**The Trade Facilitation Agreement and its Impacts to the Brazilian Transformation Industry**

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# Introduction

Trade facilitation has been in WTO agenda since 1996 and only in 2013 WTO Members were able to conclude an agreement to deal with that important issue to guarantee a freer international trade.

From a marginal topic in the Doha Round negotiations, trade facilitation has become one of the issues that might help the WTO from complete failure. Reducing customs-delay costs is as relevant as negotiating tariffs as this paper suggests. Hummels and Schaur (2013) have demonstrated that each day a merchandise remains at customs represents from 0.6 to 2.1% as equivalent tariff.

For developing and least-developed countries, reducing customs-delay costs is an opportunity to enhance their exports competitiveness. Furthermore, an intelligent and efficient process at customs can attract more business, more investments and more trade.

This paper is divided in three sections. The first section aims to explain the main topics advanced by the WTO Agreement on Trade Facilitation (TFA), especially for what concerns Brazilian government actions to implement its commitments whether they are Category A, B or C. Therefore, it is necessary to ascertain the extent of the obligations enshrined in the TFA and what topics remain sensitive to the Brazilian economy.

The second section will examine what are the actions that the Brazilian government is taking in order to fully implement the TFA and what the state of play is. Albeit Brazil has only left a few commitments out of Category A, it does not mean that it will be a real challenge to make all relevant government agencies to work in a single project to facilitate the analysis of requests for imports and exports in Brazilian customs. We suggest that Brazil still has some work to do. On the opposite, the *Portal Único* Program is ambitious and aims to encourage other government agencies to consider harmonizing their practices and optimizing the time of exporters and importers to the benefit of improving Brazil’s position in the international trade.

The third section will deal with the economic model developed to ascertain the effects of Brazil’s *Portal Único* Program in the efficiency of Brazilian economy by determining tariff equivalents to importing applied tariffs in order to verify the indirect costs of customs delays. The simulations suggest that Brazilian exports, imports, trade balance and GDP growth all would have a better performance if the program is carried out by 2017 as planned by the Brazilian government.

# The Trade Facilitation Agreement[[2]](#footnote-2)

WTO Members adopted on 7 December 2013, the Bali Ministerial Declaration[[3]](#footnote-3) in which it is included the Trade Facilitation Agreement (the TFA) under the mandate of the Doha Development Agenda. The TFA reaffirmed the non-discrimination principle enshrined in GATT 1994 Article V and established new provisions to facilitate the trade amongst WTO Members.

Despite of being the most relevant achievement made by WTO Members at the Bali Ministerial Conference in 2013, the topic is not new. Since 1996, WTO Members have discussed facilitation to trade[[4]](#footnote-4). In 2001, Members established the mandate to negotiate provisions on trade facilitation in order to *further expediting the movement, release and clearance of goods, including goods in transit, and the need for enhanced technical assistance and capacity building*. The Doha Ministerial Declaration also suggested that *the Council for Trade in Goods should review, clarify and improve relevant aspects* of GATT 1994 Articles V, VIII and X (WTO 2001, para. 27).

Trade facilitation was also part of the Annex D of the *Doha Work Programme* adopted by the General Council in 2004; and Paragraph 33 and Annex E of the 2005 Hong Kong Ministerial Declaration.

After the approval of the main text of the TFA, WTO Members had until 31 July 2014 to notify commitments under one of the three Categories of the Agreement (Categories A, B and C – for developing and least-developed countries) and to adopt the Protocol drafted by the Preparatory Committee[[5]](#footnote-5). However, because India decided to use this opportunity to solve an important issue regarding public stockholding for food, the whole Bali Decision was to fall into jeopardy due to the lack of consensus[[6]](#footnote-6). The question was only solved in December 2014[[7]](#footnote-7).

The TFA’s Protocol allowed the agreement to come into force and to become a part of the Annex 1A of the Multilateral Agreement Establishing the WTO once two-thirds of WTO Members complete their ratification process[[8]](#footnote-8).

The TFA has two main sections. Section I has 12 articles dealing with transparency issues (correlation with GATT 1994 Article X) and taxes, documentation and other formalities for import, export and transit of goods operations (correlation with GATT 1994 Articles V and VIII) (*see* ITC 2013).

