This document presents a report on the trade facilitation state of play in Brazil. It was undertaken in collaboration with the Brazilian Ministry of Trade as a first step in Brazil’s longer term Trade Reform Plan. It was presented to the Brazilian government and the private sector with a view to fostering a dialogue on the way forward.

It is presented to the Working Party for Information.

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TRADE FACILITATION IN BRAZIL: ANALYSIS AND POLICY OPTIONS

1. The report attached to this cover note presents the state of play on trade facilitation in Brazil, based on the results of a survey using the OECD Trade Facilitation Indicators (TFIs), among a wide range of government and private sector stakeholders involved in the Brazilian foreign trade process. The survey was meant as a first, diagnostic step in Brazil's longer term Trade Reform Plan focusing on trade expansion as a driver for growth, and to serve as a transparent basis for effective cooperation between border agencies and supply chain stakeholders. The report was delivered to the Brazilian Secretary of Foreign Trade, Deputy Secretary of the Customs Administration and Executive Secretary of the Foreign Trade Chamber (CAMEX) at a high level event that took place in Brasilia on 9 March 2017.

2. The survey was undertaken between April 2016 and March 2017 in cooperation with the Brazilian Ministry of Development, Industry and Trade (MDIC) and with financial support from the UK Prosperity Fund. The outcomes of the survey were shared with government and private sector stakeholders in two meetings organised in Brasilia in December 2016 and March 2017. The meetings collected feedback on the data and analysis and fostered a dialogue between the administration and the private sector on the way forward.

3. The main purpose of the report was to assess Brazil’s strengths and weaknesses in trade facilitation, highlight implementation challenges and identify areas for improvement. In addition to an overall assessment of the state of play on trade facilitation in Brazil, the report also identifies sectoral and regional performance differences and challenges.

4. Brazil is the 7th largest economy and 7th biggest consumer market in the world, yet ranks only 22nd in terms of exports, accounting for just 1.2% of the total volume of world exports. Brazil has potential to significantly increase its participation in trade, but will need to raise the efficiency of its trade processes, including by streamlining currently complex and burdensome procedures at the border. OECD estimates based on the TFIs show that comprehensive trade facilitation reforms could potentially reduce trade costs incurred by traders in Brazil by up to 14.5%.

5. The survey shows that:

- Implementation of measures in areas covered by the TFA is well underway in Brazil and in some areas, such as appeal procedures, the country is very close to worldwide best practice. Brazil leads both among Latin America and the Caribbean and South American countries in most trade facilitation policy areas. Its performance in the areas of harmonization of trade documents, streamlining of border procedures and automation of border processes is strong and could, with sustained effort, reach worldwide best practice.

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1 Eighty six respondents from government agencies present at the border, importers and exporters, customs brokers, associations and Chambers of Commerce, logistics operators (ports, airports, dry ports, truckers, shipping lines and express carriers), lawyers and consultants.
Private sector perceptions on the trade facilitation framework and implementation are generally aligned in most policy areas with those of government agencies. Differences of view in a couple of areas, such as on the simplification and harmonization of documents and governance and impartiality suggest the need to ensure that government efforts produce tangible results. In other areas, such as appeal procedures, differences seem to be due to insufficient communication of available facilitation measures.

Trade-related information is made available in a comprehensive way and regularly updated, even if the user friendliness of existing information mechanisms could be further improved. Brazil has also elaborated a framework for a more systematic dialogue with the private sector which still needs to become operational.

The existing advance rulings mechanism performs well, but would need to be used more widely to deploy its full potential for predictability. A more sustained communication campaign to this end would be warranted.

Performance regarding fees and charges, trade documents and procedures related to the import, export and transit movement of goods is relatively solid and suggests strong prospects for reaching worldwide best practice in the future. Opportunities for improvement would include periodic reviews to ensure the continued need for fees and formalities, as well as sustained efforts to promote pre-arrival processing, transparent procedures for post-clearance audits, expanded attractiveness and scope of the authorized operator program, and to develop risk management mechanisms beyond Customs.

The biggest challenges in Brazil lie in domestic and cross-border agency cooperation, where there is still much work needed to reach the average performance in the South America region, let alone worldwide best practice.

Addressing weaknesses in inter-agency cooperation requires stepping up domestic cooperation and coordination efforts already underway. Brazil's Single Window project could be both the avenue for coordinating the flow of trade information and expediting the movement of goods in a reliable and secure way, and a powerful agent of change in encouraging border agencies to engage more actively. At the same time, achieving a sufficient level of coordination among border agencies on the ground will require closing the performance gap between frontrunner Customs and other border agencies in a number of policy areas, including the availability of information, dialogue with the private sector, fees and charges, automation, the streamlining of border procedures, and governance and impartiality. Efforts to harmonise and streamline data requirements among Brazil's border agencies and to gradually interconnect computer systems could then serve as a springboard for coordinating inspections and controls and sharing risk management mechanisms.

Endeavours to develop cross-border coordination and cooperation with the country's neighbours should be pursued and the outcomes could be greatly enhanced if supported by improvements in domestic inter-agency cooperation.

Ongoing efforts relating to the electronic submission of documents and dematerialization of payments and procedures should strive to effectively encompass all concerned agencies.

A sectoral perspective on Brazil's trade facilitation performance shows no significant differences among the main sectors covered by the survey (agro-food, low tech
manufacturing, medium to high tech manufacturing, and mining and extraction). Trade facilitation applied to the agro-food sector, which is the country's largest export sector, displays a slightly better performance than other sectors, in particular regarding transparency, predictability and due process. It is, however, weaker in terms of formalities (simplification of documents and automation of the border process), pointing to the need to further streamline agro-food-related trade documents and boost automation of associated processes.

- A regional glance at Brazil's main ports and airports also does not reveal significant differences in performance.
1. Executive Summary

This report presents the state of play on trade facilitation in Brazil, based on the results of a survey using the OECD Trade Facilitation Indicators (TFIs), among a wide range of government and private sector stakeholders involved in the Brazilian foreign trade process. It seeks to highlight not only the overall trade facilitation performance of Brazil but also to draw attention to sectoral and regional performance differences and challenges. This in-depth overview, occurring at the moment of entry into force of the WTO Trade Facilitation Agreement (TFA), which Brazil ratified on 29 March 2016, will provide a roadmap for short-, medium- and long term reforms to reduce trade costs and spur competitiveness. Such reforms will ultimately boost trade, promote further integration into global and regional value chains, and increase aggregate welfare.

Brazil is the 7th largest economy and 7th biggest consumer market in the world, but despite its economic relevance, it is placed only 22nd in terms of exports, accounting for just 1.2% of the total volume of world exports. Brazil has potential to increase its trade flows significantly, but for that to happen it needs to be more efficient, including by streamlining currently complex and burdensome procedures at the border. OECD estimates based on the TFIs show that comprehensive trade facilitation reforms could potentially reduce trade costs incurred by traders in Brazil by up to 14.5%.

The survey shows that implementation of measures in areas covered by the TFA is well underway in Brazil and in some areas, such as appeal procedures, the country is very close to worldwide best practice. Brazil leads both among Latin America and the Caribbean and South America countries in most trade facilitation policy areas. Its performance in the areas of harmonization of trade documents, streamlining border procedures and automating the border process is strong and could, with sustained effort, bring it close to worldwide best practice. The biggest challenges lie in the areas of domestic and cross-border agency cooperation, where there is still much work needed for the country to reach worldwide best practice, or even the average performance in the South America region.

Exploration of the private sector perceptions on the applicable trade facilitation framework and related implementation, against the corresponding views of government agencies shows a common understanding in most policy areas. Discrepancies revealed in a couple of areas, such as the simplification and harmonization of documents, governance and impartiality, and appeal procedures should lead to intensifying communication efforts, as well as ensuring that government efforts produce tangible results.

Addressing the weaknesses in the area of inter-agency cooperation would call for stepping up domestic cooperation and coordination efforts already underway. Brazil’s Single Window project could be both the avenue for coordinating the flow of trade information and expediting the movement of goods in a reliable and secure way, and a formidable agent of change inducing border agencies to engage more actively. At the

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2 The top 25% best performers around the world.
same time, in order to achieve an adequate level of coordination among border agencies on the ground, the performance gap between frontrunner Customs and other border agencies would need to be closed in a number of policy areas, including the availability of information, dialogue with the private sector, fees and charges, automation, the streamlining of border procedures, and governance and impartiality. The efforts to harmonise and streamline data requirements among Brazil’s border agencies and to gradually interconnect computer systems could then serve as a springboard for coordinating inspections and controls and sharing risk management mechanisms. Endeavours to develop cross-border coordination and cooperation with the country’s neighbours should be pursued and the outcomes could be greatly enhanced if supported by improvements in domestic inter-agency cooperation.

Challenges with respect to the availability of information relate more to the responsiveness and accessibility of information mechanisms, rather than their content and comprehensiveness. Improving the user friendliness and timeliness of existing mechanisms and pursuing efforts to centralize trade related information would go a long way towards addressing private sector concerns in this area. On the other hand, challenges with respect to the dialogue with the private sector would call for developing more systematic consultation approaches and ensuring that the framework elaborated to this aim finally becomes operational. The existing and reasonably well performing mechanism for issuing advance rulings could offer a very valuable predictability tool if it were more widely used. A more sustained communication campaign to this end would be warranted.

Performance regarding the fees and charges, trade documents and procedures related to the import, export and transit movement of goods is relatively solid and offers strong prospects for reaching worldwide best practice in the future. Opportunities for improvement would include periodic reviews to ensure the fees and formalities continued relevance; as well as sustained efforts to promote pre-arrival processing, transparent procedures for post-clearance audits, expanded attractiveness and scope of the authorized operator program, and to develop risk management mechanisms beyond Customs. Finally, ongoing efforts relating to the electronic submission of documents and dematerialization of payments and procedures should strive to effectively encompass all concerned agencies.

A sectoral perspective to Brazil’s trade facilitation performance shows no significant differences among the main sectors covered by the survey (agro-food, low tech manufacturing, medium to high tech manufacturing, and mining and extraction). Trade facilitation applied to the agro-food sector, which is the country’s largest exporting sector, displays a slightly better performance than the rest of the sectors, in particular regarding transparency, predictability and due process aspects. It is on the contrary weaker regarding the areas of formalities (simplification of documents and automation of the border process), pointing to the need to further streamline agro-food-related trade documents and boost automation of associated processes.

A regional glance to Brazil’s main ports and airports also does not reveal significant performance differences. The port of Vitoria seems to perform marginally better in the transparency and predictability areas, while performance at Santos may warrant some overall improvements given the volume of trade that transits through that port. Likewise, performance at the three main airports (Rio Galeo, Sao Paolo GRU and Viracopos) and two border crossings (Foz do Iguacu and Uruguaiana) surveyed is quite comparable in all policy areas.
2. Introduction

6. Brazil is the 7th largest economy and 7th biggest consumer market in the world, but despite its economic relevance, it is placed only 22nd in terms of exports, accounting for just 1.2% of the total volume of world exports. This shows Brazil has potential to increase its trade flows significantly, but for that to happen it needs to be more efficient in handling foreign trade. Complex and burdensome procedures at the border continue to be a major concern affecting Brazil’s operations and leading to supply chain delays, as shown by recent private sector surveys. The consequence is slow and more expensive exports and imports processes, harming both producers and consumers. In a globalised world, where most goods cross borders many times, first as inputs and then as final products, fast and efficient border procedures are essential.

