DatamarWeek
East Coast South America trade, shipping and infrastructure
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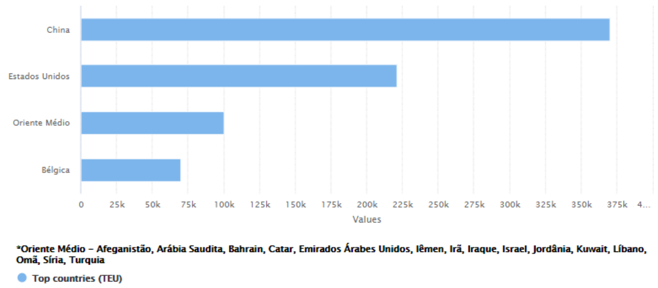
Main news

In a webinar promoted by the Arab Brazilian Chamber of Commerce in May, the vice president of Brazil, Hamilton Mourão, pledged to help improve the flow of trade and investments between Brazil and the Arab countries, including the creation of a shipping route between the country and the region. But is there enough cargo volume to justify the creation of an exclusive service?

The Middle East already represents an important region in the context of foreign trade, since the 15 countries that represent this region are responsible for 6.5% of total container shipping in the world. If the bloc were a single country, it would have the world's third-largest volume, behind only China (28.5%) and the USA (6.9%).

The following graph shows the main products exported by Brazil to the Middle East in the first four months of 2019 and 2020:



Source: DataLiner (To request a DataLiner demo click here)

Looking at trade between Brazil and the Middle East, the volume traded is also quite expressive, with the region responsible for 6.5% of the total volume of TEU imported and exported (10% in exports and 2% in imports). As a basis for comparison, China represents 22% and the USA 13% of the volume of TEU imported and exported by Brazil.

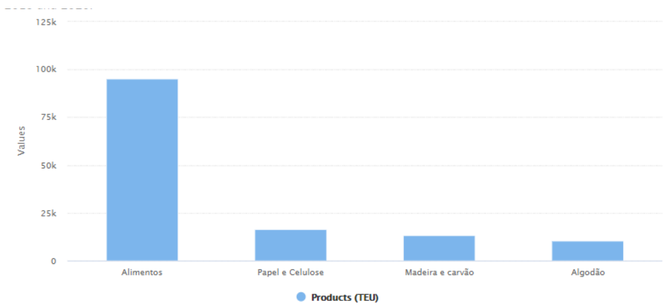
According to the Arab Brazilian Chamber of Commerce, in 2019 the Arab countries became the third-largest destination for Brazilian exports. In 2018, the region occupied fifth place in the ranking for recipients of Brazilian exports, with US$11.4 billion imported by the regional bloc. In 2019 the region ranked third, behind only China and the United States, with imports worth US$12.1 billion. Exports from Brazil to the Arab countries rose 6.3% in 2019 compared to the previous year.

Despite this, there is still no direct sea route between Brazil and the Middle East. Currently, foreign maritime trade with the region is mainly served by Brazil-Europe services, where four services (MED-SAEC / MSE, NEO BOSSA / SIRIUS, PLATE EXPRESS, and NWC / ECX) transport 92% of the total volume. According to the Arab Brazilian Chamber, the organization has been working in partnership with the Union of Arab Chambers to formulate a strategy to create a direct maritime line, which should shorten the cost of transportation and the delivery time of goods. A study had begun to study this and a seminar on the subject was scheduled to take place this year in Alexandria, Egypt.

In the webinar, Mourão proposed to seek the most interesting ports for the arrival of Arab products in Brazil and the departure of Brazilian products for the Arab market. Mourão said that it is necessary to leave behind mere conversation and sit down to see what actually needs to be done. He even suggested that the Minister of the Civil House, Braga Netto, be involved in the matter.

Although the government can facilitate trade between countries with bilateral agreements, the decision on a new maritime route is up to the shipowners. DataLiner data indicates that there is still not enough volume to justify the creation of a direct route between Brazil and the Middle East since cumulative volumes for 2020 are practically at the same level as in 2019 – 6.1% of the total Brazilian volume. In addition, this volume makes up 16% of Europe's services and the creation of a direct route would make vessels on this trade route have less volume.

