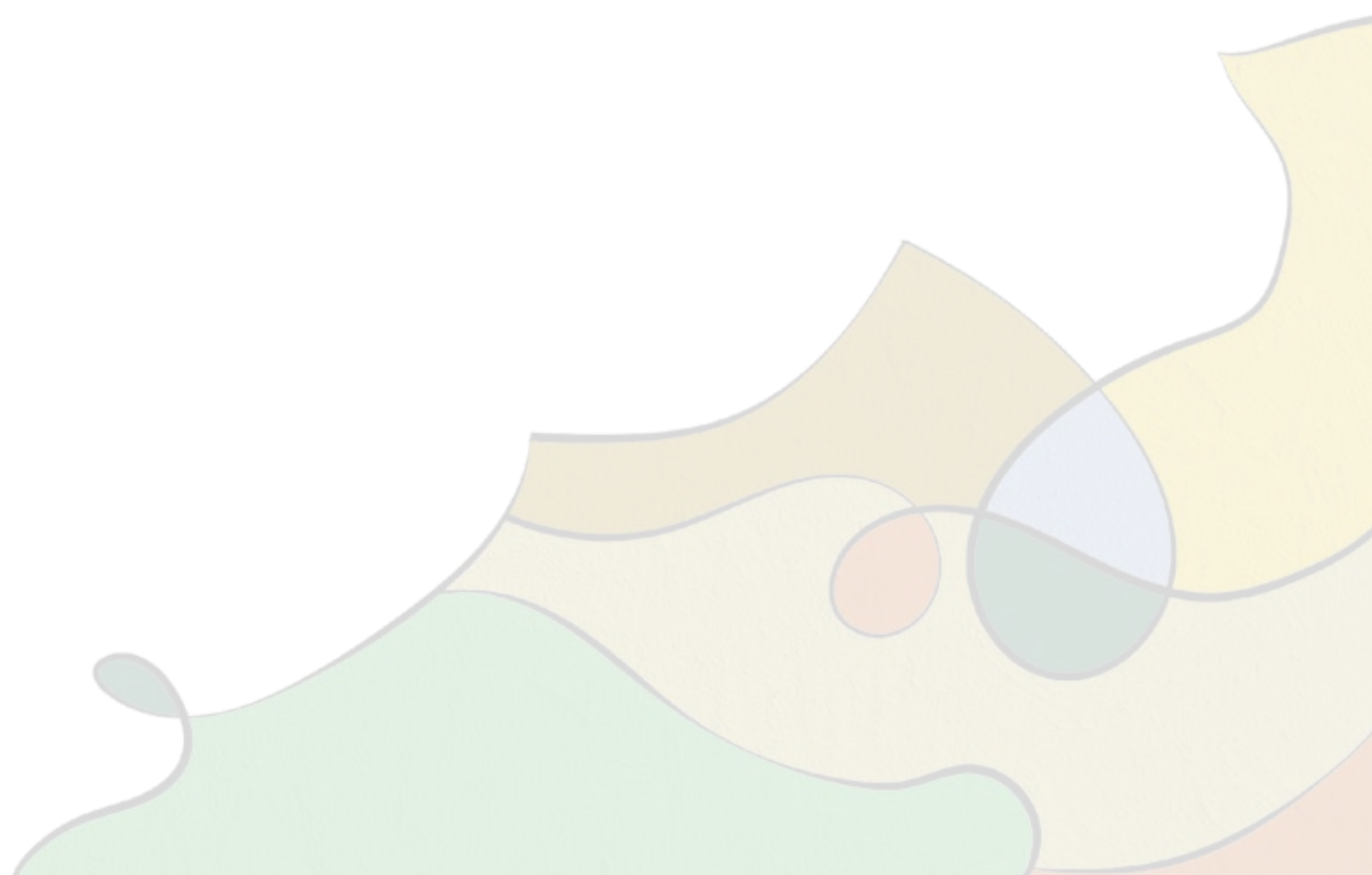
Of the domestic context

Picture 3 – Trends and impacts in the domestic context over the International Agenda of Industry

Trends	Impacts over the International Agenda of Industry
<ul style="list-style-type: none"> - Moderate growth of the domestic demand 	<ul style="list-style-type: none"> - Maintenance of the trade policy as basic axe to the economic policy. - Relevance of the services in support to the internationalization to allow the beginning and permanence of exports from SMEs. - Strengthening of the services portfolio towards the conversion of non-exporting companies, with focus on advisory and consulting and enterprise capacity-building.
<ul style="list-style-type: none"> - Fiscal restriction 	<ul style="list-style-type: none"> - Trade facilitation of goods and services. - Bureaucratic improvement and simplification of tax encumbrance mechanisms. - De-bureaucratization and simplification in the concession of export credit and guarantees. - Optimization of resources through partnerships with government agencies, S System and international organizations.
<ul style="list-style-type: none"> - Diversification of direct Brazilian investments with a higher participation of mid-sized companies 	<ul style="list-style-type: none"> - Support initiatives to the internationalization of Brazilian companies. - Traditional agenda combined with measures directed to the access to information and defense of interests in the investment destination countries.



Trends	Impacts over the International Agenda of Industry
<ul style="list-style-type: none">- Negotiations for Brazil to join OECD	<ul style="list-style-type: none">- Deepening of the knowledge on the OECD standards in areas of interest for the Brazilian private sector.- Follow-up on the negotiations for Brazil to join OECD.- Elaboration of recommendations for the Brazilian government in order to make the regulations that involve trade and direct investments compatible to the OECD.- Adaptation of the tax legislation for direct investments to the OECD standards.
<ul style="list-style-type: none">- Presidential elections	<ul style="list-style-type: none">- Conclusion of relevant trade agreements that represent results in this policy area: business mobilization for defense of industry interests in the negotiations.- Elaboration of proposals in the foreign trade area and efforts to maintain the central role of the trade policy and services in support to the internationalization.



4 Priority Actions of the International Agenda of Industry 2018



In order to allow the companies to make use of the benefits of the trade policy improvement, it is necessary for them to be informed on such policies and to have the ability to access international markets. In turn, the impediments and challenges faced by the companies in the internationalization process feed into the formulation of proposals for the Brazilian trade policy.

The picture below summarizes the priorities for 2018 on the largest lines of action of CNI in the area of International Affairs, influence on trade policy and services in support to the internationalization.

It is important to highlight that CNI has only accepted proposals that are in agreement with the Federal Constitution and international standards which Brazil has signed upon, in particular the Mercosur and WTO agreements.

Picture 4 – International Agenda of Industry - priority themes for 2018

Influence on trade policies
<ul style="list-style-type: none">- Trade agreements- Barriers in third markets- Brazilian investments abroad- Trade facilitation and reduction of bureaucracy- Foreign trade logistics and infrastructure- Foreign trade taxation- Export finance and guarantees- Trade remedies
Services in support to the internationalization
<ul style="list-style-type: none">- Internationalization plan- Capacity-building and business sensitivity- Business intelligence- Business promotion- Temporary admission carnet- Adaptation of packaging for exports- Internationalization programs- Export certificates- Promoting and Attracting Investment

5 Influence on Trade Policy



Trade agreements

The widening and improvement of the Brazilian trade agreements network remains a priority in the International Agenda of Industry, a topic in which CNI has been leading since the 1990s. The higher engagement of Brazil, through strategic agreements, is the way to increase market access for Brazilian goods and services exports and to foster internal reforms, industrial competitiveness and economic productivity.

Besides market access, trade agreements define rules and disciplines that provide greater predictability, stability, and legal certainty to the business environment among the countries involved. The agreements also work to prevent discrimination among partners, giving equal competition conditions in priority markets and facilitating trade and investment flow.

After a long period where Brazil remained away from negotiations of preferential trade agreements, the subject returned to the agenda and was consolidated with the launch of the National Exports Plan 2015-2018, under the market access scope. The year 2017 was marked by the great advance in the negotiations between Mercosur and the EU, however with frustration at the end of the year when the announcement of the “political agreement” between the two blocks was expected. Still in the extra-regional front, Mercosur and EFTA have launched negotiations and promoted negotiation rounds for a free trade agreement.

