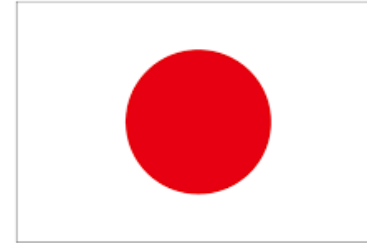


Promotion of Japan-Mercosur EPA



Japanese Chamber of Commerce and Industry in Brazil
President, Toshifumi Murata

Nov 10, 2021

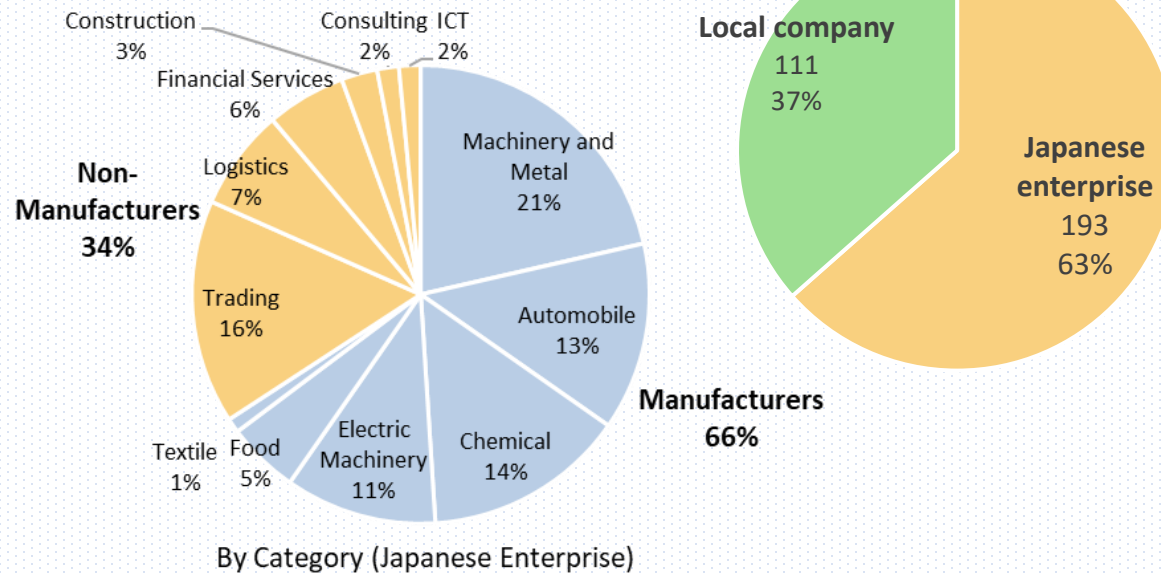
Agenda

- 1. About Camara**
- 2. Japan-Brazil relationships**
- 3. Change in Global Environment**
- 4. Significance of EPA ∼why now needed∼**
- 5. Survey Results on Japanese companies in Brazil**
- 6. Summary**
- 7. Closing**