The creation of a permanent Committee on Trade Facilitation (TFA Article 13) showed that WTO Members are willing to transform this issue in a permanent topic of negotiations. This Committee could also become a relevant place of discussions on the implementation of the agreement. Moreover, WTO developing members should introduce their concerns and restrains, especially with the obligation to review the implementation of TFA every four years (TFA Article 13.1.6).

Section II established three categories[[9]](#footnote-9) of provisions to meet demands on special and differential treatment for developing country members and least developed country members[[10]](#footnote-10). Category A includes provisions that a developing country designates for implementation upon entry into force of the TFA. Category B refers to provisions that a developing country designates for implementation on a date after a transitional period of time following the entry into force of the TFA. Category C is similar to the previous one but a developing country requires the acquisition of implementation capacity through assistance support for capacity building.

The point of this paper is to address Brazil’s initiatives to implement the TFA and its impact on Brazilian Industry. Therefore, the analysis shall focus on the topics that Brazil did not classified as a Category A commitments and the provision enabling country members to adopt a Single Window for Foreign Trade activities as Brazil has been implementing since 2014[[11]](#footnote-11).

*Commitments of Brazil*

Brazil notified the WTO that all provisions in Section I of the TFA are Category A commitments, except for specific points included in Table 1 below.

**Table 1 – Commitments of Brazil not falling into Category A**

|  |  |  |
| --- | --- | --- |
| **Provision** | **Content** | **Why?** |
| Article 3.6.b | Publication of requirements for the application for an advance ruling and respective time period of issuance. | Brazil has not yet a legislation determining rules for advance rulings with purposes to ascertain the origin of goods and to customs valuation. Moreover, Brazilian Law is silent on time period to answering written requests. |
| Article 3.9.a.ii | Definition and scope of advance rulings to include an assessment on the treatment of the good by its origin. |
| Article 7.1 | Pre-arrival processing of goods | Brazil has pre-arrival processing of goods only by maritime transportation. |
| Article 7.7.3 | The obligation to include at least three out of seven measures to authorized operators, e.g. low documentary and data requirements; rapid release time; a single customs declaration for all imports and exports etc. | Brazil major programs have preferential procedures for large companies. There is a legislation on this area (IN 1073/2010) but Brazil still needs to come up with technological solutions to implement all measures thereby described. |
| Article 10.4 | Single Window. | Brazil is still implementing its single window program that will be concluded only in 2017. |
| Article 11.9 | On freedom of transit, providing for advance filling and processing before the arrival of the good. | Brazil does not have an adequate system to receiving advance filling to process the transit in goods. |

Source: Notification of Brazil to the WTO PCTF on 29 July 2014; WTO TFA; and Rios and Panzini 2014.

Brazil classified the majority of TFA provisions in Section I as Category A commitments, which shows that the country has a fewer challenges to fully implement the Agreement than others do[[12]](#footnote-12). It is also important to highlight that TFA provisions have a flexible wording , which is not unforeseen considering that the very terms of the mandate to negotiate trade facilitation issues was marked by ambiguous wording as well (Neufeld 2014:5).

ITC (2015) report also concluded that developing and least-developed countries have different rates of implementation of TFA – divided by topic, priority and implementation of Articles 7 and 10 (single window included). On transparency of rules, the implementation rate is of only 40%; on border administration, 49%; and on supporting measures, 45% (ITC 2015:9). When it comes to developing and least-developed countries’ priorities, they consider more often Articles 7, 8 and 10 (ITC 2015:9)[[13]](#footnote-13). Single window implementation was third top priority for surveyed developing and least-developed countries, which would represent a cut about 2.8% of trade costs, accordingly to an OECD study (Moïsé and Sorescu 2013). The same study suggested that only 4% of least-developed and 29% of developing countries have implemented TFA Article 10.4 (single window) while 26% of least-developed and 39% of developing countries have implemented TFA Article 10.1 (simplification of documents) or 25% of least-developed and 57% of developing countries have already implemented TFA Article 10.3 (Use of International Standards) (ITC 2015:10).

