

**Main news****According to the newspaper Valor Econômico, DP World and the Santos Port Authority are in a dispute that could change the boundaries of the company's private terminal in the Port of Santos.**

Headquartered in Dubai, United Arab Emirates, and operating in 40 countries, DP World accuses the Santos authority of arbitrarily trying to change the layout of its terminal, making expansion projects that would generate billionaire investments in the region impossible.

"Instead of supporting DP World projects, the port is working against us. We can only guess the reasons for this, because the port authority did not talk to us [about the change]," DP World Santos CEO Dallas Carlyle Hampton told Valor.

The Santos Port Authority, which is responsible for port management and planning, says the terminal design impairs the development of the Santos complex as a whole. Therefore, it proposes a change in boundaries that would make room for other developments in the surrounding area. "No interference from a private terminal can outweigh current and potential qualities of the public port," says the technical note prepared by the port authority on the subject, which states that the change in layout "cannot compromise DPW's operation".

The current limits of the private use terminal were set in a 2014 contract signed by the National Agency for Water Transport (Antaq). Before that, the terminal already had a term in place, which had a different layout. The deal, however, had to be reworked to bring it into line with the 2013 New Port Law – when the current design was established.

Now the port authority is asking for a review of the boundaries between the public area and the TUP – which would, in effect, return to the public port a piece of the waterway area that would be inside the DP World terminal. According to the agency's technical note, these areas would be used for different purposes, such as the expansion of berths from other terminals and the expansion of the access structure in the region, where a railway line passes.

The change was proposed by the company Docks in a document sent to the Ministry of Infrastructure on September 16. After being sought after, the Ministry of Infrastructure reported in a statement that the process is under review by the port secretariat, linked to the portfolio, after the port authority's statement on the issue, and that there is no final decision.

DP World's Hampton says the company only learned of the possible review a few days ago, when the change was about to be signed, he said. The company then asked for a hearing to try to stop the measure – which had not yet materialized until the report was completed. "If the change of route occurs, I do not know if we will be able to convince the group to invest another penny in Brazil. As with every business, we can go to court to seek compensation, but we don't want to resort to it, that would be the last resort," he says.

The company Docks said in a statement that "the defining of the organized port area will not make any new business in the Santos port complex unfeasible. On the contrary, in line with its strategic objectives, SPA [Santos Port Authority] understands the port as a

business unit and will foster ventures regardless of their legal nature."

According to the president of DP World, the route being proposed would block the realization of two projects, which together could add up to investments of US\$350m.

The first of these would be the construction of a bulk cargo dock – possibly for grain transportation. The second would be for the movement of LNG (liquefied natural gas). The projects, he says, are not yet closed and would need federal authorization, but there are already studies and talks with potential partners underway.

Antaq said in a statement that the docks company has always been aware of the construction of the terminal in that location and that "the matter was an exhaustive subject in meetings" of the board. The regulator also said that, before approving a Private Use Terminal (TUP), an analysis is made of the impacts on port operation.

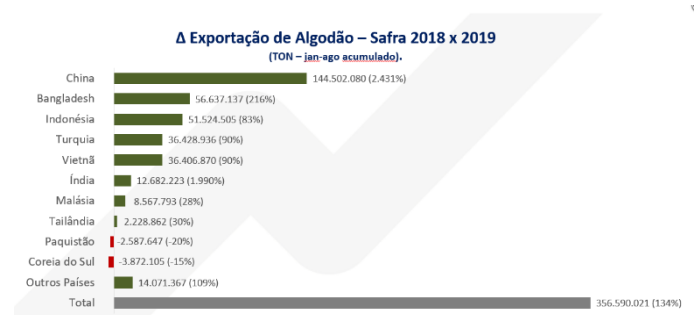
**The trade war between the United States and China has been impacting all international trade. On October 15, for example, the International Monetary Fund warned that the trade war will slow 2019 global growth at its slowest pace since the 2008 and 2009 financial crisis.**

Given this information, Datamar, a consultancy specializing in the analysis of foreign trade via maritime modal in South America, conducted a study on the effects of trade war for some of the main Brazilian commodities, such as cotton.

"Since July 2018, US cotton has received a 25% surcharge in China. This has opened opportunities for other exporters of this commodity, mainly Brazil and Australia. And unlike soy and pork, which have had the surcharges reversed for US products, the cotton surcharge continues," says Andrew Lorimer, director of Datamar.

