

BRAZILIAN FOREIGN TRADE: TRADE FACILITATION AND CUTTING THE RED TAPE

- *Simplifying and reducing red tape in foreign trade processes is vital for reducing the time and costs of export and import operations and, as a result, for improving the competitiveness of enterprises.*
- *There are more than 10 consenting agencies for exports/imports of products in Brazil. In addition, there is no standardized collection of taxes, fees and contributions - even specialized operators find it difficult to understand the complex network of procedures involved.*
- *Some fees charged today exceed the limits set forth in domestic legal standards and international commitments.*
- *Linking and integrating the different public administration agencies involved and fostering cooperation between government and the private sector in developing solutions, such as that of the Single Foreign Trade Portal program, are key steps toward reducing red tape.*

Customs red tape is one of the main obstacles to Brazilian exports.

To increase the share of Brazilian companies and products with greater added value in global trade, it is necessary to improve the competitiveness of the productive sector, promote more efficient logistics and improve the domestic business environment and this requires a convergent view on the strategic importance of foreign trade for the country.

Measures to reduce red tape and to facilitate and modernize foreign trade processes must be taken to address these challenges and stimulate changes designed to increase competitiveness.

The international market requires not only good prices and quality, but short deadlines and predictability. Delays caused by customs red tape in foreign trade operations tend to increase costs for manufacturing industry. On average, customs delays increase export costs by 13% and import costs by 14%.

Simplification and red tape reduction are vital to reduce the time and costs of foreign trade operations. The importance of these measures was reiterated by a commitment assumed by more than 160 countries to increase the speed and transparency of international trade through the Trade Facilitation Agreement of the World Trade Organization (WTO), which has been in force in Brazil since 2017.

Linking and integrating the different public administration agencies involved and fostering cooperation between government and the private sector are key steps toward developing common solutions within Brazil's interest to reduce red tape and costs for Brazilian exports and imports.

The Single Foreign Trade Portal and the Authorized Economic Operator (OEA) programs provide concrete examples of how red tape can be reduced and solid results delivered to improve our trade flow by promoting efficiency gains.

Other relevant measures are related to **charges, fees and contributions levied by consenting agencies on the country's import and export operations.**

The charges levied by foreign trade agencies - 16 on imports and 12 on exports, apart from those levied by the Brazilian Internal Revenue Service (RFB) and by other agencies that interact with the consenting ones - are seen by the private sector as one of the most critical obstacles to import and export activities in Brazil.

These are additional costs that, combined with the lack of a standardized model for single tax collection and of other customs facilitation measures, **directly affect business costs, generate delays and undermine the competitiveness of Brazilian products abroad.**

Main recommendations

1 The dialogue channel built within Camex through the National Trade Facilitation Committee (Confac) should be strengthened with a view to implementing, with the necessary quality, the obligations contemplated in the Trade Facilitation Agreement.

2 All the consenting agencies and their respective controls and regulations should be fully and definitively integrated to ensure the full implementation of the Single Foreign Trade Portal.

3 The main consenting agencies should be integrated into the customs risk management model to ensure the full implementation and progress of mutual recognition agreements for the Authorized Economic Operator (OEA) program.

4 An integrated, single system for collecting taxes, fees, charges and contributions levied on Brazilian foreign trade should be implemented.

5 Legal incompatibilities with domestic and international standards applied to fees and charges levied on Brazilian foreign trade should be eliminated.

6 The fees charged for non-invasive inspection, container scanning, carried out by port terminals in all fiscal regions of Brazilian customs should be eliminated.

7 The main non-statutory standards and internal rules adopted by each of the consenting agencies involved in Brazilian foreign trade should be consolidated.

8 The licensing regime in consenting agencies involved in Brazilian foreign trade should be improved.

9 e-Phyto (eletronic phytosanitary certification) should be adopted to facilitate and harmonize the country's phytosanitary certification procedures.

10 The express shipment regime should be expanded and improved in Brazil.

11 Other customs facilitation measures, such as those related to wooden packaging and to checking the weight of containers, should be implemented.

The full version of the document can be accessed through the QR code on the side or at: <http://www.cni.com.br/eleicoes2018/downloads/> This summary is part of the series Proposals of Industry for the 2018 Elections comprising 43 documents. The series, which is based on the *2018-2022 Strategy Map for Industry* is a CNI contribution to the new federal administration and presents analyses and proposals of priorities to increase Brazil's competitiveness. Any part of this publication may be copied, provided that the source is acknowledged. Brasília-DF, July 2018.

