

Main news

According to the United States Trade Representative (USTR), Brazil will provide most of the additional American sugar import quota for the current harvest (2019/20), the validity of which has been extended until October. Of the 90,700 tons of raw sugar added to the current harvest quota, 80,000 tons will be from Brazil. The remaining 10,700 tons will be exported by Australia.

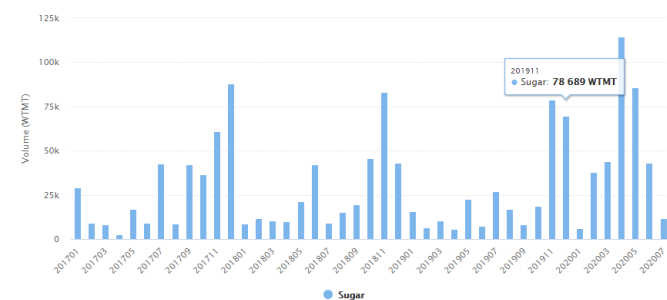
The decision in favor of Brazil comes shortly after the Brazilian government suspended tariffs for 90 days on 187.5 million liters of ethanol, a measure that benefited the United States. With that, the Brazilian sugar quota for the United States increased from 230,000 to 310,000 tons, and, by law, should benefit producers in the northeast region of Brazil.

For Brazil, however, the additional volume of the sugar quota represents a very small share of exports of the commodity, which in August alone totaled 3.7 million tons. At current average prices, revenue for Brazilian exporters from these shipments represents an additional US\$ 23 million.

This was the second time during this harvest that the USA increased the volume of sugar imports within the mandatory quota, agreed during the Uruguay Round of the World Trade Organization (WTO), amid an adjusted global supply.

See the chart below for the history of Brazilian sugar exports to the USA:

Brazilian Sugar Exports (HS 1701) to the USA | Jan 2017 to July 2020 | WTMT



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

Ports, terminals and infrastructure

Companhia Docas do Espírito Santo (CODESA) will implement a new control and monitoring system for vessel traffic in the Port of Vitória: Navi-Harbor 4.6 3D, a cutting-edge software used in more than 300 ports worldwide. Designed to ensure maritime safety and navigation efficiency in addition to protecting the marine environment and coastal areas from adverse effects of maritime traffic, Navi-Harbor is being installed at the operations control center of the vessel traffic management information system (VTMIS) at the Port of Vitória, and will begin functioning by December.

One of the most advanced features of Navi-Harbor is VTS/3D, which permits a full-scale, three-dimensional view of the navigation situation. Based on real-time data, the tool allows the operator to observe the navigation situation from a variety of different angles.

Currently, the Port of Vitória uses Indra's Imare software, which from now on will only be used in cases of operating system

emergencies. Implemented in 2017, CODESA's VTMIS covers the Port of Vitória, the Port Complex of Tubarão and Praia Mole, access channels, anchorage areas, and adjacent areas. The management coordinator of CODESA's VTS is Agostinho Sobral Sampaio.

On September 21, the National Waterway Transport Agency (ANTAQ) filed Public Participation Process No. 03/2020, to receive written public participation contributions in order to develop a methodology to determine abuses in container over-stay charges. The objective is to meet item 2.2 of the 2020/2021 Biennium Regulatory Agenda. Interested parties must send their public participation contributions to ANTAQ by 11:59 pm on 10/16/2020.

Interested parties must access the questionnaire for this Public Participation Process which is available at the following email address: <http://bit.ly/demurrageNM>. According to Antaq, contributions sent by other means will not be accepted

Portonave acquired 25 new terminal tractors – reinforced trucks exclusively for handling containers inside the port – and two lithium battery-powered forklifts, with an investment of R\$ 16.6 million. The high-tech trucks and forklifts have a greater load capacity, in addition to being more ergonomic for operators.

The company currently has 40 terminal tractors in operation and will replace the 25 oldest ones, in operation since 2007. According to Marcelo Diniz, Maintenance Manager of Portonave, "the capacity of the new trucks is 25% greater than the capacity of the equipment that will be replaced. They have a very strong and reinforced structure, better shock absorbers, and are prepared to increase the volume of the operation".

The two electric forklift trucks with lithium batteries are an improvement when compared to equipment powered by LPG. The new EFG 425K forklifts are already in operation in the terminal's warehouse and are the first powered by electricity in port operations in the southern region of Brazil. In addition to providing more comfort to the operators, the equipment does not produce heat or noise.