Thus, it is interesting that only a few developing and least-developed countries have already started their single window programs. To implement TFA Article 10.4 is the first top priority to Brazil. Since April 2014, President Rousseff issued a presidential decree to include the initiative under the Foreign Trade System (Siscomex, in Portuguese) and appointed 20 public bodies that shall be part of it.

It is necessary, then, to examine further Brazil’s actions to implement the TFA. The next Section will analyze legislative changes in Brazil with the intention to adapt its legal system to the provisions in the TFA. It will also elaborate on Brazil’s Single Window program, one of the hot topics in TFA’s agenda.

# Brazil’s actions to implement the TFA

## Overview

In January 2015, the Brazilian Governmental Chamber for Foreign Trade (*Câmara de Comércio Exterior - Camex)* – a ministerial-level governmental body – established the National Committee for Trade Facilitation (*Comitê Nacional de Facilitação de Comércio or CNFC)* fulfilling the obligations enshrined in Article 23.2 of the TFA.

The CNFC will be the governmental body assigned to coordinate the implementation work of all other governmental bodies involved in the operation and regulation of Brazilian foreign trade policies. The main objective is to pursue full implementation of the TFA provisions.

The government is working with the possibility of the CNFC being incorporated to Camex. In the understanding of Brazilian authorities, Brazilian Federal Revenue Authority (RFB), the Ministry of Finance and the Secretary of Foreign Trade (Secex) of the Ministry of Development, Industry and Foreign Trade (MDIC) should co-chair the activities of the CNFC alongside with 11 governmental agencies that should be part of it as well[[14]](#footnote-14). Camex has discussed about what should be the competences of the CNFC.

Despite of the list of Category A commitments submitted by Brazil in the WTO, there is a debate on the inclusion of some Category A commitments for improvement and consolidation: (i) publication and availability of information (Article 1); (ii) opportunity to comment, advance filling and advance information (Article 2); (iii) standardization of the tax collection (Article 6.1); (iv) expedited shipment (Article 7.8); and single window (Article 10.4).

Brazilian government sees the CNFC as an opportunity to reassess public policies on facilitation, simplification and harmonization in foreign trade. Also, an opportunity to have more stakeholders participating. Therefore, Camex seems to be inclined to include the private sector in the CNFC and to act as the highest national committee on all TFA provisions.

TFA Article 23.2 is being implemented by creation of the CNFC as mentioned previously. Moreover, the Brazilian government is acting to implement other provisions:

* TFA Article 6 on fees and charges imposed on or in connection with imports and exports: despite of being considered a Category A commitment, some of Brazilian governmental agencies are not in conformity with provisions of Article 6. The National Nuclear Energy Commission (CNEN)[[15]](#footnote-15), the National Health Surveillance Agency (ANVISA)[[16]](#footnote-16) and Manaus Free Trade Zone Superintendence (SUFRAMA)[[17]](#footnote-17) charge imports by a percentage of the invoice presented or complementary criteria, which are not in conformity with Article 6 that prohibits tax collection without connection with the services provided. Therefore, those agencies should review their policies in order to establish a fee or charge an amount accurately closer to the cost of the service provided.
* TFA Article 7.7 on authorized operations: Brazil did not have a legislation on this issue prior to the TFA. Recently, the Brazilian Federal Revenue Authority (RFB) issued the Executive Order RFB n. 1,521/2014 establishing the Brazilian Authorized Economic Operator Program (OEA). The objective is to certify stakeholders in the logistics chain that represent a low risk in their operations (also physical security and customs duties). The program is of voluntary adherence and its goal is to reach 50% of exports and imports declarations registered by certified OEA companies by 2019. To this moment, six companies are certified: Embraer, DHL Global Forwarding, 3M do Brasil, Aeroporto Brasil Viracopos S/A e CNH Industrial.
* TFA Article 10.8 on rejected goods: Brazil did not have appropriate legislation on this topic prior to the TFA. Recently, Brazilian government issued the Law n. 13,097/2015 establishing rules for goods that are not to be authorized by customs to enter the country. This Law deals with the proceedings for returning the goods or for destroying them. The importer that had his operation not authorized by the respective governmental agency (e.g. ANVISA) with grounds in the domestic law provision on health protection, metrology, public safety, environmental protection, sanitary, phytosanitary and zoosanitary controls is compelled to return the goods to the exporter in no more than 30 days after being informed of the rejection. Other governmental agencies shall issue their own regulations explaining the proceedings in each case, albeit the Ministry of Agriculture, Livestock and Food Supply (MAPA, in Portuguese), Brazilian Institute of Environment and Renewable Natural Resources (IBAMA), RFB and ANVISA are still to issue their specific proceedings.