7. Trade facilitation pertains to policies and measures aimed at easing trade costs by improving efficiency at each stage of the international trade chain. The World Trade Organization (WTO) defines trade facilitation as the “simplification of trade procedures understood as the activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade”\(^3\). At the moment of entry into force of the WTO Trade Facilitation Agreement (TFA), which Brazil ratified on 29 March 2016, it is important to undertake an in-depth overview of the overall trade facilitation performance in Brazil, so as to provide a roadmap for short, medium- and long term reforms to reduce trade costs and spur competitiveness.

8. This overview was undertaken using the OECD Trade Facilitation Indicators (TFIs). Covering the full spectrum of border procedures and closely linked to the WTO Trade Facilitation Agreement (TFA) provisions, the OECD TFIs allow for deep analysis of specific measures and provide an instrument to track a country’s progress in implementing trade facilitation measures, helping governments to improve their border procedures, reduce trade costs, boost trade flows and gain greater benefits from international trade. Covering more than 160 countries around the world across income levels, geographical regions and development stages, and providing biennial updates\(^4\) they also allow countries to compare themselves to their neighbours and trading partners, and to monitor their progress in implementing trade facilitation\(^5\).

9. A survey using the OECD TFIs was conducted by the Instituto Aliança Procomex, on behalf of the OECD, among various government and private sector stakeholders, involved in the Brazilian Foreign Trade process. The eighty six

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\(^4\) First developed in 2012, the TFI database was updated in 2015 and 2017. It will continue being updated every two years.

respondents represent government agencies (Customs, Ministry of Trade, Ministry of Agriculture, Ministry of Health, Environmental Agency, Federal Police, Nuclear Agency and Manaus Free Trade Zone Authority- SUFRAMA), and the private sector: importers and exporters, customs brokers, associations and Chambers of Commerce, logistics operators (ports, airports, dry ports, truckers, shipping lines and express carriers), lawyers and consultants. Respondents are based in Brasília, the political and policy capital of Brazil, São Paulo, the economic capital, as well as in several regional centers and border posts: Manaus in Amazonas, Recife in Pernambuco, Salvador in Bahia, Vitória in Espírito Santo, Belo Horizonte in Minas Gerais, Rio de Janeiro, São José dos Campos, Santos, Piracicaba, Itupeva and Campinas in the state of São Paulo, Navegantes in Santa Catarina, Foz de Iguaçu on the border with Argentina and Paraguay in the state of Paraná, and Uruguaiana on the border of Argentina in the state of Rio Grande do Sul. Representatives from PROCOMEX met most of the respondents in face to face interviews of two and a half hours on average, conducted throughout Brazil.

10. The outcomes of the survey were shared with government and private sector stakeholders in two meetings, organised in Brasilia in December 2016 and March 2017. The meetings allowed collecting feedback on the data and their proposed interpretation and fostering a dialogue between the administration and the private sector on the way forward.

11. Based on the results of the survey this report presents the state of play on trade facilitation in Brazil, but also draws attention to sectoral and regional performance differences and challenges. The main purpose was to assess Brazil’s strengths and weaknesses in trade facilitation, highlight related implementation challenges and identify which areas, in the Brazilian trade scenario, provide opportunity for improvement. Such improvements will ultimately boost trade, promote further integration into global and regional value chains, and increase aggregate welfare. The resulting diagnosis should be seen as a first step towards a longer term Trade Reform Plan focussing on trade expansion as a driver for growth, and a transparent basis for effective cooperation between border agencies and relevant supply chain stakeholders.
3. The contribution of trade facilitation to economic activity, trade and investment in Brazil

3.1. A snapshot of most recent developments in international trade

12. The Brazilian economy recorded a strong performance in 2007-12 in spite of the global economic slowdown, with real GDP growth averaging 4.1% a year (albeit with important fluctuations). Growth benefitted particularly from strong domestic demand as well as favourable external conditions, including high external demand and international prices for Brazilian commodities, which boosted the country's terms of trade. Since the second half of 2011, however, growth decelerated significantly (with a -0.2% average GDP change in 2013-15). This significant loss of dynamism largely reflects long-standing structural problems affecting the Brazilian economy's competitiveness (WTO, 2013; OECD, 2015; WDI, 2017). Import growth outpaced export growth in 2007-12, leading to a diminishing trade surplus (Figure 1). While Brazil strengthened its position as a net exporter of agricultural and mining products during the period, its trade deficit in the manufacturing sector increased sharply, with imports of manufactured products growing at an average annual rate of 16.2%. Both exports and imports declined over 2013-15. However, while the share of imports in world trade has been increasing since 2010, the share of exports has been decreasing (Figure 2).

Figure 1. Imports, exports and trade balance (2000-15)

Source: UN Comtrade (2017).
13. Primary products – agriculture and mining – account for the largest share of exports (Figure 3) and commodities in these groups are also among the top exported goods (Figure 4). Primary products account for most of the exports growth, with mining and agricultural exports increasing by annual average rates of 15.4% and 12.3% in 2007-12. Exports from the manufacturing sector increased at an annual average rate of only 1.8%. As a result of the faster expansion of commodity exports, the share of manufactured products such as machinery and chemicals in the overall merchandise exports decreased over 2005-15 (from 20% to 13%). The average growth rate for top export products decelerated in the aftermath of the crisis, with notable effects in the case of primary commodities and manufacturing products (Figure 5).

Source: UN Comtrade (2017).

Figure 2. Share of Brazil’s exports and imports in global exports and imports, 2000-15

Source: UN Comtrade (2017).

Figure 3. Breakdown of exports by sector, 2005-15

Source: UN Comtrade (2017) based on CEPII breakdown (http://visualdata.cepii.fr/).
14. Manufacturing products – including chemicals, machinery, vehicles and transport equipment, and electronic equipment – account for the largest share of imports (Figures 5 and 6). The increase in imports over 2007-12 was largely due to manufactured products, which increased at an average annual rate of 16.2%. Imports of primary products also registered significant growth at an average annual rate of 11.1% throughout the period.
15. The 2005-15 period was marked by a strengthening of Brazilian trade ties with Asia; exports to the Asian continent increased by an annual average of 24.1%. As a result, the share of Asia-Pacific region in Brazil’s total exports increased from 16.8% in 2005 to 33.2% in 2015. China is by far Brazil’s main trade partner in Asia; it has overtaken the United States as the first most important destination for Brazilian exports. Overall, Brazilian imports from the Americas and Europe and Central Asia declined, reaching 55.8% in 2015 from 73.6% in 2005. Exports to the Middle East, however, continued to increase their share (Figures 8 and 9).
China has also increased its importance as a source of imports for Brazil in 2015, followed by the United States, Germany and Argentina. The vast majority (97%) of Brazil’s imports from China are manufactured products; in contrast, over 85% of Brazil’s exports to China are primary products. Overall, Asia-Pacific has overtaken the Europe and Central Asia region as the second source of imports in 2015, reflecting a market share loss by the European Union (Figures 10 and 11).
3.2. Brazil’s engagement in GVCs

17. GVCs can be especially important for firms in middle income countries such as Brazil, as the unbundling of tasks and business functions typical of value chains increase the opportunities to engage in global markets without having to develop complete products; it also unlocks access to knowledge and technology by learning from and interacting with other value chain actors. In the GVC world, competitiveness is inextricably linked to access to competitively-priced intermediate inputs.
Competitiveness is today much more sensitive to costs incurred all along the geographically-fragmented production processes, including: moving inputs and semi-finished products across locations, personnel travel, services necessary for smooth operation of production chains (e.g. transport and logistics, telecommunication, postal and courier services), and administrative procedures.

18. Participation in GVCs has been associated to economic benefits in terms of increased productivity, enhanced sophistication of output and diversification of developing countries’ exports. As part of GVCs, developing economies can take advantage of economies of scale and get closer to the international technological frontier. This can lead to an increase in productivity which in turn can translate into new jobs, employment formalisation and higher wages (Kowalski et al., 2015).

19. Indicators of GVC participation distinguish between situations where firms use foreign goods and services as inputs into their exports (backward participation or the “buying” element of GVCs) and where firms supply intermediate goods and services for other countries’ export activities (forward participation or the “selling” element of GVCs). Recent attempts at characterising GVC participation in Latin America suggested that the region’s participation is lower than other developing regions and that intra-regional links are particularly weak (Figure 12) (Cadestin, Gourdon and Kowalski, 2016). Moreover, GVC participation in Latin American economies primarily consists of supplying relatively unprocessed natural resource-based inputs, thus leading to a generally high degree of concentration of trade and value chain links together with dependence on a small number of products and markets.

Figure 12. Overall backward and forward engagement in GVCs for selected LAC economies, 2011

![Bar graph showing overall backward and forward engagement in GVCs for selected LAC economies, 2011](source: Cadestin, Gourdon and Kowalski (2016) based on OECD-WTO TiVA database.)

3.2.1. “Buying” from GVCs...

20. At 10.7% in 2011, the foreign content share of Brazil’s exports is one of the lowest amongst major economies, partly reflecting relatively high export dependencies on agricultural, food and mining products. While the share has increased by 2.9 percentage points since 1995 (equivalent to an increase of one-third), it remains however below the 2005-08 levels of 12.5% (Figure 13). The sectors characterised by the strongest backward linkages are computer, electronic and optical products; coke and refined petroleum; motor vehicles, trailer and semi-trailers; and agro-food (Figure 14). Moreover, computer, electronic and optical products, motor vehicles and other transport equipment, and rubber and plastic products are the sectors having seen the most
significant increase in the contribution of foreign intermediates to Brazilian exports (Figure 14). United States, China, and Germany are the most important “sources” of foreign value added for Brazil (Figure 15).

**Figure 13. Foreign value added content of gross exports, 2005-11**

![Graph showing the foreign value added content of gross exports, 2005-11.]

*Source: OECD – WTO TiVA (2017).*

**Figure 14. Foreign value added content of gross exports by industry, 2011**

![Graph showing the foreign value added content of gross exports by industry in 2011.]