To deal with these high investments, the terminal will reduce operating costs.

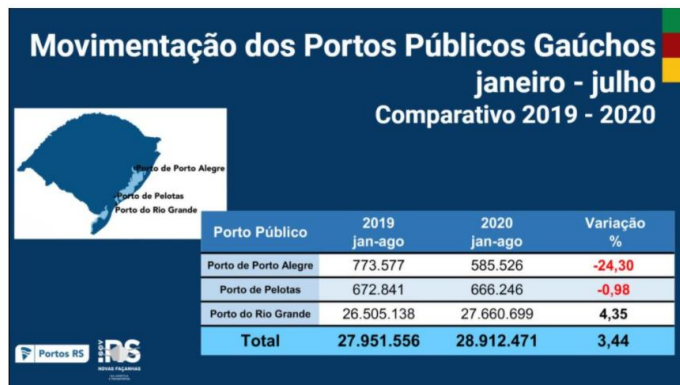
On September 18, the Superintendence of the Ports of RS released performance results for January-August, 2020 for the public ports administered by the municipality. The results of the public gaúcho port system show an increase of more than 3% and an increase of more than 4% in cargoes in the Port of Rio Grande alone, with over 28 million tons handled.

The total movement of the three public ports in the state (Rio Grande, Porto Alegre, and Pelotas) shows a positive variation of 3.44% in the volume of cargo handled during the first eight months of 2020 compared to the same period in 2019. Between January and August this year, the State of Rio Grande do Sul handled more than 28.9 million tons of all types of cargo. The increase was driven by a strong period in Porto do Rio Grande.

Analyzed individually, the Port of Rio Grande saw a percentage increase of 4.35% in the period, a positive difference of more than 1.16 million tons, even during the pandemic. From January to August 2020, over 27.6 million tons of all cargo passed through

Rio Grande, of which more than 17 million were for export. Of this total, more than 51% was for soybean shipments. The increased movement of this product relative to the same period in 2019 was more than 16%. The main destination for exports from the Rio Grande port remains China, with more than 57%. Another positive highlight of the period was the confirmation of an increase of over 68% in rice exports through the port complex.

In the Port of Pelotas between January and August, there was a percentage decrease in the period of 0.98%. Among the items handled, an increase in the movement of wooden logs stands out by 4.78%. The final result of the Pelotese port exceeds 666,000 tons, with 585,500 tons handled in the state capital via the Port of Porto Alegre.



Camilo Santana, the governor of Ceará, signed a memorandum of understanding for the installation of an oil refinery in the Export Processing Zone (EPZ) of Porto do Pecém, at the charge of the Brazilian company Noxis Energy. The total investment for the project is R\$ 4.240 billion.

After environmental licensing, the implementation is expected to take place within a maximum of 30 months. Headquartered in Rio de Janeiro, Noxis Energy operates in the area of oil refining, with plants installed in strategic locations along the Brazilian coast. In Ceará, the oil refinery's main product will be bunker (ship) fuel oil, with a refining capacity of 50,000 BBL/day. When fully implemented, the estimated production by 2025 is 1,500,000 tons of fuel per year.

According to Gabriel Debellian, CEO of Noxis, "being in Ceará is very strategic for our company, as the state has favorable geographic conditions in a market with significant demand for oil products within a radius of 200 km, necessary facilities such as the modern Porto do Pecém, and Porto Itaqui in Maranhão. Due to a lack of supply, ships come to Brazil supplied with fuel for the return trip, so we place ourselves as the main source of refueling for a clean bunker, which will be required on vessels as early as 2020, reducing the sulfur content from 3.5% to 0.5%."

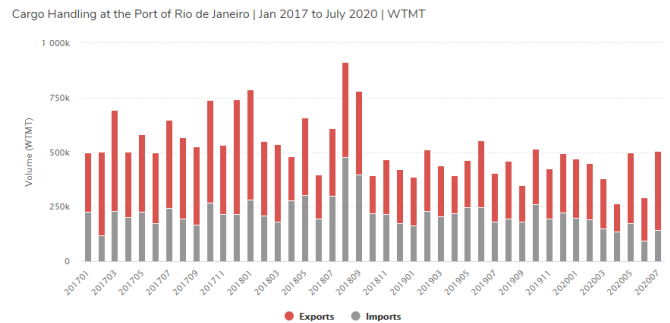
In August, Companhia Docas do Rio de Janeiro (CDRJ) handled 5.16 million tons in its ports. The volume was the highest recorded this year and is also the highest monthly volume since December 2018. The volume surpassed August 2019's movement by 921,000 tons, which corresponds to a growth of 21.7%. The data was released on September 15 by the company's Business Planning Department.