According to the executive, the international scenario combined with a record crop in 2019 has created an interesting opportunity for Brazilian cotton exports. "It remains doubtful how long this opportunity will last, as a Chinese review of this surcharge could change the market again in a very short period of time," he adds.

It is worth remembering that Brazil produced about 2m tons of cotton in the 2018/2019 crop, 400,000 tons more than in the previous crop. The domestic consumption of cotton is about 700,000 tons and the surplus needs to be exported.



The US was the main supplier of cotton to China and with the trade war this position came to be occupied by Brazil and Australia. As a result, Brazilian cotton exports increased by 134% in the accumulated Jan-Aug compared to 2018, reaching 623,000

tons. In August 2018, China was responsible for the purchase of 5,900 tons of Brazilian cotton, equivalent to 2% of all exports of this product. By the same period of 2019, China had already purchased 150,000 tons, and became responsible for buying 24% of all cotton exports (MDIC data).

This and other analyses of Brazilian foreign trade and the entire east coast of South America and Chile are available to Datamar customers through DataLiner, the company's flagship. DataLiner is a database that provides a complete view of South America's foreign trade maritime flow. It includes information about shipowners, ships, ports and terminals, exporters and importers, as well as shipped goods and their origins and destinations.

Fluxo Algodão (% TON - ago acum.)			
País	2018	2019	Δ
Indonésia	23,31%	18,24%	↓ -5,1 p.p.
China	2,23%	24,14%	↑ 21,9 p.p.
Turquia	15,20%	12,35%	↓ -2,9 p.p.
Vietnã	15,10%	12,30%	↓ -2,8 p.p.
Bangladesh	9,85%	13,30%	↑ 3,5 p.p.
Malásia	11,61%	6,34%	↓ -5,3 p.p.
Coreia do Sul	9,97%	3,64%	↓ -6,3 p.p.
Paquistão	4,84%	1,66%	↓ -3,2 p.p.
Tailândia	2,82%	1,56%	↓ -1,3 p.p.
Índia	0,24%	2,14%	↑ 1,9 p.p.
Cingapura	0,25%	1,30%	↑ 1,1 p.p.
Japão	1,44%	0,55%	↓ -0,9 p.p.
Portugal	0,54%	0,79%	↑ 0,2 p.p.
Taiwan (Formosa)	0,64%	0,30%	↓ -0,3 p.p.
Itália	0,10%	0,45%	↑ 0,3 p.p.
Argentina	0,74%	0,00%	↓ -0,7 p.p.
Outros	1,14%	0,95%	↓ -0,2 p.p.

### Ports, terminals and infrastructure

**The Federal Police raised the security level within the Port of Santos to two. The decision was published on Sunday (10/27) by Ordinance 11/2019 of the State Commission of Public Safety in Ports, Terminals, and Waterways in the State of São Paulo (Cesportos-SP).**

According to the delegate Luciana Fuschini Nave, the initiative is due to the recent protests in terminals and boats by groups of dockers. In her decision, the coordinator of Cesportos-SP stated that she took into account "the record of incidents likely to compromise public security and port operation, due to recent invasions of port facilities of the Port of Santos".

The change comes two days after the protest of the Santos Dockers Union (Sindiestiva) at the Ecoporto terminal. This Sunday (10/27), according to information from the Federal Police, the board of Sindiestiva climbed aboard, by sea, the Panamanian flag Prominent ACE, which is docked at the Vehicle Terminal (TEV) inside the public dock.

During the union action, the operation on the vessel was suspended. The union's president, Rodnei Oliveira da Silva, and other directors were taken to the Federal Police station to give a statement. Operation on the ship was expected to resume at 1pm.

The president of Sindiestiva claimed that Proporto, responsible for the operation in Prominent ACE, "is willing to work with illegal labor" and that the union went to the scene to monitor the situation. He reported that Sindiestiva prevented the ship from operating because the company did not require labor from the

union and "was going to start working with illegal workers who are not registered with Ogmo (Labor Management Agency)."

**The Santos Port Authority (Codesp) has extended the deadline for receiving studies and technical projects for the possible concession of the Port of Santos access channel.** A total of 16 bidders were authorized to submit their studies, whose initial delivery time was 100 days from the publication of the public call notice in June. The extension initiative considered the complexity of the topics addressed, extending the delivery date to January 6, 2020. The extension is intended to enable the completion of studies and thus enable the presentation of the best proposals.