DataLiner data shows that 81% of products exported by Brazil to the Middle East are concentrated in four categories: food, mainly meat (59% of the Brazil-Middle East volume), paper and cellulose (10%), wood and coal (8 %), and cotton (6%). The following graph shows the main export destinations for Brazil's exports to the Middle East in the first four months of 2019 and 2020:



Source: DataLiner (To request a DataLiner demo click here)

Brazil's imports from the region, on the other hand, are more diverse and less representative. The main items are plastics and derivatives (30%), chemicals (11%), salt, plaster, cement (10%), and metals (9%). Also according to DataLiner data, of the countries that make up the Middle East, the three most significant trading partners are Saudi Arabia, receiving 25% of the volume exported, United Arab Emirates with 24% of the volume, and Turkey with 18%. The remaining volumes (33%) are divided into 10 countries. It is worth noting that there is no cargo flow between Brazil and Afghanistan and Lebanon.

Ports, terminals and infrastructure

One month after starting a dredging program to ensure navigation from the access channel to the grain terminal, the Port of Santa Fé, in Argentina, received the Paraguayan flag vessel 'Tireless' to be loaded with 2,100 tons of broken maize destined for Uruguay. The terminal is storing around 30,000 tons of grain. The silos of the agricultural bulk terminal have a maximum storage capacity of 56,000 tons of grain and between 20 and 30 trucks are received daily. The grains are classified according to quality and the site has operated with historic levels of grains – mostly corn.

Despite the historic low faced by the Paraná River, which has damaged the waterway, the recent investments made in dredging the Port of Santa Fé have enabled medium-sized vessels to navigate normally, both with and without cargo.

Data from ANTAQ's Waterway Statistics indicate that from January to April, the national port sector (public ports +

private terminals) had a throughput of 340 million tons. The volume corresponds to a growth of 3.71% when compared to the same period in 2019.

Of the total handled between January and April, private ports handled 65.2% and public ports, 34.8%. The Ponta da Madeira (MA) Terminal was the private facility that was most busy with 51.8 million tons handled. Regarding public ports, Santos (SP) was the leader with 35.3 million tons.

Iron ore was the main cargo, totaling 108.5 million tons, marking a decrease of 6.21% when compared to the same period of 2019. Between January and April this year, the highlight was the movement of fuels minerals, which had a growth of 17.54%.

The throughput in April was 91.6 million tons, marking an increase of 16.6% when compared to the same month of 2019.

Comparison between the 1st quarter of 2020 and the 1st quarter of 2019:

- Growth of 3.7% in port throughput
- 6.6% reduction in the number of moorings – increase in average consignment
- 11.7% increase in the total exported to China – Soy (41.5%) and Oil (44.5%);
- 11.5% increase in cabotage handling with platforms / 0.5% increase in cabotage handling without platforms
- Cabotage (general) in April decreased by 1.3%;
- Without platform transportation, April had a 19.21% reduction in relation to April / 2019 (-39.1% liquid bulk; -6.2% container; -41% general cargo; + 12.5% solid bulk).

According to the Antaq Statistics and Performance Evaluation management team, the effect of COVID-19 on total throughput, so far, seems to have been restricted mainly to the month of January, when the epidemic peaked in China, causing a decrease of 15.3% in Chinese exports. According to Antaq, this effect was overcome in the following months, due to total exports to China from January to April increasing by 11.7%. Soybeans and oil exports, especially, increased by more than 40%.

According to the agency, the expectation for the year 2020 is an increase in total port throughput. Despite a negative cabotage result in the short term, both exports and imports are expected to grow, mainly driven by agricultural bulk, and strong harvests combining with increased demand from China. As well as liquid bulk and oil, which have already increased by 20% up until April and should remain significant throughout the year.

On June 17, the Federal Court of Accounts (TCU) decreed, as a precaution, that the assets of Libra Terminal Santos and Libra Terminals will not be allowed to reimburse the debt owed to Santos Port Authority of R$3.4 billion. The decision contradicted a court that believed that there was no legal basis to comply with the injunction requested by the Port of Santos administration.