In South America, the presidencies of Argentina and Brazil in Mercosur have resulted in the signing of the Cooperation and Investment Facilitation Protocol (CIFP) and in the renegotiation of the Public Procurement Protocol. Brazil also gave continuity to the government procurement negotiations with Chile and Colombia. The renegotiation of the trade agreement with Mexico, a priority for the industry, is moving slowly and it is expected to be sped up in 2018. In the multilateral front, the Trade Facilitation Agreement (TFA) is in effect, and the WTO Ministerial Meeting, in December 2017, maintained the strategy of dealing with less sensible subjects and had shy results, more related to negotiation mandates.

Brazil has also signed four Patent Prosecution Highway Agreements (PPHs) with China, Europe, Japan and ProSur (Argentina, Chile, Colombia, Ecuador, Paraguay, Peru and Uruguay). In the BRICS countries agenda, there were advances in the area of visa facilitation (*E-visa* with India and visa agreement with China) and the signing of commitments for trade bureaucracy reduction in ports (*e-Port Network*).



Priorities for 2018

1. **EU:** defending the conclusion of the agreement between the Mercosur and the EU as well as its internalization, both by the Mercosur countries and by the EU and its member states.
2. **Mexico:** defending the conclusion of the negotiations of a free trade agreement - or a partial agreement, with the widest possible coverage in goods between Brazil and Mexico -, with also the inclusion of the most relevant disciplines to the industry, such as rules of origin, technical barriers, government procurement, trade facilitation, sanitary and phytosanitary measures, and services.
3. **Mercosur:** presenting and defending proposals to advance in the economic and commercial agenda, especially the negotiation of inter-block agreements and the improvement of the technical and administrative governance of the block; and work for the internalization, in Brazil and the other Mercosur countries, of the CIFP and the Public Procurement Protocol.
4. **South America and Pacific Alliance:** presenting and defending proposals for the deepening of agreements with Chile and Colombia regarding government procurement and the advance in closer relations between Mercosur and the Pacific Alliance in the subjects of trade facilitation and origin rules.
5. **United States:** disseminating the benefits and the importance, for the private sector, of a trade agreement involving Brazil and the United States; and to defend the renewal of the American Generalized System of Preferences (GSP) with the maintenance of Brazil as a beneficiary country.
6. **Other negotiations:** disseminating, together with the Brazilian government, the Brazilian interests and defend the opening of trade negotiations with South Africa, Canada, Iran, Japan and Central American Integration System (Sica); supporting the private sector in the construction of offers and positions on the ongoing negotiations, between Mercosur-EFTA and Mercosur-India; and evaluate Brazilian offensive interests in countries of the Gulf Cooperation Council (GCC) or Asean.
7. **OECD:** contributing with the elaboration of industry positions for the accession of Brazil to the OECD, focusing on the main subjects regarding trade, investments and international taxation; and defending together with the CNI counterparts abroad, the support from their respective governments for the joining process of Brazil.
8. **WTO:** monitoring the negotiations within the WTO and to deepen the industry positions under the 2017 positioning document.
9. **Movement of people:** defending the travel facilitation to BRICS, United States and Japan.

10. **Intellectual property:** supporting the process to make permanent and include all sectors in the PPHs with China, United States, Europe, Japan and Prosur, with the latter already having a wide scope; defending the signing of new agreements with South Korea; and defending the internalization of the Madrid System for the International Registration of Marks (Madrid Protocol).
11. **Internalization of agreements:** defending, together with the Executive and Legislative branches, the fast approval of the already signed agreements and monitoring how long these agreements take to go into effect.

Barriers in third markets

Barriers to trade and investments are becoming more and more sophisticated and challenging to be identified. The continuous effort of identification, raising awareness, qualification, monitoring and actions to overcome the barriers is essential to provide market access for Brazilian goods, services and investments.

On one hand, tariff barriers are being gradually reduced through trade agreements, although there are still significant tariffs in several markets, mainly for agricultural goods. On the other hand, the non-tariff barriers go on the opposite direction, with an increase in number and type, especially for sustainability-related barriers. A study from the Getúlio Vargas Foundation (FGV) estimated that only technical barriers and sanitary and phytosanitary measures already reduce the Brazilian exports in about 14%.

The diversity of trade and investment barriers encompasses the ability of different Brazilian government agencies. That way, in order to have an actual national strategy for identification, monitoring and overcoming of these impediments, it is fundamental to have a greater intergovernmental coordination.

In terms of progress, in 2017, the Electronic Barrier Monitoring System (*SEM Barreiras*) was launched, an initiative led by the MDIC that involves other federal government agencies. In the scope of the National Institute of Metrology, Quality and Technology (Inmetro), there was the launching of the Brazilian Voluntary Sustainability Standards Platform, a mechanism for discussions on the impact of sustainability norms and private standards in the companies.

Moreover, there was a positive increase, by Brazil, in the number of Specific Trade Concerns (STCs) raised in the WTO committees on Technical Barriers to Trade (TBT) and on Sanitary and Phytosanitary Measures (SPS). There were, however, few results in the bilateral regulatory cooperation agenda.



Priorities for 2018

1. **Raising awareness of the private sector:** raising awareness of sectorial associations and unions, companies on trade and investment barriers, aiming at identifying new obstacles to exports and investments, through the organization of meetings and events, and the dissemination of the barriers guide and the distance education course.
2. **Qualification of barriers:** qualifying at least 30 cases of barriers identified by the private sector through technical and legal analysis, as well as pointing out possible solutions to be presented to government agencies; and to act in the defense of interests both in the domestic and in international scenarios, in a bilateral or multilateral way.
3. **Camex Barrier Work Group:** defending the creation of a barriers work group in the scope of Camex with the objective of improving the coordination of the subject in the scope of the Brazilian government.
4. **Electronic Monitoring System *SEM Barreiras*:** disseminating the use and insertion and following up with the government on the treatment of barriers identified by the private sector in the *SEM Barreiras* System.
5. **Barrier Investigation Mechanism:** defending the creation of a Barrier Investigation Mechanism that allows the private sector to request, by means of petition to the Brazilian government, a formal investigation of barriers identified in foreign markets.
6. **Industry and Trade Attachés:** defending the creation of the position of industry and trade attachés linked to MDIC, for actions in priority markets abroad.
7. **Participation of the private sector at the WTO committees:** working together with the Brazilian government so that the private sector is able to participate in the WTO TBT and SPS committees aiming at technically supporting the presentation of new STCs.
8. **Disputes at the WTO:** actively monitoring the disputes of which Brazil is the defendant or complainant, in particular those involving the Brazilian industrial policy, through the articulation between the public and private sectors, including the periodic holding of briefings .
9. **Bilateral Government Mechanisms:** identifying and including barriers to exports and investments in the bilateral dialogues coordinated by the Brazilian government.
10. **Regulatory cooperation:** defending the widening of regulatory convergence initiatives with Argentina, United States and the European Union for sectors identified with the Brazilian government.

Brazilian investments abroad

Brazilian investments abroad benefits not only the investing company and but also the Brazilian economy. This activity, in many cases, is not a choice, but an imperative dictated by the international competition. Not making such investments may cause loss of position to competitors, with negative impact on employment and the competitiveness of the Brazilian economy itself.

Case studies conducted with Brazilian and foreign multinationals demonstrate that investing abroad allows companies to access new markets, export more, be more productive and innovative, and increase the hiring of qualified labor in the country of origin. Considering this, it is crucial for Brazil to improve the regulatory framework, to facilitate its investments abroad, in areas such as taxation, finance and guarantees, labor and social security law, and economic diplomacy.

The most important progress in 2017 is related to the bilateral agreements agenda. Regarding Double Taxation Prevention Agreements (DTAs), Brazil renegotiated its agreement with Argentina, improving some parts, although an important issue was not solved: the taxation at source country of services imports. Moreover, the country internalized the DTA with Russia, signed in 2004.

On the Cooperation and Investment Facilitation Agreements (CIFAs), Brazil signed a protocol with the Mercosur countries, an issue that was halted for a long time in the intra-block discussions, and the National Congress approved, the CIFAs with Angola, Chile, Malawi, Mexico, Mozambique and Peru. Only the CIFA with Colombia remains in discussion in Congress. Regarding the social security agreements, the country signed an agreement with Mozambique and announced the successful conclusion of negotiations with India.

