



Comitê de Cooperação Econômica

BRASIL-JAPÃO

XX Joint Meeting

**Trade Negotiations Brazil-Japan:
opportunities for enhancing bilateral
economic relations**

**SANDRA POLÓNIA RIOS
CURITIBA, 28/08/2017**

Keidanren
Policy & Action



FIEP



Confederação Nacional da Indústria

CNI. A FORÇA DO BRASIL INDÚSTRIA



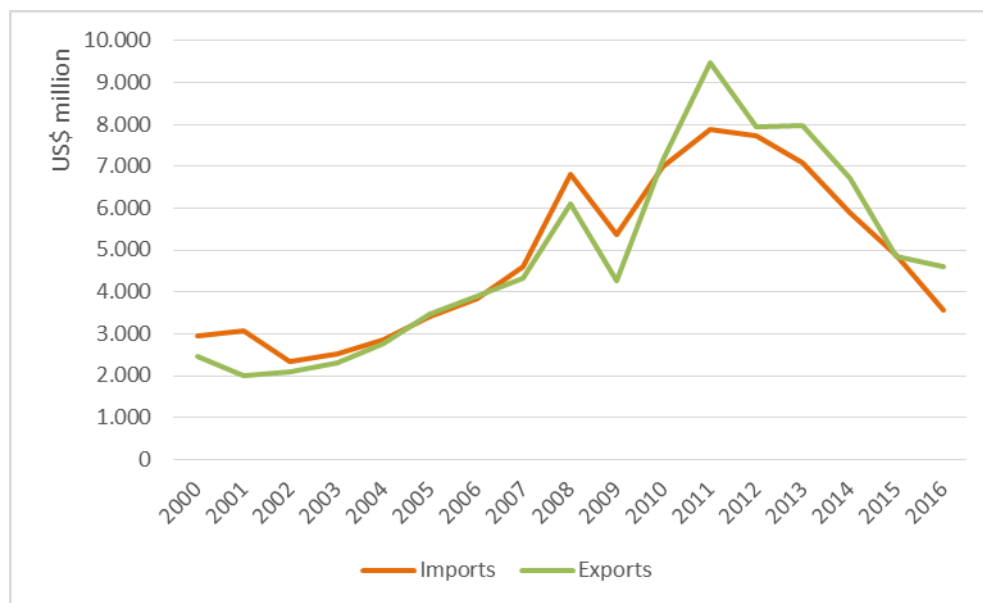
Topics:

- **Bilateral economic relations**
- **Japanese trade policies: how do they affect Brazilian strategies?**
- **Opportunities for Brazilian exports in an eventual bilateral trade agreement**
- **Final remarks**



Despite low dynamism in bilateral trade of goods, Japan remains an important trade partner for Brazil

Bilateral trade flows 2000-2016



| EXPORTS | | |
|------------------|------|------|
| COUNTRIES/BLOCKS | 2016 | 2000 |
| EUROPEAN UNION | 1º | 1º |
| UNITED STATES | 2º | 2º |
| MERCOSUR | 3º | 3º |
| JAPAN | 6º | 4º |
| MEXICO | 7º | 5º |

| IMPORTS | | |
|------------------|------|------|
| COUNTRIES/BLOCKS | 2016 | 2000 |
| EUROPEAN UNION | 1º | 1º |
| UNITED STATES | 2º | 2º |
| MERCOSUR | 3º | 3º |
| JAPAN | 7º | 4º |
| AFRICA | 5º | 5º |

Japan is the destination for 2.5% of Brazilian exports and the origin of 2.6% of Brazilian imports



Brazilian exports: concentrated in agricultural and mineral goods

| Chapter | HS2 Description | Exports (in US\$ million) | Share of the total |
|---|--|---------------------------|--------------------|
| 26 | Ores, slag and ash | 1.101,0 | 23,9% |
| 2 | Meat and edible meat offal | 727,0 | 15,8% |
| 10 | Cereals | 456,5 | 9,9% |
| 9 | Coffee, tea, mate and spices | 414,7 | 9,0% |
| 76 | Aluminium and articles thereof | 248,5 | 5,4% |
| 72 | Iron and steel | 246,0 | 5,3% |
| 88 | Aircraft, spacecraft and parts thereof | 218,9 | 4,8% |
| 12 | Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit | 180,5 | 3,9% |
| 47 | Pulp of wood or other fibrous cellulosic material | 113,1 | 2,5% |
| 20 | Preparations of vegetables, fruit, nuts or other parts of plants | 109,9 | 2,4% |
| Total value for 10 main chapters | | 3.816,1 | |
| Total value for exports to Japan | | 4.604,3 | |
| Share of 10 chap. in the total exports to Japan | | 82,88% | |