Minister Vital do Rêgo, relating the process, disagreed with the interpretation and argued that Law 8,443 of 1992 (organic law of TCU) allows the decision so as to guarantee the repair of damages done to the treasury. The other members of the plenary agreed with Vital and assessed that this is a feasible way of making the arbitration award favorable to the port authority.

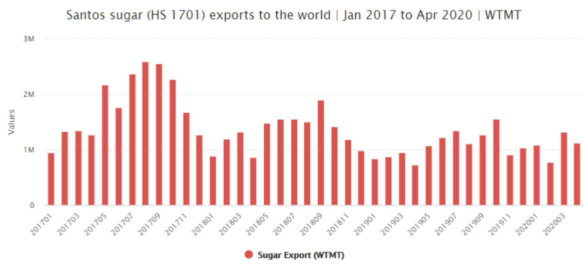
The dispute between Libra and the port authority has been in arbitration since 2015 and revolves around what was Libra's container terminal in Santos which gathered billions of reais in debt. For more than 20 years, it paid less than 10% of the fees defined in the terminal's lease, alleging non-compliance with obligations assumed by the granting authority. Now, the Santos Port Authority has alerted the TCU that Libra could apply the practice of "asset emptying" to escape the debt.

Based on the new Ports Law, sanctioned by former President Dilma Rousseff in 2013, Grupo Libra had obtained an extension to explore the areas in Santos until 2035 along with the unification of three existing contracts. However, the measure was overturned by the court of auditors and the government will re-issue the areas. The auction of STS 14 and STS 14A, for who will occupy these spaces and dedicate themselves to the movement of pulp, is scheduled for August 28th. Libra, whose contract was terminated in May, went into bankruptcy and announced last year the closure of operations in Santos.

PTP Uruguay carried out the first operation involving liquid bulk cargo at the Port of Montevideo. The Norwegian flagship "Wenche Victory", which is 184 meters long, 32 meters wide and with a 10.62-meter draft, moored at berth 3 of the National Port Administration (ANP) to unload approximately 1,600 tons of liquid fertilizer from Donaldsonville, USA. For this, an innovative system of direct loading from ship to tank trucks was used. The discharge occurred continuously and quickly. The product was destined for storage in the city of Paysandú. The operation was a novelty for the Port of Montevideo but not for Uruguay, as PTP Uruguay has already carried out similar operations in the ports of Nueva Palmira and Fray Bentos.

Data from the maritime agency, Cargonave, shows that the average waiting time for loading sugar onto vessels at Rumo, the main export terminal at Santos, reached 45 days on June 14. In the previous week, the average wait was 41 days. During the same period last year, the average waiting time was five to seven days.

In the past three months, most of the global sugar demand has looked to Brazil, which is producing a record amount of the commodity. Mills have given priority to sugar over ethanol after the Brazilian fuel market had a drop in demand due to the coronavirus pandemic. DataLiner data show that in the first four months of 2020, the Port of Santos exported 4.3 million tons of sugar, a volume 26.97% higher than year-ago levels.



Graph source: DataLiner (To request a DataLiner demo click here)

Graph source: DataLiner

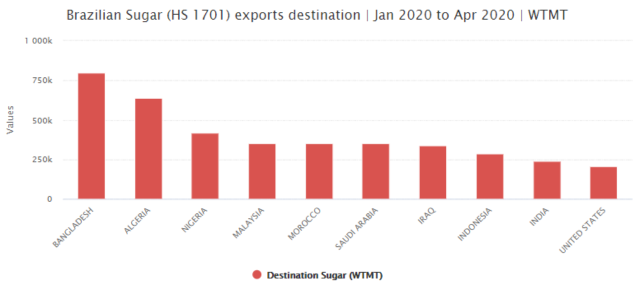
The Port of Santos is the main outlet for Brazilian sugar, totaling 80.69% of the volume exported from January to April 2020, followed by the Port of Paranaguá (with 14.47%) and Maceió, with 3.33%. The table below shows the volume of sugar exported by Brazil in the first four months of 2020 by port:

Portos	Volume (WTMT)
SANTOS	4.309.289
PARANAGUA	773.230
MACEIO	178.244
SUAPE	56.811
RECIFE	19.586
SALVADOR	1.490
NAVEGANTES	1.050
ITAPOA	302
PORTO DE ITAGUAI	200
ITAJAI	47
RIO GRANDE	24

Showing 1 to 11 of 11 entries

Table source: DataLiner (To request a DataLiner demo click here)

The following graph shows the main destinations for Brazilian sugar from January to April 2020:



Graph source: DataLiner (To request a DataLiner demo click here)

It is worth noting that the boom in sugar exports is happening during the same time as Brazil exports record volumes of soybeans, which contributed to the long waiting times faced by ships. According to Cargonave, other sugar terminals in Santos also registered delays, although not as long.

On June 16, the Itajaí Port Complex received the largest full container vessel (the APL Paris) to ever moor at a Brazilian port. The vessel is 347.4 meters long and 45.2 meters wide (beam), with a capacity to transport up to 10,798 TEU and belongs to CMA CGM.

The vessel entered the access channel to the Port Complex from the bow (front) and docked at Portonave's berth 03. For comparison, the APL Paris ship is even longer than the Eiffel Tower in Paris, which is 324 meters high. According to information from the Brazilian Association of Container Terminals (Abratec), within Latin America, the APL Paris will only dock at the Portonave terminal.

Portonave's administrative superintendent director, Osmari de Castilho Ribas, explained that this type of vessel brings many empty containers, which are needed by the region. "One of the main demands we have here is for frozen meats. We have already had problems with a lack of containers for refrigerated cargo, but (currently) it is balanced. It has not been a bottleneck for exports," he said. The measures to control the new coronavirus in China meant that in mid-March, containers sent to the Asian country took longer than expected to return to Brazil, and triggered a reduction in production at Brazilian slaughterhouses.

According to Portonave, a "giant" ship such as APL Paris represents significant economies of scale at the terminal of 2,200 containers when compared to other ships. The APL has a capacity for 7,200 containers in total, while the others, which reach up to 300 meters, have a capacity for 5,000 containers.

It is worth noting that maneuvers with this class of vessel that are up to 350 meters in length, which is the maximum size that can be operated at this time in Itajaí, are the result of planning, studies, and training of all involved so that these vessels can operate in a viable and safe way. Moreover, as they are considered special maneuvers, vessels over 306 meters long that enter and leave require the port complex's access channel to be blocked from other users in the stretch between Portonave and the entrance to the channel. This type of maneuver was only possible in view of the latest works carried out in the Itajaí Port Complex's evolution basin.

Santos Port Authority (SPA), responsible for managing the Port of Santos, disclosed that it recorded net revenue of R$246.3 million in the first quarter of 2020, an increase of 4.5% year-on-year. The performance was driven by the 3.9% increase in cargo handling at the Santos complex, which reached 31.6 million tons in the period, reflecting the robustness of national agribusiness. The company posted a gross profit of R$163.6 million in the quarter, up 9.9% compared to year-ago levels.

Administrative expenses also improved, falling by 7.6%, to R$45.5 million, due to the various actions implemented to rationalize expenses, especially renegotiations and revisions of contracts with third parties. Earnings before interest, taxes, depreciation, and amortization (Ebitda), adjusted by provisions with disbursements from the Voluntary Dismissal Incentive Program (PIDV) and other provisions, reached R$109.5 million, 1.2% lower than the first quarter of the previous year.

According to SPA, without the effect of recognizing the actuarial expenses of the workers' supplementary pension fund, Portus, in the amount of R$19.9 million, Ebitda would have grown 16.8%. In 2019, the expense with Portus was only recognized in the last quarter and, even so, cumulatively.

Shipping

AP Møller-Mærsk expects EBITDA for the second quarter of 2020 to be slightly above the level of the first quarter of 2020 (US$1.5 billion). This is because of the developing market combined with the measures adopted by the company to control costs.

According to the shipping line, market demand in the second quarter of 2020 is developing more favorably than originally expected, with a forecasted drop in volume of between 15-18% in the second quarter of 2020. The initial forecast was a drop of 20-25%.