*Source: OECD – WTO TiVA (2017).*
3.2.2. …and “selling” to GVCs

21. In 2011, Brazil had the lowest domestic value added content in foreign final demand amongst BRICS and G7 economies, with only 18.4% of manufacturing value-added driven by foreign final demand (Figure 16). In some sectors, such as mining and quarrying, basic metals, and other transport equipment, export orientation is higher, with a share of domestic value added driven by foreign final demand of over 30%; but the change in this share since 1995 is below 10 percentage points across most industries (Figure 17). In value-added terms, the United States is the most important foreign market followed by China and Argentina (Figure 18).
Figure 17. Domestic value added content in foreign final demand by industry, 2011


Figure 18. Domestic value added content of foreign final demand by destination, 2011


22. While Brazil’s role in the global supply of intermediates in sectors such as agro-food and mining has been developing over the past two decades, the integration of other manufacturing sub-sectors on either the supply or demand side of value chains has not taken off to its full potential and to the point where it could bring about the desired economic benefits in terms of productivity, diversification and sophistication of production. Even though the nature and extent of countries’ and regions’ participation in GVCs will always differ, reducing the fragmentation-related costs of production may be a useful approach in fostering GVC integration.
3.3. Lowering trade costs is key to Brazil’s competitiveness

23. Trade costs - including transportation costs, tariffs, costs associated to border procedures, and other non-tariff measures - are amplified as they pass through the multiple production steps associated with modern supply chains. This "magnification effect" is due to the accumulation of trade costs as intermediate goods are imported and then re-exported further downstream, going through different processing nodes before reaching the final consumer. Fast and efficient administrative procedures at the border can be particularly important to the smooth operation of value chains and to boosting competitiveness. An additional cost of lengthy customs procedures or inefficient border infrastructure is the increased uncertainty, which in turn complicates the ability of firms to engage in just-in-time production or react quickly to demand shifts when components travel through multiple countries. This can have an impact on inventories at each stage of production, which is both costly and ties up working capital which could be used more efficiently (OECD, 2013).

24. The existence of forward and backward linkages within a specific supply chain means that trade facilitation actions on both the export and the import side impact equally on production and competitiveness within the chain. This particularly highlights the potential of trade facilitation policies to lower such costs and delays. Addressing such procedural obstacles as a consistent effort across a large number of countries could make value chains globally more efficient. This collective effort would also ensure, for countries undertaking costly investments to improve their customs and port infrastructure, that their firms will gain further opportunities to participate and grow in GVCs as their current or potential trade partners do the same (OECD, 2013). Analysis using the OECD TFIs shows that potential trade costs reductions stemming from trade facilitation reforms are between 14% and 21% for selected LAC economies (Figure 19).

Figure 19. Potential trade costs reductions in Latin America and the Caribbean (%)


25. Moreover, using different metrics of GVCs participation based on the OECD-WTO Trade in Value Added (TiVA) database⁶, OECD quantitative analysis (Moise and

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Sorescu, 2015) also shows that the effects of specific trade facilitation measures can differ by the type of activities a country and its industries are engaged in (Figure 20):

- the key sets of trade facilitation measures for developing the **supply side of the value chain activity** (forward-type linkages) include the availability of trade-related information, the opportunities for dialogue with the trade community, the proportionality and transparency of import and export fees and charges, the automation of the border process, and the streamlining of border procedures and controls.

- measures that appear to encourage the most activity on the **demand side of the value chain** (backward-type linkages) are, by order of magnitude, the availability of advance rulings, the streamlining of border procedures and controls, the proportionality and transparency of import and export fees and charges, and the automation of the border process. These findings strongly highlight the importance of predictability and speed of the goods movement in shaping companies’ sourcing decisions.

- the impact of trade facilitation measures seems to be most significant when the value-added originates in **medium-low tech industries**, such as mining and quarrying or basic metals sectors, or in **high and medium-high tech industries**, such as transport equipment, chemicals and electrical and optical equipment, while the destination sector belongs to high and medium-high tech industries. Sufficient and easily accessible up-to-date trade-related information, as well as simplified and internationally harmonised documentary requirements appear particularly significant in the case of foreign input sourcing for transport equipment, chemicals, and electrical and optical equipment.  

**Figure 20. Key trade facilitation measures for integrating into GVCs**

Note: The analysis finds that a relatively small increase of 0.1 in TFIs performance (TFIs values range between 0 and 2, where 2 denotes the best performance possible that can be achieved) could generate increases in a country’s value-added “exports” ranging between 1 and 3%, while in the case of “imports” these increases could range between 1.5 and 3.5%. Taking into account that value-added created from GVC trade can be very significant relative to the size of local economies, such trade facilitation impacts are of an important magnitude.


26. Given Brazil’s relatively underdeveloped backward participation in GVCs and the measures highlighted as key for developing the demand side of supply chains, trade
facilitation reforms are warranted in further promoting the use of advance rulings, streamlining border procedures and controls, improving the proportionality and transparency of import and export fees and charges, and furthering the automation of the border process. While Brazil’s forward linkages in the agro-food and mining sectors have been maturing, areas such as the availability of trade-related information, the opportunities for dialogue with the trade community, the proportionality and transparency of import and export fees and charges, the automation of the border process, and the streamlining of border procedures and controls are key for developing the supply side of GVCs in other sectors such as manufacturing. Simplified and internationally harmonised documentary requirements is an essential area underpinning participation in high and medium-high tech GVCs, for which Brazil current level appears far away from its true potential. Brazil’s current strengths and weaknesses in these trade facilitation dimensions – and potential areas for action - will be explored in depth throughout the following sections.
4. The regulatory environment for trade facilitation in Brazil

4.1. OECD TFI 2017 snapshot: Brazil’s overall performance and main country-wide challenges

27. The survey undertaken on the basis of the OECD TFIs shows that in 2017 implementation of measures covered by the TFA is well underway in Brazil and in some areas, such as appeal procedures, the country is very close to worldwide best practice (Figure 21). Brazil leads both among Latin America and the Caribbean and South America countries in most trade facilitation policy areas (Figure 22). Its performance regarding the harmonization of trade documents, streamlining border procedures and automating the border process is strong and could, with sustained effort, bring it close to worldwide best practice. In the areas of information availability, dialogue with the private sector, advance rulings, and the transparency and simplification of applicable fees and charges the country is roughly in line with regional average performance and would need some more work to approach worldwide best practice.

28. The biggest challenges for Brazil lie in the areas of domestic and cross-border agency cooperation. Although these are the areas which present the most significant challenges for virtually all countries around the world (see Trade Facilitation and the Global Economy: State of Play in 2017, TAD/TC/WP(2017)2/FINAL), Brazil’s performance falls short of the average performance in the South America region and would call for more work to reach worldwide best practice (Figure 22).

Figure 21. OECD TFIs 2017: Brazil’s overall performance

Source: OECD Trade Facilitation Indicators (February 2017).
29. The evolution from Brazil’s performance observed in 2015\(^7\) to the performance in 2017 indicates a small positive momentum in the country’s trade facilitation endeavours (Figure 23). The areas displaying progress include appeal procedures; the automation of the border process and the streamlining of border procedures and formalities; and the area of governance and impartiality.

\[\text{Figure 22. OECD TFIs 2017: Brazil, LAC and South America}\]

\[\text{Figure 23. Brazil OECD TFIs, 2015 and 2017}\]

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\(^7\) The 2015 performance data are drawn from the general OECD TFI database and have not benefitted from the same in-depth investigation as the current study. The comparison is based on the same components covered both by the 2015 and the 2017 TFI series, excluding the additional variables which were inserted in the current set.
30. An exploration of the relative performance of various border agencies highlights a performance gap between frontrunner Customs and other border agencies in a number of policy areas. Customs appear to perform better in the areas of information availability, the dialogue with the private sector, fees and charges, automation, the streamlining of border procedures, and governance and impartiality. There is a range of possible explanations for these discrepancies, and a combination of several are probably at play: Customs may have benefitted from the ongoing international endeavors to promote Customs modernization in the World Customs Organization (WCO) and elsewhere, and gained better awareness of trade facilitation issues, in a way that was not available to other border agencies. But other border agencies may have suffered not only from lack of awareness but also from lack of sufficient resources to promote trade facilitation. Although the general weaknesses in the area of inter-agency cooperation are evenly shared among all border agencies, the performance gaps observed in the other policy areas would need to be reduced in order to achieve an adequate level of coordination on the ground (Figure 24).

Figure 24. Customs and other agencies

Source: OECD Trade Facilitation Indicators (February 2017).

31. The private sector seems to perceive the applicable trade facilitation framework and related implementation in a way that is quite close to the corresponding views of government agencies in most policy areas. There are still some divergences of view in a couple of policy areas, such as the simplification and harmonization of documents, appeal procedures and governance and impartiality (Figure 25), where the private sector has a more critical view of the country's performance than the administration's view on what has already been achieved. Exploring the situation on the ground shows that some of the divergences are due to insufficient awareness of recent achievements and should lead the government to intensify its communication efforts, so as to better inform
concerned users of available facilitation measures. In other areas though, divergences are linked to the gap between measures in the books and their implementation in the ground. The administration should ensure that government efforts produce tangible results which efficiently improve the everyday life of economic operators.

32. The following sections will provide further insights into Brazil’s trade facilitation performance by policy area.

**Figure 25. Government agencies and private sector**

![Graph showing trade facilitation scores for government and private sector](source: OECD Trade Facilitation Indicators (February 2017)).

4.2. **Availability of Trade-Related Information**

33. Information related to importation, exportation or transit is generally available in Brazil, including through extensive online channels of information maintained by relevant government agencies, even if these channels could further improve their responsiveness and their accessibility to foreign users. The information available is quite wide-ranging, including the applicable legislation; importation, exportation and transit procedures and required documentation; the applied rate of related duties, fees and charges; rules and examples of classification, valuation or origin; penalty provisions; appeal procedures; advance rulings; and related agreements with third countries, as called for in the WTO TFA Articles 1.1.1, 1.2 and 3.6. However, that information is not in all cases as comprehensive, up-to-date or user-friendly as private users would expect it to be in order to effectively fulfill their obligations.

34. Trade-related legislation is made available on the Internet, together with quick references among the different pages and user-friendly guidance on key issues. The
private sector is well aware of and able to locate such online information and a third of surveyed private sector representatives consider it is displayed in a user friendly manner. The Brazilian administration also mostly provides information about new or amended trade-related laws and regulations in advance of their entry into force, so as to allow users to become acquainted with them. An interval of 30 to 60 days is commonly provided by Customs and other border agencies, with the exception of the National Commission on Nuclear Energy (CNEN) which does not provide information in advance. The Federal Police provides such interval for all new or amended trade-related laws and regulations.

35. There are clearly identified websites for most of the agencies responsible for controls and procedures on the importation, exportation, and transit of goods, including Customs\(^8\), the Foreign Trade Department (SECEX)\(^9\), the Brazilian Health Regulatory Agency (ANVISA)\(^10\), CNEN\(^11\), the Brazilian Institute for the Environment and Natural Renewable Resources (IBAMA)\(^12\), the Ministry of Agriculture (MAPA)\(^13\) and the Federal Police\(^14\). Among them, only the Customs and SECEX websites offer limited information in English, while the other agencies’ sites include no pages - or only a contact page - in one of the official WTO languages. All the websites include the possibility to provide online feedback on the site’s structure and user-friendliness, either via email or by means of online forms; however, users criticize the responsiveness of the websites, indicating that concrete answers to the feedback given are difficult to obtain.

