

AGENDA FOR THE UNITED KINGDOM



Brazilian National Confederation of Industry

THE FUTURE OF INDUSTRY

AGENDA FOR THE UNITED KINGDOM

BRAZILIAN NATIONAL CONFEDERATION OF INDUSTRY – CNI

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Brasília, 2021



Brazilian National Confederation of Industry

THE FUTURE OF INDUSTRY

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CNI

International Affairs Unit

CATALOGING IN PUBLICATION DATA

C748a

National Confederation of Industry.

Agenda for the United Kingdom / National Confederation of Industry. –
Brasília : CNI, 2021.

29 p. : il.

1.Foreign Trade. 2. Bilateral Agreements. 3. Brazil-United Kingdom I. Title.

CDU: 339.54

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INTRODUCTION

In 2020, the United Kingdom officially left the European Union and started negotiating free trade agreements with several countries, prioritizing, in addition to the members of the block itself, the United States and Canada.

The Brexit brought challenges and opportunities for the Brazilian market, since the UK is a strategic market in trade and investment relations for Brazil. In 2020, the country was Brazil's 16th largest trading partner, accounting for 1.6% of total Brazilian imports and exports. Brazilian exports to the UK are composed mainly of high value-added manufactured and semi-manufactured goods.

In order to identify the main demands of the Brazilian private sector, the Brazilian National Confederation of Industry conducted a survey with companies and trade associations on the issues they deem relevant for negotiations with the government, aiming at facilitating the flow of trade between the two countries.

As a result, I present you the **Agenda for the United Kingdom**, with special emphasis on the need for a Double Taxation Avoidance Agreement to increase legal security and thus stimulate trade and investment.

Robson Braga de Andrade

President of the Brazilian National Confederation of Industry

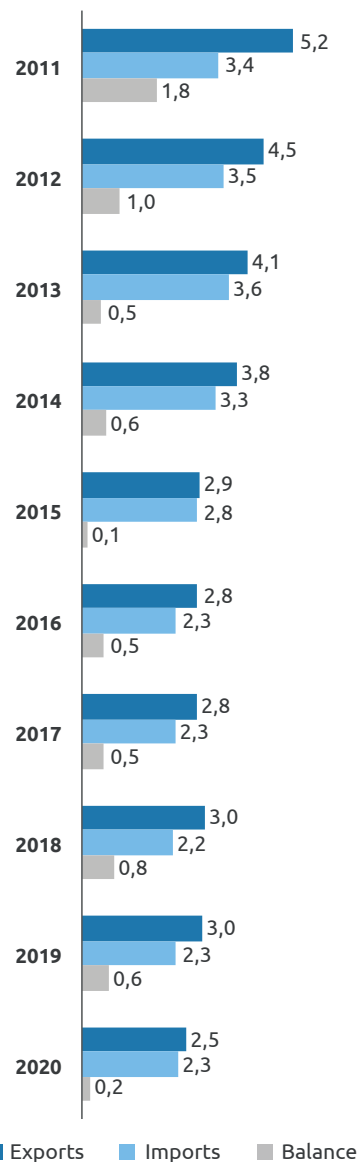


1 PROFILE OF TRADE RELATIONS



The UK is a strategic trade and investment market for Brazil. In 2020, the country was Brazil's **16th largest trading partner**, accounting for 1.6% of total Brazilian imports and exports.

CHART 1 – Brazil - UK Trade Balance (US\$ billions)

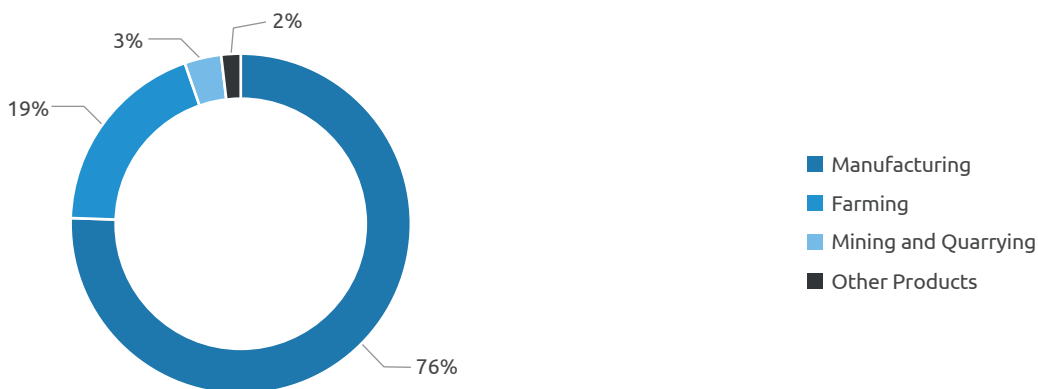


Source: Ministry of Economy. Prepared by: CNI.