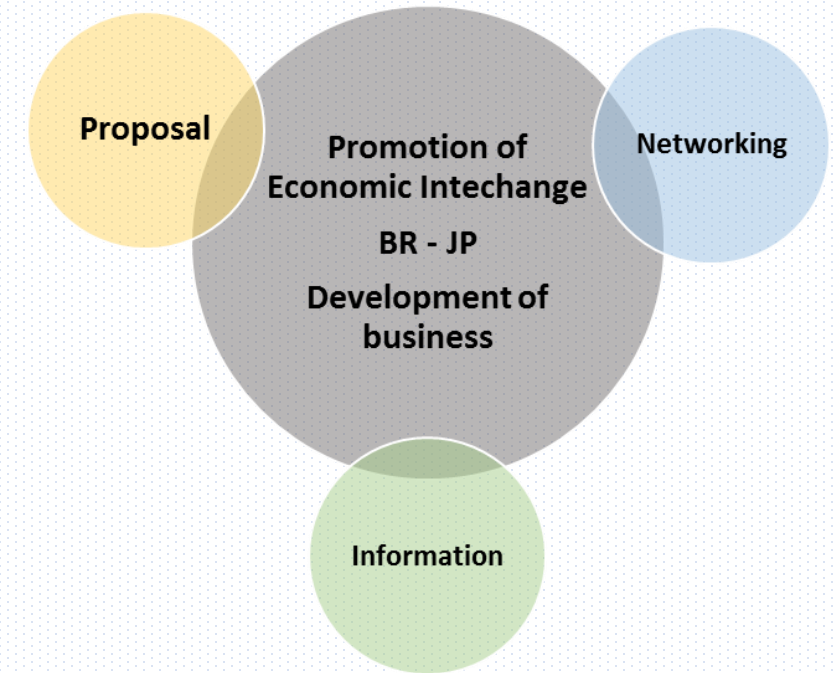
About CAMARA

- Establishment : 1926
 - Legal Registration as Civil Society in 194
 - Reactivated in 1951
(Adopted the current name in 1954)

- Member at Glance : 304members
(end Mar-2021)



- Activity:



- EPA Task Force:

- Task Force works for EPA matters.

Japan-Brazil relationships 1: Basic data

Japan's positions fall as Brazil's trade partners against China's rise

Japan's Trading by Originators

Year 2000						
	Export	Share	Rank	Import	Share	Rank
China	30	6.3%	4	55	14.5%	2
USA	142	29.7%	1	72	19.0%	1
Brazil	3	0.5%	24	3	0.8%	25
Taiwan	36	7.5%	2	18	4.7%	4
Korea	31	6.4%	3	21	5.4%	3
Year 2020						
	Export	Share	Rank	Import	Share	Rank
China	141	22.1%	1	164	25.8%	1
USA	118	18.4%	2	69	11.0%	2
Brazil	3	0.5%	27	7	1.2%	20
Taiwan	44	6.9%	4	27	4.2%	4
Korea	45	7.0%	3	27	4.2%	5

Brazil's Trading by Originators

Year 2000						
	Export	Share	Rank	Import	Share	Rank
China	1.1	2.0%	12	1.2	2.1%	12
USA	13.2	23.9%	1	12.9	22.7%	1
Argent.	6.2	11.3%	2	6.8	12.0%	2
Japan	2.5	4.5%	5	3	5.2%	4
Korea	0.6	1.1%	18	1.4	2.5%	8
Year 2020						
	Export	Share	Rank	Import	Share	Rank
China	67.7	32.3%	1	34	21.4%	1
USA	21.5	10.2%	2	24.1	15.2%	2
Argent.	8.5	4.0%	3	7.8	4.9%	5
Japan	4.1	2.0%	6	3.7	2.3%	8
Korea	3.8	1.8%	11	4.1	2.6%	6

Export and Import figures are in billion USD.

Japan-Brazil relationships 2: EPA discussion history at the Brazil-Japan Business Council