The Port Authority's two main ports – Port of Rio de Janeiro and Port of Itaguaí – contributed to the positive result. The Port of Itaguaí handled 743 thousand tons more than in August 2019,

corresponding to a 20.1% increase. In the Port of Rio de Janeiro, the increase was even greater, with 171 thousand tons more than in August 2019, an increase of 31.4%.

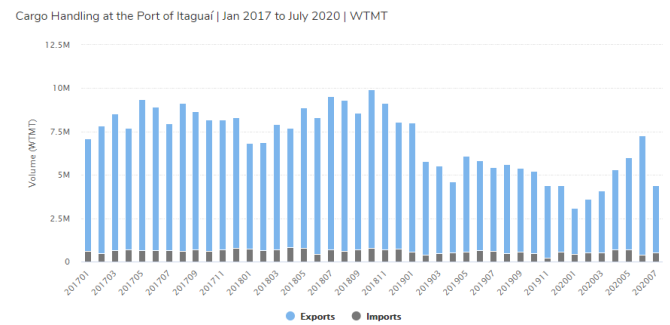
The following charts show the history of cargo handling through the Ports of Rio de Janeiro and Itaguaí month by month, since January 2017:

Cargo Handling at the Port of Rio de Janeiro | Jan 2017 to July 2020 | WTMT



Source: DataLiner

Cargo Handling at the Port of Itaguaí | Jan 2017 to July 2020 | WTMT



Source: DataLiner

The positive performance was mainly due to the strong increase in iron ore exports at the CPBS terminal at the Port of Itaguaí, which moved 1.79 million tons, as well as due to exports of pig iron through the Triunfo Logística terminal at the Port of Rio de Janeiro, with 211,000 tons handled in August 2020.

It is worth mentioning that CDRJ had the highest recurring revenue (excluding extraordinary revenues) in July 2020, having reached the mark of R\$ 53 million, mainly due to iron ore exports through the CSN and CPBS terminals in the Port of Itaguaí, in synergy with a favorable exchange rate and the high price of the commodity in the international market.

The National Waterway Transport Agency (ANTAQ) authorized Companhia Docas do Espírito Santo (CODESA) to sign a transition contract with Liquiport Vila Velha S.A. for a period of up to 180 days.

Resolution No. 8014, which authorizes the signing of the contract, was published in the Federal Register on September 14. The area to be explored totals 4,630 m2 and is located within the polygonal of the Port of Vitória. The contract provides for the handling and storage of solid bulk (barley malt), pursuant to Art. 46 of the annex to ANTAQ's Normative Resolution No. 07.

According to the agency, the contractual term expired without the bidding for the lease of the area being finalized, and as long as the same operations and conditions of operation are maintained, the Port Authority will be authorized to sign new contractual instruments, along the same lines, and must send a copy to ANTAQ within 30 days after their signature.

CMA CGM is announcing some updates to the services it provides, such as a docking surcharge in Australia, a port fee review in Ghana, and a feeder update in the Republic of Congo. See details below:

Surcharge for dockings in Australia - According to the company, due to the permanent docking congestions in Australia which interrupt services involving high operating costs, CMA CGM will implement a surcharge (Port Congestion Surcharge) for all cargo between the east coast of South America and Sydney (all services), in the amount of US\$ 285.00 per TEU, from October 14, 2020 (shipment date) until December 31, 2020.

Ghana port fee review - According to the company, the port charge in Ghana (local port charge) will be revised as of October 15, 2020 (shipment date, until December 31, 2020) for all cargo departing from the east coast of South America (SAMWAF service) for Tema and Takoradi, based on freight collect, in the amount of US \$ 110 per TEU.

Feeder update in the Republic of Congo - The company also reported that the port of Pointe Noire, in the Republic of Congo, has been affected by severe congestion since August, which has not yet improved. According to CMA CGM, this caused an interruption of operations and many delays in the departure of feeders to Cameroon and the Democratic Republic of Congo, resulting in an enormous load accumulation.