Some progress can also be reported regarding the change in the Brazilian Expatriate Law. A new bill was presented to the Federal Senate contemplating the main points of interest of investors abroad. The Camex National Investments Committee (Coninv) was created, an inter-ministerial group to support Brazilian investments abroad and foreign investments in Brazil. Finally, Brazil formalized, with OECD its interest to become a member, which will probably implicate in adjustments of its DTA model and transfer price legislation.



Priorities for 2018

1. **Foreign Profits Law:** defending the revision of the profit taxation abroad legislation to improve the regulation of the compensation of taxes paid abroad, definition of active income, accumulated damages and non-taxation on exchange variation, among others points; and fostering the debate on changes in the law under adjustments for Brazil's process of accension to the OECD.
2. **Expatriate Law:** defending the approval, by the National Congress, of Senate Bill #138/2017, that modifies the Brazilian legislation of labor expatriation, focusing mainly on the points regarding the definition of the applicable legislation, transference bonus and terms of commitment.
3. **DTAs:** defending the signing of new DTAs, with priority to United States, Colombia, Germany, the United Kingdom and Paraguay; and the revision of DTAs with Japan, France, China, Chile and Spain, among others, in order to adapt the Brazilian model to the OECD guidelines.
4. **Transfer price:** defending the revision of the transfer price legislation aiming at improving the regulation on safeguards, commodities, concept of similarity and impacts of the exchange rate variation, among others points; and fostering the debate on changes in the legislation towards adjustments for the process of Brazil's accession to the OECD.
5. **Social Security Agreements:** defending the signing of social security agreements, with priority to South Africa, Angola, Austria, China, Colombia, Egypt, United Arab Emirates, Mexico, Netherlands, Panama, Dominican Republic and Venezuela; support the internalization of the Multilateral Agreement with the Portuguese Speaking Countries; defending the approval, in the National Congress, of the social security agreements with the United States (PDC #487/2016) and Switzerland (PDC #431/2016); and defending the revision of the existing agreements with the Mercosur countries, Germany, Belgium, France, Italy and other Iberian-American countries, aiming at raising to five years the employee relocation coverage period.
6. **CIFAs:** defending the signing of CIFAs, with priority to countries of Latin America, Africa and BRICS, among the developing economies, and with United States and Japan, among the developed economies; defending the internalization of the CIFAs with Angola, Chile, Colombia, Malawi, Mercosur, Mexico, Mozambique and Peru; and disseminating the benefits of the CIFAs to Brazilian multinational companies.
7. **Finance and guarantees:** defending the creation of a credit insurance covering political and extraordinary risks for foreign investments of Brazilian companies, Brazilian-controlled companies and their affiliates.

Foreign trade facilitation and reduction of bureaucracy

The simplification and reduction of bureaucracy of foreign trade operations are vital to reduce export and import time and costs, allowing a gradual increase of the participation of smaller companies and products with higher added value in the export portfolio of the country. A study carried out by CNI, in partnership with the FGV, shows that the delays due to customs bureaucracy in the foreign trade operations are more harmful for the transformation industry. On average, the customs delays increase the costs in around 13% for exporting and 14% for importing in Brazil.

An advance in the 2017 agenda was the WTO TFA going into effect. With that, its disciplines started to be valid to all members of the organization. The ratification by Brazil fostered the creation of the National Committee on Trade Facilitation (Confac), a Camex collegiate agency, with participation of the private sector, responsible for improving the governance and implementing the agreement. Still in 2017, the Foreign Trade Single Window, the main initiative of trade facilitation in Brazil, incorporated the new export process and the Special Drawback Regime, and started the new import process revision.

Regarding the Authorized Economic Operator Program (AEO), it has extended the number of companies certified to 135, which started having over 98.5% of their export and import operations directed to the "green channel". There was also the simplification of shipment regulatory and physical security requirements, and the publication of standard that will guide the integration of other agencies to the program. The negotiations for the establishment of Mutual Recognition Agreements (MRAs) have continued with Argentina, BRICS, United States and Mexico, but they are not yet concluded.

In the scope of regulatory coherence, Camex has published a public consultation for the elaboration of the first Brazilian Foreign Trade Regulatory Agenda, with the objective of remodeling and improving the trade regulation for goods and services.



Priorities for 2018

1. **Foreign Trade Single Window:** supporting the implementation of the Foreign Trade Single Window, in particular the new import module and the integration of other related agencies, especially the National Health Surveillance Agency (Anvisa), the Army, and the Ministry of Agriculture, Livestock and Food Supply (MAPA).

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2. **Brazilian Authorized Economic Operator Program:** supporting the implementation of the AEO program, in particular the integration of the related agencies to the risk management model, especially the National Civil Aviation Agency (Anac), Anvisa, Army and MAPA; and defending the negotiation of MRAs with Argentina, BRICS, United States, Japan, Mexico and EU.
 3. **Single collection of taxes, fees and duties:** defending the creation of a single collection system for state and federal taxes, fees, and duties required by the consenting agencies and of the private operator tariffs applied to the Brazilian foreign trade.
 4. **Container scanning tariff:** defending the elimination of the container scanning tariff collection in ports.
 5. **Wooden packaging treatment:** defending the regulation of simplified and agile procedures for destruction of “non-compliant” wooden crates that enter the country and release of consignments in with wooden packaging to be returned abroad.
 6. **Confac:** elaborating and submitting proposals on priority subjects of the private sector to the committee.
 7. **Regulatory coherence:** supporting the government efforts in the promotion of a quality foreign trade regulatory agenda and contributing to the revision and regulatory reformulation process.
 8. **Specialization of courts:** defending the specialization of courts in foreign trade in the Federal Regional Courts (TRFs) due to the increase of the number of cases on the subject.

Logistics and infrastructure of foreign trade

Logistics and infrastructure are determining elements for Brazil's international competitiveness. The foreign trade facilitation and the incentive to companies to participate in foreign markets depend on the efficiency and effectiveness of these elements.

The country faces an unprecedented crisis in the freight sector. There are serious problems in the provision of road, rail, maritime and water transport services, as well as in the port system. The impact of the lack of expansion, maintenance and modernization of these services has been high, representing a competitive disadvantage compared to Brazil's competitors in the international market.

The government management model in the transportation sector is inadequate. There is no planning and integration policies between modes; there is a low investment and growing deterioration of the highways; difficulties in sea and land access to ports are increasing and there is a proliferation of charges, additional charges and other costs incurred in ports and maritime transport. All these factors represent costs that constitute barriers to the foreign trade development.

In spite of the complex situation exposed, it is important to highlight relevant progresses that have been made in 2017, such as the publication of the Normative Resolution #18/2017 from the National Waterway Transportation Agency (Antaq), that brings advances in the regulation of the national and foreign shipowner activities to prevent abusive practices, such as, the scale omissions.

Another advance was the decision for the non-renewal, starting in 2020, of the maritime transportation agreement that Brazil holds with Chile and that restricts, currently, the operation in the bilateral route only to ships with flags of the two countries. The agreement institutes a market reserve that strengthens the bargaining power of shipowners and, consequently, increases the freight cost for the users with operations in the route. In complement to the decision, another positive point was the institution of the “extended waiver” mechanism, that exempt Brazilian exporting companies of vehicles and general “non container” cargo to Chile from the need of requesting, for each consignment, an authorization to hire international freight in ships with flags of third countries. Now, the validity of this authorization is up to one year, which reduces the red tape stipulated by the cargo reserve agreement.



Priorities for 2018

1. **Port administration:** defending a bid process of the public port administrations (docking companies of state concessionaires) to the private sector.
2. **Tariffs and fees charged by ports and shipowners:** carrying out a survey of the universe of fees and charges in port terminals (public and private) and by shipowners, on exports and imports of goods, and propose recommendations.
3. **Brazil-Chile maritime transportation agreement:** defending the publication of a legally binding document that ensures the non-renewal of the agreement starting in 2020, as determined at the 112th Camex Ministerial Meeting.



Foreign trade taxation

The foreign trade taxation has direct impact over the competitiveness of the companies, both for the tax burden as well as for the customs procedures. The high tax burden and the excessive red tape are barriers to competitiveness, as they generate costs, legal uncertainty and increase the final price of Brazilian products and services in foreign markets.