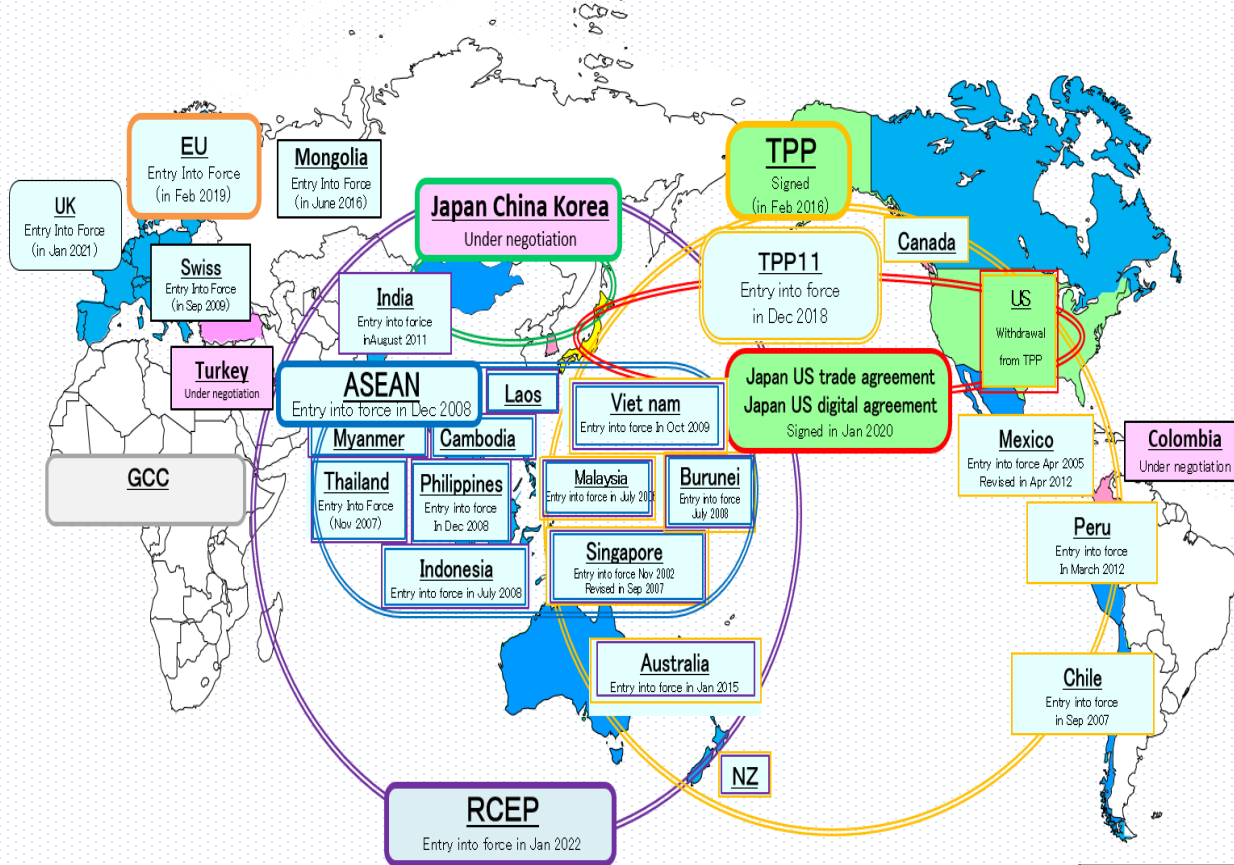
- **2013 (16th meeting) : Discussed on a possible bilateral EPA**
- **2014 (17th meeting) : Signed a letter to conduct a joint study on the bilateral EPA**
- **2015 (18th meeting) : Presented the joint study on the bilateral EPA (tariff reduction, investment and service trade liberalization, intellectual property rights, etc.)**
- **2016 (19th meeting) : Proposed a comprehensive agreement including investment liberalization (relaxation of local content requirements, tariff reduction on productive equipment, etc.)**
- **2017 (20th meeting) : Proposed swift start of negotiations on the Japan-Mercosur EPA**
- **2018 (21st meeting) : Adopted a joint report on the Japan-Mercosur EPA (asking removal of barriers in the tax, labor and logistics area and reduction of Brazil cost)**
- **2019 (22nd meeting) : Confirmed the importance of signing a high-quality, comprehensive Japan-Mercosur EPA (liberalization and rule making of goods and service trade)**
- **2019, November : Suspension of the APEC meeting in Santiago where a formal agreement to start dialogue on the EPA was expected**
- **Due to the corona pandemic, discussions on the EPA were suspended**

<Year 2018 (21st Meeting)>



Japan-Brazil relationships 3: Japan and Brazil's regional alliances

English translation by JETRO based on data from METI



•Effective or Signed ▶ 21

Singapore, Mexico, Malaysia, Chile, Thailand, Indonesia, Brunei, ASEAN, Philippines, Switzerland, Vietnam, India, Peru, Australia, Mongolia, TPP12 (signed), TPP11, EU, USA, UK, RCEP (signed)

•In negotiation ▶ 3

Turkey, Colombia, China/South Korea

•Others (Suspended) GCC, South Korea, Canada

【Asia】 South Korea ahead

- ① Mercosur-Japan EPA
- ② Mercosur-South Korea FTA
- ③ Mercosur-China FTA
- ④ Mercosur-Singapore FTA
- ⑤ Mercosur-Vietnam FTA
- ⑥ Mercosur-Indonesia FTA

【North America】 Start discussions with US

- ① Brazil-US trade and economic cooperation agreement
- ② Mercosur-Canada FTA
- ③ Brazil-Mexico FTA
- ④ Brazil-Mexico automotive agreement (ACE55)