36. SECEX and most of the agencies listed above provide information meant to allow for the basic steps of procedures under their responsibility to be undertaken, while Customs also publish summary guides on importation, exportation and transit procedures under their remit, in the form of users’ manuals available online. The provision of similar guides or manuals is also at the planning stage for several other border agencies. Private sector stakeholders largely acknowledge the existence of such information, but would welcome further detail in what is provided, so as to enable them to undertake the related importation, exportation and transit procedures in a smooth and efficient way. The forms and documents required for Customs, CNEN, IBAMA and Federal Police procedures are available online, while for SECEX, ANVISA and MAPA not all documents and forms are available for downloading. A major effort is currently underway to develop the new website for Brazil’s Integrated System of Foreign Trade

\(^8\) http://idg.receita.fazenda.gov.br/orientacao/aduaneira
\(^10\) http://portal.anvisa.gov.br/ ANVISA’s primary goal is to protect and promote public health, by exercising health surveillance over products and services, including processes, ingredients and technologies that pose any health risks.
\(^11\) http://www.cnen.gov.br/
\(^12\) http://www.ibama.gov.br/
\(^13\) http://www.agricultura.gov.br/ The Ministry of Agriculture is responsible for the management of public policies to stimulate agriculture, the development of agribusiness and the regulation and standardization of services related to the sector.
\(^14\) http://www.pf.gov.br/
where all of the forms, documents and guides from all the border agencies will be available. Finally, Customs, Federal Police and CNEN also provide a dedicated page for companies, for which an authorized login is necessary; the Customs website further includes interactive functions for undertaking certain processes online, such as the request for Authorized Operator status, or the advance rulings enquiries. The research or help function of the Customs website seems to be efficient and user friendly, even though it is little used by the private sector.

37. The applied rate of duties is published online and regularly updated on SISCOMEX although occasionally delays may occur between updates in the legislation and their uploading on SISCOMEX. Customs also maintain a specific website providing detailed information on applicable rates and offering a simulator function. However, a number of private sector users rather seek rate-of-duties information on private information platforms because they consider them more user-friendly.

38. Information on fees and charges imposed on, or in connection with, importation, exportation or transit, is also publicly available, online for fees and charges imposed by Customs and in paper publications for other border agencies. Most private sector users are well aware of this information and know where to look for it. The Customs website offers the possibility to research goods by HS code (Nomenclature Comum de Mercosul, NCM) and obtain all duties, fees and charges applicable to the imported or exported item.

39. Decisions and examples of Customs classification are published on the Official Gazette. However, users do not seem sufficiently aware of the availability of this information, as almost half of surveyed private sector entities were not familiar with it, including among customs brokers. For this information to fulfill its intended purpose, its visibility would need to be improved, for instance by cross-referencing it on the Customs website.

40. Information about penalty provisions against breaches of import, export or transit formalities is published on the Customs website, clearly specifying the persons that can be held responsible for such breach. The information is also included in the Customs Regulation, available on the Presidency website. Information about the penalties imposed by other border agencies is also published in their websites, but the persons that can be held responsible for breaches are not clearly indicated. Information on appeal procedures is also available online, including by way of publications from private sector associations. However, no specific guidance on how to proceed exists and the various government entities seem to diverge as to the amount of information available, while private sector broadly considers that such information is not easy of access or clear. Here again, efforts to provide the information are wasted as long as the user-friendliness is not improved. Finally, judicial decisions on customs and border-

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15 http://www.portalsiscomex.gov.br/ SISCOMEX, established by Decree No. 660/1992 and originally planned as a Single Window system, is a computerized system responsible for integrating the activities of registration, monitoring and control of foreign trade operations through a single, automated information flow. SISCOMEX’s single window function became obsolete as border agencies other than Customs set up their own parallel data and control systems, rather than incorporate their operations in SISCOMEX. It is currently rethought as an information repository.

16 http://www4.receita.fazenda.gov.br/simulador/

17 Regulamento Aduaneiro (Decree 6759/09) establishes the general regulations on customs activities, and monitoring, control and taxation of foreign trade operations.
related disputes are published by the judicial system, both on paper in the Official Journal (Diario Oficial da União) and online. However, as the information is not organized by topic, it is very challenging to find. A more user-friendly publication, indexed by topic would enhance the usefulness of this publication and reinforce the legal certainty in relation to the border process.

41. Information on advance rulings can be found in a specific page on the Customs website. Enquiries on advance rulings can be submitted using the dedicated form available online, although replies are not provided using the same online means. The private sector only rarely uses this possibility, because of the complexity of the process and typical delays in obtaining a reply from the concerned border agencies. Taking into account the significant potential of advance ruling mechanisms to enhance the predictability of the border process and the otherwise sound advance rulings framework put in place in Brazil, making the process more helpful and responsive could go a long way towards increasing advance rulings use.

42. Information on the country’s agreements with third countries is easy to find, as all involved agencies, i.e. Customs, SECEX, IBAMA and MAPA publish the texts of the agreements under their remit on their official websites. In the case of Customs related agreements, the text is complemented with topic-specific annotations, a supporting service well acknowledged and appreciated by the private sector.

43. In addition to the general availability of information online and in paper publications, information on specific issues of interest can be obtained through enquiries to enquiry points set up by most border agencies. IBAMA, SUFRAMA and CNEN, which have limited trade exposure and correspondingly few requests for information do not provide such enquiry points. The most widely used mechanism is personal, face-to-face assistance in the various points of entry and other available mechanisms include central and toll-free telephone lines and e-mail. The Ministry of Trade and Development has an online tool called “Comex Responde”, also available in Spanish and English. Not all enquiry points work effectively, according to the private sector, who feels in particular that the working hours of enquiry points are only partially adapted to commercial needs and that sometimes the service is not staffed during the prescribed operating hours. Further development of online enquiry platforms could improve that assessment. However, while some border agencies indicate having defined a standard time of response for telephone and e-mail enquiries, none of them has communicated such standard time to the users.

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18 Superior Tribunal de Justiça: http://www.stj.jus.br/sites/STJ
19 http://www.comexresponde.gov.br/
Box 1. Availability of trade-related information: areas for action

- Flesh out the information on the border agencies’ websites that is available in one of the official WTO languages.
- Enhance the responsiveness of the border agencies’ websites to user enquiries; improve the user-friendliness of displayed information by organising it thematically, making use of cross-referencing and improving the research functions.
- Complete the development of user manuals for the import, export and transit procedures, including appeal procedures, for those agencies where they are still at the planning stage and publish them on their respective websites.
- Pursue efforts to bring all relevant information on import, export and transit processes on SISCOMEX.
- Improve the responsiveness of enquiry points; define and publicize response deadlines.

4.3. Dialogue with the private sector

44. There is a well-established practice of consultations with the private sector when new laws and regulations that affect trade are prepared and before their entry into force, which is followed consistently by several border agencies, including Customs. This practice allows the private sector to provide extensive inputs and voice concerns. It also allows agencies, in particular Customs, to harness stakeholders’ expertise to improve the quality of draft regulation. Most agencies use the general notice-and-comment mechanisms available in Brazil for organizing on-line public consultations. Consultations are widely inclusive and all stakeholder groups (including importers, exporters, freight forwarders, maritime and road carriers, air companies and dry ports) appreciate the possibility to comment on upcoming legislation even if it does not have a direct impact on their activities. Customs, which is the only agency to be able to report about the average number of consultations per year, indicates that there was an average of 4,000 consultations organized annually during the years 2013 to 2015.

45. Stakeholders’ comments seem to be generally taken into account and reflected in the final texts resulting from the consultations. Among the various groups of stakeholders, importers, exporters and industry associations are the ones expressing the highest degree of satisfaction over the administration’s acceptance of private sector comments. However, private sector representatives deplore that their comments and recommendations do not receive feedback from the concerned agencies about which comments are being considered and which are not, nor are they made public for the information of other stakeholders that might share the same concerns. Further transparency and accountability about stakeholders’ comments and the way they have been handled is essential if the potentially very useful emergent practice of incorporating stakeholders’ expertise in the preparation of regulation is pursued: this would protect the administration from possible capture and shield it from any allegations of collusion.

46. On the other hand, Brazil has not yet put in place formal structures for a regular dialogue with the private sector on trade facilitation issues. Although the regulatory

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20 An example is the development by Customs of normative instruction 1361 of 2013, which deals with temporary admissions and exports, with the input of PROCOMEX Alliance.
framework\textsuperscript{21} for creating such a formal structure has been published and the structure was expected to be in place by the end of 2016, it was not yet operational by the time of writing. The absence so far of an outlining mechanism leads to a certain disparity as to the modalities and consistency of the dialogue with the private sector, subject to the practices of the various agencies and regions. Most regions report the absence of regular structures, but in some regions, such as the Southern Region there are regular meetings between local representatives of the government agencies and the private sector; for example in Navegantes there is a periodic meeting which is referred to as "Meeting of Stakeholders". Likewise, Customs, ANVISA and MAPA have internally established guidelines and procedures to ensure a systematic handling of consultations, while SECEX, CNEN and \textit{Polícia Federal} do not. There is also no practice of providing advance notice about legislation submitted for public consultation, and this affects the capacity of private sector stakeholders to react promptly and efficiently.

\begin{table}[h]
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\begin{tabular}{|l|}
\hline
Box 2. Dialogue with the private sector: areas for action \\
\hline
\textbullet~ Operationalize the regulatory framework established for this purpose to develop dedicated structures for regular consultations with the private sector. \\
\textbullet~ Provide advance notice about regulation submitted for public consultations in order to enhance the capacity of stakeholders to provide informed feedback. \\
\textbullet~ Ensure that comments submitted during public consultations are made publicly available and provide feedback to participating stakeholders as to how such comments were taken into account. \\
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\end{tabular}
\end{table}

4.4. Advance Rulings

47. An advance rulings mechanism is available in Brazil, but it is not very widely used. Over the period 2013-2015 there has been an average of 1,000 advance ruling applications per year, all of them relating to tariff classification (1,160 in 2013, 950 in 2014 and 824 in 2015). No advance rulings were requested on issues of origin or other Customs issues. The modest use of the existing advance rulings mechanism has not yet allowed it to play its intended role in supporting the predictability of the border process. This is further impeded by the parallel existence of rulings issued by the local Customs office in the importing region. Although these local rulings do not have the binding character of centrally issued advance rulings, different regions may give different interpretations, introducing an unfortunate element of confusion. A more active promotion of advance rulings to expand their use by the trade community should counteract the practice of local rulings and restore the necessary certainty.

48. There is a perceived lack of responsiveness from the issuing authorities, and this may contribute to the private sector’s lack of interest in soliciting advance rulings. Most

\textsuperscript{21} This refers to Decree 8,807 of July 12, 2016 establishing Brazil’s National Trade Facilitation Committee (CONFAC). Its main objective is to coordinate government agencies engaged in foreign trade in the promotion and implementation of measures aimed at simplifying and reducing regulatory burden related to trade procedures, in particular the provisions contained in the WTO TFA. CONFAC brings together representatives from the government as well as the private sector, in close partnership and coordination, to dialogue, debate, share experiences, identify bottlenecks and develop measures to reduce compliance costs and increase the competitiveness of Brazilian foreign trade.
of private sector representatives are not aware of a set time for issuing advance rulings and estimate that the process may take between six and nine months; while Customs indicate that advance rulings are issued within 150 days - and 40 days only in the case of Authorized Operators. Several companies prefer to hire a consulting firm specialized on tariff classification of goods rather than wait for Customs to issue an advance ruling.