With the main objectives of preventing exporting tax and to assure greater competitiveness to the companies in their foreign trade activities, the actions on that issue are focused in three pillars: i) reduction of tax costs, including constitutional restitutions of tax residues and measures to prevent or solve the tax credit accumulation problem; ii) improvement of tax incentives, mainly in special customs regimen, such as Drawback, Special Customs Industrial Warehouse Regime under the Computer Based Customs Control System (*Recof*), Special Customs Industrial Warehouse Regimen under the Computer Based Customs Control System of the Public Digital Bookkeeping System (*Recof-Sped*) and the Export Processing Zones (EPZs); and iii) regulation on the taxation on services and digital economy with impacts on the industry foreign trade and investments.

In 2017, the difficulties of the unstable economic scenario and the measures adopted towards the fiscal balance have had a strong impact on foreign trade taxation policies. The Special Regimen of Tax Values Reintegration for Exporting Companies (*Reintegra*) suffered a new revision with the publication of the Decree #9.148/2017, that established the permanence of the tax rate in 2% for 2018, revoking previously regulated increase to 3%. The possibility of compensation of federal tax credits with social security debts, announced to go into effect in 2017, is not yet implemented and, regarding the states, there were no advances for the effective compensation or reimbursement of credits accumulated in exports.

On the other hand, there were efforts towards the simplification of operations in customs regimens, such as the creation of the new Single Export Declaration (DU-E) and the integration of the Drawback Suspension in the Foreign Trade Single Window. However, the operationalization of the Continuous Drawback is still expected, as it will provide greater efficiency in the management of the concession acts. Throughout the year, the discussions on the alterations in the EPZs regimen has had little advances and the issue will continue its process in 2018.

Regarding services, the regulation for the taxation on imports and exports of services with impact for the industry have not shown any progress in actions and measures directed towards the reduction of the tax burden, nor in the formulation of specific incentives. The reduction of tax distortions in the foreign trade of services of interest to industries is relevant, above all, for innovative activities and value-adding to the production and exports of goods.



Priorities for 2018

1. **Reintegra:** defending the application of a 3% tax rate for the due reintegration of tax residues remaining in the production chain of exported goods.
2. **Compensation of federal and state export tax credits:** defending the fast adaptation of the legal base and system integration to allow the compensation of federal tax credits with debts of social security contributions; and carrying out actions with the National Council of Finance Policy (Confaz) and at the state level for the effective use of tax credits of the Tax on Circulation of Goods and Services (ICMS).
3. **National goods unload costs under the Import Tax calculation base:** disseminating the study carried out in 2017 and defending the withdrawal of the national goods unload cost (wharfage fee) off of the composition of the customs value in the Import Tax calculation base, even with the possibility of working in the judiciary branch.
4. **Drawback, Recof and Recof-Sped customs regimens:** presenting and defending improvement proposals of these regimens according to the study carried out in 2017, such as the operationalization of the Continuous Drawback, advancing in the integration with the Foreign Trade Single Window and the exemption of ICMS both for the Drawback Exemption, as well as for the Recof and Recof-Sped.
5. **EPZs:** working in the National Congress and the Executive branch to change the legislation, especially regarding the commitment to export and the inclusion of companies of the services sector in the EPZs.
6. **Taxation in the services foreign trade:** disseminating a study that compares the tax burden in services imports in Brazil compared with selected countries; and raising awareness of industry sectors on the importance of the tax burden reduction and restitution in service imports.



Export financing and guarantees

The Brazilian export financing and guarantees system plays a fundamental role to leverage Brazilian high added value exports. As an example, the Export Financing Program (Proex), in which every US\$1.00 spent generates other US\$19.00 in exports (data from 2015 and 2016).

The offer of export financing lines by the market (Advance on Exchange Contract - ACC and Advance on Deliverable Exchange - ACE) is, in general, adequate and the public exports financing system has been gradually reorganized based on *BNDES-Exim* lines (pre and post shipment) and *Proex* (Equalization and Financing). However, there are important gaps, such as the budgetary unpredictability of *Proex* and the access challenges to small and mid-sized companies to official lines. A survey published by CNI and FGV in 2016, pointed out that almost 67% of the exporting companies in Brazil do not use - or barely use - the available export financing instruments.

In the area of guarantees, the current system is more restricted, where the core obstacles are the limitation of mechanisms and its complex governance. The survey mentioned above also revealed that 88% of the companies do not use these instruments. The guarantees system is fragmented in its operational flow and decision-making process. Moreover, exports that depend on financing (post shipment) with longer deadlines - such as industrial goods and aircrafts - do not have mechanisms used by the main Brazilian competitors, such as the unconditional exports guarantees, the funding in the capital market or financing and guarantees to local expenses.

However, in 2017, there were some important normative advances and changes, especially in the guarantees area. The implementation, by the Brazilian Guarantees and Fund Management Agency (ABGF), of a policy of partnerships with export credit agencies from other countries in order to develop co-financing and co-insurance operations to exports, as well as the possibility of approval of a guarantee for the portfolio of several importers at the same time, instead of the approval of individual operations for each importer, are good examples. In the financing area, an important advance was the Camex decision to withdraw the *intercompany list*, that restricted the goods eligible to *Proex-Equalização* to intercompany exports.

Although the current economic situation still holds fiscal restrictions, there is space to move forward in important issues of the Brazilian financing and guarantees system, mainly related to institutionalization and cutting red tape of their operational management. The possibility of Brazil's accession to the OECD also brings the need to review the instruments available in the country, as well as its governance, in order to ensure compatibility with the organization's standards. And the opening of the New Development Bank (NDB) office in South Africa opens a new path for the installation of the office of the Bank in Brazil.



Priorities for 2018

1. **Public financing system:** defending the revision of *BNDES-Exim Post-Shipment* procedures to reduce the approval time for the financing; to foster the joint action of BNDES and ABGF to attract commercial banks to mid and long term financing for exports; and defending more flexibility of the nationalization index required to access financing.
2. **Guarantees system:** defending the revision of the Export Guarantee Fund (FGE) procedures to reduce the time of approval of the guarantees; supporting the increase of the ABGF product portfolio, providing more attention to the development of structured operations; and defending the acceptance, within FGE operations, of the unconditional guarantee policy.
3. **Partnerships with export credit agencies:** defending the establishment of partnerships between ABGF and export credit agencies from other countries to allow co-guarantee operations.
4. **Institutional framework of the system:** defending the redefinition of the Camex Export Financing and Guarantee Committee (Cofig), to establish strategic guidelines without participating in operational decisions; defending the attribution of responsibility to ABGF to manage the credit insurance system; defending the reformulation of the *Proex* governance, providing autonomy to the Bank of Brazil (BB) in the financing and equalization approval; and defending the creation of a BNDES subsidiary with autonomy for acting in foreign trade.
5. **Compatibility to OECD:** elaborating a diagnosis on the compatibility of the Brazilian export financing and guarantees system with OECD instruments and policies.
6. **NBD:** presenting and defending proposals based on CNI publications, such as the opening of the regional NDB office in Brazil and the increase of the number of projects submitted by the country.

Trade remedies

Trade remedies measures are essential and legitimate to neutralize distortions from unlawful practices and to guarantee a fair trade, as foreseen in WTO guidelines and domestic legislation. Trade remedies should not be confused with protectionist practices and it is not the cause for the low international integration of Brazil, since the measures applied by the country reach only 1% of the imports.



In a context of a higher integration of Brazil to the world and greater intensity in trade agreement negotiations, the existence of trade remedies mechanisms, and mainly the effective guarantee of its functioning, is essential for a higher engagement of the industrial sector in the trade liberalization.

In 2017, there was a public consultation that led to the publication of Decree #9.107/2017, on the treatment for fragmented industries in trade remedies. As the decree had a wider scope, there was a new public consultation for regulation of the subject through Foreign Trade Secretariat (Secex). Moreover, consultations have been held on the re-determination and restitution issues on trade remedies.

A point of concern, regarding transparency, was the publication of the Camex Resolution #29/2017, that moves away the need to open procedures in the scope of Public Interest Evaluation Technical Group (GTIP) in order for Camex to decide regarding changes and suspension of measures, and also determines the creation of an evaluation process of all the measure extension cases, to be held by GTIP. In the same direction, there are concerns regarding divergences throughout the government agencies that compose Camex on the binding or non-binding decision of the technical recommendations from *Decom* on trade remedies investigations. The divergence was the object of a report from the Federal Attorney General's Office (AGU), that stresses the non-responsibility of Camex to revisit technical aspects of investigations and guarantees legal certainty to the trade remedies system.