Therefore, the company is working on an evacuation plan with West Feeder and Douala Feeder services and extra capacity from September to October, with the aim of completing the evacuation as soon as possible. For this, extra capacity will be deployed in the next 2 weeks and dedicated express service for Cameroon, DRC, and Nigeria will be implemented to optimize rotation and increase the frequency of feeder vessels.

Companhia de Navegação Norsul and Port of Açú began a new container cabotage transport service via sea train between the Port of Rio de Janeiro and the Port of Açú. The first operation was carried out in the "short distance feeder" mode, and transported 23 containers contracted by the company TechnipFMC from Rio de Janeiro to Açú port, in São João da Barra, RJ. The containers of ornamental rocks will be leaving the Port of Açú for the Port of Rio, connecting with export services to Latin America and the United States.

Signed in April this year, the partnership between the port enterprise and the maritime logistics company will establish an integrated connection between the companies in the northern Fluminense region of RJ state, Espírito Santo, and Minas Gerais and the rest of the world via the Multicargas Terminal (T-MULT) of Porto do Açú.

This first cargo that arrives at Port of Açú by sea train will be stored in the T-MULT and will be delivered to the customer's base located inside of the port itself. The service has a transport capacity of up to 350 units per stretch (Rio x Açú and Açú x Rio),

with regular bi-weekly departures, meeting regional demands, and also long-haul routes.

On September 15th, Suape Port inaugurated a land-based Environmental Readiness Center, Base Terra. The emergency-assistance unit will operate on a 24-hour standby basis. The base will operate as first responders for land-based emergency scenarios such as fire and leakage of dangerous products that may compromise people, the environment, or port businesses, especially public areas of the port. The expected accidental hypotheses or process accidents include fire, explosion, leakage of dangerous products, tipping over, and vehicle collision.

The Base Terra Environmental Readiness Center, which complies with Port Regulatory Standard No. 29, was installed in the access to Pier 4 of Suape Port. Emergency vehicles are also available.

Base Mar - In June of last year, the Suape Port also opened a sea-based Environmental Readiness Center, Base Mar, at Pier 0, within the area known as the internal port, close to the control tower. The center's objective is to carry out preventive and response actions in the event of sea-based accidents involving oil, derivatives, and other alien and/or harmful substances in the sea and other water bodies, according to scenarios foreseen in Suape Port's Individual Emergency Plan (PEI). The Base Mar team also works on prevention and inspections.

Cezar Baião resigned as CEO of Operations in Brazil, and will be leaving the position he has held for 19 years on March 5, 2021. He will be replaced by Fernando Fleury Salek, who currently serves as CFO of the company's Brazilian subsidiaries and as Director of Investor Relations.

Baião will remain as Vice-Chairman (Deputy Chairman) of the Company's Board of Directors. In Brazil, he will assume the position of Chairman of the Board of Directors of the Brazilian holding company, Wilson Sons de Administração e Comércio Ltda ("WSAC"). Fernando Salek will assume the position of CEO of operations in Brazil after five years serving as CFO of Brazilian subsidiaries and Director of Investor Relations. He also holds the position of member of the Board of Directors of Wilson Sons.

Salek is an economist holding a bachelor's degree from PUC-Rio, and postgraduate certificates in Corporate Finance, International Finance and Marketing. Prior to joining Wilson Sons, he was Vice President of Finance for BG Group and BHP Billiton. The Company will begin the selection process to replace Fernando Salek as CFO of Brazilian subsidiaries and Investor Relations Officer, starting in March 2021.

Through the National Land Transport Agency (ANTT), the Ministry of Infrastructure (MINFRA) signed an agreement with the logistics company Rumo to receive an advance of R\$ 5.1 billion in resources related to the partial pre-payment of grants from the Malha Paulista concessions and the central and southern sections of the North-South Railway (FNS). With the agreement signed on Tuesday, September 15, the federal government's coffers received R\$ 5.1 billion in resources. This is the largest single grant payment in the history of the ministry.

As a result, many of the installments were paid in advance – 70 installments in the case of Malha Paulista and 59 installments in the case of the two sections of the FNS, totaling R\$ 2.82 billion and R\$ 2.27 billion, respectively. The remaining payments will be made according to the terms stipulated in each of the concession

contracts (until 2049 for the North-South Railway and until 2058 for the Malha Paulista).

Grant installments are often adopted during public auctions for railway concessions as a way to increase attractiveness and are considered a benefit to the bidder. The installment calculation took into account only the present value of the upfront payments, without any discounts.