【Europe】 FTA agreed

- ① Mercosur-EU FTA
- ② Mercosur-EFTA FTA
- ③ Mercosur-UK TA

Change in Global Environment

1. Climate Change

- Stricter environmental regulations
- Carbon Neutral
- Circular Economy

2. COVID-19's impacts

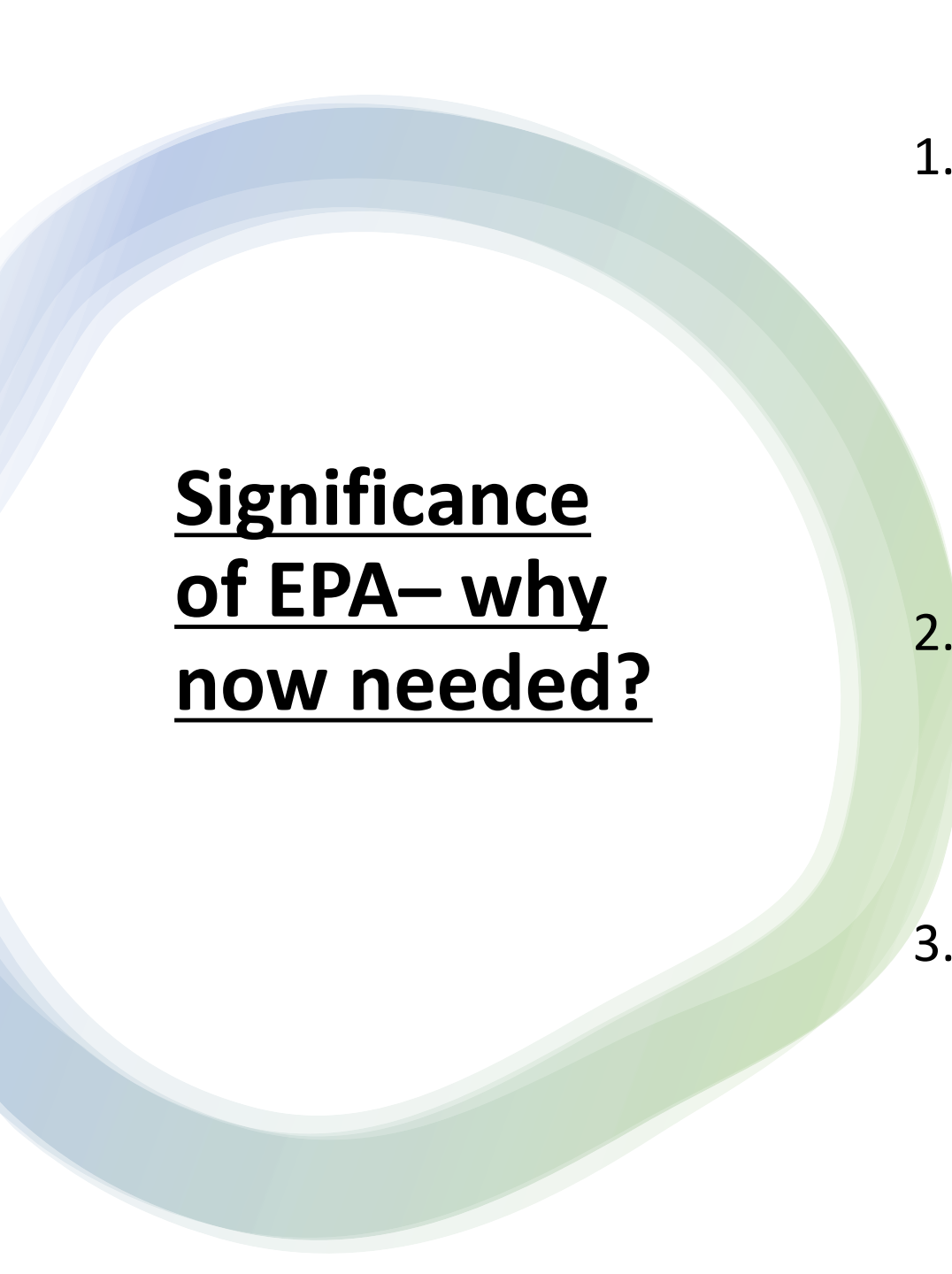
- Supply chain disruption
- Faster digitalization
- Self- national interest fast

3. US-China relation

- Economy and security
- Human rights protection

4. New alliances/blocks

- Quad, AUKUS
- The Build Back Better Framework
- Shanghai Corp. Organization



Significance of EPA– why now needed?