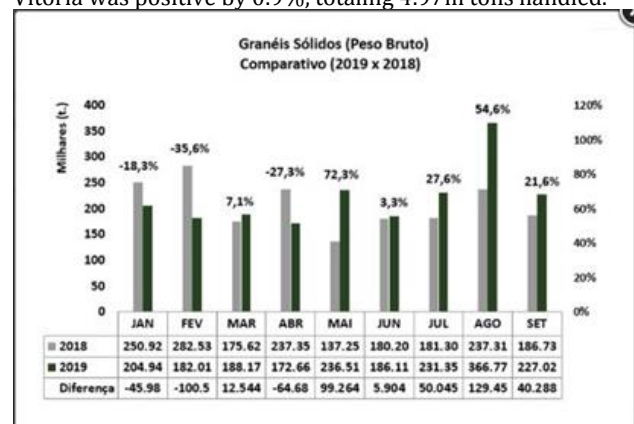
15 companies and one individual were authorized to present projects, surveys, investigations, and technical studies. They are: Argonáutica Engenharia e Pesquisa Ltda; Atlântico Sul Consulting e Projetos S/S Ltda; Boskalis do Brasil Dragagem e Serviços Marítimos Ltda; Claudio Macedo Dreer; CPEA – Consultoria, Planejamento e Estudos Ambientais Ltda; Dragabras Serviços de Dragagem Ltda; DTA Engenharia Ltda; Future ATP Serviços de Engenharia Consultiva Ltda; Jan De Nul do Brasil Dragagem Ltda; Leonardo S.p.A; Navarro Prado Advogados; Queiroz Galvão Tecnologia em Defesa & Segurança S/A; Terrafirma Consultoria Empresarial e de Projetos Ltda; Tetra Tech Engenharia e Consultoria Ltda; Veirano Advogados; and Concremat Engenharia e Tecnologia S/A.

"The varied profile of stakeholders, ranging from large engineering groups to dredging companies, consulting and law firms, demonstrates the market's strong interest in this concession. We are confident that by working in partnership with the market since the project, the auction will attract major players and the Port of Santos will quickly increase the efficiency of its core asset," said Casemiro Tércio Carvalho, president of the Santos Port Authority.

The donation of studies has no burdens, charges, or conditions to the Port Authority or any member of the public administration and is not binding.

**The movement of solid bulk in the Port of Vitória, in the first nine months of 2019, grew 6.8% compared to the same period last year.** Three loads are highlights: malt, increase of 64.3% (250,000 tons); pig iron, 34.3% (565,000 tons); and fertilizers, 10.6% (532,000 tons). The data are from CODESA's Planning and Development Coordination (COPLAD).

In the year through September, cargo handling at the Port of Vitória was positive by 0.9%, totaling 4.97m tons handled.



**Aiming to increase productivity, reduce docking time and expenses for importers and users, CODEBA has launched a challenge for port operators. This is an innovative operational measure for solid mineral bulk, for whoever is interested in anticipating the discharge at Aratu Port.** To make use of the condition it is necessary to notify the Port Authority 15 days prior to the arrival of the vessel, to commit to produce 6,000 a day, unload up to 50% of the total volume of the ship, and also to prove that the next port to dock is a national port.

In an experimental phase, the first ship to embrace the new procedure with the unloading was the WL Uglich Valleta, which docked at Aratu Port. "Importers signaled interest, met the requirements for the procedure, and the ship docked last Saturday (10/19). Since it was 35,000 tons, it would then discharge 17,500. On the first day, it produced 6,700 tons, on the second day, it produced 6,200 tons, and yesterday, 10/21, the operation ended. It was a pilot test, which saw the possibility of making the commitment a routine," said the president of the Bahia State Dock Company (CODEBA), Alex Sandro de Ávila.

The new operating rule was established by the executive board to stimulate vessel productivity at Aratu Port as an experimental measure for 180 days. After the deadline, all operations of the period will be evaluated and CODEBA will evaluate whether the measure is effective or not. "At first, the first outcome reveals a fantastic increase in production, perhaps a historical record of productivity. It is a watershed. In addition to boosting productivity, the new approach benefits the entire logistics chain by reducing the expense for importers, the cost of freight, demurrage, which is the waiting time to dock in the Port, and also to generate fluidity for others in queue," explained Ávila, who has been chairing the board for only a month.