An unprecedented operation by Tecon Rio Grande (RS) to export animal protein from Uruguay's northern region is being carried out by Wilson Sons. The first shipments took place in late January, and by July, 4,338 tons of cargo had been handled at the terminal.

The cargo comes from the city of Melo, in Uruguay, 280 km by road from Rio Grande Port. According to Tecon Rio Grande, the new route provides series of benefits to the producer, such as accessibility and lower costs.

Beef and sheep are among Uruguay's main export products. The country's foreign sales of animal protein average US\$ 1.8 billion a year, with China being the number 1 importer. The country's herd accounts for over 12 million cattle and 8 million sheep.

On September 15th, Paranaguá Port received a shipment of 30 armored tanks that were donated by the United States to the Brazilian Army. The special operation was organized by Portos do Paraná together with representatives of the 5th Regional Military Command and Marcon Logística Portuária. The vehicles came from Galveston, Texas, to be used in training, combat and defense.

The cargo arrived on the ship Arc Resolve, flying under the American flag, and the unloading began at around 9 am, in berth 215.

The unloading was monitored by a technical team from the Brazilian Army. "The idea is for the tanks to be used as a command post vehicle, a facility used by the unit commander," said Major Luiz Fernando Albino Silva. According to the official, commands are triggered in the vehicles for the group's activities during diverse operations.

The M577 A2 model is amphibious, has a 212 HP diesel engine and is compatible with many types of optronic materials, including night vision. "Due to its versatility, it can be adapted for other functions such as ambulance, shooting center and communications", highlighted Major Silva.

The United States usually donates used equipment to friendly nations, which subsequently carry out their restoration and modernization, giving new life to the tanks. In the Port of Paranaguá alone, 96 tanks were received in October 2018 and another 52 armored vehicles in September 2016. Portos do Paraná also serves the Brazilian Army in receiving new equipment from Europe.

The next step is to move the cargo from the Port of Paranaguá to the capital of Paraná via BR-277, using 15 special trucks. In Curitiba, all equipment will be dismantled, overhauled and modernized to the standards of the Brazilian Armed Forces. For this, they will be transported by railway to the Regional Maintenance Park and, later, to the 5th Armored Cavalry Brigade.

Shipping

On September 14, the Paraguayan Navy General Prefecture decided, through Resolution No. 91/20, to modify the maximum draft allowed for vessels on the waters of the Paraguay River, with the objective of safeguarding the navigability of the route.

For the stretch from Bahía Negra to Remanso Castillo, there will be a maximum draft of two meters for motor ships and tugboats with barges. For the stretch from Remanso Castillo to Villeta, there will be a maximum draft of 8 feet for motor ships and tugboats with barges. Finally, for the stretch from Villeta to the confluence with the Paraná River, there will be a maximum draft of 10 feet for motorized ships and tugboats with barges.

Despite this, the dredging works on the Paraguay and Paraná rivers carried out by Paraguay's Ministry of Public Works and Communications (MOPC) enabled a savings of approximately US\$ 100 million in freight prices. According to the agency, the dredging work did not interrupt the flow of imports and exports during the dry season and nor did the current situation due to the coronavirus pandemic (COVID-19).

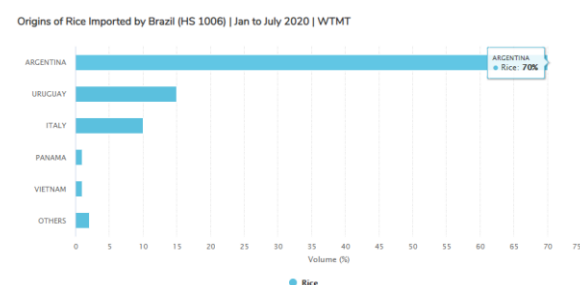
Low water levels in the rivers directly affect the travel time by road to the main seaports. For example, a trip from Paraguay to Buenos Aires or Montevideo usually takes 15 days, but with the low river, it can take about 22 to 25 days. In addition, barges cannot operate at maximum capacity, but at only 60% capacity, which leads to economic losses. Other factors include higher fuel consumption, crew fatigue, and delay in the arrival of the goods.