1. For both Japan and Brazil

- Strategic partners in the New Normal era
- Infinite cooperation potentials in new sectors (Agribusiness chain, De-carbonization, etc.)
- Human resource exchange

2. For Japan

- Mercosur market
- Diversification of supply sources

3. For Brazil

- Access to Japanese latest technologies
- Investment opportunities in industrial development

Survey Results on Japanese companies in Brazil (local voice) 1

Automobile	<ul style="list-style-type: none">• Tariff reduction benefits for import of Japanese cars, parts and machinery/equipment.• Contribution to Carbon Neutral by combining Japanese technologies and Brazil's improved investment environment. Tariff reduction can be gradual along with infrastructure development in Brazil.• Unification of automotive certificates/standards between Brazil and Argentina can save a lot of cost.• Tariff reduction on electronic parts (especially those which cannot use the ex-tariff regime) is desired, as these parts are difficult to localize production in Latin America.• The above issue is particularly acute in Argentina as the local production ratio of electronic parts is lower. A special framework on electronic parts in Argentina may be needed.
Chemical	<ul style="list-style-type: none">• Business expansion in Mercosur after the corona pandemic is possible. Chemical products have potential, particularly in Brazil.• Possibility to develop export businesses to neighboring countries and Africa from Mercosur.• High tariff on inputs (resin, additive) for a product is currently a problem. Quality differentiation efforts are not sufficient to solve the tariff disadvantage.• Need to make capital investment to increase competitiveness of our export products, based on the contents of other EPAs signed or in negotiation.
Steel	<ul style="list-style-type: none">• EPA can raise competitiveness of high value-added products imported from Japan.• Speedy negotiation is desired as negotiations of EPAs with other countries are going ahead.

Survey Results on Japanese companies in Brazil (local voice) 2

Electric	<ul style="list-style-type: none">• With a Mercosur-South Korea EPA, Japanese high-end products (refrigerators, washing machines) may lose market shares and brand strength against Korean products.• If Korean imported parts get cheaper with an EPA, Korean firms can improve local production competitiveness affecting negatively Japanese firms' local production.• Competition with European companies in telecom system, and with Korean companies in 5G equipment.• Imports from Japan currently face average 10% tariff in Brazil. If EU firms can benefit lower/zero tariff under the EPA, our products face disadvantage in Brazil.
Machinery	<ul style="list-style-type: none">• Tariff reduction is desired for import of parts, components, and production-use capital goods. Expect simplification of preferential import scheme, acceleration of import procedures and flexibilization of local production requirements particularly for production-use capital goods which cannot be sourced in Brazil.• Tariff reduction should cover also final machinery products.
Trading	<ul style="list-style-type: none">• Expect modernization of intra-regional transport/labor rules/tax rules which can reduce costs, labor conflicts and country-specific tax complexity.• Strong political leadership needed to start the EPA negotiation fast (for example through discussions at meetings of heads and establishment of a joint study group).

Summary

- ◆ Global movement: Due to the corona pandemic and the escalation of US-China rivalry, prompting re-organization of supply chains and leading to prioritization of self-national interest and formation of new blocks.
- ◆ Regional alliances: While regional alliances have advanced in both Japan and Mercosur sides, Mercosur-Japan EPA can still bring great benefits by improving competitiveness, brand names, local sourcing, and product differentiation of Japanese companies.
- ◆ Environment: In addition to traditional benefits, EPA can help in the environmental agenda by promoting new green businesses and introducing necessary procedures/arrangements compatible with environmental objectives.



- ◆ EPA can encourage new business creation by lowering business barriers and introducing new business incentives. Furthermore, it can mitigate self-national interest and assist supply chain re-organization.

⇒ Now needed a strategic alliance among reliable partner countries/regions

Closing

- **Becoming more important**
- **Must have Japan-Mercosur EPA**
- **Good Timing for Re-start of the discussion**