Brazil has also issued the Presidential Decree n. 8,229/2014 establishing the *Portal Único* program in compliance with TFA Article 10.4 that will be examined in the next subsection.

## Brazil’s Single Window (Portal Único) Program

The TFA determined that WTO Members shall maintain a *single window*, which means by TFA Article 10.4 a single entry point for traders to submit documentation and data requirement for imports, exports or transit of goods. Governmental authorities and agencies participating in the program shall not request traders to submit documentation and data requirements if they have already done it through the *single window*.

Brazil (Brasil, Siscomex, [n.d.]) adopted the definition of single window provided by the UN/CEFACT Recommendation n. 33 (UN, 2005:3), which means *a facility that allows parties involved in trade and transport to lodge standardized information and documents with a single entry point to fulfil all import, export, and transit-related regulatory requirements. If information is electronic, then individual data elements should only be submitted once.*

*Portal Único* is not limited by the TFA definition in Article 10.4, it also includes competences regarding availability of information, automation and other aspects that make this program a very interesting initiative for Brazilian legislation patterns. ITC (2015:10-11) suggested three levels of complexity for single windows: (a) Customs Single Window, which consists of automating the customs agency and to create automated interfaces with the traders but it does not include other government agencies[[18]](#footnote-18); (b) National Single Window that connects customs agency automation with other government agencies forming a single platform for exchange of information between government and traders; and (c) Regional or Global Single Window, *connecting with systems in other countries*. Brazil is on the way to build a national single window connecting it with CNFC and other governmental agencies that will give it more internal coherence in the issuance of new directives and rules on the TFA provisions.

Brazilian *Portal Único* Program should be fully implemented by 2017. The program has three main pillars: (i) stakeholders integration; (ii) redesign of proceedings; and (iii) information technology (Brasil, Siscomex [n.d.]).

* Stakeholders’ integration: it covers three levels of integration. The first level is about integrating public and private agents[[19]](#footnote-19). The second level consists in harmonizing foreign trade proceedings and demands of information and documents within the government. This is supposed to avoid different governmental agencies demanding the same kind of information or document already filed in another governmental agency. The government believes that this harmonization process will take five steps: (i) information sharing; (ii) identification of which information can be shared with which governmental agency; (iii) sharing of methodologies of work, which should provide more predictability to operators; (iv) after adopting compatible methodologies, governmental agencies should adopt the same tools and having similar IT systems; and (v) intelligence integration in order to avoid tax fraud and to verify compliance with technical and environmental regulations. The third level is the integration of automated systems, concentrating it in the SISCOMEX mechanism as defined by Presidential Decree n. 660/92.
* Redesign of Proceedings: the procedural system is based on the SISCOMEX mechanism developed in the 1990’s. Since then, new government controls have emerged, e.g. public policies on environment, human health, food security, protection of consumers among others. The first point is to ascertain all processes and requirements of information and of documents in force. After that, the government suggests the development of performance indicator to identify where the restrains are to, consequently, remove overlapping and unnecessary stages and requirements.
* Information Technology: the creation of a modern integrated system to facilitate the sharing of information among governmental agencies and to unify the entrance of external users as defined in the single window clause (Article 10.4).

For exports, the government aims at reducing the current 13 days that takes a good to be released and cleared in Brazilian customs to 8 days (-38%) already in 2016. For imports, the government would like to reduce the current 17 days to 10 days that takes a good to be released and cleared to enter in the Brazilian market (-40%). Therefore, the government established a target goal: to include Brazil in the list of the best 70 countries to do foreign trade, an improvement of 50 positions in the Doing Business index. Other objectives of the *Portal Único* are to enhance transparent and predictable practices and to simplify the processes and requirements for exports and imports.

The next section will analyze what are the economic impacts for all Brazilian government measures regarding the *Portal Único* program.