Grain

A few days after the Executive Management Committee (Gecex) of the Chamber of Foreign Trade (Camex) zeroed the import duty on rice in an attempt to lower the price of the product to the final consumer, the United States reported the sale of 30,000 tons of the product to Brazil on Friday, September 18, according to information published by Reuters. The quota establishes that until December this year, 400,000 tons of rice may be imported from countries outside Mercosur.

The following graph shows the main origins of rice imported by Brazil:

Origins of Rice Imported by Brazil (HS 1006) | Jan to July 2020 | WTMT



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

The purchase made on Sept. 18th is similar to the volume of 35,500 tons registered for sale by the USA to Brazil throughout

2010. In May of this year, however, Brazil imported 40,000 tons of rice, with tariff, from the US.

According to data from the US Department of Agriculture (USDA), the largest annual volume of purchases of American rice made by Brazil occurred in 2003 (486,000 tons).

Statistics from the Secretariat of Foreign Trade (SECEX) indicate that Holland became the third-largest destination for Brazilian exports in the first eight months of 2020 by doubling its soy imports and by significantly increasing purchases of oil and fuels.

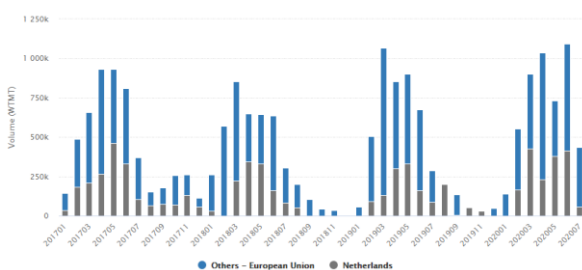
From January to August, soybean producers in Brazil shipped soy valued at more than US\$ 1 billion to Dutch ports, double the amount recorded in the same period last year (US\$ 532 million). Another US\$ 834 million of oil and fuel was exported to Holland, the gateway to other EU countries, from January to August, three times more than the same period last year. According to Welber Barral, foreign trade strategist at Ourinvest bank, the competitiveness of Dutch logistics means that the country is chosen as the point of clearance for products distributed to the rest of Europe.

“The correct thing is to say ‘European Union’. Holland is just the gateway. It is the port, it is the logistics, it is the financial issue. Therefore, we analyze Europe”, observes the specialist, adding that the exports from Holland reach the equivalent of 130% of Dutch GDP since they are products that enter and then leave.

Although shipments to Holland have fallen by 7.5% in the last eight months, the decline is less than that of exports to Argentina which decreased by 25.4%, mainly due to the stronger impact of the pandemic on the trade of Mercosur partners.

See the chart below for a history of Brazilian exports to Holland and other European Union countries:

Brazilian Soy Exports to Holland vs. Other European Union Countries | Jan 2017 to July 2020 | WTM



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

Fruit

On September 18, about three and a half tons of ‘Christmas melon’ (or ‘toadskin melon’), from Mossoró, RN arrived at Shanghai airport in China. The cargo was the first to arrive after the bilateral agreement signed in November 2019 between the two countries that opened the Chinese market to Brazilian melons.

In January of this year, technicians from the General Administration of China Customs (GACC), the agency responsible for plant and animal health, visited melon farms in the largest fruit-producing states, Rio Grande do Norte and Ceará, to inspect

the melon farms in the areas of the country that are free of fruit flies.

After the inspection, the agency authorized the export of Brazilian melon by the company Bollo Brasil. According to the Brazilian Association of Fruit and Derivative Export Producers (ABRAFRUTAS), this is the first time that fresh fruit is officially exported to China, and others are already under negotiation.

For the first shipment to be carried out, the melon had to be inspected by the Ministry of Agriculture directly on the farm itself. The use of the Map seal on the fruit packaging is one of the measures taken to confirm that the entire process was done in-house and with the inspection authorized by the Chinese government.

China is a major melon-consuming country. In 2017, it consumed approximately 17 million tons, almost half of world production. In 2019, Brazil exported melon to several countries, more than 251,000 tons. The expectation now is that this number will double if it gains at least 1% of the Chinese market. One of the advantages of Brazil is that the harvest coincides with the off-season in China.

After 6 months of decreasing mango exports, Brazil recorded an increase in fruit sent abroad during July and August.

Data from the Secretariat of Foreign Trade (SECEX), compiled by CEPEA / ESALQ, shows that shipments from January to June were 21% lower than in the same period last year. But in July and August, there was a 53% increase as compared to the same two-month period of 2019.