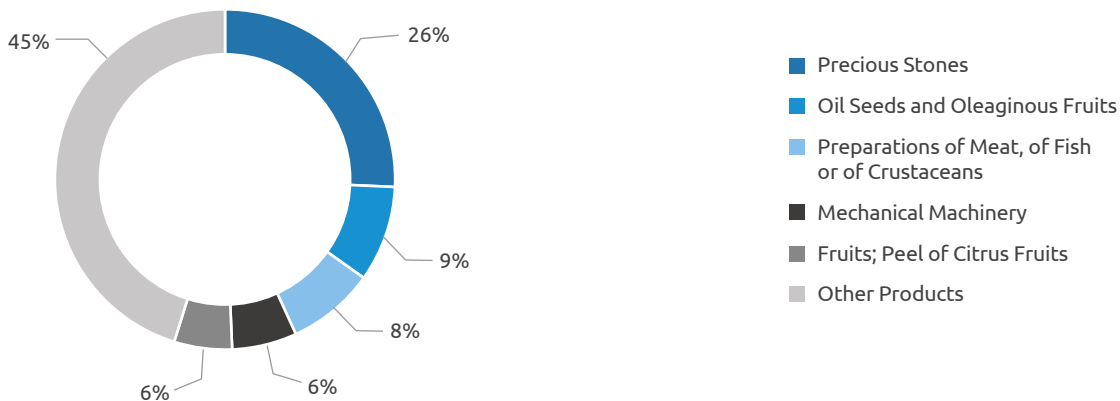
Despite the volume, it is the diversification of bilateral trade that makes this exchange even more strategic. Brazilian exports to the UK are composed mainly of high value-added manufactured and semi-manufactured goods.

CHART 2 – Trade agenda

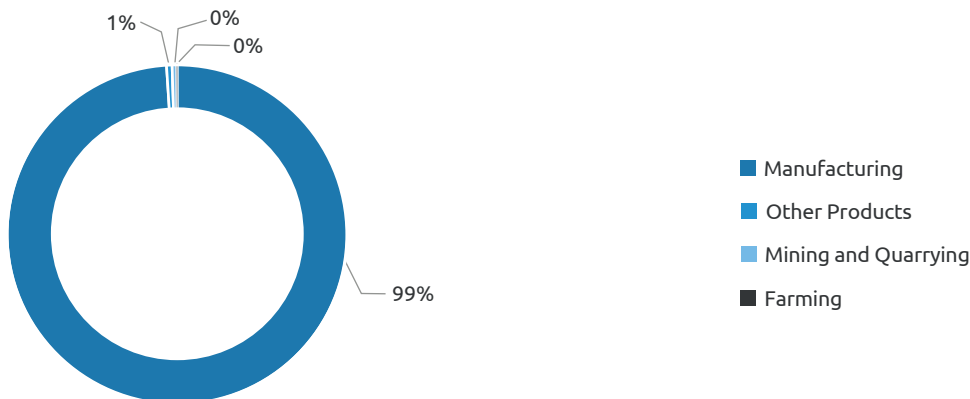
COMPOSITION OF BRAZILIAN EXPORTS TO THE UK - 2020 (ISIC FACTOR)