Regarding the defense of interests of Brazilian exporters on trade remedies measures in other countries, MDIC held, in partnership with CNI, a capacity-building event for the companies and sectors more affected by this type of measures abroad. However, it is still necessary a higher agility on the notification process for Brazilian embassies and consulates to the investigating authority on the opening of investigation against Brazilian exporters, allowing *Decom* to have more time to assist the target-companies.



Priorities for 2018

- 1. Legal certainty on antidumping investigation processes:** defending the maintenance of the recommendation prerogative for the application of antidumping rights by *Decom*, according to the AGU findings; and defending the observance to the evaluation procedures under the GTIP scope, considering the appropriate procedures in cases of changes or suspension of measures.
- 2. Countervailing Measures:** defending the publication and effectiveness of the new decree, that disciplines countervailing measures, containing the main priorities foreseen in the response document to the public consultation, presented by CNI and sectorial associations in 2014.

3. **Antidumping for fragmented industries:** defending the entry into force of the norm, object of public consultation, that will regulate criteria for enabling sectors, such as fragmented industry, that will bring more flexibility to information and deadlines to be presented in petitions.
4. **Support to Brazilian exporters:** carrying out a diagnosis and proposing improvements in the communication process among the Brazilian government agencies involved in the trade remedies system during the opening of investigations against domestic exporters.
5. **China as market economy:** following up with the government and disseminating to the Brazilian industrial sector the progress on the WTO disputes between China, on one side, and United States and EU, on the other, and their implications for the methodology adopted by the Brazilian investigating authority.
6. **Drawback for products subjected to trade defense:** elaborating a diagnosis on the need, impact and feasibility for the extension of the Drawback instrument to products subjected to trade remedies measures, especially antidumping rights.

6 Services in support to the internationalization



Internationalization plan

The internationalization of a company - either through direct and indirect exports, or through imports, participation in the global value chains, investments, partnerships or contracts - depends on a mid to long term business strategy. For the micro and small enterprises (MSEs), the challenge to build an internationalization plan is even bigger.

According to the *World Trade Report* study, elaborated by the WTO in 2016, on average 95% of all companies in the world are MSEs. However, their participation in the international trade is still not very representative. In the developed countries, 78% of the exporting companies are MSEs, contemplating 34% of the total exported volume. The Brazilian case is even more concerning, since 50% of the exporting companies are MSEs, but their export volume corresponds to 1.2% of the total exported in 2016, according to MDIC.

In part, this problem is due to challenges in accessing information on international markets, transportation costs, contact with trade partners and trade barriers, that can be overcome with planning and strategies adjusted for each business. With the development of tools for the elaboration of internationalization plans and continuous consulting by the business support entities, the success rate and business growth can be positively impacted.

The internationalization results in higher productivity, competitiveness and profits for the companies. According to the WTO, in general, the exporting MSEs are also more productive since, with the internationalization, companies learn, evolve and explore economies of scale, impacting economic growth and job creation. In accordance with the same study, the diversification of markets also increases the rates of company survival.

In 2017, the new Global Route service was implemented together with the MDIC's National Exporting Culture Plan (PNCE), aiming at surveying individual needs and developing a customized action plan for the internationalization of each participating company. Throughout the year, entities in Brazil and Argentina were trained, and the enterprise service was initiated in the second semester. The initiative was developed by CNI with the support of the European Commission, through the AL-Invest Program.



Priorities for 2018

1. **Business model for the implementation of the Global Route:** to elaborate the Global Route implementation guide, containing its business model, flow chart, description of activities and base-documents for its implementation; and to make a version of the process available in English and Spanish for business support entities in Latin America and Europe.

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2. **Implementation of the Global Route:** implementing the Global Route methodology in at least 20 business entities in Brazil, Argentina and Spain; and providing follow-up to the implementation of individual action plans for over 200 participating companies, contributing for the goals of the AL-Invest 5.0 Program financed by the European Commission.
 3. **Global Route Improvement:** concluding the second version of the Global Route business model, containing the revision and good practices perceived throughout the execution of the program in Brazil, Argentina and Spain.
 4. **Widening of the Global Route:** identifying national or international partners that can support the widening of the Global Route in Brazil, aiming at reaching a higher number of companies.
 5. **Governance for the internationalization plan:** defending the Global Route as the service model adopted by the PNCE's state committees; and to present the Global Route for the Camex Trade Promotion Committee (*Copcom*) as input for the discussion of a common model to be adopted by the members of the committee.

Training and Awareness Raising to Companies

With the increase of the globalization and a consequent search for internationalization processes, it is more and more necessary to formally prepare the companies to take advantage of the opportunities in a proactive and strategic way.

For 33.2% of the companies participating on a survey carried out by CNI and FGV in 2016, the training in foreign trade is a relevant service for the increase of their competitiveness and the growth of their business. In some regions - the Northern, for instance - this is the main service demanded by the companies, with 50% of positive answers for the relevance of the matter.

In regard to the internal challenges to the company, the third more critical barrier for the internationalization is the qualification of the personnel responsible for the exports, suggesting that this subject, traditional in the provision of services in support to the internationalization, must be prioritized. The study *Survival of Companies in Brazil*, elaborated by the Brazilian Micro and Small Business Support Service (*Sebrae*), also confirms the lack of knowledge of entrepreneurs among the main difficulties for survival to the first year of activity.

To foster the overcoming of this challenge, in 2017, over 120 capacity-building courses were held in 25 Brazilian states in partnership with *Sebrae*, including local and long-distance training

sessions. Moreover, the partnership established with DHL logistics company allowed the creation, in over 10 states, of the *Growing Beyond the Borders Workshop*, towards teaching micro and small entrepreneurs, newcomers in foreign trade or that have never exported. These activities have allowed the training of over 2,000 entrepreneurs.



Priorities for 2018

- 1. Business training on the preparatory phase to internationalization:** developing contents and creating training sessions, both in person or at distance, focusing on the export and import operation planning, contemplating trade preparation and operation aspects in foreign trade.
- 2. Sectorial business training:** : developing contents and creating training sessions, both in person or at distance, focusing on priority sectors or markets, aiming at strengthening specific skills of companies regarding their internationalization.
- 3. Business qualifications on trade policy subjects:** : developing contents and creating sessions, both in person or at distance, focusing on trade policy and relevant issues to the success of the internationalization of companies, such as trade agreements, barriers in third markets, financing and guarantees, and trade facilitation.
- 4. Partnership with Sebrae:** renewing the partnership with *Sebrae*, effective since 2014, extending the number of MSEs trained for their internationalization.
- 5. Partnership with Unindústria:** extending the partnership with *Unindústria*, effective since 2017, to develop new distance education trainings.

Business intelligence

Business intelligence studies are fundamental for a company to define sustainable strategies of entrance and growth in international markets. When a decision maker in the company has access to information on their potential customer, consumption habits, potential market perspectives, support in price formation, competitors strategies, among other intelligence data, this can be used as input for the development of a more assertive internationalization strategy, and to minimize economic and image risks.

The use of intelligence data to elaborate the internationalization strategy can also be the deciding factor when the company aims at diversifying their markets. Brazil, besides having a



low participation in the international trade, concentrates its exports in few destinations: the five biggest Brazilian trade partners represent 46% of the country's exports. With previous research on business opportunities and formal market analyses, the companies can explore currently unknown markets and extend their actions abroad.

According to a survey carried out by CNI and FGV in 2016, 59.8% of the companies believes that studies and research on business intelligence are among the most relevant services in support to the internationalization. A fast changing, highly competitive environment with many technological advances requires companies to be increasingly prepared and to have relevant information for their long-term decision-making.

In general, keeping business intelligence areas in the very structure of the companies require many resources, therefore, the business support entities play an increasingly more important role in providing intelligence and database access solutions for companies throughout the country.