Despite this, given the uncertainty about the recovery in demand in the second half of 2020 due to COVID-19, the full year's forecast on earnings remains suspended. "We were able to navigate well in a very difficult second quarter, adjusting capacity to demand to maintain high utilization of our network and manage our costs across the company. Although uncertainty persists because of the pandemic and low visibility on the road to recovery, we have benefited from a more resilient ocean business ", says the company's CEO, Søren Skou. The company is due to publish its partial results on August 19, 2020.

CMA CGM reported that due to the docking congestion in Sudan, which causes interruptions and raises operating costs, as of July 15, 2020 (BL date) to August 31, 2020, the company will implement a 'Port Congestion Surcharge' on all cargo moving between the East Coast of South America and Sudan.

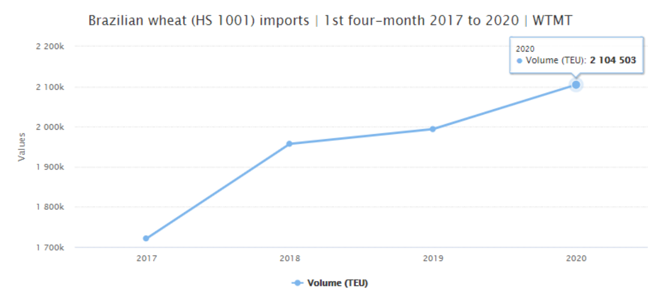
The surcharge will be applied on the SAMWAF, NEFGUI, SIRIUS and SAFRAN services and will be set at US$1,000 per container.

Grain

The Executive Management Committee (Gecex), which is part of the Foreign Trade Chamber (Camex), approved an additional quota of 450,000 tons of wheat imports that can be exempted from the Common External Tariff (TEC) of 10% to countries outside Mercosur. The additional quota may be used until November 17 of this year, if 85% of the volume of 750 thousand tons per year is filled. The decision will take effect from July 1.

According to the Brazilian Wheat Industry Association (Abitrigo), the government's decision is in line with their own recommendation, where they had made the request in order to ensure the supply of grain to the Brazilian market in case Argentine wheat stopped being exported.

The following graph shows Brazilian wheat imports year by year:



Source: Antaq

"The concern of the milling industry, in addition to ensuring domestic supply, is to reduce the cost of imports affected by the devaluation of the real and the rise in Argentine wheat," says the executive president of Abitrigo, Rubens Barbosa.

Currently, there is a 10% TEC tax, and Merchant Navy tax on wheat purchased from countries that do not belong to the trading bloc. Currently, Brazil imports about 60% – between 5-6 million tons – of the wheat needed for national milling.

See below the main origins of wheat imported by Brazil:

País Origem	Volume (WTMT)
Argentina	2.068.906
Estados Unidos	28.078
Martinica	4.011
Suriname	3.508

Table source: Antaq

The Argentine government has included a proposal to link the interest rate on bonds issued to restructure the country's debt to its agricultural exports in the most recent offer it made to holders of about US$65 billion in sovereign bonds. The proposal was an appeasement to try to make an agreement with the title holders but it displeased the Argentine farmers. However, these guarantees, which would lead to payments if agricultural exports reached a certain level, were not enough to convince bondholders.

Producers, for their part, fear that these guarantees will be an incentive for the government to keep export taxes unchanged at the current levels of 33% for soy and soy products and 12% for corn and wheat. Argentina is an important international supplier of the three crops. Argentina's main agricultural groups have sent a letter to the government in which they say their members are "alarmed" at the idea of linking bond interest rates to exports. "This financial instrument would generate negative incentives for agricultural production," they said in the letter. "This would mean that export taxes would not be reduced until the bonds expire … compromising our ability to generate jobs, investment, and economic reactivation," they pointed out in the document.

Argentina's economy, hit by isolation measures against the coronavirus since March 20, is expected to shrink by about 9.5% this year.

Ores

Vale informed that it was told on Wednesday, June 17th, from the Subsecretariat for Labor Inspection, in Minas Gerais, that its suspension from the Itabira Complex, composed of the Conceição, Cauê and Periquito mines, was annulled. The Itabira Complex had been closed since June 5th due to a discussion about preventive measures to protect mining workers in the region in relation to the new coronavirus.