**September was a positive and stable month for the Port of Itajaí. The statistics report, released by the Port Authority, points out that container handling at the APM Terminals (berths 01 and 02) and Public Wharf (berths 03 and 04) grew 33%. Compared to September 2018, 42,988 TEUs were handled against 32,362 TEUs.**

The report also indicated expansion of cargo handling at the public port. Compared to the same period of 2018, the tonnage moved increased from 387,795 to 456,154, highlighting an increase of 18%.

"The investments we made in infrastructure, from the completion of the berths to the Evolution Basin works, have provided this rise in our activities. And the whole city benefits from this ascent. The City Hall, the Port of Itajaí Superintendence, the community in general, the entrepreneurs and, especially, the workers who work directly with the port activity, gain from this," emphasizes Volnei Morastoni, Mayor of Itajaí, about the container handling of Port of Itajaí.

In the overall balance of the Complex, the most significant index was registered in the number of TEUs handled, growing 12% – from 97,035 TEUs in 2018 to 108,716 TEUs in 2019.

If we compare the last 12 months (October 2018 to September 2019) with the previous 12 months (October 2017 to September 2018), container handling in Port of Itajaí increased by 44%.

The indexes presented by the report confirm the constant growth experienced by the Port of Itajaí.

"We have maintained a level of movement that is becoming standard. The projection for this year is growth of around 6% to 7% in container handling, between 7% and 8% in cargo and 7% in the mooring of ships, taking into account the whole Complex (Public Wharf, APM Terminals, and Private Use Terminals – TUPs). In the Public Wharf and the APM Terminals this growth should vary around 25% to 26% in container handling and 29% in cargo handling. These results show the importance of the berth structure being fully operational, the storage area being recovered, and the maintenance of dredging being up to date," says Heder Cassiano Moritz, Senior Technician at the Itajaí Port Superintendency.

The report registered 91 vessels, which handled 1.17m tons. Of the moorings, 40 were at the APM Terminals and Public Wharf, 45 at Portonave, two at Teporti, one at the Poly Terminals, and three at Barra do Rio Terminal.

**Sepetiba Tecon Terminal has started a pilot operation for vehicles after 15 years without roll-on/roll-off operations in the Port of Itaguaí.** From October 9 to 13, the port received 40 stork trucks daily. On October 18, the ship Gral San Martin docked to board 900 vehicles (Nissan) and unload 600 vehicles (Fiat).

Itaguaí and Angra dos Reis Port Management Superintendent, Alexandre Neves, highlights the importance of moving vehicles back in the Port of Itaguaí: "This way we expand the scenario of import and export cargo handling that was associated especially with bulk and iron ore."

#### Meat

**According to Darin Friedrichs, senior commodities analyst from Asia at INTL FCStone, China's pork production is expected to normalize in late 2020.**

According to the analyst, although the Chinese government is pushing local pig farmers for a rapid recovery, the African plague is still active in the country and could continue to cause problems.

"Maybe the farmers have improved a lot in biosecurity and we will see production start to recover, or maybe the virus is very resilient and the attempts to rebuild the herd may result in more animal deaths," says the analyst.

#### Oil and gas

**Norwegian company Equinor is exploring locations off the Brazilian coast to install new natural gas infrastructure, said Margareth Øvrum, the company's president in Brazil.** The company is also preparing for the start-up of offshore gas fields in the coming years. In an interview, Margareth Øvrum estimated that the "Pão de Açúcar" field, a condensed gas area, could start production in the mid-2020s, probably becoming the first major gas-focused maritime field to come into operation in Brazil under the operation of a foreign oil company.

Other companies will be watching Equinor's experience closely as the offshore gas flow infrastructure is more complex than oil due to the difficulty of handling the input, and so far only Petrobras has had such experiences in Brazil.

Equinor also has the same expectations in the Carcara field in Brazil. It expects to begin production of the "first phase" of this field in 2023 or the first half of 2024. The company has not yet

decided when to begin phase two, but this may also involve building natural gas infrastructure.

Equinor is one of 14 companies listed for the government's "mega auction" that will offer excess volumes under the so-called assignment contract on Nov. 6, when the government expects to raise about R\$106bn in signature bonuses by negotiating four assets.