49. On the other hand, once advance rulings have been issued the legal framework seems to be well thought-out: the rulings remain valid indefinitely as long as the law, facts and circumstances supporting the ruling have not changed; the information on advance rulings of significant general interest is published on the Customs website; and the administration provides clear explanations when it refuses to issue an advance ruling, or when it revokes an existing one, although concerned users do not have the possibility to request the review of an advance ruling, or the decision to revoke, modify, or refuse to issue one.

4.5. Appeal Procedures

50. The persons specifically affected by the decisions of border authorities have the possibility to appeal to an administrative authority higher than, or independent from the official or office that issued the decision; or to the competent courts, either following or independently from the administrative appeal\(^{22}\). In the case of Customs this is the Administrative Council of Tax Appeals (CARF)\(^{23}\), but all other border agencies\(^{24}\) have their own structures. In all cases, the reasons or motives behind the agencies’ decisions are provided to interested persons, so that petitioners have both the necessary elements and adequate time to study the contested decision and launch an appeal. The private sector acknowledges the availability of appeal mechanisms; however they criticize on the one hand the difficult access to related procedural information and on the other hand the complexity of the mechanisms, which seems to generate significant delays in the appeal process.

51. Although procedural information on appeal procedures is made available on the concerned agencies’ websites, the user friendliness is generally poor, as is the case with other, non-appeal-related information. Moreover, while the administration indicates that the laws and regulations on appeals\(^{25}\) specify set time periods for a decision on an

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Box 3. Advance rulings: areas for action

- Actively promote the use of the existing advance rulings mechanism through awareness and information campaigns.
- Simplify the advance ruling request process and improve the processing time.
- Allow the users to request the review of advance rulings.

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\(^{22}\) Customs reported that over the years 2013 to 2015, there were between 4000 and 6000 administrative appeals and between 1500 and 2000 judicial appeals.

\(^{23}\) The Conselho Administrativo de Recursos Fiscais is a specific body within the Ministry of Finance that judges any appeal procedure within this authority. It is not limited to Customs issues.

\(^{24}\) With the exception of CNEN

\(^{25}\) Law No. 9 784, Art. 59.
administrative appeal to be issued, the private sector is not aware of such provisions and regret the length of time it takes for appeals to be decided. There is no time set for deciding on judicial appeals. The insufficiency of publicly available information on appeals points to the need for considerable improvements in this area.

Box 4. Appeal procedures: areas for action

- Ensure that procedural information on appeals is comprehensive and displayed in a user-friendly manner on the respective agencies’ websites.
- Ensure that independent higher level administrative and/or judicial appeal procedures are available for all border agencies.

4.6. Fees, charges and penalties

52. As indicated above, the information on fees and charges is easily accessible. However, the administration and the private sector disagree as to whether this information is also comprehensive: Customs maintains that information is available in all border agencies websites on all applicable fees and charges, the services or reason for which they have been imposed, the responsible authority and when and how payment is to be made. However, a large fraction of the private sector contends that available information does not account for all applicable fees and charges or does not include all related information; in particular, information on the reasons why certain fees or charges are imposed is not provided by the Brazilian legislation.

53. Customs and SECEX allow for a time period between the publication and the entry into force of new or amended fees and charges. For other border agencies there is no set practice, and fees and charges may as well enter into force immediately upon their publication, as benefit from a time period allowing traders to adjust. Users seem to have no issues with the current practice.

54. The structure of fees and charges is quite streamlined for Customs, which only collects one consolidated fee, the SISCOMEX fee, amounting to approximately USD 185 million annually. In total there are 23 different fees collected by the various border agencies, depending on the traded product, with some border agencies, such as IBAMA imposing no fees or charges. The calculation of most fees and charges is based on the cost of the service for which they are imposed, although there are still some fees and charges which are calculated ad valorem, including CNEN’s 1% fee\(^{26}\). There are no fees imposed on transit movements, for Customs services during normal working hours, for answering enquiries, or for providing the required forms and documents.

55. On the other hand, border agencies do not review their fees and charges periodically to ensure that they are still appropriate and relevant, although there are periodic amendments in the fees imposed by SISCOMEX and ANVISA. There was nonetheless a recent review of applicable fees and charges undertaken for the first time by ANVISA. The agency's experience with that review could provide useful pointers to other agencies that might undertake such reviews in the future.

\(^{26}\) This fee refers to authorizations for acquisition of radioactive inputs (1% of the total value of the goods declared in the proper form) (http://appasp.cnen.gov.br/seguranca/lfc/listas/list-valtlc.asp).
56. Penalties imposed for the breach of Customs laws, regulations, or procedural requirements depend on the facts and circumstances of the case and are generally commensurate to the degree and severity of the breach\(^\text{27}\). The voluntary disclosure of a breach of customs regulation by the person responsible, prior to the discovery of the breach by the Customs administration, is considered a mitigating factor when establishing penalties. The Customs legislation provides predictability as regards penalties, by defining specific penalties for specific breaches, or by setting a minimum/maximum range in the penalty that will be applied by the Customs Official depending on the breach. Moreover, the administration provides an explanation in writing to the person upon whom the penalty is imposed specifying the nature of the breach and the applicable regulation. In accordance with the Customs legislation, the duties or penalties assessed or collected by Customs officials have no bearing on the amount of their remuneration, ensuring that there is no conflict of interest in the determination of duties and penalties. The proportionality and accountability of the penalties system seems to be well acknowledged by the private sector, although the quality of the explanation provided to concerned is not always considered adequate. The exception is the Northeast region, where only 36% of private sector respondents consider that penalties depend on the facts and circumstances of the case and are commensurate to the degree and severity of the breach.

<table>
<thead>
<tr>
<th>Box 5. Fees and charges: areas for action</th>
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<tbody>
<tr>
<td>✓ Undertake a periodic review of applicable fees and charges to ensure their continued relevance and remove fees and charges that would be found no longer relevant.</td>
</tr>
<tr>
<td>✓ Centralize all information on fees and charges in one specific site, such as SISCOMEX and ensure that all applicable fees are accounted for.</td>
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### 4.7. Simplification and harmonization of trade documents

57. Importation to Brazil typically calls for eight documents for Customs purposes, depending on the type of good and of transaction: the Packing List, the Commercial Invoice, the Import Declaration (or Simplified Import Declaration), the Nota Fiscal\(^\text{28}\), the exchange contract, the Bill of Lading, the Payment Guide or Exemption from VAT and the Certificate of Origin, the first three being required in all cases\(^\text{29}\). An Import License and a Wood Packing Treatment Certificate may be required in some cases by other border agencies, while ships may need to submit up to twenty specific documents to different government agencies (Customs, ANVISA, Port Authority, Federal Police, among others) to dock the ship\(^\text{30}\). While eight is the average number of required documents for import, this number can reach thirteen in total in the case of the

\(^\text{27}\) With the exception of certain penalties, such as the fine imposed by Customs on the ship-owners for corrections in the bill of lading.

\(^\text{28}\) This is an official document that proves the existence of a commercial act (buying and selling of goods or provision of services). It is issued to meet the requirements of the Brazilian taxes' collection, the transit of goods and transactions between buyers and suppliers.

\(^\text{29}\) Article 553 of Customs Code; and Article 18 of Normative Instruction SRF 680/06.

\(^\text{30}\) PROCOMEX, SECEX and Customs (RFB) report ongoing efforts to streamline Brazilian import procedures (“Modernização da Importação Brasileira”).
automotive industry, or only four in the case of the energy sector. Users regret that there is not one standard format for all these documents, to simplify document submission.

58. Exportation typically calls for seven documents for Customs purposes, depending on the type of good and of transaction: the Bill of Lading, the Commercial Invoice, the Nota Fiscal, the Packing List, the Export Registration, the Export Declaration and the Certificate of Origin, with a few products also requiring an Export License or a Health Certificate. Against that average, the agricultural sector typically needs to submit ten documents, while the energy and medical equipment sector only need three documents to export. Required documentation for both import and export is not periodically reviewed by the relevant border agencies and it would appear that any occasional reviews usually lead to include new documentary requirements, but not removing existing ones that would be no longer necessary.

59. Copies of supporting documents are accepted without exceptions by ANVISA and CNEN, while Customs, SECEX, IBAMA and MAPA accept such copies with exceptions related to the type of good or the circumstances (for example in the case of the commercial invoice, for which the original has to be presented). Copies are accepted without exceptions by all border agencies in the case of electronic lodging.

60. The structure of the import, export and transit process is to a large extent based on relevant international standards or parts thereof, such as the 1986 Harmonized Commodity Description and Coding System Convention (HS Convention), used to define the classification of goods, the 1990 Convention on the Temporary Admission of Goods (Istanbul Convention), the 2005 Convention on the Facilitation of Maritime Traffic and the 2006 Convention on International Civil Aviation. The 1999 Revised Kyoto Convention is still in the process of ratification, but Brazil already implements several of its chapters.

Box 6. Simplification and harmonization of trade documents: areas for action

- Undertake periodic revisions of necessary documents to ensure their continued relevance and remove any documentary requirements that would be found no longer relevant.
- Fully accept copies of documents in electronic format.

4.8. Automation of the border process

61. The Customs clearance process is quite extensively automated and most import and export procedures can be expedited electronically. As a result, between 94% and 99% of import declarations and between 96% and 99% of export declarations are cleared electronically. The automated processing system allows the lodging of Customs

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31 The additional documents are: the Phytosanitary Certificate, SOF (Statement of Facts) and Loading Plan. A Fumigation Certificate may be requested depending on the destination country.

32 ANVISA and MAPA are however currently in the process of reviewing their documentation.

33 Exceptions include the licenses issued by the Army.
declarations full-time (24/7), while the processing of those declarations takes place during work hours on regular workdays, with the exception of Authorized Economic Operators, who benefit from declaration processing 24/7. However, the efficiency gains brought by automation are limited by the lack of interoperability between computer systems of various border agencies, which means that users have to re-key the information, resulting in duplication and potential mistakes. While the Customs IT system SISCOMEX is EDI (Electronic Data Interchange)-ready, the systems of most other border agencies are not. MAPA and ANVISA also have procedures allowing automated processing for certain types of goods, but most of their processes are still carried out using paper forms. Customs spends approximately USD 190 million annually on automation, including the expenses for the development of the new Single Window.

62. The dematerialization of the process allows attaching documents to be submitted to any border agency; however pre-arrival clearance is not yet operational, as the documents can only be processed when the goods arrive in the country, except in cases of import licenses that are required prior to the shipment or shipment authorization. Electronic payment of duties, taxes, fees and charges (including inspections fees, licenses, permits, other fees) collected upon importation and exportation is also possible, but in a fragmented way by agency and not in a single payment. In SISCOMEX, the electronic payment system is integrated to the automated declaration/cargo processing systems, which collect import duties and related taxes automatically. Digital signatures are in place and are widely used by all border agencies.

