

EU FTA MERCOSUR

In favour of full tariff dismantling and elimination of Non-Tariff Barriers throughout the MERCOSUR region.

Current customs duties in Argentina and Brazil are between 12-18%. Brazil applies federal / state taxes and charges to EU imports, which effectively double the cost of importing.

Trade flows between the MERCOSUR members are continuously being monitored.

Imports from Brazil increased by 5.2% in 2011 compared to 2010, imports from EU increased by 4.1%. EU Trade surplus: \$2,742,008,502 in 2011, increased by 3.9% from past year.

Imports from Argentina increased by 22% in 2011 compared to 2010, imports from EU increased by 19.6%. EU Trade surplus: \$967,564,941 in 2011, increased by 19% from past year.

CLEPA is pushing for Brazil and Argentina to become signatories to the 1958 UNECE Agreement and to sign all UNECE Regulations, which the EU has signed. Brazil does not recognise UNECE marked products and it is developing its own certification system, resulting in increased costs to EU importers for additional tests. New Brazilian Regulations on some components apply to both imported and locally manufactured parts.

CLEPA is pressing for the lifting of restrictions on export of raw materials Brazil, e.g. steels, aluminium, lithium, titanium, platinum.

Increased use of protectionist measures:

MERCOSUR Decision 39/11 recently enacted, allowed members to propose a list with up to 100 products that can be subject to 35% import duty rate when imported into MERCOSUR from 3rd countries. Duration for 12 month period, may be extended.

IPI increase for imported vehicles, since 12 Dec 2012, duration 1 year - **Brazil** established an increase of 30% of the IPI rate, applicable to the import of passenger cars / trucks. Does not apply to sale of vehicles, coming from R&D activities in Brazil, and provided that vehicles manufactured in Brazil contain at least 65% local content.

Argentina, main weapons: import licencing regime, putting an obligation on cos to balance imports with exports; reference values, red channel, specialised custom house, de factor barriers.

Since 1 Feb 2012, Resolution No. 3252/2012 requires importers to file an Advance Import Affidavit (DJAI), prior to importation of all goods. Significant import barrier, complaints of delayed licence grants, licence applications being denied, products blocked in customs, loss in sales.

Non-Automatic Import Licenses (NAILs), registration of the importer in a special registry and obtain the license on a per shipment basis, covers 589 tariff lines. CLEPA members confirmed detrimental effect. Licences are not granted within 60 days, thereby violating WTO. For one member, import authorisation still pending for orders of \$500,000. Some estimate lost sales in excess of \$1million. Other companies have suspended all of their imports while regulation is in effect. De factor barriers – delays in issuance of required certificates, clearance process extended, leading to increase in costs.

COM has launched a challenge to Argentina's import restrictions at the WTO, in Geneva. EU is firstly requesting consultations with Argentina in a bid to have these protectionist measures lifted. If no solution is found within 60 days, the EU shall request a WTO Panel to rule on the legality of Argentina's actions.

Once exchange of market offers have been initially exchanged, CLEPA shall embark on its lobbying efforts to eliminate tariffs and NTBs. Expected support from the Brazilian Presidency of MERCOSUR beginning in July 2012.