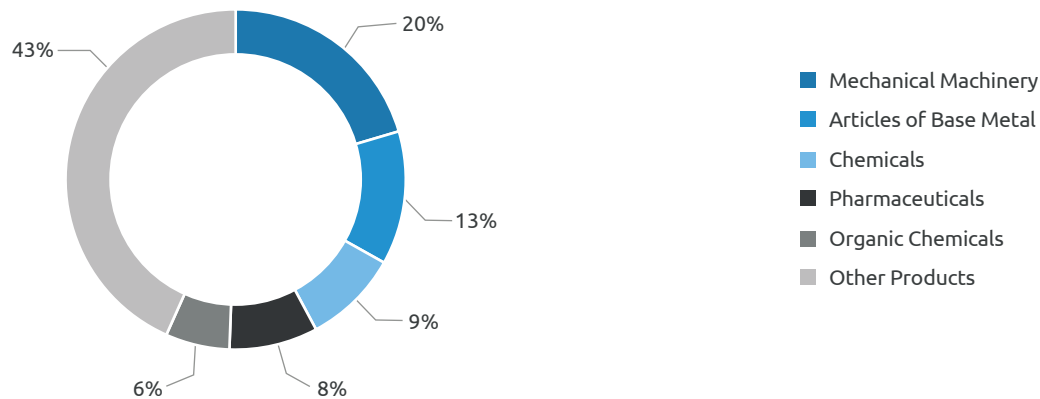


BRAZILIAN EXPORTS TO THE UK - 2020



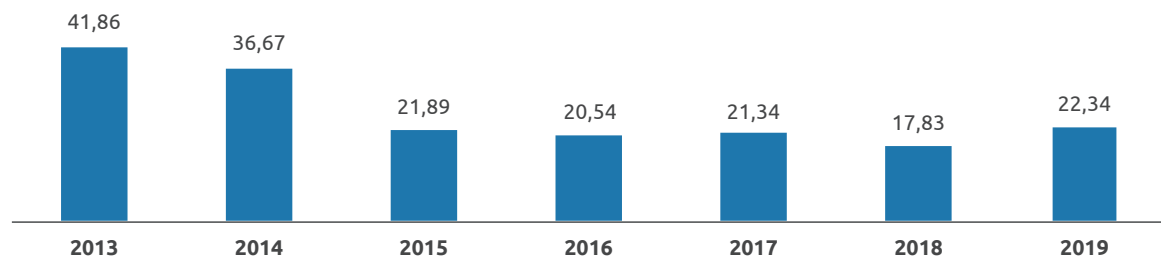
COMPOSITION OF BRAZILIAN IMPORTS FROM THE UK - 2020 (ISIC FACTOR)



BRAZILIAN IMPORTS FROM THE UK - 2020

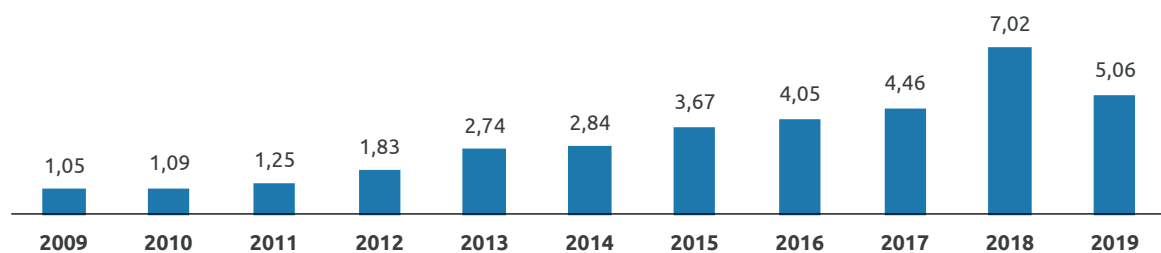
Source: Ministry of Economy. Prepared by: CNI.

The UK invested US\$ 22.34 billion in Brazil in 2019. There was a significant increase in relation to the previous year. The main industries receiving British investments in Brazil are motor vehicles and basic metals.

CHART 3 – British Investments in Brazil (US\$ billions)

Source: Central Bank. Prepared by: CNI.

In the opposite direction, Brazilian companies held investments of US\$ 5.06 billion in the UK in 2019, with emphasis on industries such as software and animal protein.

CHART 4 – Brazilian Investments in the UK (US\$ billions)

