



## ABCI Note – June 2020

### World in turmoil, with ebbs and flows in the U.S.-Brazil trade relationship

As Brazil becomes a new coronavirus hot-spot, on May 25<sup>th</sup>, president Trump announced **travel restrictions** affecting the country. Pursuant to the Presidential Proclamation, the decision to restrict travel of foreign nationals of any nationality from Brazil is due to the potential for undetected transmission of the virus by infected individuals, deemed necessary to prevent the transmission in the United States. Although unclear when restrictions will be lifted, the measure does not seem to deter the relationship between the two administrations. In an interview following the measure, Trump mentioned Brazil's difficulties amid the coronavirus crisis, acknowledged that Brazil had taken a different path in combatting the virus but avoided any criticism against Bolsonaro.

The **cooperation between the U.S. and Brazil** moves forward in some fronts. Last month, the U.S. government announced assistance to mitigate the health and socioeconomic impacts of COVID-19, totaling over US\$ 12.5 million. A shipment of 2 million doses of the antimalarial drug hydroxychloroquine and 1,000 ventilators to Brazil is on the works. The U.S. private sector in Brazil has also actively assisted Brazil through a series of initiatives totaling approximately US\$ 37.5 million.

The **U.S. – Brazil trade talks** continue to gain momentum. On June 4, Chargè d'Affaires at the Brazilian Embassy, Nestor Forster, stated that talks with U.S. officials were advancing towards achieving a meaningful trade and economic package by the end of this year. On May 21, the governments issued a joint statement highlighting the commitment to reduce trade barriers and to increase bilateral trade and investment. Topics were trade facilitation, regulatory practices, technical regulations, standards and conformity assessment procedures, intellectual property, and digital trade.

In the U.S., stakeholders stress the Brazilian pension and tax reforms and environmental protection efforts as preconditions for furthering negotiations. Digital trade is a sensitive topic. While both countries agree to avoid trade barriers and exchange best practices on AI, IoT, cross-border data flows, and e-commerce. Regarding the last topic, a bill (No. 2,358/2020) was introduced in Brazil's Congress proposing the creation of a digital tax – the so-called "CIDE-digital". The USTR alluded to such bill in its initiation of a **Section 301 investigation** into digital services taxes against Brazil and several other U.S. trade partners, including the EU, India, Indonesia, and the UK.

At the WTO, the month was marked by the announcement of the early **departure of Director General Roberto Azevedo**. Amid a global epidemic and notorious stalling of the Organization's dispute mechanism, Azevedo did not attribute his departure to tensions with any government. Instead, he argued that his decision would give Members more time to coordinate efforts to replace him before the next Ministerial Conference.

On a better note, Brazil submitted its application to join the **WTO's Government Procurement Agreement (GPA)**, after almost three years of holding the status of observer. Brazil hopes to present its initial market access offer and to reply to a checklist of issues about its government procurement legislation as soon as the COVID-19 crisis tones down. Brazil's interest in modernizing the economy and improving management of public resources may pave the way for better governance and for curbing corruption, in tune with Brazil's commitments to align its policies with OECD's best practices, which receives growing support from the Trump administration.

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