Priorities for 2018

1. **Training of Rede CIN:** training the CIN teams to strengthen their provision of business intelligence studies.
2. **Tools and databases:** providing *Rede CIN* with databases aiming at supporting the execution of business intelligence services; developing and implement a virtual search engine to automatize the data collection process; and developing an international buyer's database to facilitate the relationship with foreign importers.
3. **Generation and dissemination of content:** generating business intelligence content to subsidize the actions of the CNI International Affairs area and *Rede CIN*; and publishing a series of guides congregating essential contents for internationalization of companies, such as investment attraction, internationalization plans, trade agreements and trade facilitation.
4. **Research on the Export Competitiveness Challenges:** disseminating the results of the 2018 edition of the research to the private sector and Brazilian government.
5. **Foreign trade thematic survey:** carrying out a survey on relevant foreign trade issues, such as the impact of corruption on exports and imports, and the quality of the services in support to the internationalization offered by government agencies and the private sector.

Business promotion

Business promotion services main objective is to facilitate the buying and selling of products and the development of international partnerships. These initiatives promote the interaction of the Brazilian companies with foreign players, allowing them to know a new market reality, to develop business competences, to strengthen their competitiveness and to generate new business.

While prospective actions generate greater knowledge for the business owner, trade initiatives have an agenda focused on holding international business meetings, contributing to engage new companies in global value chains.

A research carried out by CNI and FGV in 2016 indicates that the most relevant internationalization support service is the business promotion actions. In third place, there are the business opportunities dissemination tools, which shows the importance of a consistent and continued agenda of business generation initiatives.

In Brazil, the plurality of institutions promoting business promotion actions can represent an opportunity for companies to increase their knowledge, exposure, and establishment of strategic contacts with partners abroad. For that, it is necessary to assure the coordination of efforts and an organized governance, in the federal and state levels, aiming at assuring complementarity of actions, optimization of invested resources, besides the definition of an image strategy for the country that observes priority markets and sectors.

With the support of sectorial and business entities, companies acquire qualified technical support for participating in prospective and trade events, both in Brazil and abroad. With that, the individual participation costs are minimized, while they add value with the institutional representation of the entity, and have access to strategic information and contacts.



Priorities for 2018

- 1. Prospecting for markets:** conducting prospecting missions in markets considered strategic for the industry; and to support the hosting of events with this objective abroad.
- 2. Trade promotion actions:** conducting trade missions and business meetings, in Brazil and abroad, aiming at closing deals and signing of strategic partnerships.
- 3. Action in markets covered by trade agreements:** conducting prospecting and trade missions in markets with which Brazil has signed partial or free trade agreements aiming at increasing their utilization.

- 
4. **Business and investment generation through the EEN platform:** fostering the business generation through the EEN Brazil Consortium, linked to the *Enterprise Europe Network* (EEN), including the publication of enterprise profiles, organization of business-to-business (B2B) meetings and celebration of partnership agreements between Brazilian and European companies.
 5. **Dissemination of Brazilian exporter offer:** disseminating, in Brazil and abroad, the Brazilian Exporters Directory, a virtual dissemination tool for partnership and trade opportunities.
 6. **Partnership with Apex-Brazil:** strengthening the partnership with *Apex-Brazil*, effective since 2008, for the accomplishment of joint business promotion actions.
 7. **Governance for business promotion:** defending the joint, coherent and complementary action of the entities members of *Camex's Copcom* in business promotion actions.

Temporary admission carnet

According to the *International Chamber of Commerce* (ICC), in the average of the last three years, 180 thousand temporary admission carnets (ATA Carnets) were issued in the world, and the main issuing countries were Switzerland, Germany, United States, France and Italy. In Brazil, even with the dissemination and advisory for its issuing provided by the Federations of Industries, few companies know and use the mechanism. In 2017, 218 people or enterprises have registered in the platform for issuing the document in Brazil and 99 ATA Carnets have been issued, covering over US\$ 2.5 million in goods.

According to statements from users of the document, the main purposes of issuing the ATA Carnet have been the exposure in fairs, events and congresses; the followed transportation of professional material; and the sending of samples. In Brazil, the sectors that have issued the carnets were the auto industry, footwear and leather, and audiovisual and photographic equipment.

Brazil adhered to the Istanbul Convention, internalized by Decree #7,545/2011, becoming part of the ATA System, which is conducted by two international treaties: the ATA Convention and the Istanbul Convention. The recognition of ATA Carnets issued under the ATA Convention happened only recently, allowed by the publication of the Normative Instruction #1,763/2017 by the Brazilian Federal Revenue Service (RFB), that modified the previous provisions.

This increase in acceptance of the document supported by the two conventions will allow documents issued in the United States or Japan, for example, to be able to provide access to the Brazilian territory for the purposes foreseen in the respective international regulations.

The full operation of the ATA Carnet System for Brazil faces other challenges, however. It is expected that the several intervening agencies from the Brazilian foreign trade discipline the procedures to be observed in the temporary admission and export operations. In 2016, Camex published Resolution #101, requesting the adaptation of procedures for the use of the ATA Carnet in up to 120 days. The subject, however, has not yet been regulated by the Brazilian government. The standardization of operational procedures and the continuous training of the civil servants involved in the evaluation, processing and validation of the ATA Carnet are also important to highlight the Brazilian operation among the 76 document issuing countries.



Priorities for 2018

1. **Brazil ATA Carnet System:** providing a safe and agile system for Brazilian users, for the issuing of the document, holding the improvements necessary to guarantee the full use of the ATA Carnet in Brazil.
2. **Use of the ATA Carnet by the consenting agencies:** defending, together with the Brazilian government, the specific exemption of licensing and procedures for the operations of temporary admission and temporary export supported by the ATA Carnet; and defending the establishment of focal points within the consenting agencies for the processing of user demands, for both Brazilian and foreign users, related to the ATA Carnet.
3. **Suspension of ICMS for temporary admissions with the ATA Carnet:** defending the publication of the *Confaz* Resolution - that foresees the suspension of the ICMS in operations of temporary admission supported by the ATA Carnet - and defending the single tax collection only in non-compliant cases.
4. **Adherence of new countries to the ATA System:** defending and supporting the Brazilian government to influence other countries, especially in South America, to join the ATA System, offering exchange of good practices.
5. **Adherence to new annexes of the Istanbul Convention:** elaborating a study on the need, impact and feasibility of the adherence of Brazil to new annexes of the Istanbul Convention.



Adaptation of export packaging

The Brazilian companies, besides facing greater competitiveness in international markets, come across with specific requirements for packaging, process or product to be able to access and remain in target markets abroad.

The distance to arrive at the final destination, the consumer profile and preference, the need to change the composition of the product, the type of promotion, marketing and the desired image, the functionality of the packaging and the preservation of the product (best before date) are fundamental factors that cause companies to make adjustments when they decide to become internationalized.

On average, one in every three companies participating in business promotion actions of the *Rede CIN* identifies needs to adjust their products and packaging to the foreign market. Moreover, the 2015 survey by the multinational *MeadWestvaco Corporation* showed that 37% of the people interviewed around the world said to have bought a new product motivated by the functionality of the packaging.

On that sense, in order to provide greater success in the exports of Brazilian companies, *Rede CIN*, together with the National Industrial Training Service (SENAI), developed, in 2017, a pilot program for the adaptation of packaging. The initiative helped 12 companies to adapt their primary, secondary and transportation packaging to the foreign market.

The program not only guaranteed gains in competitiveness due to the reduction of costs and waste of space and material, but also it impacted in the incorporation of different materials, support in the product positioning strategy and adaptation to the consumer behavior in the market.



Priorities for 2018

- 1. Implementation of the packaging adjustment methodology:** implementing, throughout Brazil, through *Rede CIN* and SENAI, an adjustment methodology for the export packaging system, from the proposal of new labels up to new design prototypes for the foreign market.
- 2. Training of Rede CIN and SENAI:** training CIN and SENAI teams to improve the service to companies on packaging adjustment.
- 3. Partnerships for packaging adjustment:** identifying national or international partners that can financially support the widening of the packaging adjustment program, to allow a higher number of companies to access the service.



Internationalization Programs

Non-exporting or unexperienced companies have fears and challenges to dedicate themselves with more focus to the international market. Crossing borders is far from being an easy task for any company, as it requires efforts, coordinated actions, and a long-term vision.

The companies that carefully prepare themselves for internationalization, export continuously and guarantee greater sales volumes abroad. According to MDIC, for each additional US\$ 1 billion in exports, 50 thousand new jobs are created.

Every year, a consult is held with the industrial base of the Industry System (Federation of Industries, employers' associations and companies), in which it is possible to understand the demand for the development and offers of services that are wider, longer in duration and business-oriented, so that companies can elaborate more efficient strategies in certain target-markets.