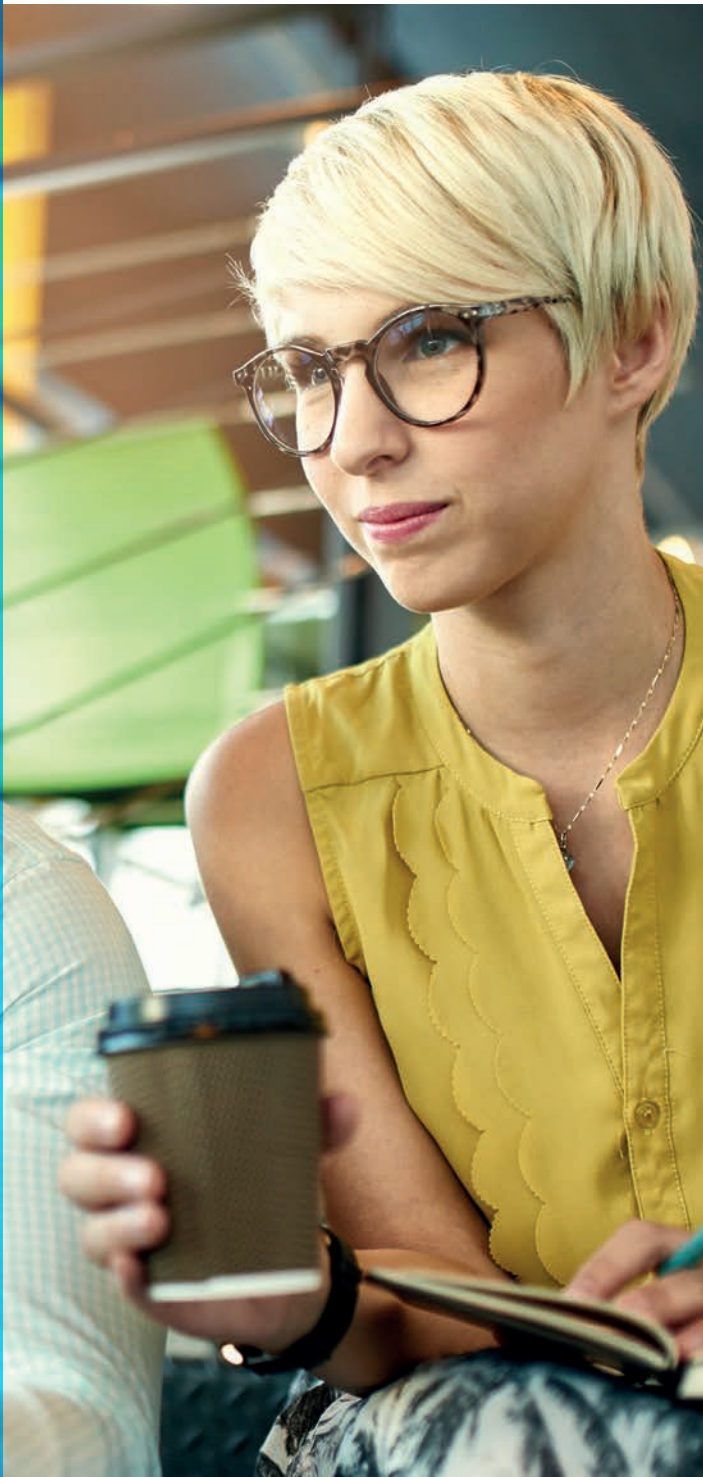
Source: Central Bank. Prepared by: CNI.



2 2020-2021 RESULTS

No results.





3 BRAZILIAN PRIVATE SECTOR DEMANDS



CNI conducted a survey with companies, trade associations, and business entities, from February to April 2021, and put together a list of the main demands of the Brazilian private sector. As a result, 12 measures were identified with the potential to improve the business environment and increase trade and investment between Brazil and the United Kingdom.

3.1 FREE TRADE AGREEMENT



OBJECTIVE

Start of negotiations for a Free Trade Agreement (FTA) between Mercosur and the United Kingdom.



CONTEXT

With the withdrawal of the United Kingdom from the European Union, the start of negotiations for an FTA between the country and Mercosur becomes a priority.

There are signs of interest from the governments of Brazil and the UK in strengthening trade relations through a future agreement, which, in the opinion of the private sector, should seek to level the access to markets in goods, services, government procurement, and investments .



BENEFITS

To level access conditions to the UK market.



GOVERNMENTAL BODY

Ministry of Economy, Ministry of Agriculture, Ministry of Foreign Affairs, and Chamber of Foreign Commerce.

3.2 AUTHORIZED ECONOMIC OPERATOR



OBJECTIVE

Ratification of a Mutual Recognition Agreement (MRA) between Authorized Economic Operator (AEO) programs.



CONTEXT

The MRA allows the procedures adopted in AEO certification in Brazil to be recognized in the UK, and vice versa. Thus, authorized companies are automatically recognized in customs as low risk.

The Brazilian AEO model achieved a reduction of more than 70% in time for customs inspections. In exports, the average time for cargo clearing fell from 3.4 hours to less than 1 hour, and in imports, from 23.7 hours to 4.4 hours.



BENEFITS

Integration of production chains, speeding of the import and export bureaucratic procedures, and increased competitiveness.



GOVERNMENTAL BODY

Ministry of Economy.



LEARN MORE:

<http://www.portaldaindustria.com.br/publicacoes/2018/11/impactos-economicos-da-implantacao-do-programa-operador-economico-autorizado-no-brasil/>

3.3 SOCIAL SECURITY



OBJECTIVE

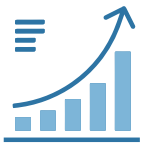
Negotiation of the Social Security Agreement.