**The ordinance of the Ministry of Economy, published on 10/21, defines the division of the quota of importation of ethanol from Brazil, maintaining the limit of 750m liters per year.** In the Northeast's ethanol harvest, from August 31, 2019 to February 29, 2020, a maximum of 200m liters with zero aliquot may be imported.

In the off season, there will be two quotas of 275m: from March 1, 2020 to May 31, 2020 and from June 1, 2020 to August 30, 2020. The establishment of smaller quotas in the Northeastern crop was negotiated by the Minister of Agriculture, Livestock, and Supply, Tereza Cristina.

During the negotiations, the minister met with the sugar and alcohol sector. She also spoke by telephone with US Secretary of Agriculture Sonny Perdue. According to 2018 data, 99.7% of Brazilian ethanol imports come from the United States.

Currently, the import tax for ethanol is 20%, but the tariff is only charged if the country exceeds the quota. Within the limit, the tariff is zero for any country.

The previous import quota was 600m liters of ethanol per year. The 750m limit was set last August, valid for 12 months.

### Grain

**The production of agricultural activities reached R\$465.5bn in 2017, of which 66.2% (R\$308bn) was related to plant production and 33.8% (R\$157.4bn) was related to animal production. Of the vegetable production, 77% comes from temporary crops, 13% from permanent crops, 5.7% from forestry, 2.8% from horticulture, 0.7% from plant extraction, and 0.6% from floriculture.** Animal production is divided into 70.5% large, 19% poultry, 8% medium size, and 2.5% small size.

The data are in the 2017 Agricultural Census, released today (10/25) by the Brazilian Institute of Geography and Statistics (IBGE). The survey took a snapshot of the Brazilian field on September 30, 2017, with data for the period between October 1, 2016 and the base date.

The survey shows that the planted area did not increase significantly, but the production was much higher. For example, yield in kilograms per hectare planted in herbaceous cotton increased from 2,900 in 2006 to 4,100 in 2017, soybeans rose from 2,500 to 3,300, corn increased from a yield of 3,500 kilos per hectare to 5,500, rice went from 4,000 to 6,400, and beans rose from 734 to 1,000 kilos per hectare planted.

In livestock, the Brazilian herd had 172.7m head of cattle on the reference day. Despite the reduction in the number of milked cows from 12.7m to 11.5m, milk productivity rose from 1,600 to 2,600 liters per cow per year.

According to census manager Antônio Florido, the increase in productivity reflects the use of new techniques and technologies in the field, such as irrigation, which increased 48% and reached 10% of the establishments, and no-tillage, which increased by 85% of the area in which this technique was used.

"In terms of structural size change, practically nothing has changed. What happened in those 11 years was more technology, more research, more resources for more income at less expense. There is more animal and plant genetic improvement, new technologies, new uses, automation of activities, which may lead to the conclusion of a decrease in the workforce employed and more efficiency."

Mechanization in the field grew in the period, with the number of tractors rising from 820,718 to 1,229,907 (about 50%). The establishments that had harvesters went from 116,000 to 172,000 (about 48%), and fertilizer applicators from 147,800 to 253,600 (more than 70%).

On the other hand, the total number of persons employed in agricultural establishments in Brazil amounted to 15.11m, including producers, kinsmen, and temporary or permanent employees. The total number fell by 1.5m people and the average per establishment fell from 3.2 in 2006 to 3 in 2017. Of this total, 74% of workers were related to the producer interviewed.

If only family farms are taken into account, there was a reduction of 2.16m employed persons, while in other establishments the workforce increased by 702,900 workers. The number of establishments with non-farm income increased by 79% to 1.15m.

The survey also shows that there was a significant increase in outsourced labor, with 143% more than in 2006, reaching 611,624 establishments using this form of work. Within this modality, most are through contractors, with a total of 497,247, an increase of 108%.

### Ores

**The Santos Port Authority (SPA, Codesp's new name) received three offers for the signing of transition contracts in the Saboó pier areas, in the Port of Santos.** These are the first responses to the Simplified Selective Proceeding Notice published on September 30 for the provisional lease of idle areas until the respective bidding processes for the assumption of the new tenant are finalized.

The proposals were submitted by the company Termareis Terminais Marítimos Especializados, from the Ecorodovias group. The offers, one for each area, offer in global numbers the minimum monthly remuneration of R\$103,920 (area 1), R\$229,620 (area 2), and R\$114,869 (area 3).