Aligned to this effort, business support entities should guarantee the provision of complete internationalization programs, that may be organized in a speed-service round, allowing the holding of systematic and evolving services for companies with different degrees of maturity regarding their participation in the international market. In 2017, the *Prospect* execution methodology was updated and a prospection for the sector of Information and Communication Technologies (ICTs) was held in Europe.



Priorities for 2018

1. **International action enterprise preparation program:** promoting the holding of at least one *Prospect*, providing preparation for Brazilian companies to carry out international businesses.
2. **Partnerships for internationalization programs:** identifying national or international partners that can financially support the widening of the *Prospect* program, aiming at allowing the service to a bigger number of companies.



Export certificates

In 2017, Brazil and Argentina have made official the exchange of Digital Certificates of Origin (DCOs). With that, the exporting companies can electronically process the document that grants tariff preferences. In total, 713 companies that export to Argentina are registered on the system and can initiate the digital issuing of certificates of origin in the CINs.

It is estimated that the use of the DCOs will cause the reduction of the period for issuing the certificate of origin. Currently, the issuing on paper takes, on average, 24 hours, but it can take up to three days. The expectation is that the digital signature reduces that period to about 30 minutes. Moreover, the direct transaction costs should be reduced in up to 35%, according to MDIC. Last year, 1,993 DCOs have been issued by the CNI system.

Other countries that are part of the Latin American Integration Association (ALADI), such as Bolivia, Chile, Cuba, Paraguay and Uruguay, are few steps away from initiating the exchange of digitally signed certificates with Brazil. According to MDIC, 13% of the exports have as destination the above-mentioned countries (including Argentina), totalizing over US\$ 24 billion.

Another document issued by the CINs is the Free Sales Certificate (CLV). This document is used to certify that the product is freely commercialized in the origin country, that is, it shows that the product to be exported complies to all requirements to be sold in Brazil.



Priorities for 2018

1. **COD Brazil System:** providing Brazilian exporters with a safe and agile system for issuing digital certificates of origin, carrying out improvements necessary to guarantee the full use of the DCOs in Brazil.
2. **Pilot-project with the ALADI countries:** supporting the Brazilian government in the execution of a pilot-project, with priority to Bolivia, Chile, Paraguay and Uruguay, for the exchange of DCOs with Brazilian exporting companies.
3. **Digital certification of origin with Argentina:** defending the full implementation of the digital certification of origin between Brazil and Argentina.
4. **Self-certification:** elaborating and disseminating a study on the opportunities and challenges of the self-certification for the Brazilian exporter.
5. **CLV:** elaborating a diagnosis on the need, impact and feasibility of the elimination of the certificate within Mercosur; and presenting a regulation proposal to the Brazilian government in order to allow the issuing of the document by *Rede CIN*, under the national articulation of CNI.

Promoting and Attracting Investment

In spite of the 2014 and 2015 recession and the political instability in recent years, Brazil remains in a place of prominence in the global foreign investment flow. According to data from the 2017 *World Investment Report*, in 2016 the country has received a total of US\$ 59 billion in foreign investments and reached the 7th position in the world ranking .

The resources available are limited, and the forecast of the United Nations Conference on Trade and Development (Unctad) is of a growth of 2% in the total volume invested in the world between 2017 and 2018, surpassing US\$ 1.8 trillion, with US\$ 130 billion foreseen for Latin America.

According to FDI Markets, in 2016 Brazil registered 180 greenfield productive investment projects, mergers and acquisitions, while, in the same period of 2017, there were 156 projects.

Brazil is a country of great potential in the attraction of investments and several players are focused on the promotion, intelligence and investment facilitation work, both in the federal and state scopes, as well as in the municipalities. The foreign investors support services require capillarity of services in the 26 Brazilian states and the Federal District, besides the joint performance of national and international partners to identify, promote, assist and support direct investment opportunities of interest to the private sector in Brazil and abroad.

Between 2014 and 2016, *Rede CIN* had meetings with 695 foreign investors, who generated an estimated amount of R\$ 13.3 billion in business. In 2016 alone, 14 projects were confirmed with the generation of over 3 thousand new jobs.

In spite of that, it is necessary to advance in a governance and strategy coordination agenda for investments that involve public sector agencies and representatives of the private sector. The active prospection work must consider priority markets and sectors in order to build the joint promotion and investment attraction strategy, encompassing the government and the private sector.

□ Priorities for 2018

1. **Training of *Rede CIN*:** training CIN and strategic partner teams to render services to foreign investors.
2. **Dissemination of the Brazil4Business Program abroad:** disseminating the Brazil4Business Program in priority countries for investment attraction and in strategic fairs for foreign direct investments.
3. **Governance for promotion and investment attraction:** defending the joint, coherent and complementary action of the public and private sectors, through the Camex Copcom; and defending the inclusion of investment facilitation subjects of interest for the private sector in the Camex Coninv.

7 Brief Account of the International Agenda of Industry 2017

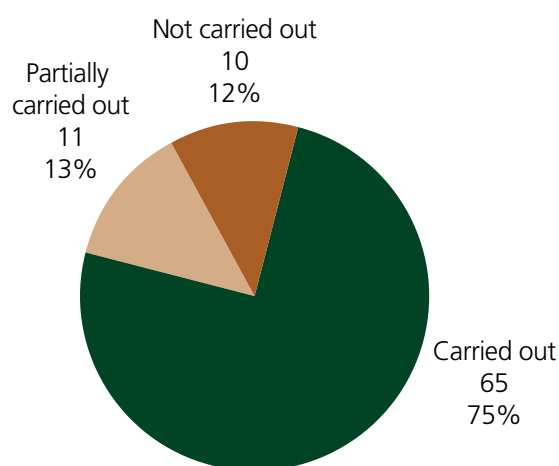


This section is dedicated to present a summary of the activities developed by CNI to stakeholders, based on the priority actions from the International Agenda of Industry of the previous year.

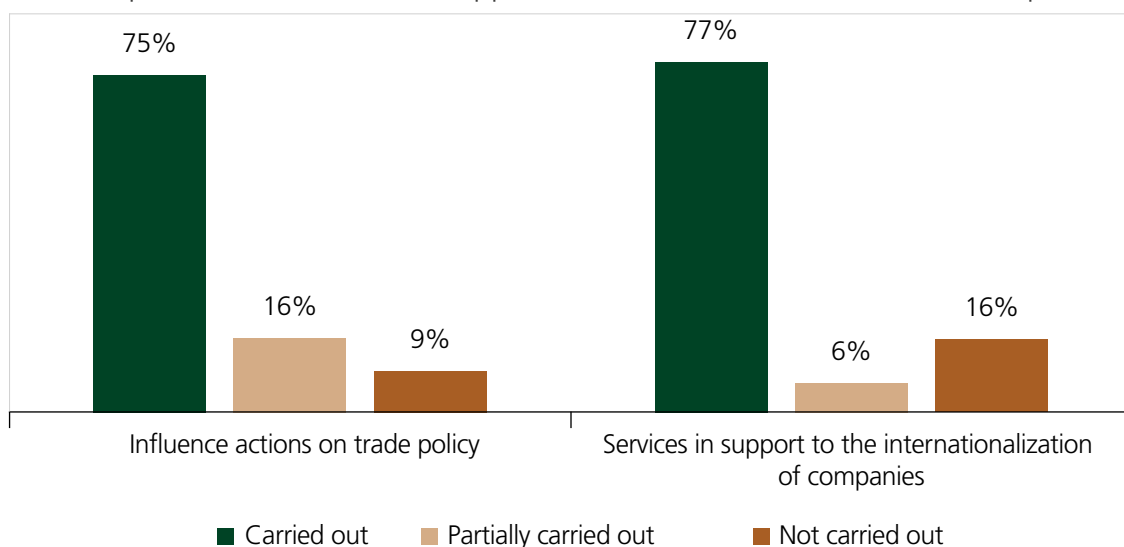
The Agenda listed 86 priority actions distributed in 15 themes. The actions were split in three different categories, according to the extent to which they were actually implemented: i) fully executed actions; ii) partially executed actions; and iii) actions that were not executed.