CONTEXT

Social security agreements allow the taxpayer of one of the countries to remain bound only to the Social Security system of the country of origin for the time established in the agreement.

With the increasing international flow of workers and Brazil's transformation from a country of destination to a country of origin of immigrants, the initiative is even more relevant from the worker's point of view and the internationalization of business.



BENEFITS

Economic gains for companies and workers from both countries working outside their territory.



GOVERNMENTAL BODY

Ministry of Economy.

3.4 DOUBLE TAXATION



OBJECTIVE

Start of negotiations for a Double Taxation Avoidance Agreement (DTA).

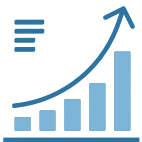


CONTEXT

The DTA defines which tax authorities can collect taxes and reduces the aggregate tax burden on bilateral operations.

The main conflicting points between the Brazilian model and the British model are similar to the conflicts between the Brazilian model and the Model Convention of the Organization for Economic Cooperation and Development (OECD), with emphasis on the provisions on the tax treatment given by Brazil to income from technical services and on the provisions involving the application of transfer pricing rules.

Over the last decade, Brazil signed new DTAs that were more in line with the standards of the OECD, reducing tax rates for certain revenues and eliminating historical clauses such as tax sparing and matching credit.



BENEFITS

Increased legal security, increased investments and exports, and increased encouragement for technology acquisition and bilateral loans.



GOVERNMENTAL BODY

Ministry of Economy.



LEARN MORE:

<http://www.portaldaindustria.com.br/publicacoes/2019/10/acordos-para-evitar-dupla-tributacao-entre-o-brasil-e-os-estados-unidos-caminhos-para-uma-possivel-convergencia/>

3.5 PATENTS



OBJECTIVE

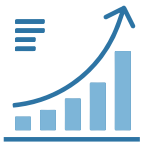
Conversion of the Patent Prosecution Highway (PPH) Agreement pilot project between INPI and the UKIPO into a permanent one.



CONTEXT

The pilot project between the Brazilian Institute of Industrial Property (INPI) and the UK Intellectual Property Office (UKIPO) started in 2018 and will remain in effect until 2024.

The PPH avoids redundant effort by examiners in partner countries by ensuring reciprocal access and voluntary use of the analysis to reduce the time for patent granting. Therefore, this is an instrument that stimulates research, development, and innovation, contributing to the competitiveness of Brazilian industry and exports.



BENEFITS FOR BUSINESS

Reduced time to grant patents, greater legal security, and greater competitiveness.



GOVERNMENTAL BODY

INPI (National Institute of Industrial Property).



LEARN MORE:

<http://www.inpi.gov.br/pph>

3.6 AIR SERVICES



OBJECTIVE

Extension of freedoms of the Air Transport Agreement for cargo transport.



CONTEXT

However, the extension of the agreement to the “7th freedom of the air” for cargo will increase international cargo flights by allowing transport between Brazilian and third country airports without the need to return to the airline’s country of origin.

The Ministry of Infrastructure has defined the granting of traffic rights up to the “7th freedom of the air” for cargo-only services as a negotiating principle (Ordinance No. 527, of August 5, 2019).



BENEFITS

Increased offer of air services, reduced costs for transportation of goods, increased foreign trade competitiveness.



GOVERNMENTAL BODY

National Civil Aviation Agency of Brazil (Anac) and Ministry of Infrastructure.



LEARN MORE:

<http://www.portaldaindustria.com.br/publicacoes/2019/10/modalidade-aerea-no-comercio-exterior-brasileiro-prioridades-da-industria/>

3.7 REGULATORY COOPERATION



OBJECTIVE

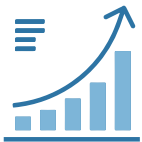
Implementation of the work plan on Regulation under the Prosperity Fund Cooperation Programme on Trade Facilitation.



CONTEXT

The Prosperity Fund, an inter-ministerial fund of the British government, has pre-approved allocation for project development in Brazil in the areas of trade facilitation, business environment, energy, smart cities, green finance, and health.

The project could increase efficiency in foreign trade operations, creating opportunities for a more inclusive trading system for companies of different sizes, and could set new domestic standards for regulatory consistency and international regulatory cooperation.



BENEFITS

Reduction of trade barriers and increased exports.



GOVERNMENTAL BODY

Ministry of Economy.