# Brazilian Transformation Industry and the TFA provisions: an economic assessment

The economic assessment estimates the tariff equivalent for competitive losses due to inefficient customs procedures, logistics, transportation and other relevant topics discussed under the WTO Trade Facilitation Agreement.

Automation of customs procedures, rationalization of inspection, security requirements procedures and transparency and facilitated access to information are some of the relevant initiatives envisaged by the TFA to reduce indirect costs in WTO Members customs procedures. Hummels and Schaur (2013) is a reference to the economic assessment hereby proposed. Their article shows that each day in transit represent an equivalent *ad valorem* tariff from 0.6 to 2.1% and that the transformation industry (parts and components trade) would be the most vulnerable.

## Comparative analysis of customs barriers in exports and imports

The objective of this comparative analysis is to estimate *ad valorem* tariff equivalents to exports and imports of selected WTO Members in relation to the costs of total customs delays (or days in transit). For that, it was used the *ad valorem* tariff equivalent for each day in transit (Hummels and Schaur 2013), estimated for average time period of exports (Doing Business 2014) and bilateral trade flow (WITS – World Integrated Trade Solution).

**Table 2 – Tariff Equivalent to customs delays: sectorial exports (2013), in percentage**



Source: Authors’ calculations based on data from Hummels and Schaur (2013), WITS (2013) and Doing Business (2014).

Table 2 shows the *ad valorem* tariff equivalent of customs delays to macro-sectoral exports of a selected group of developed and developing economies with the most recent data available to the date of writing. The last column shows the *ad valorem* tariff equivalent to all sectors and, except for India, costs of customs delays for Brazil’s total exports is lower than other BRICS countries. Nevertheless, the tariff equivalent for Brazil is almost three times that of exporting companies in the United States.

The results demonstrated that the factor *time* is relevant and it can be a tool to enhance Brazil’s share in international trade. The methodology hereby applied shows that the costs of the delays to Brazil is still very high in comparison with other developed economies. On the opposite, the distance between Brazil and other developing economies is relatively shorter. Despite of China[[20]](#footnote-20) and Brazil having similar tariff equivalents, it is important to highlight that the Brazilian economy is not as integrated as the Chinese economy in the large trade flows.

Therefore, Brazilian maritime transportation costs, for instance, are higher also because of geographical disadvantages, which make investments in trade facilitation even more important.

Table 2 reveals that the manufacturing sector bears the highest costs for customs delays in almost every country analyzed. It indicates that time to process and to release goods affects more value added products. The extractive industry seems to be less affected by customs delays.

For imports, the methodology was able to ascertain the tariffs equivalent for imports caused by delay costs added to the weighted applied tariff average (2013) to produce the tariff equivalent to total costs (effective protection) of goods imported to one of the markets analyzed.

After full implementation of *Portal Único*, Brazilian National Industry Confederation (CNI) estimates that the costs will be reduced to 8.02%, similar to the current customs costs German’s traders face to export (7.17%) (Nicácio 2014).

**Figure 1 – Delay-cost tariff equivalent and applied tariffs (imports) (2013), in percentage**



Source: Authors’ calculations based on data from Hummels and Schaur (2013), WITS (2013) and Doing Business (2014).

Figure 1 shows how important tariffs (2013 weighted average) are compared with the tariff equivalent of customs delays for the same group of countries. The cost of customs delays are barriers to trade more significant than the actual applied tariffs by countries analyzed and currently in their respective schedules to the GATT 1994.

**Table 3 – Custom-delay Tariff equivalent: effective sectorial protection (2013), in percentage**



Source: Authors’ calculations based on data from Hummels and Schaur (2013), WITS (2013) and Doing Business (2014).

After determining the tariff impact of customs delays on imports, Table 3 shows what would be the “effective protection” of the economies hereby analyzed, which corresponds to add the applied tariff to the equivalent tariff. In this case, the effective protection of Brazil is about 22% or almost four times higher than that of the United States (5.7%) and almost half of Argentinian effective protection (39.9%). This shows that trade facilitation issues are of relevance for improving competitiveness of WTO Members.