Altogether, 65 actions were executed (75%), 11 actions were partially executed (13%) and 10 actions were not executed (12%). The graphs and tables below present the lists of actions in each of the three categories.

Graph 5 – Brief Account of the International Agenda of Industry 2017: total number of actions

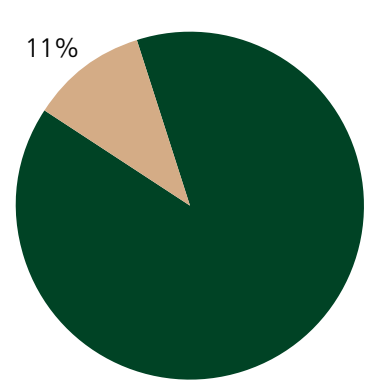


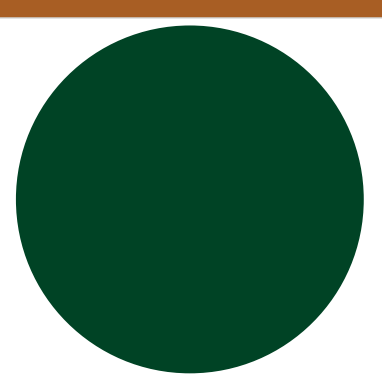
Graph 6 – Brief Account of the International Agenda of Industry 2017: action of influence on trade policies and services in support to the internationalization for companies

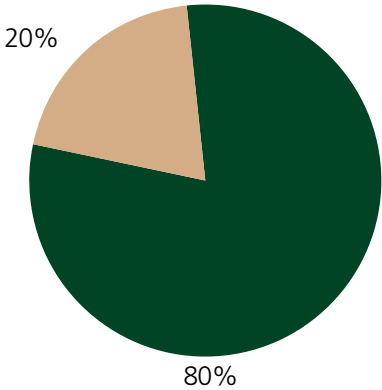


Picture 5 – Detailed account: action of influence on trade policies

Trade Agreements			
Summary	Nº	Priorities	Degree of implementation
 <p>20%</p> <p>80%</p>	1	Mexico	Carried out
	2	European Union	Carried out
	3	South America	Partially carried out
	4	Mercosur	Carried out
	5	Other negotiations	Carried out
	6	Services	Partially carried out
	7	Intellectual property	Carried out
	8	Movement of people	Carried out
	9	WTO	Carried out
	10	Internalization of agreements	Carried out

Brazilian Investments Abroad			
Summary	Nº	Priorities	Degree of implementation
 <p>11%</p> <p>89%</p>	1	Profit taxation abroad	Carried out
	2	Agreements to prevent double taxation	Carried out
	3	Treatment of expatriate workers	Carried out
	4	Transference prices	Carried out
	5	Tax on Financial Operations on company acquisitions	Carried out
	6	Financing for investments abroad	Partially carried out
	7	Investment Facilitation and Cooperation Agreements	Carried out
	8	Social security agreements	Carried out
	9	CONINV	Carried out

Foreign Trade Facilitation and Reduction of Bureaucracy			
Summary	Nº	Priorities	Degree of implementation
 <p>100%</p>	1	Foreign Trade Single Window	Carried out
	2	Brazilian Authorized Economic Operator Program	Carried out
	3	Mapping of tributes, fees and contributions	Carried out
	4	Single collection of tributes and fees	Carried out
	5	CONFAC	Carried out

Barriers in Third Markets			
Summary	Nº	Priorities	Degree of implementation
	1	Barrier mapping system	Carried out
	2	Awareness-raising of the private sector towards the identification of barriers	Carried out
	3	Barriers in China, United States and European Union	Partially carried out
	4	Regulatory cooperation	Carried out
	5	Specific trade concerns at the WTO	Carried out
	6	Disputes at the WTO	Carried out
	7	Mecanism for private petitions to the government	Partially carried out
	8	Industry and trade attaché	Carried out
	9	Bilateral government mechanisms	Carried out
	10	CAMEX barriers Work Group	Carried out

Foreign Trade Taxation			
Summary	Nº	Priorities	Degree of implementation
	1	Tax credit reimbursement from goods exports	Carried out
	2	REINTEGRA	Carried out
	3	Taxation on service imports	Carried out
	4	Recovery of tax credits on services exports	Not carried out
	5	Drawback	Carried out
	6	National goods unloading cost under import tax rates	Carried out

Export Financing and Guarantees			
Summary	Nº	Priorities	Degree of implementation
	1	Public financing system	Partially carried out
	2	Guarantee system	Carried out
	3	System institutionality	Carried out
	4	New Development Bank	Not carried out



Trade Remedies			
Summary	Nº	Priorities	Degree of implementation
	1	China as a market economy	Not carried out
	2	Legal certainty on antidumping investigations	Carried out
	3	Compensatory measures	Carried out
	4	Antidumping for fragmented industries	Carried out
	5	Support to Brazilian exporters	Partially carried out

Logistics and Infrastructure			
Summary	Nº	Priorities	Degree of implementation
	1	Tariffs and fees charged by ports and shipowners	Partially carried out
	2	Maritime access to ports	Not carried out
	3	Logistic integration in South America	Not carried out
	4	Shipping omissions	Carried out
	5	Navigation market concentration	Partially carried out
	6	Fee for noninvasive inspection of containers	Carried out

Picture 6 – Detailed account: services in support to the internationalization to companies

Guidance and Consulting			
Summary	Nº	Priorities	Degree of implementation
<p>50% 50%</p>	1	Internationalization Business Plan	Carried out
	2	Support on product adjustments and internationalization processes	Carried out
	3	Guidance on origin standards and rules	Not carried out
	4	Guidance on exports and temporary admission	Not carried out

Business Capacity Building and Awareness-Raising			
Summary	Nº	Priorities	Degree of implementation
<p>100%</p>	1	Cross-sectorial business capacity building sessions on internationalization	Carried out
	2	Specific business capacity building sessions on internationalization	Carried out
	3	Business capacity building sessions on structuring foreign trade issues	Carried out
	4	Distance education	Carried out
	5	Business capacity building manual	Carried out
	66	Partnership with SEBRAE	Carried out

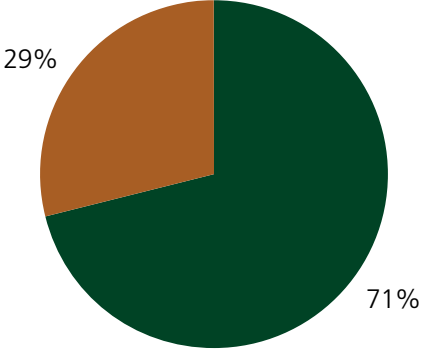
Business Intelligence			
Summary	Nº	Priorities	Degree of implementation
<p>100%</p>	1	Business Intelligence solutions	Carried out
	2	Tools and databases	Carried out
	3	Generation and publication of content	Carried out
	4	Survey on the Challenges to Export Competitiveness	Carried out



Business Promotion			
Summary	Nº	Priorities	Degree of implementation
<p>17%</p> <p>16%</p> <p>67%</p>	1	Market prospection actions	Carried out
	2	Commercial and sales promotion actions	Carried out
	3	Identification of opportunities and support on business and investment generation	Partially carried out
	4	Dissemination of the Brazilian export offer	Carried out
	5	Promotion actions in priority Trade Agreement markets	Not carried out
	6	Partnership with Apex-Brazil	Carried out

Internationalization Programs			
Summary	Nº	Priorities	Degree of implementation
<p>50%</p> <p>50%</p>	1	Programa de preparação da empresa para atuação internacional (Exporta CIN e PROSPECT)	Carried out
	2	Revisão do modelo de operação dos programas de internacionalização	Partially carried out

Customs Documentation			
Summary	Nº	Priorities	Degree of implementation
<p>100%</p>	1	Certificates of Origin for exports	Carried out
	2	ATA Carnet for temporary exports of goods	Carried out

Investment Promotion and Attraction			
Summary	Nº	Priorities	Degree of implementation
 <p>29%</p> <p>71%</p>	1	Support services offering to foreign investors	Not carried out
	2	Harmonization of the Brazil4Business services	Carried out
	3	Action focus and strategy	Not carried out
	4	Active investor prospection	Carried out
	5	Generation of content and knowledge	Carried out
	6	Public-private coordination	Carried out
	7	Business promotion and contact	Carried out

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