In addition to a greater demand for fruit, other countries that export mangoes had shorter harvests. Since Brazil produces mangoes all year, it was able to supply buyers during the windows that opened due to these shorter harvests in other countries.

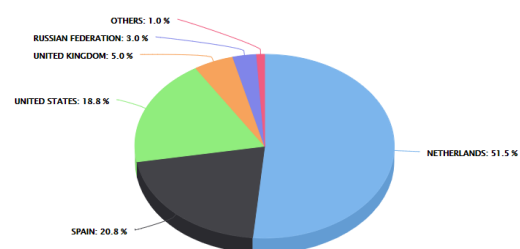
The following graphs show the history of Brazilian mango exports month by month and the main destinations:

Brazilian Mango Exports | Jan 2017 to July 2020 | TEU



Source: DataLiner

Main destinations for Brazilian Mango Exports | Jan 2019 to July 2020 | TEU



Source: DataLiner

CEPEA noted that for the coming months, the strong pace is expected to remain steady thanks to purchases from both Europe and the United States. In addition, national production is expected to increase and peak, and the forecast is for good fruit quality.

The period from September to November is usually the peak of Brazilian mango shipments abroad. The exported mangoes are produced mainly in Vale do São Francisco, in the northeastern region of the country.

Other cargo

On September 17, the Executive Management Committee of the Ministry of Economy's Chamber of Foreign Trade (CAMEX) published a resolution in the federal register temporarily reducing to zero the import tax rate on COVID-19 vaccines and other products related to the fight against the new coronavirus. According to the resolution, the objective is to "facilitate the fight against the pandemic".

In March 2020, a resolution exempted taxes on COVID-19-related products until September 30. A new resolution published on September 17 extends the exemption until October 30, 2020. The new term also applies to products included in the last exemption list.

According to the Ministry of Economy, 11 resolutions have already passed since March of this year to zero out import tariffs on 562 products used to combat the pandemic. The list includes both medicines and medical and hospital products, as well as supplies and components and accessories used in the manufacture and operation of items used during the new coronavirus pandemic.

The list of import tax published on the 17th includes COVID-19 vaccines and inputs for the national manufacture of items used in nutritional supplements and in the treatment of patients affected by the virus. Inclusion was made at the request of the Ministry of Health.

According to the Ministry of Economy, the inclusion of anti-COVID-19 vaccines will be done using a comprehensive Mercosur Common Nomenclature (NCM) descriptive for the type and presentation, as the types of vaccines that will arrive in the Brazilian market have not yet been defined.

In July 2019, Brazil opened the market for Egyptian garlic. Since then, the Arab country has become one of the main international suppliers of garlic to Brazil. Two months after the market opened in August 2019, the country was already selling garlic to Brazilians, generating US\$ 2.3 million in 2019. Data from the Secretariat of Foreign Trade (SECEX) show that this year, only in the first eight months, Egyptian exports have already reached US\$ 5 million.

As a result, Egypt has become Brazil's fifth largest international garlic supplier, behind traditional suppliers such as Argentina, China, Spain and Chile. In some months of this year, the Egyptians rose to third and second position. Egypt is one of the world's main garlic producers, in fourth place behind China, India and Bangladesh, and harvests 280,000 tons per year.

According to Michael Gamal Kaddes, Director of Trade Agreements for the Egyptian Ministry of Commerce and Industry's Agreements and Foreign Trade division, "there are great export opportunities for Egyptian garlic in the Brazilian

market." The garlic harvest in Egypt runs from September to July, and recently, exports from the Arab country reached 40,000 tons, which generated more than US\$ 42 million. Garlic is one of the oldest plants in Egypt.

According to Cesar Simas Teles, agricultural attaché at the Brazilian embassy in Cairo, Brazil imported 165,400 tons of garlic in 2019, worth US \$ 225 million, a slight increase over 2018 when the Brazilian market imported 164.8 thousand tons of garlic from abroad, valued at US\$ 172 million.

Economy

Sources familiar with international relations believe that the inclusion of an "attached and interpretive statement" should be adopted in the free trade agreement between the European Union (EU) and Mercosur in order to accommodate European environmental concerns and other controversial issues. This is because there is growing pressure from member countries and civil society in Europe against the current agreement, mainly because of what they see as a dismantling of environmental policy in Brazil. The intention is to look for options to save the treaty.