Now, according to the rules established by the notice, other interested companies will have ten business days to submit individual offers for those areas.

The president of SPA, Casemiro Tércio Carvalho, emphasizes that "the instrument reflects the commitment to ensure the best use of noble port spaces for the proper care of the production chains."

The areas that are available for transition contracts are contiguous and are located at Cais do Saboó (previously operated by TMV and Rodrimar). The areas have measures of 19,000 m<sup>2</sup>

(area 1), 42,000 m<sup>2</sup> (area 2), and 21,000 m<sup>2</sup> (area 3). The provisional lease is provided for in Resolution No. 07/2016 of the National Agency for Water Transport (Antaq) and allows private exploration of idle areas until the respective bidding processes for the assumption of the new tenant are finalized, thus giving operational use to the public assets and meeting the needs of supply chains.

**In November, Vale will begin the testing phase for the deployment of two autonomous off-highway trucks at the Carajás mine. Innovation is coupled with the development and training of mine professionals to keep up with the worldwide trend of the Fourth Industrial Revolution, also called industry 4.0.**

In autonomous operation, the trucks are controlled by computer systems, GPS, radars, and artificial intelligence and monitored by operators in control rooms miles away from operations, which brings even more security to the activity.

When detecting risks, the equipment stops its operations until the path is cleared. Security system sensors can detect both large objects such as large rocks and other trucks, as well as humans in the immediate vicinity of the road.

According to the director of the Northern Corridor of Vale, Antonio Padovezi, in addition to the safety factor, the use of autonomous equipment in Carajás, the world's largest open pit iron ore mine, will ensure greater sustainability for Brazilian mining. "This is a breakthrough that brings social, environmental, and economic gains, reduces the exposure of employees to risks, increases competitiveness, reduces the emission of polluting gases, and furthers the empowerment and evolution of professional skills, following a natural trend that is lived today in the market all over the world," he says.

The definitive start-up for production should take place at the end of the first half of 2020. All professionals who will interact with the autonomous equipment will be trained. The Carajás mine will partially operate autonomously, but will also continue with conventional operation. Results will be evaluated for fleet expansion.

By 2024 it is estimated that 37 autonomous trucks will be operating in Carajás, which represents about 40% of the current fleet.

**Vale temporarily suspended the disposal of tailings from the Itabiruçu dam, located in the Itabira Complex, Minas Gerais, as of October 21, while assessing the geotechnical characteristics of the dam. During the shutdown, the dam will adopt the Level 1 emergency protocol, according to the National Mining Agency (ANM), which does not require evacuation of the nearby population.** The Itabiruçu dam had its Statement of Stability Condition (DCE) issued on September 30, 2019, which remains valid.

The decision to stop the activities of this dam stemmed from Vale's own assessment, agreed with external inspection bodies, on the need to carry out complementary studies on its geotechnical characteristics. The studies will be carried out by a company hired by Vale, within 30 days.

The impact of the Itabiruçu dam shutdown, which receives tailings from the Conceição mine, will be limited to 2019 at about

1.2 Mt, as the 2020 production plan had already foreseen the momentary shutdown of this dam for much of 2020. Accordingly, the plan to resume the standstill production of approximately 50 Mt remains unchanged, as presented in the 3Q19 Production and Sales Report.

Vale reaffirms its iron ore and pellet sales guidance of 307-332m tons. However, due to the Itabiruçu stoppage and the revision of its sales plan, it expects them to be between the lower limit and the center of the range.

### Trade

**In an official visit to the United Arab Emirates, President Jair Bolsonaro signed eight bilateral acts with the Middle Eastern country in various areas such as peace and security, economic cooperation, artificial intelligence, environment, and defense.** The Brazilian entourage was received this Sunday (10/27), in Abu Dhabi, by the country's crown prince, Sheikh Mohammed bin Zayed Al Nahyan.

Bolsonaro is visiting three countries in the region. After the United Arab Emirates, he will be visiting Qatar and Saudi Arabia, which are major buyers of Brazilian agribusiness products and promising buyers of defense products. Both countries are owners of large sovereign wealth funds seeking investment opportunities in emerging countries.