In a statement, Vale stated, "that it is aware of its socioeconomic responsibility and, since the beginning of the pandemic, it has been looking for ways to contribute to Brazilian society in the fight against the virus, protecting its employees and the communities surrounding its operations".

Also according to Vale, the suspension resulted in a loss of production of less than 1 Mt. Activities will be resumed gradually by the company, without any change in the guidance for the volume of iron ore production from 310-330 Mt in 2020.

Meat

In a joint ordinance, the Ministries of Agriculture, Livestock and Supply (Mapa), the Economy (ME), and of Health (MS) defined the measures aimed at the prevention, control, and mitigation of the transmission risks caused by Covid-19 in

the meat and dairy products industry. According to the bodies, the objective of the measures, which were developed after talks with the Public Labor Ministry, is to guarantee the safety and health of workers, the population's food supply, jobs, and economic activity.

The guidelines contained in Joint Ordinance No. 19, published on Friday (19) in the Federal Official Gazette, are mandatory. Inspection will be the responsibility of the Economy Ministry. Last month, the government had already released a manual with recommendations for slaughterhouses due to the pandemic, which will be replaced by the measures provided for in the ordinance. Among the guidelines brought by the ordinance is the need to monitor signs and symptoms of Covid-19 and immediate removal for 14 days of employees who have confirmed, suspected, or confirmed cases of Covid-19. Those removed from work can only return to their activities within 14 days of absence after laboratory examination, discarding COVID, and if they have no symptoms for more than 72 hours.

Within industries, the distance between employees must be at least 1 meter, as recommended by the World Health Organization (WHO) and the Ministry of Health. If this distance cannot be implemented, workers must wear surgical masks in addition to personal protective equipment (PPE), and impermeable partitions be installed between these employees or plastic visors or goggles provided, in addition to administrative measures such as different work schedules. The organization should promote remote work when possible and adopt measures to avoid the crowding of workers at the entrance and exit of the establishment.

The premises should give preference to natural ventilation and, if the environment is air-conditioned, recirculation of the air should be avoided, with reinforcement in the cleaning and disinfection of the workplaces. All workers must be trained in the need for correct and frequent hand hygiene, avoiding lines with a distance of less than 1 meter, in addition to agglomerations. Care in cafeterias, changing rooms, and transportation of workers should also be reinforced, when provided by organizations.

When activities stop due to Covid-19, cleaning, and disinfection of the workplace, common areas and vehicles used before the return of activities must be carried out. There should also be a screening of workers by an occupational physician, ensuring removal of confirmed, suspicious, and contacting cases with those confirmed by Covid-19, among other measures.

In the slaughterhouses alone, there are currently 3,299 meat and meat processing establishments registered with the Federal Inspection Service (SIF), of which 445 sell animal protein. 1,948 people work on the inspection lines of the slaughterhouses.

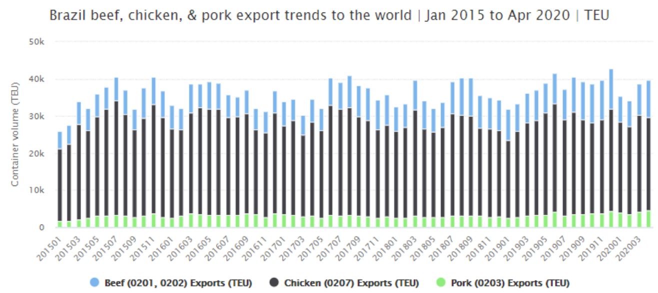
China expands control over imported meats

The measure is important not only to ensure the population's health and domestic supply, but also to maintain exports of animal protein, which have shown strong growth. However, a new coronavirus outbreak in Beijing has caused the country to tighten controls on imported meat. This week, Chinese buyers began demanding that exporters sign a pledge to ensure that the meat is free from COVID.

China, which continues to suffer from African swine flu, which has wiped out a large part of its pig herd, has greatly increased imports of Brazilian pork. DataLiner data show that in the first four months of 2020, Brazil exported 31% more beef and 31% more poultry meat to China compared to the same period in 2019. In relation to pork, demand was exceptional with 223% year-on-year growth in Brazilian shipments to the Asian country.