Brazilian objectives in trade bilateral trade negotiations: exports diversification



Brazilian imports: more diversified than exports, but concentrated in capital goods and durable goods

| Chapter | HS2 Description | Imports (in US\$ million) | Share of the total |
|---------|---|---------------------------|--------------------|
| 84 | Nuclear reactors, boilers, machinery and mechanical appliances | 938,0 | 26,3% |
| 87 | Vehicles; other than railway or tramway rolling stock, and parts na accessories thereof | 655,5 | 18,4% |
| 85 | Electrical machinery and equipment and parts thereof | 458,1 | 12,8% |
| 90 | Optical, photographic instruments and apparatus | 264,9 | 7,4% |
| 29 | Organic chemicals | 252,5 | 7,1% |
| 73 | Iron and steel articles | 220,4 | 6,2% |
| 39 | Plastics and articles thereof | 132,5 | 3,7% |
| 88 | Aircraft, spacecraft and parts thereof | 101,1 | 2,8% |
| 40 | Rubber and articles thereof | 96,7 | 2,7% |
| 72 | Iron and steel | 89,9 | 2,5% |
| | Value for 10 main chapters | 3.209,5 | |
| | Value of imports from Japan | 3.566,4 | |
| | Share of 10 chap. in the total imports from Japan | 90,0% | |

Brazilian objectives in bilateral trade negotiation: access to sophisticated and technology intensive production goods



Japanese trade policies: high protection for agribusiness (tariff and non-tariff barriers) and high tariffs for very few industrial products

| Sector | Average | Duty-free | Range |
|---------------------------------|---------|-----------|-------|
| Mineral products and metals | 1,0 | 70,4 | 0-10 |
| Chemicals | 2,2 | 38,8 | 0-7 |
| Wood, pulp, paper and furniture | 0,8 | 80,8 | 0-10 |
| Textiles | 5,4 | 8,1 | 0-25 |
| Apparel | 9,0 | 1,9 | 0-13 |
| Leather, rubber and shoes | 8,9 | 54,1 | 0-371 |
| Mechanical equipment | 0,0 | 100 | 0 |
| Electric equipment | 0,1 | 97,8 | 0-5 |
| Transport equipment | 0,0 | 100 | 0 |
| Other | 1,2 | 75,7 | 0-8 |



A traditional multilateralist, from 2000 onwards Japan developed a network of PTAs with Southeast Asia and Latin America

| Status of the Japanese EPAs | | |
|-----------------------------|----------|----------------------|
| In force | Ratified | Ongoing negotiations |
| Singapore | TPP | Colombia |
| Mexico | | China |
| Malaysia | | European Union |
| Chile | | Turkey |
| Thailand | | RCEP |
| Indonesia | | |
| Brunei | | |
| ASEAN | | |
| Philippines | | |
| Switzerland | | |
| Vietnam | | |
| India | | |
| Peru | | |
| Australia | | |
| Mongolia | | |

With TPP, and the negotiations with EU, China and South Korea (RCEP), Japan is consolidating a trade policy centered in the preferential dimension

Japan grants trade preferences to competitors with Brazilian products in the Japanese market in its EPAs



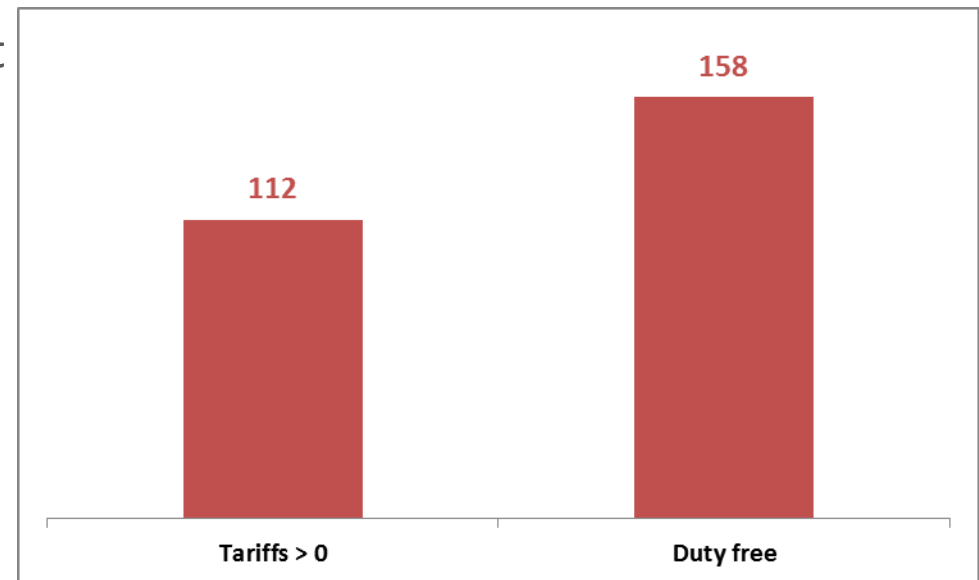
Opportunities for Brazilian exports in the Japanese market