To arouse the companies' interest in expanding their activities in Brazil, an agreement was signed with the United Arab Emirates to exchange information about the business environment and investment opportunities in both countries, through the sharing of experiences and best business practices.

In the area of defense, both countries intend to set up a fund to expand the productive capacity of the sector in Brazil. The objective is to finance projects of priority of both countries.

Both countries have also established guidelines for partnership in the development, production, and marketing of defense products. An act was also signed for the development of high-level peace and security initiatives; economic cooperation, especially in trade, investment, industry, infrastructure, agriculture, transportation, and outer space; of energy cooperation and joint mechanisms in the tourism, culture, and sports sectors.

Brazil and the United Arab Emirates are still committed to the exchange and mutual protection of information. The signed agreement establishes, among other matters, equivalence of classification levels, protection measures, rules of access and transmission of classified information, as well as measures related to the leakage of confidential data.

Another memorandum of understanding foresees partnership between technological institutions in the field of artificial intelligence through the development of basic and applied research programs, joint projects and participation in events.

In the customs area, the two countries should assist each other in preventing, combating, and investigating customs offenses to ensure security and fluidity in the trade logistics chain. In addition, there will be exchange of information on matters within its competence, such as customs valuation, rules of origin, and tariff classification.

Environmental agencies will also cooperate in the areas of environmental conservation and endangered species and develop initiatives in ecotourism, wetland management, among others.

It has been over 10 years since a Brazilian head of state has not visited the United Arab Emirates, Brazil's second largest partner in the region. Brazil is the main partner of the country in Latin America.

Prior to reaching the Middle East, Bolsonaro visited China and Japan to publicize the reforms the government is undertaking in the economic field and to publicize business opportunities in Brazil.

**On 10/25, Brazil and China signed two sanitary protocols for the export of thermo-processed meat and cottonseed meal to China.** The agreements were signed by Minister Tereza Cristina (Agriculture, Livestock, and Supply) and the General Administration of Customs of China (GACC), as informed by the Presidency of the Republic.

The protocols set out the requirements to allow the export of both products from Brazil to China. The purpose of negotiating sanitary protocols between countries is to prevent the entry of pests or endemic pests from the exporting country into the importing country. In accordance with the rules of the World Trade Organization and other international reference bodies, the requirements determined by the importing country must be based on scientific criteria.

Thermo-processed meat is meat that has undergone thermal processes such as cooking. In 2018, Brazil exported US\$557m of processed beef and China imported US\$25m of the product.

Cottonseed meal is used as animal feed. Brazilian export of cottonseed meal is still incipient. China imported US\$4 million from the commodity.

A memorandum of understanding was also announced between Embrapa and the Chinese Academy of Sciences to set up joint laboratories for soybean breeding and development. The memorandum aims to foster cooperation in science and technology through joint projects in the fields of agriculture and natural resources to deepen existing knowledge and build on sustainable agriculture and institutional strengthening.

The first project will be the establishment of a Brazil-China virtual laboratory that will develop research in the areas of germplasm characterization, genome editing, and functional genetics in soybean.

**US and Chinese trade officials are "close to finalizing" some parts of a deal after high-level telephone discussions on 10/25, the US Trade Representative's office said, adding that the lower-level negotiations will happen "continuously".**

In a statement issued after the call, the office did not provide details on areas of progress.

"They have advanced on specific issues and both sides are close to finalizing some sections of the deal. Smaller discussions will take place continuously, and high-level officials will have another call in the near future," said the document.

The call came at a time when Washington and Beijing are working to reach agreement on the "phase one" text of a trade deal announced by US President Donald Trump on October 11. Trump said he hopes to sign the pact with Chinese President Xi Jinping next month during a summit in Chile.

The world's two largest economies are trying to resolve a protracted trade war that is shaking financial markets, disrupting supply chains and slowing global economic growth.

"They really want to make a deal," Trump told reporters at the White House on Friday. "They will buy a lot more agricultural products than they thought possible."

**China might import melon produced in Brazil and enable new Brazilian slaughterhouses to supply meat to the to the country. In return, Brazil will import Chinese pear. The announcement was made by the Minister of Agriculture, Livestock, and Supply, Tereza Cristina, who met on 10/23 with the Chinese colleague, Han Changfu.**

"Many things are moving very quickly. In the case of fruit, we should have the announcement of the opening of melon from Brazil to China and pear from China to Brazil. We have more licenses coming that should happen in the days between President Bolsonaro's visit to China and President Xi Jinping's visit to Brazil," said Tereza Cristina.