## “Portal Único” for Foreign Trade: impact analysis

As established by the Brazilian government, *Portal Único* program should aim at reducing from 13 to 8 days the time needed for export operations be released and cleared at Brazilian customs (-38%). For imports, the reduction expected is from 17 to 10 days (-40%). Also, the program should be fully implemented by 2017.

As considered in the previous subsection; it is possible to infer that the implementation of *Portal Único* should result in significant stimulus to improve Brazil’s trade flows, especially in the manufacturing industry.

It is also worth bearing in mind that *Portal Único* is not just a single window but encompasses other tasks such as the aforementioned availability of information; formalities and automation; border agency cooperation; among others.

In Figure 2, it is shown the effect of *Portal Único* by each TFA provision that falls into its objectives. There is a relevant impact on each one, especially those connected with Articles 7 and 10 of the TFA.

**Figure 2 – *Ad valorem* tariff equivalent of each TFA provision touched by Brazil’s *Portal Único*, in percentage**



Source: Authors’ calculations based on data from Hummels and Schaur (2013), WITS (2013), Doing Business (2014), and OECD (2012).

*Portal Único* will touch some of these tasks represented in Figure 2. For exports, *Portal Único* has provisions to address information availability (1.48%); review procedures (1.45%); formalities and documents (1.34%); formalities and automation (1.79%); and formalities and procedures (2.81%).

For imports, *Portal Único* has provisions to address formalities and documents (2.03%); formalities and automation (0.96%); formalities and procedures (3.45%); cooperation within each customs (0.22%). In the end, Brazil could benefit from *Portal Único* Program in more ways than that described in TFA Article 10.4. It is for the benefit of exporters and importers that the actions taken by Brazilian government encompasses more elements than the TFA requires.

### Methodology description[[21]](#footnote-21)

The model is based on the GTAP-8 (*Global Trade Analysis Project*) dataset for 2007 (*see* Hertel 1997)[[22]](#footnote-22). Authors updated it to 2013 with real data from all economies involved in the simulations.

The approach used follows the one as described in the OECD (2009). However, authors decided to run the simulations using the Dynamic GTAP instead of the Static that the OECD applied in the aforementioned study.

It is possible with the dynamic model to ascertain the convergence trajectory between the initial equilibrium (or before the measure is taken into force) and the final equilibrium (or with the impacts of the measure integrally absorbed by the economy). The impact of the measure is established in comparison with a counterfactual analysis, i.e. it reveals how would have the world economy evolved (and the economy in subject) in a case where the measure analyzed had not been implemented.

Projections of the counterfactual scenario were retrieved from CEPII (*Centre d’Études Prospectives et d’Informations Internationales*). The scenario was projected from 2014 to 2030 considering the following variables: (i) Real GDP growth; (ii) work force growth; and (iii) population growth for Brazil, Argentina, UE28, the United States, China and the rest of the world (RoW).

The results of a reduction of delay costs for Brazil’s exports (38%) and imports (40%) are shown below.

### Macroeconomic Impacts

The *Portal Único* Program, as shown by Figure 3, could have a positive impact in the Brazilian GDP growth rate. By 2017, it is projected a growth rate 1.19% higher in comparison with the counterfactual scenario described before, or if the measure had never come into force and 2,53% higher by 2030. Moreover, if Brazil has a better performance, Argentina benefits from it, stimulating investments and a higher growth rate of Argentinian GDP.

**Figure 3 – *Portal Único* Program Impact: GDP gains in comparison to the base scenario**



Source: Simulation with GDyn model, GTAP8 database and long-run projections from CEPII.

Figure 4 shows that the reduction of customs delay costs means that Brazilian international traders should benefit from a reduction of their costs, compared with the counterfactual scenario already described. The simulation suggests that, by 2017, savings should be of US$ 22.8bn (in 2013 US dollars) and of US$ 33.4bn in 2030.

**Figure 4 – *Portal Único Program Impacts: Costs reduction with fewer customs delays***



Source: Simulation with GDyn model, GTAP8 database and long-run projections from CEPII.

Figure 5 demonstrates that Brazilian trade flow would be US$ 36.18bn higher by 2017, if the *Portal Único* program is implemented, and it could reach US$ 68.42bn by 2030. An explanation to that would be that the reduction of customs delays costs reflects on the perception of the quality of goods exported and imported by the country, which means a positive shock in the foreign demand for Brazilian products as much as a positive shock in the domestic demand for imported goods.