63. Although SISCOMEX would technically allow for the separation of the release of goods from the final determination and payment of duties, by providing functions to manage the required guarantees, this is only applied in the case of special regimes, such as temporary admission/customs warehouse regimes. In most other cases, the separation of the release of goods from the final determination and payment of Customs duties is not possible in the context of the automated declaration processing.

64. Customs risk management is a fully operational mechanism, supported by information technology and backed by a Customs Risk Management Center. MAPA is in the process of developing a risk management mechanism, which is at this stage not supported by information technology. The other border agencies do not have such mechanisms. The average ratio of irregularities identified by Customs thanks to automated risk management is 44%.

65. The most important highlight of Brazil’s endeavors to automate the border process is the development of a new, completely automated single window platform. The existing electronic border process system was developed in the 90s using a single window philosophy but without proper interoperability functionalities. Since then, several Border Agencies assumed roles in the border process that did not exist at the time and are not part of the current system. The new, fully automated Single Window

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34 Other agencies also have clear automation budget lines, though at a more modest scale: ANVISA spends USD 1 million annually and CNEN USD 300 000.

35 One such special regime is DAF which allows storage of materials for aircraft maintenance and repair, with suspension of payment of federal taxes (import tax, IPI, PIS / PASEP and COFINS-import), as well as provisions for board (for example: board supplies; commissariat materials and articles intended for sale in aircraft, etc.).
system is under development: its first modules were piloted over the course of 2016 and it is expected to be fully operational and available to the trade community by the end of 2017. The new Single Window was developed using the WCO methodology in order to permit integration with the rest of the world, therefore improving the supervision of borders and the exchange of information.

Box 7. Automation of the border process: areas for action

- Fully implement pre-arrival clearance of cargo, making possible the processing of documents before goods arrival.
- Consolidate the electronic payment of duties, taxes, fees and charges in one single payment for all agencies.
- Extend the possibility to separate the release of goods from the final determination and payment of duties in the context of the automated declaration processing in all cases where appropriate guarantees are provided.
- Develop and implement risk management mechanisms for those agencies that do not yet have them.
- Adapt other border agencies systems to Electronic Data Interchange (EDI).
- Pursue the efforts to develop Brazil’s Single Window in a way that ensures maximum coverage.

4.9. Streamlining of border procedures

66. Border procedures in Brazil are reasonably streamlined and could with sustained efforts reach worldwide best practice. There are however still margins for further rationalizing the process, as currently important trade facilitation measures such as pre-arrival processing and separation of release from clearance are not implemented and the release times are not properly monitored.

67. A number of mechanisms meant to expedite the release of goods upon arrival are not available in Brazil or are not yet operational. Procedures allowing for the submission of import documentation and other required information so as to begin processing prior to the arrival of goods are still under development. Currently, the filing of the import declaration prior to arrival is only permitted for a few types of cargo, for example parts and supplies for aircraft on the ground, but even where is possible to submit documents in advance, they are not processed until after the goods arrive. The clearance procedures also do not allow for the release of goods prior to the final determination and payment of Customs duties other than for temporary admissions, certain perishable products and for some special regimes, such as drawback and RECOF.

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36 Other than in the case of special regimes, see below.
37 RECOF - the Industrial Warehouse Special Customs Regime under Customs Computerized Control allows the recipient company to purchase raw materials internationally or domestically, with the suspension of import and other taxes, if the goods are used in manufacturing goods for export, although they may also be sold on the internal market. The company must have control systems approved by Customs.
68. Although Customs indicate publishing average release times on a yearly basis for major customs offices, most of the private sector does not appear familiar with that information or where to access it. Likewise, there is a discrepancy between average release time estimates by Customs (1.66 days) and the Private Sector (two to three days). The discrepancy is partly explained by the fact that the Customs’ estimate concerns the customs process only, while the private sector refers to the entire process, including the time taken by other agencies; however, a better monitoring of lead times could be useful. A time release study undertaken using the WCO model could more precisely identify bottlenecks and serve as a basis not only for related measures of rationalization but also for enhanced communication with the users.

69. The average percentage of goods undergoing physical inspection by Customs is of 4% for import and 2% for export. The Customs controls are supported by a risk management system, fully operational and allowing customs controls to concentrate on high-risk consignments, expediting the release of low-risk consignments. The risk information is disseminated to all relevant Customs offices, and is used in processing customs declarations along three risk channels (green, yellow and red) for Customs clearance. An additional grey channel is used in case of doubts relating to customs valuation. Imported goods are on average classified under red 4%, yellow 5% and green 91%; and export goods under red 2%, yellow 3%, and green 95%. Compliance with Customs and other related laws and regulations is supported by post-clearance audits (PCAs), the results of which are in turn used to improve the risk management system. According to Customs standard policies and procedures ensure the conduct of PCAs in a transparent and risk-based manner.

70. On the other hand, risk management systems in other border agencies are in various stages implementation but not yet operational. MAPA's risk management system is in the process of implementation, while in ANVISA and IBAMA the development of a risk system is currently under consideration. ANVISA inspects on average 8% depending on the type of cargo, while MAPA, which is responsible for inspecting all wood packaging entering the country in line with ISPM 15 and for inspecting all outgoing meat products at the production site, undertakes physical inspection of approximately 50% of all cargo.

71. Perishable products generally enjoy preferential treatment as regards their controls, storage and clearance to account for their time sensitivity. Border agencies have the possibility to clear imported perishable goods outside business hours. ANVISA and MAPA generally give appropriate priority to perishable goods when scheduling required examinations, provided that the importer has made the schedule of arrival available, so that some of the procedures can be undertaken before the arrival of perishable goods or live cargo. This advance information is however not available to other border agencies. According to ANVISA the percentage of physical inspections of

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38 Risk management is incorporated both in the export and the import module of SISCOMEX. It is supported by a management center, the Centro Nacional de Gestão de Riscos Aduaneiros (CERAD).

39 ISPM 15 (International Standards for Phytosanitary Measures n° 15) is an IPPC phytosanitary measure on wood packaging materials for international trade (pallets, crates etc.), meant to prevent the international transport and spread of disease and insects that could negatively affect plants or ecosystems.
perishable goods is one percent, while the private sector maintains that 46% of perishable goods undergo physical inspection.

72. Customs can clear perishable goods at storage facilities arranged by the importer and Customs legislation authorizes the storage of perishable goods in special warehouses while awaiting clearance. ANVISA and MAPA allow the goods to be removed from the primary zone (port or airport) to more appropriate storage facilities if primary zone facilities do not offer the proper conditions. ANVISA limits the arrival of perishable goods to certain border points where the appropriate facilities exist. A number of narrowly defined perishable goods, such as certain medicines, also benefit from the possibility to separate release from clearance.

73. Pre-shipment inspections are not required for Customs matters nor is the mandatory use of a third-party customs broker to clear goods. For traders wishing to use the services of a customs broker, the applicable measures are published and the rules regarding the licensing of customs brokers are transparent and objective.

74. Customs run an Authorized Operators (AOs) program, providing additional trade facilitation measures for both imports and exports to operators meeting specific criteria elaborated on the basis of relevant international standards. The AO program does not cover other border agencies, but Customs is currently exploring ways for involving ANVISA and MAPA within the existing AO program. AOs represent 0.16% of the total number of traders and handle 14.46% of the total trade volume annually. There are no SMEs participating in the program, although there is ongoing reflection on strategies to attract small and medium companies in the future.

75. The criteria for qualifying as an AO and the procedures for submission and review of applications for AO status are published on a dedicated webpage and request procedures are available online in Portuguese. Following the submission of an application, the AO certification is delivered within 90 days according to the Brazilian legislation. However, while the private sector, both companies eligible for AO status and others, is well familiar with the information on AO applications, the actual benefits of AO status are not fully understood, even among some of the AO companies. Both AO and non-AO companies are well aware that AOs benefit from a low rate of physical inspections and examinations, and from rapid release times; they are less familiar with the possibility to use comprehensive or reduced guarantees. On the other hand, non-AO companies inaccurately believe that AO status entails low documentary and data requirements or clearance of goods at the premises of the AO, facilitations which are not part of the Brazilian AO program.

76. The private sector judges Customs working hours relatively adapted to commercial needs and that there is room for improvement; in particular, users contend

40 Art. 808 of Decree 6759/09 clarifies what are the functions of the customs broker, Art. 809 of the same decree states who are the people who can represent the importer or exporter, which is not exclusive to the customs broker, Normative Instruction 1209/11 clarifies how to become a customs agent and a helper of a customs broker, also detailing what are the activities of the agent

41 The Army has an automatic release program for Authorized companies, limited to few products and to some companies (automotive). This program does not follow any international standard and does not have any connection with other governmental bodies.

that Customs services are not always available during the full working hours. Working-hours adaptation will vary with each Customs local unit, as they all have their proper working structure influencing working hours. Private sector satisfaction with Customs working hours is highest in the Southeast region (74%) and lowest in the South region (63%), with the Northeast (64%) and North (67%) regions in between.

77. Expedited release procedures are available for persons meeting specific qualifying criteria and for low value goods entering as air cargo only.

78. Customs legislation allows the importer to re-export rejected goods. The procedures for the re-export were established by an inter-agency group (Customs, IBAMA, ANVISA, MAPA, among others) and provide a reasonable period of time to complete the re-export.

79. Legislation also provides that goods brought into the country through the special regime of temporary admission of goods, and which will be re-exported, are relieved totally or partially from the payment of import duties and taxes. Brazil is signatory of the Istanbul Convention on the temporary admission of goods and has significantly improved the process in 2013 and 2015 in preparation for the Football World Cup and the Olympics.

Box 8. Streamlining of procedures: areas for action

- Fully implement pre-arrival clearance of cargo, making possible the processing of documents before goods arrival; ensure that information on the schedule of arrival of perishable goods is shared with all concerned agencies so as to allow giving appropriate inspection priority to such goods.

- Extend the possibility to separate the release of goods from the final determination and payment of duties in the context of the automated declaration processing in all cases where appropriate guarantees are provided.

- Improve the monitoring of lead times; undertake a time release study to identify more precisely bottlenecks and devise related measures of rationalization; communicate the results to the users.

- Develop and implement risk management mechanisms for those agencies that do not yet have them.

- Expand the benefits associated with the Authorized Operator status and raise potential users’ awareness about them; pursue the current reflection about involving ANVISA and MAPA in the existing AO program; devise strategies to attract small and medium companies to the program.

- Further adapt border agencies working hours to commercial needs.

- Pursue the efforts to develop Brazil’s Single Window in a way that ensures maximum coverage.