According to Reuters, Beijing began testing imported food for the coronavirus after an outbreak in the wholesale food market last week. According to importers, in Tianjin, Beijing's main port, authorities are testing all meat carry containers. More than 30,000 samples of meat, seafood, vegetables, and fruits were tested between 11 and 17 June. All were negative for coronavirus, according to Chinese customs. A meat exporter told Reuters that since it is very expensive and time-consuming to test all products, they are asking suppliers to sign this letter to return to normal. How much weight the statement will carry, however, is unclear.

The following graph shows Brazilian exports of beef, pork and chicken month by month:



Source: DataLiner (To request a DataLiner demo click here)

Other cargo

Data from the Brazilian Chemical Industry Association (Abiquim) points out that the deficit in the chemical products trade balance reached US$11.4 billion in the first five months of this year, a value 2.6% lower than that of the same period in 2019. The figure is the result of imports of US$16.1 billion and exports of US$4.7 billion, decreases of 5.3% and 11.3% respectively in the same period.

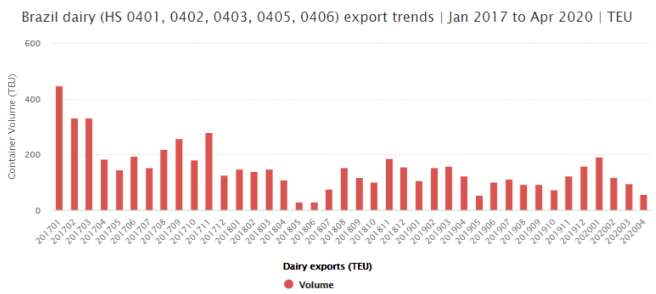
The intermediaries for fertilizers and pharmaceutical products for human use were the main groups in the Brazilian import list of chemical products, each with purchases in excess of US$2.5 billion until May, and together they represented practically one-third of the total imported by Brazil during this period. The most exported products in the period from January to May 2020 were the groups of various inorganic products (especially calcined alumina) and thermoplastic resins. However, while exports of these inorganics (US$1.5 billion) grew 2.7%, sales of thermoplastic resins (US$610.8 million) decreased by 22.6% in the same period.

From January to May, chemical products accounted for 23.3% of the US$68.9 billion import total and for 5.5% of Brazil's US$84.5 billion in exports. The quantities handled in chemical products were a record both on the import side, with 18.8 million tons, and on the export side with 6.4 million tons – a respective increase of 12.4% and 18.7% in relation to the largest previous records.

Since the second half of 2019, Saudi Arabia has revised its rules for importing dairy products. Since then, Brazil has been working to revise its processes and meet these new requirements. The new Saudi rules for dairy products include, for example, analyses of residues that are not provided for in Brazilian legislation.

Until 2017, Brazil shipped 4,300 tons to Saudi Arabia, generating US$9.6 million in revenue. In the following years, however, Brazilian shipments dropped. Now, the Brazilian Dairy Association (Viva Lácteos) seeks to draw up a plan and define how to continue exporting to the Saudis. According to the organization, Saudi Arabia is a leader in the region, so adapting to the new rules is very important. From Saudi Arabia, it is possible to export to the Emirates, Bahrain, Qatar, Oman, among others.

DataLiner data indicates that Brazilian dairy exports fell 15.1% in the first four months of 2020 compared to the same period in 2019. The following chart below shows Brazilian dairy exports year-on-year:



Graphic source: DataLiner (To request a DataLiner demo click here)

Economy

The Foreign Trade Secretariat (Secex) of the Economy Ministry released data on Brazil's trade balance on June 15. It showed Brazil registered a surplus of US$1.599 billion and a trade flow of US$6.309 billion in the second week of June (which had only four working days) due to US$3.954 billion worth of exports and US$2.355 billion of imports.

In the year-to-date, exports totaled US$92.611 billion and imports, US$73.72 billion, with a positive balance of US$18.891 billion and a trade flow of US$166.332 billion.