**Figure 5 – *Portal Único* Program Impacts: Additional in Brazil’s Trade Flow**



Source: Simulation with GDyn model, GTAP8 database and long-run projections from CEPII.

In general aspects, *Portal Único* Program is an initiative with potential to create positive economic effects for Brazilian exports and imports. However, the analysis suggests that when sectors are examined separately the transformation industry seems to be more sensitive to changes in customs procedures.

The analysis shows that *Portal Único* stimulates a structural change in the Brazilian economy, with the reallocation of production factors to more capital intensive industries instead of other sectors of the economy, which have their exports reduced compared with the counterfactual scenario. The reallocation of production factors to more capital-intensive sectors tends to be stronger in the first years of the implementation of the program. In the long run, a positive reaction is also observed in the exports of agriculture, extractive and services sectors due to the growth of capital and labor stocks in the economy and the natural trend to constant returns among sectors.

### Impacts on Brazilian Transformation Industry

Trade facilitation, as already seen, could encourage different sectors of the economy in an unevenly pattern. Manufacturing industry is the export sector that should benefit more from the reduction of customs delays. The simulation suggests an increase of 10.3% in Brazilian exports by 2017 and, in the long term, a continued growth that should reach 26.5% rate in 2030, both rates compared with the counterfactual scenario aforementioned.

Simulation results for Brazilian transformation industry are also impressive as Figures 6 and 7 show below.

**Figure 6 – *Portal Único* Program Impacts: Additional gains in Brazilian Transformation Industry Trade Flow, in comparison with the counterfactual scenario.**



Source: Simulation with GDyn model, GTAP8 database and long-run projections from CEPII.

Figure 6 shows the gains of Brazilian transformation industry’s trade flow in 2013 US dollars. In 2017, year of full implementation of *Portal Único* in Brazil, exports and imports of industrial goods should benefit from gains of US$ 39.75bn compared with the counterfactual scenario. In 2030, the simulation suggests that industrial gains would be of US$ 70.5bn.

**Figure 7 – *Portal Único* Program Impacts: Additional gains to Brazilian Transformation Industry Trade Balance, in comparison with the counterfactual scenario**



Source: Simulation with GDyn model, GTAP8 database and long-run projections from CEPII.

Figure 7 demonstrates estimates for gains in Brazilian transformation industry’s trade balance compared to the counterfactual scenario. If considered that the simulation suggests that for the first years the impact would be more relevant on investments for industrial goods, it is not a surprise that by 2020 trade balance gains become more significant and reach US$ 7.14bn, which is only three years after full implementation of *Portal Único* program. Until 2030, Brazilian industrial goods’ trade balance should benefit from a rise of US$ 13.54bn.

Simulations here and in the full research presented in the CGTI’s website suggest that *Portal Único* program is likely to unlock Brazilian economy potential and to have meaningful impacts on its domestic transformation industry both by the growth of trade balance and trade flows and also by attracting more investments to this sector.

# Final Remarks

Peterson Institute of International Economics (PIIE) has estimated that the Trade Facilitation Agreement could result on US$ 1 trillion in gains to the World GDP (Hufbauer, Schott 2013). As one of the 10 largest economies, Brazil’s *Portal Único* Program has potential, once fully implemented, to produce significant impacts to the Brazilian economy – about US$ 70bn to be added to Brazilian GDP in the long term.

Results of simulations have also shown that time is a relevant factor. It is of greater importance to reduce transaction costs to improve Brazil’s trade performance, especially in its transformation industry. Time cost is particularly damaging to trade in higher value-added goods. Empirical analyses in this study have also suggested that reduction of transaction costs may have positive effects not only for Brazil but also for many other WTO members.

The reduction of customs costs in Brazil through *Portal Único* Program is likely to unlock Brazilian economy potential because it would benefit primarily capital-intensive industries. For these changes, this study has also suggested that Brazil could reverse the ongoing deindustrialization process, reducing the share of primary products on its total exports. Furthermore, *Portal Único* could improve Brazil’s trade flows for obtaining more positive trade balance results, especially in the long term.