4.10. Domestic Border Agency Cooperation

80. The co-operation between border agencies has been identified as an important factor for reducing import lead-time. However, while most border agencies involved in the management of cross-border trade in Brazil engage in cooperation, coordination, exchange of information and mutual assistance, a coordinated management of borders has not yet been achieved. A significant portion of the private sector judges that there is no cooperation/coordination between Customs and the other border agencies in the management of border trade. In particular, there is a large amount of duplication in border agencies’ data requirements, both for the export and the import process, including for data which are already detained by other border agencies. The majority of the government agencies’ computer systems are not interconnected and do not share
data for the management of cross border trade on real time. There is only limited information exchange between some systems and some entities on a regular basis.

81. This should gradually improve as Customs and SECEX work on the coordination of documents and data required by the agencies related to foreign trade as part of the effort to develop the Single Window. It will thus be important to ensure that the Single Window includes as many border agencies and their documentary requirements as possible.

82. Inspections are not coordinated in any formal or wide-ranging way among agencies involved in the management of cross border trade, even as regards the use of scanner imaging reports (non-intrusive inspection). Informal and ad hoc coordination between MAPA and other agencies is limited to addressing contingencies at the local level, a practice frequently observed in the North region. Inspections results are also not shared among the agencies involved in the management of cross border trade and those border agencies that have risk management mechanisms (Customs and MAPA – in the process of implementation) maintain them separate. Delegation of control by one national agency to another is very rare in Brazil, a notable exception being INMETRO and ANATEL, which delegate controls to Customs.

83. Infrastructure and equipment is generally not shared among domestic agencies involved in the management of cross border trade, although in certain cases Customs, MAPA and other border agencies share the same buildings or physical environment (with separate rooms) provided by the private sector (airports, ports, dry ports operators). This is particularly true in the Southern region, where shared infrastructure among domestic agencies involved in the management of cross border trade is the norm in Foz de Iguazu, Uruguaiana and Navegantes.

84. A government policy at the national level to promote coordination is already in place, but it has not yet produced tangible results. The policy included the creation of a high level interagency body, CAMEX, to facilitate domestic coordination. CAMEX has established terms of reference and procedures for conducting its activities, a permanent technical Secretariat, clear provisions for its financing, and, following recent legislation to reinforce its authority, it is now chaired by the President of Brazil. More than 60% of the relevant agencies are included, at least in its working group on trade facilitation, GTFAC. Still, neither the border agencies nor the private sector are sufficiently familiar with the structure and specific characteristics of this coordination platform, which inevitably lessens its effectiveness. A more effective dissemination of this information would be necessary in order to reap the expected benefits from the operation of CAMEX.

85. In the last five years there has been a conscious effort on behalf of Customs and the other border agencies to improve coordination, cooperation, the exchange of information and mutual assistance for a more efficient control of borders. Notable examples are the agreements of Customs with INMETRO and ANATEL to represent these agencies in the physical inspection at the border. Border agencies also hold regular meetings to improve domestic inter-agency coordination and cooperation,

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43 Published in Decree No. 8 807, in an extra edition of the Official Gazette, with the changes that were negotiated between the acting president, Michel Temer, and the Minister of Foreign Affairs (at that moment), José Serra. Thus, the Chamber of Foreign Trade (Camex) will be presided over by the President himself and the Executive Management Committee (Gecex) will be presided over by the Ministry of Foreign Affairs.
allowing for instance the recent development of a merchandise rejection process involving diverse bodies, such as Customs, IBAMA, MAPA and ANVISA. However information on what is discussed in those meetings, even in a summarized form, is not available to the private sector.

Box 9. Domestic border agency co-operation: areas for action

- Pursue efforts to make CAMEX operational as a structure for effective inter-agency coordination, step up its activities and better communicate about its mandate, structure and objectives.
- Intensify the efforts to harmonize data between border agencies and remove duplications in data requirements.
- Gradually put in place the interconnection of border agencies computer systems and the sharing of data for the management of cross-border trade in real time; aim for an all-encompassing interconnection system in the framework of Brazil’s Single Window bringing together all involved agencies.
- Coordinate physical inspections undertaken by the various border agencies and share inspection results to improve the efficiency of the control process; gradually consider control delegation to Customs for selected processes.
- Aim at coordinated or shared risk management mechanisms while developing and implementing such mechanisms for those agencies that do not yet have them.
- Consider whenever appropriate and as the opportunity arises the sharing of infrastructure and equipment among agencies present at the border.
- Pursue the current reflection about involving ANVISA and MAPA in the existing AO program and gradually extend this to other relevant agencies.

4.11. Cross-border agency cooperation

86. Brazil has put in place an explicit strategy, led at a high political level, for cross border cooperation, coordination, and exchange of information and mutual assistance with border authorities in its neighboring Mercosur countries. This strategy draws on the work developed within Mercosur regarding cooperation between member countries. However, a large segment of the private sector considers that it has not yet led to efficient co-operation with neighboring and third countries. Coordination which needs to be undertaken at the national level is still at very early stage of reflection, although day-to-day operations already benefit from a certain extent of coordination at the local level.

87. For instance, there is no cross-border coordination and harmonization of data requirements and documentary controls between Brazil and its neighbors. While this is a topic under long-term consideration by the Brazilian administration, reflections are still at a very early stage. Contacts are also under way with neighboring countries to identify strategies for coordinating/harmonizing computer language and systems, supported on the Brazilian side by the ongoing single window project work, but no tangible results have yet been produced. There is no risk management cooperation, nor any systematic sharing of control results with neighboring countries, although national legislation would allow for such information exchange. Likewise, there are no mutual recognition agreements (MRA) on authorized operators, but Customs is currently negotiating one with Uruguay.
88. On the other hand, working days and hours are aligned with neighboring countries at land borders, both for Customs and for MAPA, which is the only border agency working 24 hours/7 days a week. Private sector users operating on land borders and familiar with the border process in both sides of the border agree with that assessment, even if other private sector users may have a more negative perception. Likewise, although there are not yet overarching country-to-country alignments of procedures and formalities, there are extensive local arrangements to align procedures and processes with a view to facilitating the traffic of goods.

89. Customs and ANVISA maintain no common facilities with neighboring countries, however they share some infrastructure and equipment at selected inland borders. On the other hand, MAPA is in the process of developing and sharing some common facilities with neighboring countries. In general, shared facilities (structure or equipment) can be found at a few border crossing units, but are far from being the norm, especially given Brazil's very extensive land borders and numerous neighbors, which complicate the pursuit of cooperation solutions. By way of example, at the Uruguaiana Dry Port Argentinian Customs officers can undertake official controls in Brazilian Customs premises, but the opposite is not yet possible. While border agencies refer to joint controls performed with neighboring countries, the results are generally not felt by the private sector, who disputes that assessment. An interesting exception are the inland border crossings of Foz de Iguaçu and Uruguaiana, where the working practices of day-to-day cooperation with neighboring countries already produces tangible results that can be appreciated by the users.

90. Finally, SECEX, Customs, ANVISA and CNEN have occasional exchange of staff and training programs with neighboring or third countries, while MAPA maintains regular exchange programs.

Box 10. Cross-border agency co-operation: areas for action

- Pursue the contacts and reflection with neighboring countries to gradually enable joint controls in additional border posts.
- Intensify the efforts to harmonize data, documents and IT systems with neighboring countries.
- Seek to promote the development of joint procedures and risk management in the South America region.
- Establish Mutual Recognition Agreements (MRA) with neighboring countries, including with respect to Authorized Operator programs.

4.12. Governance and impartiality

91. The structures and functions of border agencies are clearly established and transparent in the Brazilian legislation, by means of specific laws for each agency, which regulate their respective responsibilities, although there may be marginal

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44 A Customs International Transit Information System- SINTIA (Sistema Informático de Tránsito Internacional Aduaneiro) is in progress with a view to improving the coordination with Argentina. A similar system with several neighboring countries is also at an early stage of deployment by MAPA.

45 Brazil has borders with Argentina, Bolivia, Colombia, French Guiana (France), Guyana, Paraguay, Peru, Suriname, Uruguay and Venezuela.
functions' overlap between Customs and other border agencies. The provisions for the financing of the Customs administration and of other border agencies are set out in those same legal provisions and related information is publicly available in a specific website itemizing the allocations for each governmental agency. An audit function for internal systems is established, adequately empowered and operational for Customs, SECEX and MAPA. ANVISA, CNEN and IBAMA have no specific internal audit mechanism, but are covered by the audit function of the Federal Court of Accounts (Tribunal de Contas da União), responsible for the whole of government.

92. Ethics policies applied by Customs and MAPA are guided by the Revised Arusha Declaration, while ANVISA, CNEN and IBAMA do not have such an international convention to help define the ethics policy. Customs and MAPA have established a Code of Conduct, which is published and promoted internally to ensure awareness of all employees. SECEX is in the process of developing its own Code of Conduct, while ANVISA, IBAMA and CNEN do not have such a Code. Existing and prospective Codes of Conduct include disciplinary provisions specifying what constitutes misconduct, and applicable sanctions, while sanctions against misconduct applied by ANVISA and CNEN are not published. The private sector is not fully familiar with applicable disciplinary provisions.

93. Most border agencies refer to internal communication mechanisms to ensure that staff effectively receives all necessary information about policies and procedures of agencies involved in the border process, with the exception of MAPA which has no arrangements in place to ensure that staff receives relevant information in good time. However, the efficiency of these mechanisms is questioned by the private sector, who points out that members of the trade community occasionally have to attract the attention of border agency staff to recent regulatory changes.

94. Customs publishes an annual report, which contains information on Customs activities. Some government and private sector stakeholders would welcome the expansion of the annual report to include additional information relevant to the trade community.

Box 11. Governance and impartiality: areas for action

- Improve the distribution of the Customs Annual Report and add more relevant information for the trade community.
- Pursue the elaboration of a Code of Conduct and of ethics policies for those agencies that do not have them; improve the communication about them to the trade community so as to bolster trust.

46 Transparency Website- www.portaldatransparencia.gov.br/
5. Sectoral challenges

95. The data collected from various respondents allows observing the different concerns across four sectors of the economy:

- agro-food
- low-tech manufacturing and
- medium to high-tech manufacturing
- mining and extraction

96. Companies from all four sectors covered identify domestic and cross-border agency co-operation as the key challenge across the eleven trade facilitation policy areas (Figure 26). Other challenging areas relate to the simplification and harmonisation of documents, information availability, and consultations with the government in the area of trade-related procedures.

Figure 26. Selected sectors: all indicators

![Figure 26: Selected sectors: all indicators](image)

Source: OECD Trade Facilitation Indicators (February 2017).

97. Areas such as information availability and consultations appear to be most challenging for the low-tech manufacturing and mining sectors. Other areas relating to transparency and predictability – such as advance rulings, appeal procedures, and fees and charges – appear to be more challenging for the manufacturing and mining sectors than for agro-food (Figure 27).
Looking more closely at information availability, sectoral views diverge relating to the functioning of enquiry points – especially in terms of working hours and timeliness (A5, A6, A7), the availability of information on appeal procedures (A12), the publication of Customs classification decisions (A13), and the publication of judicial decisions (A17) (Figure 28). If the agro-food sector seems relatively more satisfied about the availability of information than companies operating in other industries, the sector’s views on this policy area are nevertheless quite critical compared to the views of border agencies involved in agro-food trade (represented by ANVISA and VIGIAGRO).