CNI's study identified products that should be considered as priorities in bilateral trade negotiations with the aim at increasing Brazilian market-share in the Japanese market and diversifying Brazilian exports

Criteria:

- Group 1: Products with a minimum relevant share of Brazilian exports to Japan – **50**
- Group 2: Products with exports potential, but still with negligible market-share in Japanese market - **220**

Number of products classified as opportunities

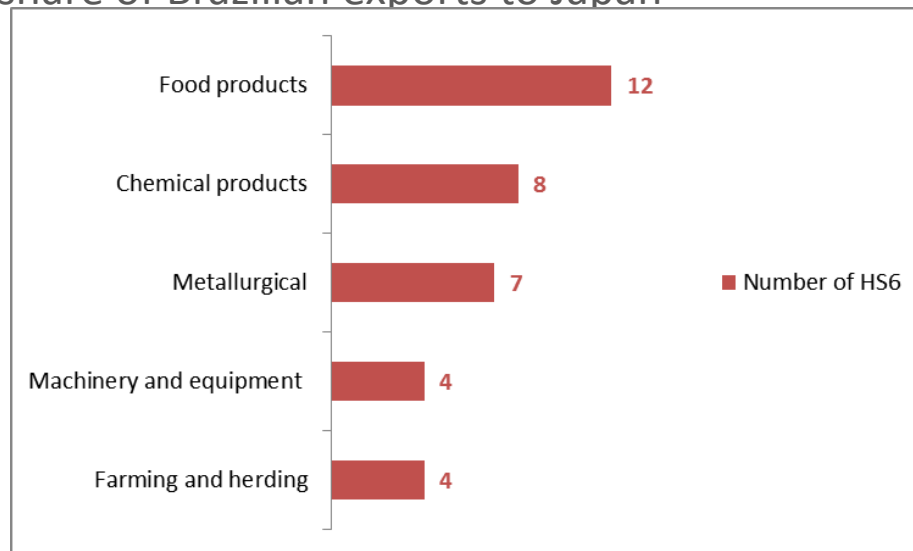




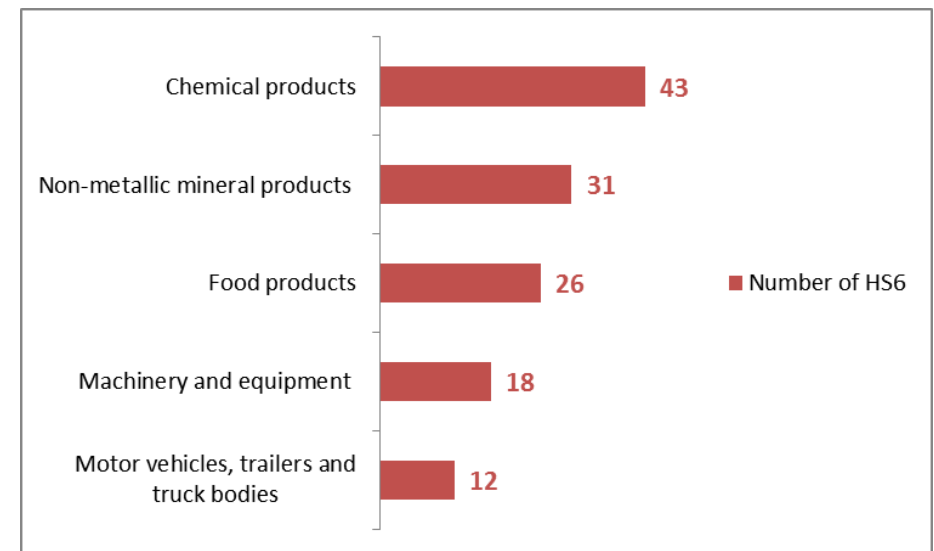
Opportunities for Brazilian exports in the Japanese market

Eliminating products that already enjoy duty-free access, the remaining relevant products for trade negotiations are:

Group 1: Products with a minimum relevant share of Brazilian exports to Japan



Group 2: Products with exports potential





Japanese tariffs for products classified as priorities

| HS6 | Description | Average tariff MFN in Japan |
|---------|---|-----------------------------|
| 1701-11 | Cane sugar, raw | 39,74 |
| 0202-30 | Meat; of bovine animals, boneless cuts, frozen | 38,50 |
| 4107-92 | Leather; further prepared after tanning or crusting, including parchment-dressed, of bovine (including buffalo) or equine animals, without hair on | 19,61 |
| 6406-10 | Footwear; parts, uppers and parts thereof, other than stiffeners | 17,80 |
| 2101-11 | Extracts, essences and concentrates of coffee | 15,93 |
| 1805-00 | Cocoa; powder, not containing added sugar or other sweetening matter | 12,90 |
| 0207-12 | Meat and edible offal; of fowls of the species Gallus domesticus, not cut in pieces, frozen | 11,90 |
| 3503-00 | Gelatin (including gelatin in rectangular sheets, whether or not surface-worked or coloured) and gelatin derivatives; isinglass; other glues of animal origin, excluding casein glues | 10,03 |
| 1602-32 | Meat preparations; of the poultry of heading no. 0105, (i.e. of fowls of the species Gallus domesticus) | 9,10 |
| 2207-10 | Undenatured ethyl alcohol; of an alcoholic strength by volume of 80% vol. or higher | 8,02 |
| 6402-20 | Footwear; with outer soles and uppers of rubber or plastics, upper straps or thongs assembled to the sole by plugs | 6,70 |
| 0807-19 | Melons, other than watermelons, fresh | 6,00 |
| 2905-32 | Propylene glycol (propane-1, 2-diol) | 5,50 |
| 3901-10 | Ethylene polymers; in primary forms, polyethylene having a specific gravity of less than 0.94 | 5,27 |
| 5402-44 | Other than high tenacity or textured yarn, elastomeric, single, untwisted or twisted 50 turns or less per metre, not for retail sale, not sewing thread | 5,03 |

For industrial products, highest tariffs in Japan are on the leather and shoes production chain - with maximum applied rate of 371%



Products classified as priorities with NTBs in Japan

| HS6 | Description | Average tariff |
|--------|---|----------------|
| 020329 | Meat; of swine, n.e.c. in item no. 0203.2, frozen | 48,3 |
| 160100 | Meat preparations; sausages and similar products, of meat, meat offal or blood, and food preparations based on these products | 10,0 |
| 160232 | Meat preparations; of the poultry of heading no. 0105, (i.e. of fowls of the species Gallus domesticus) | 9,1 |
| 200911 | Juice; orange, frozen, unfermented, (not containing added spirit), whether or not containing added sugar or other sweetening matter | 25,5 |
| 020130 | Meat; of bovine animals, boneless cuts, fresh or chilled | 38,5 |
| 020230 | Meat; of bovine animals, boneless cuts, frozen | 38,5 |
| 021099 | Meat and edible meat offal; salted, in brine, dried or smoked, and edible flours and meals of meat or meat offal, other than of primates, whales, dolphins, porpoises, manatees, dugongs, seals, sea lions, walruses, reptiles (including snakes and turtles) | 21,9 |
| 160250 | Meat preparations; of bovine animals, meat or meat offal, prepared or preserved (excluding livers and homogenised preparations) | 24,7 |
| 160300 | Extracts and juices; of meat, fish or crustaceans, molluscs or other aquatic invertebrates | 10,8 |
| 180400 | Cocoa; butter, fat and oil | 0,0 |
| 190532 | Food preparations; waffles and wafers, whether or not containing cocoa | 18,0 |
| 200919 | Juice; orange, not frozen, of a Brix value exceeding 20, unfermented, not containing added spirit, whether or not containing added sugar or other sweetening matter | 25,5 |
| 230990 | Dog or cat food; (not put up for retail sale), used in animal feeding | 5,5 |
| 210690 | Food preparations | 32,7 |

For these products negotiations of NTBs are as relevant as tariffs elimination



Final remarks - 1

- Despite the lack of dynamism in bilateral trade, Japan continues to be a very relevant trade partner of Brazil
- There is a high level of complementarity in the comparative advantages enjoyed by each country: agribusiness and minerals (Brazil); high tech products (Japan)
- Japan is moving from multilateralism to preferential trade activism
- Japan is an open economy for imports of manufactured goods (with few exceptions), but maintains high trade barriers to some of the most relevant products of Brazilian exports basket
- Japanese experience with trade negotiations confirms:
 - the protectionist bias of its agricultural trade policy
 - preference for thematically comprehensive trade agreements
 - flexibility in the negotiations



Final remarks - 2

- Main Brazilian objectives in an eventual bilateral EPA negotiation should include:
 - Reduction of barriers to imports of agribusiness products in Japan, including ad valorem and specific tariffs, plus non tariff barriers
 - Trade preferences for industrial products to level playing field with other competitors in the Japanese market
 - Diversification of Brazilian exports to Japan, which demands other policy instruments beyond trade preferences
- Japanese liberalization commitments in the TPP could be a reference for Brazilian ambitions in a bilateral EPA