This is the minister's second trip to Beijing. The first was in May this year. Tereza Cristina arrived in China last weekend and on 10/24 joined the delegation of President Jair Bolsonaro. On Thursday, the delegation visited the Great Wall of China and then met with the president of the Federation of Industries of the State of São Paulo, Paulo Skaf.

Tereza Cristina stressed the importance of continuing talks between May and October this year. "We had some breakthroughs. The May trip was very important for a bigger opening between the Ministry of Agriculture and the GACC (Chinese customs)," said the minister.

The minister stressed the important market that is opening for Brazilian livestock production. "Today the meat market is boiling here, the need is very big. So those slaughterhouses that are prepared with the protocols to export to China will have the opportunity, such is the need and the desire to import meat from Brazil," he said.

In the agricultural area, according to the minister, protocols are being agreed to export cottonseed meal and soybean meal, but this negotiation requires more discussions between the technical teams of both countries. China has also expressed interest in Brazilian sugar and ethanol.

"They are interested in sugar, cotton, and even ethanol. [Ethanol] It came in very early, very punctual, but let's move on to a discussion about this subject as well," said the minister.

Tereza Cristina stressed the importance of partnerships between Brazil and China – a country that needs to feed 1.4bn people. "What we were told yesterday, very properly, is that they have the need [for food], because they are putting more than 300m people on the consumer market. This is another Brazil that needs to be fed inside China," she said.

"We have to take this opportunity by delivering what they want: volume, quality food, and prices that may be adjusted here in the Chinese market."

**According to a report published by the newspaper Valor Econômico, Jair Bolsonaro's government's economic opening plan foresees a unilateral cut in import tax rates on industrial products from 13.6% to 6.4% on average over four years - which would leave Brazil with levels of industry tariff protection equivalent to those of the richest countries in the world.**

The newspaper should have access to a simulation conducted by the Brazilian government and shared with other Mercosur partners to reduce the Common External Tariff. According to the simulation, the rates applied to passenger cars brought from abroad should fall from 35% to 12%. It would also reduce from 35% to 12% the tariff charged on textiles and clothing. In a time of oversupply and global overcapacity, hot rolled steel would fall from 12% to 4%. Buses would go from 35% to 4%. Polypropylene would fall from 14% to 4%.

According to Valor, by the proposal it that had access to, the cut of various sectors of the manufacturing industry could go far beyond 50% of the import tariff practiced today. Meanwhile, agribusiness would be left with virtually unchanged rates.

The document was presented to the "Ad Hoc Group to Analyze CET's Consistency and Dispersion" and has not yet received a response from the other members of the bloc - Argentina, Uruguay, and Paraguay.

There are aliquot suggestions for 10,270 NCMs, as common Mercosur nomenclatures are known. Each NCM covers a specific product or a small category of products. The study predicts a reduction in CET for footwear (31.8% to 12%), medical equipment (11.2% to 3.8%), furniture (17.6% to 8.8%), plastic products (10.8% to 4.8%), steelmakers (10.4% to 3.7%), electrical machinery, and equipment and appliances (12% to 4.2%).

**Minister Tereza Cristina (Agriculture, Livestock, and Supply) met with the president of Cofco, Jun Lyu, on 10/22 in Beijing. At the meeting, the Chinese executive said the group, China's largest food processor, plans to expand investments in four sugar plants in Brazil.**

It was also agreed to set up a working group to discuss a policy on sugar and ethanol trade between the two countries.

In China, Minister Tereza Cristina noted that Brazil is able to supply more and more quality agricultural products to the Chinese market, including corn, sorghum, sesame, and peanuts.

According to the minister, Brazil wants to diversify sales to China. During her visit to the Asian country, Tereza Cristina negotiates the expansion of the exportation agenda, including cottonseed, concentrated soy protein, poultry genetic material, melon, grapes, and pork.

Another issue discussed was infrastructure. Tereza Cristina proposed that the Chinese also invest in logistics projects in Brazil, such as railways and ports, the main bottleneck for the flow of domestic agricultural production.

Jun Lyu stressed the importance of Brazilian agriculture to the world and confirmed that he will be in Brazil in November, together with the Chinese president's entourage, Xi Jinping, for the BRICS Summit.

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