3.8 WTO REFORM



OBJECTIVE

Negotiation of proposals for the World Trade Organization (WTO) reform.

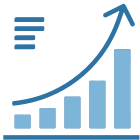


CONTEXT

The weakening of the multilateral trade system may negatively affect the Brazilian productive sector. Reforms should include the improvement of regular work and transparency in the WTO, strengthening negotiation mechanisms and rules of procedure.

The conclusion of negotiations on the new working topics at the WTO should be encouraged, in particular on e-commerce, investment facilitation, trade facilitation in services, and small and medium enterprises.

The notification of measures in TBT and SPS committees should be improved, as well as the notification of subsidies.



BENEFITS

Assurance of a multilateral trading system with rules and predictability.



GOVERNMENTAL BODY

Ministry of Economy and Ministry of Foreign Affairs.

3.9 WTO DISPUTE SETTLEMENT SYSTEM



OBJECTIVE

Negotiation of alternatives to the Dispute Settlement Body (DSB) and adhesion of the United Kingdom to the temporary plurilateral arrangement for the Appellate Body (WTOAB).

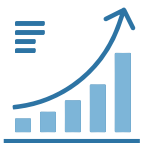


CONTEXT

Since 2017, the United States have blocked the appointment of arbitrators to the DSB, which has led to the suspension of the Body and the loss of the enforcement capacity of the WTO.

Among the largest economies, Brazil is, proportionally, the most offensive DSB user, with 67% of the cases and awards that added up to US\$ 9.5 billion in subsidies or barriers to exports. Brazil has panels in progress of up to US\$ 8 billion.

The Plurilateral Arrangement for the WTOAB is a temporary alternative solution, as it allows the use of arbitration procedures, on a provisional basis, from appeal to resolution of the dispute. Brazil has joined the arrangement together with important members such as the European Union, China, and Mexico.



BENEFITS

Resumption of the legal backbone of the WTO.



GOVERNMENTAL BODY

Ministry of Foreign Affairs.

3.10 DIVISION OF WTO AGRICULTURAL QUOTAS



OBJECTIVE

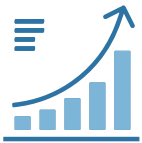
Conclusion of the tripartite negotiations on the division of Brazilian agricultural tariff rate quotas between the European Union and the United Kingdom.



CONTEXT

With Brexit, the pre-existing agricultural tariff rate quotas are to be split between the UK and the European Union. Thus, the UK will assume individual binding market access commitments.

Brazil is currently negotiating the division of quotas and seeks to maintain competitiveness and compensation when there is a negative impact.



BENEFITS

Continued competitiveness of Brazilian exports.



GOVERNMENTAL BODY

Ministry of Foreign Relations and Ministry of Agriculture, Livestock and Food Supply.

3.11 REGULATORY CONVERGENCE



OBJECTIVE

Implementation of trade facilitation initiatives between Brazil and the UK.



CONTEXT

Currently, the work on regulatory convergence is very relevant for the expansion of markets, since it focuses on the elimination or reduction of regulatory trade barriers.

In this sense, the regulatory bodies and private sector representatives from Brazil and the UK should work together to develop trade facilitation initiatives.



BENEFITS

Reduction of trade barriers and increased exports.



GOVERNMENTAL BODY

Ministry of Economy.



BRAZIL-UK WORKING GROUP (BRAZIL-UK WG)



Coordinated by CNI, the Brazil-UK WG was created in 2021 to consolidate the priorities of the Brazilian private sector with the potential to contribute to the improvement of the business environment with the British market.

The Brazil-UK WG is a mechanism with the participation of companies, trade associations, and business entities with offensive and defensive trade interest with the UK.

List of members

Abdib – Brazilian Association of Infrastructure and Basic Industries

Abiarroz – Brazilian Rice Industry Association

Abiec – Brazilian Beef Exporters Association

Abimapi – Brazilian Manufacturers Association of Biscuits, Pasta and Industrialized Breads & Cakes

Abinpet – Brazilian Association of the Pet Products Industry

Abividro – Brazilian Technical Association of Automatic Glass Industries

ABPA – Brazilian Animal Protein Association

AEB – Brazilian Foreign Trade Association

Anut – Brazilian National Association of Cargo Transport Users
Braskem

CBIC – Brazilian Chamber for the Construction Industry

Ibram – Brazilian Mining Institute

Mega Embalagens Ltda

Unica – Brazilian Sugarcane Industry Association

Volkswagen Caminhões e Ônibus

CNI

Robson Braga de Andrade
President

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