The European Commission, the executive arm of the EU, is studying the idea of separating the pillar of trade to try to reduce the difficulties in its processing. As a result, the trade side will not require unanimity in the European Council (governments) or ratification by the parliaments of the 27 member countries. In addition, it could be submitted to Parliament more quickly.

But some countries are getting tougher. "The project is dead because it has no environmental ambitions and mandatory provisions, but we don't want to throw it all away," a French government adviser told the newspaper "Le Monde". France lists three additional requirements: the agreement with Mercosur should under no circumstances lead to an increase in deforestation [for products] imported into the EU; public policies in Brazil, Argentina, Paraguay, and Uruguay must fully comply with the Paris Agreement on combatting climate change; and agri-food products imported at a lower tariff, thanks to the agreement, must strictly comply with EU health and environmental standards.

The French government wants to negotiate first with the other members of the EU on what to do and deal later with Mercosur. One hypothesis is to follow the example of the EU-Canada agreement with the inclusion of a "joint interpretative statement" used at the time to alleviate heavy criticism from civil society and serious concerns expressed by governments or parliaments in Belgium, Poland, Hungary, Slovenia, and Ireland. The purpose of the legally binding annex was to "provide a clear and unambiguous statement of what Canada and the EU and its member states have agreed upon in a series of provisions that have been the subject of public debate and concern". For example, it confirms the common view on public services, labor rights, environmental protection, and an independent system for resolving investment disputes.

Data released on September 21 by the Ministry of Finance's Secretariat of Foreign Trade (SECEX) shows that the Brazilian trade balance registered a surplus of US\$ 1.506 billion and a total trade volume of US\$ 7.208 billion in the third week of September 2020 – with five working days – as a result of exports worth US\$ 4.357 billion and imports of US \$2.851 billion.

Exports for the year totaled US\$ 150.7 billion and imports totaled US\$ 109.6 billion, for a YTD surplus of US\$ 41.1 billion and a trade volume of US\$ 260.4 billion.

Comparing export daily averages up to the third week of September 2020 (US\$ 953.6 million) with that of September 2019 (US \$ 966.6 million), there was a decrease of -1.3% due to a decrease in sales of manufacturing products (-14.3%) offset by an increase in agriculture sales (+8.4%) and sales in the extractive industry (+28.0%).

The drop in exports was mainly driven by the decrease in sales of the following products from the manufacturing industry: platforms, vessels and other floating structures (-99.7%); fuel oils from petroleum or bituminous minerals, except crude oils, (-62.0%); decaulified or denervated tobacco (-56.4%); iron or steel works and other common metal articles (-64.2%) and fresh, chilled or frozen poultry meat and its edible offal (-15.7%).

Comparing import daily averages up to the third week of September 2020 (US\$ 584.8 million) with that of September 2019 (US\$ 785.5 million), there was a decrease of -25.6%. Expenses fell mainly on products from the manufacturing industry (-25.6%) and the extractive industry (-37.4%). There was a slight increase in agriculture expenses (+0.1%).

The fall in imports was mainly driven by the decrease in spending on the following products from the manufacturing industry: platforms, vessels and other floating structures (-98.3%); fuel oils from petroleum or bituminous minerals, except crude oils (-55.7%); iron or steel works and other base metal articles (-72.1%); organic fertilizers or chemical fertilizers, except crude fertilizers (-20.0%) and automotive vehicle parts and accessories (-46.1%). In relation to the extractive industry, the fall in imports is due to the decrease in spending on the following products: crude petroleum oils or bituminous mineral oils, raw (-70.4%); coal, even in powder form, but not agglomerated (-20.9%); natural gas – liquefied or not (-20.4%); other base metal minerals and concentrates (-59.9%) and other crude minerals (-18.7%).

On Tuesday, September 15, the World Trade Organization (WTO) concluded that the tariffs imposed by the United States in 2018 on Chinese products valued at more than US\$ 200 billion were inconsistent with global trade rules. A three-person WTO panel determined that the rates were inconsistent with trade rules because they applied only to China and were above the maximum rates that the United States has committed to.

It also determined that the United States did not adequately explain the choice of products affected by the tariffs, or why the measures were necessary based on what Washington saw as misappropriation and unfair competition by Chinese companies.

“The panel recommends that the United States act in line with its obligations,” the report said.

The United States can appeal the decision. However, this would leave the case in legal limbo, because Washington blocked the appointment of judges to the WTO’s appellate body, thereby preventing it from reaching the quorum required for trying cases.

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