Analysis of the month

On the export side, daily average exports until the second week of June stood at US$899.33 million, compared with US$968.74 million year-on-year, marking a decrease of 7.2%, due to the decrease in sales in the mining industry (-22.6%) and in manufacturing (-15.7%). On the other hand, there was a significant increase in agribusiness (+ 34.3%).

The drop in exports was mainly driven by the decrease in sales of the following products: crude petroleum oils or bituminous minerals (-47.1%); iron ore and concentrates (-6.5%); copper ores and concentrates (-18.2%); aluminum ores and concentrates (-29.4%) and coal, even in powder, but not agglomerated (-99.9%).

Regarding the manufacturing industry, the drop in exports was mainly due to a decrease in aircraft exports and related equipment such as aircraft parts (-89.4%); poultry meat and its edible offal, fresh, chilled or frozen (-33.4%); non-electric engines and machines, and their parts, except piston engines and generators (-82.9%); pig iron, spiegel, sponge iron, granules and powder of iron or steel and ferroalloys (-27.4%); and motor vehicles for the transportation of goods and special uses (-57.7%).

On the import side, the daily average was US$530.5 million in the first half of June, which is 22.6% down on year-ago levels. Imports fell mainly in agriculture (-22.3%) and manufacturing (-25.8%). Meanwhile, the mining industry saw an increase of 21.2%.

On Wednesday, June 17th, the Federal Revenue Service and the Federal Police launched `Operation Asia`, with the objective of combating the under-invoicing scheme for goods imported mainly from Asian countries, by tax evasion and irregular shipment of goods through foreign exchange brokers. The operation targets the scheme's leaders, companies used by groups being investigated, and stakeholders who register under-invoiced statements and submit false documents to Customs Authorities.

The investigations started when Internal Revenue Tax Auditors identified groups of customs agents that, on a recurring and ongoing basis, registered fraudulent import declarations with values lower than those actually paid, which constitutes the crime of misappropriation. In addition to crimes against the tax order, evidence of crimes of money laundering, foreign exchange evasion, criminal association, and ideological falsehood were identified.

During the course of the work, the tax auditors also detected the fraudulent interposition of third parties, with the use of trading companies abroad and in Brazil used to appear in the Import Declarations as substitutes for the actual exporters or importers. The performance of "consultants in foreign trade" who have offices in countries such as China and the United States and promote contact between Brazilian importers and suppliers abroad already integrated into the under-invoicing scheme, offering a complete package of services, which included identification of the products at the origin, the issuance of documentation with under-invoiced values, the execution of export procedures abroad and importation in Brazil and even the irregular shipment of the omitted item abroad.

The investigative work estimates the damage to public coffers resulting from these practices at over half a billion reais and the volume of funds illegally sent abroad exceed R$5 billion. Two temporary prison sentences are being fulfilled in relation to these crimes and 35 investigative and arrest warrants have been issued by the 11th Federal Court of Fortaleza.

In May Paraguayan exports came to US$4.26 billion. Although exports were made to 125 countries, 75% of the total went to Argentina, Brazil, and Chile. In terms of revenue, Argentina is Paraguay's largest export market with the total value of trade amounting to US$1,099.4 million, 34.6% of the total (+ 12.6% when compared to May 2019).

The main products exported to Argentina were soybeans, yerba mate, and bananas. Brazil was in second place, with a total of US$1 billion, 32.5% of the total (-6.2% when compared to May 2019). The main products exported to Brazil were soybeans, ethyl alcohol, and beef. Chile is in third place, with a total of US$245.1 million, which represents 7.7% of the total (-5.7% when compared to May 2019). The products most exported to Chile were rice, metal lids, and ethyl alcohol.

In May, Paraguayan imports totaled US$3.8 billion (-20.3% when compared to May 2019) originating in 139 countries. China is the main source of imports, totaling US$1.1 billion, 30.8% of the total. Second is Brazil, with 21.2% of the total and third, Argentina, with 8.8% of total imports. Paraguay's foreign trade transactions both in exports and imports year-to-date totaled US$8.1 billion, marking a decrease of 21.1% year-on-year.

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