With the exception of the possibility to provide online feedback (A3), online publication of applicable legislation (A16), and the availability of online user manuals (A19), where public and private sector views converge (Figure 28).
99. Across all sectors, the private sector is moderately satisfied about the existence of consultations between traders and government (B1) and fully satisfied about the inclusion of a wide range of stakeholders in the consultations (B4). On the other hand, views diverge considerably across sectors about the existence of general notice-comment framework procedures and their applicability to trade and border issues (B2); the existence of guidelines and procedures governing the consultation process (B3); the publication of drafts prior to entry into force (B6); and the extent to which public comments are being considered (B7) (Figure 30).

100. The perceptions across the various sectors appear consistent regarding the automation of border processes and the streamlining of procedures (Figure 31), although the agro-food sector is more critical with respect to the simplification and harmonisation of documents and to automation. In the area of the simplification and harmonisation of documents, all sectors concur that there is room for improvement relating to the acceptance of copies (F1); the number of documents required for importation and exportation (F5 and F6); as well as the periodic reviews of such
documentation requirements (F7) (Figure 32). The area where general satisfaction is expressed across all sectors is the use of international standards.

**Figure 31. Selected sectors: simplification and streamlining of formalities**

![Figure 31](Image)

*Source: OECD Trade Facilitation Indicators (February 2017).*

**Figure 32. Sectoral perspective: documents**

![Figure 32](Image)

*Source: OECD Trade Facilitation Indicators (February 2017).*

101. Private sector views on the overall challenges in streamlining and simplifying procedures are relatively homogenous across sectors, with the exception of the implementation of pre-arrival processing (H2), the use of mandatory customs brokers (H23), and the use of expedited release procedures (H26) (Figure 33). In these areas agro-food companies are more critical than companies in the manufacturing and mining sectors. Key challenges identified in the area of procedures lay in the limited application of the separation of release from clearance (H6); the limited use of risk management in the controls of agencies other than Customs (H10); the adjustment of working hours of Customs personnel to commercial needs (H22); the transparency of measures concerning the use of Customs brokers (H24); and the Single Window (H25).
102. Private sector views on cross-border agency co-operation are quite similar across the four reviewed sectors. On the other hand, the mining and agro-food sectors, industries that currently yield Brazil’s top exports, are particularly critical on the country’s performance in domestic inter-agency co-operation (Figure 35). Criticisms focus in particular on the level of general cooperation and co-ordination of the activities of domestic agencies (I1); the domestic coordination / harmonisation of data requirements and documentary controls among agencies (I4); the existence of interconnected or shared computer systems and real time availability of pertinent data among domestic agencies (I5); the domestic coordination of inspections (I6); as well as the sharing of inspections and controls results among agencies (I7) (Figure 36).
Figure 35. Selected sectors: border agency co-operation

Source: OECD Trade Facilitation Indicators (February 2017).

Figure 36. Sectoral perspective: domestic border agency co-operation

Source: OECD Trade Facilitation Indicators (February 2017).
6. Regional challenges

103. The information collected also allows highlighting key challenges at the level of various entry/exit points across the various regions and entities covered by the survey:

- **six ports**: Santos, Vitória, Rio de Janeiro, Salvador, Navegantes, and Suape
- **three airports**: Rio Galeao, GRU Sao Paolo, and Sao Paolo Viracopos
- **two land border posts**: Foz do Iguacu and Uruguaiana

6.1. Main ports

104. With a coastline of 8 500 navigable km, Brazil has a very large port sector that is responsible for more than 90% of the country’s total exports and imports. The first six Brazilian ports represent 76% of total exports by the sea route; overall, those ports represent more than 75% of total Brazilian exports by sea. The port of Santos, with a share equal to 31.4%, clearly stands out as the most important port of the country, followed by Vitoria, Rio de Janeiro, Paranaguá, Rio Grande and Sao Luis, with shares which do not differ significantly, as they range from 11.5% for the first one to 7.1% for the last one (Figure 37). Exports originating from the Port of Santos are relatively diverse, ranging from various agro-food products, nuclear reactors and machinery to organic chemicals (Figure 38). The top exports of Rio de Janeiro (Sepeiba) and Vitoria Ports concentrate in the sector of mining and quarrying. The share of agro-food products in Vitoria’s total exports is only of approximately 7% and mainly covers oil seeds and coffee. As highlighted in section I, these sectors are the ones currently characterised by the strongest integration in global supply chains, particularly on the supply side.

![Figure 37. Export share of major ports (%), 2011-16](image-url)

(Source: System of Analysis of Foreign Trade Information (Alice Web) (2017).)
Figure 38. Key exported products for the top three ports, 2016

A. Port of Santos

B. Port of Rio de Janeiro (Sepetiba)

C. Port of Vitoria

105. Data collected from the different entities allowed covering the Ports of Santos, Vitoria, Rio de Janeiro, Salvador, Navegantes, and Suape as maritime points of entry and exit for Brazil’s top exported and imported products. The top three ports in terms of value of goods traded – Santos, Vitoria and Rio de Janeiro – are not always among the top performers across all policy areas ensuring the transparency and predictability of the border process (Figure 39). The Port of Vitoria appears to be performing marginally better in the areas of information availability and advance rulings, while the Port of Santos appears to be the second-best performer with respect to advance rulings, appeal procedures, and fees and charges. The most challenging areas across all ports appear to relate to information availability and consultations.

![Figure 39. Selected Brazilian ports: transparency and predictability](source)

Source: OECD Trade Facilitation Indicators (February 2017).

106. The simplification and harmonisation of trade documents is one of the most challenging dimensions in the formalities indicators cluster for Brazilian ports (Figure 40). This can be directly linked to the agro-food and mining and extraction sectors’ lower performance in these areas, as products in these groups are among the top traded products across the selected ports. The performance in the areas of automation and streamlining procedures appears to be more homogenous across ports, with Suape the top performer in border processes automation and Vitoria performing marginally better in the case of procedures. Given the wider range of products traded through the Port of Vitoria, its performance in this area is probably linked to the greater complexity of processes performed in this port.
Figure 40. Selected Brazilian ports: simplification and streamlining of formalities

Source: OECD Trade Facilitation Indicators (February 2017).

107. Domestic and cross-border agency co-operation are highlighted once again as the key challenges across the selected points of entry and exit (Figure 41). Ports’ performance in the area of domestic inter-agency co-operation appears to be relatively homogenous, while it displays more significant variations with respect to cross-border co-operation. This can be partially linked to the different export destinations and import sources for the selected ports. The Ports of Santos and Navegantes are performing marginally better in the area of domestic border agency co-operation, while Rio de Janeiro appears as a top performer in the case of cross-border co-operation.

Figure 41. Selected Brazilian ports: border agency co-operation

Source: OECD Trade Facilitation Indicators (February 2017).

6.2. Main airports

108. The data collected from the different entities allowed covering three airports as points of entry and exit for international cargo: Galeao Airport in Rio de Janeiro as well
as Garulhos and Viracopos Airports in Sao Paolo. GRU Sao Paolo is the first airport in terms of international cargo exports and second in terms of international cargo imports over 2006-15, while Rio de Janeiro is the third in terms of cargo exports and fourth in terms of cargo imports during the same period (AliceWeb, 2017).

109. Overall, performance in the areas of advance rulings, appeal procedures and fees and charges appears to be slightly better for the selected airports than for the six ports selected as points of entry/exit, which can be somewhat linked to the nature of the goods traded (Figure 43). Performance in the areas of information availability and consultations between government and private sector does not diverge much among selected airports and ports. Across the five TFIs of transparency and predictability, the Airport of Rio Galeao appears as the best overall performer, particularly in the areas of involvement of trade community, advance rulings, and appeal procedures.

Figure 42. Selected Brazilian airports: transparency and predictability

Source: OECD Trade Facilitation Indicators (February 2017).

110. In the case of airports, the area of simplification and harmonisation of trade documents is once again the most challenging across the formalities TFIs. Performance levels in the areas of automation and streamlining of procedures appears to be relatively similar, on average, for airports and ports. There is no notable “high performer” among airports across these areas, with performances being very close between Rio Galeao, GRU and Viracopos.
111. Border agency co-operation – internal and external – represents once again the most challenging dimension (Figure 45). The level of overall performance in domestic co-operation is marginally higher for airports than for the six selected ports. Viracopos appears as the best performer across both areas, performance which could be linked to its size and the level of cargo trade characterising it.

**Figure 44. Selected Brazilian airports: border agency co-operation**

Source: OECD Trade Facilitation Indicators (February 2017).

6.3. Selected land border crossings

112. The data cover two land border crossings: Foz de Iguaçu on the border with Argentina and Paraguay in the state of Paraná, and Uruguaiana on the border of Argentina in the state of Rio Grande do Sul. Brazil’s trade with Argentina – in terms of both exports and imports – is quite different from trade with Paraguay: exports to Argentina concentrate in motor vehicles and iron ores, while exports to Paraguay...
concentrate in fertilizers and petroleum oils; imports from Argentina concentrate in motor vehicles and wheat, while imports sourced in Paraguay concentrate in agricultural bulk commodities (soya beans, wheat, rice, maize) (Figure 46).

**Figure 45. Brazil’s trade with Argentina: top exports and imports, 2012-15**

Source: UN COMTRADE (2017).
113. Key challenges at the border remain in the simplification and harmonization of trade documents together with border agency co-operation (domestic and cross-border) (Figure 45). Overall, performance at the two surveyed border crossing is quite comparable to the one of airports and ports across the eleven policy areas.

Source: UN COMTRADE (2017).
114. Performances between Foz do Iguacu and Uruguaiana are similar for information availability and dialogue with the private sector, while Foz do Iguacu appears to perform better than Uruguaiana in advance rulings and appeal procedures, but less so in fees, charges, and penalties (Figure 47). Overall, performance in the area of fees and charges is marginally better for land border posts than it is for ports and airports.

115. Performance is relatively homogeneous in terms of simplification and harmonisation of documents, pointing to similar challenges at various border crossings (Figure 48). On the other hand, performance is marginally better for Uruguaiana with respect to both automation and procedural streamlining. This observation can be related to the wider range of products going through Foz do Iguacu – from bulk agricultural products to machinery and components thereof – which can therefore increase the complexity of the border process.
116. While the level of domestic co-operation on the ground appears to be better at Uruguaiana – possibly explained by the more narrow categories of products traded through this crossing –, the level of external co-operation is better at Foz do Iguacu in spite of the need to coordinate border activities with more agencies given the level of exchanges and the type of traded goods (Figure 49).

Figure 49. Selected border crossings: simplification and streamlining of formalities

[Diagram showing formalities across border crossings]

Source: OECD Trade Facilitation Indicators (February 2017).

Figure 50. Selected border crossings: border agency co-operation

[Diagram showing border agency cooperation]

Source: OECD Trade Facilitation Indicators (February 2017).