Brazil would benefit from more competitiveness to export throughout the years. The results also suggest that this movement should be tied to the rise of imports of intermediates as a consequence of rising investment levels. More imports of parts and components may also lead to an increase in the foreign content embedded in Brazil’s exports, contributing to connect its manufacturing sector to relevant global value chains.

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2. The International Trade Centre has already provided a detailed description of the obligations enshrined in the TFA. Therefore, the focus of this paper is not on that. The provisions of most relevance are those that Brazil has not considered as falling into its Category A commitments and the Single Window (Article 10.4) and the focus of the paper should remain on these points. See further ITC 2013. *WTO Trade Facilitation Agreement: A Business Guide for Developing Countries*. Geneva: ITC. [↑](#footnote-ref-2)
3. WTO. **Bali Ministerial Declaration,** Adopted on 7 December 2013. WTO/MIN(13)/DEC. Ninth Session of the Ministerial Conference, 11 December 2013. [↑](#footnote-ref-3)
4. The Singapore Ministerial Declaration of 1996 included four topics to the WTO agenda: competition, government procurement, investments, and trade facilitation. Trade facilitation provisions are in paragraph 22 with its focus on *minimizing the burdens of delegations, especially those with more limited resources, and to coordinating meetings with those relevant UNCTAD bodies* (WTO 1996). [↑](#footnote-ref-4)
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7. WTO 2014b. *Azevêdo applauds India-US agreement on key Bali issues*, in *WTO News Item,* 13 November 2014. Available at <https://www.wto.org/english/news/\_e/news14\_e/dgra\_13nov14\_e.htm> (accessed on 12 April 2015). [↑](#footnote-ref-7)
8. Until June 2015 only six WTO Members completed their domestic ratification process: Hong Kong, China; Singapore; Japan; the United States; Malaysia; and Mauritius. [↑](#footnote-ref-8)
9. Those categories apply for provisions contained in Articles 1 to 12 or to Section I of TFA. [↑](#footnote-ref-9)
10. Although developing country members and least-developed country members bears fundamental differences, for the purposes of this paper, they may be referred as to “developing countries”, “developing members”, “developing economies” etc. [↑](#footnote-ref-10)
11. *See* Decree (Brazil) n. 8,229/2014 on the creation of Brazilian *Portal Único*. [↑](#footnote-ref-11)
12. For instance, the average implementation rate of least development countries is at 26% and developing countries at 44%. *See* ITC 2015:8. [↑](#footnote-ref-12)
13. Surveyed countries have considered uniform forms and documentation (Article 10) as first priority (ranking 4.7 in a scale of 1-5); risk management (Article 7) as second (ranking 4.6); **single window** (Article 10) as third (ranking 4.5); pest clearance audit (Article 7) as fourth (ranking 4.3); and border agency cooperation (Article 8) as fifth (ranking 4.3). [↑](#footnote-ref-13)
14. They are: Secretary of Foreign Trade of the MDIC (Chair); RFB of the Ministry of Finance (Chair); Executive Director of Camex (Executive Director of CNFC); Civil Office of the Presidency of the Republic; Ministry of Foreign Affairs – MRE; Ministry of Finance; Ministry of Agriculture, Livestock and Food Supply – MAPA; Ministry of Agrarian Development – MDA; Ministry of Planning, Budget and Management; Brazilian Health Surveillance Agency – ANVISA; and National Confederation of Industry – CNI (private). [↑](#footnote-ref-14)
15. *See* the taxes charged by CNEN at <http://www.cnen.gov.br/seguranca/lfc/listas/lst-valtlc.asp> (accessed 17 April 2015). [↑](#footnote-ref-15)
16. *See* Resolution ANVISA n. 222/2006 that settles different taxes depending on the size of the company. Available at <http://www.emprediarqs.provisorio.ws/arqs\_st/1302890986632213/pdf/20150216124309\_1424097785964> (accessed on 17 April 2015). [↑](#footnote-ref-16)
17. *See* Instruction SUFRAMA n. 192/2000, Annexes II, III, IV and V. Available at <http://www.suframa.gov.br/download/legislacao/outros\_inst\_legais/legi\_p\_192\_e\_anexos\_2000.pdf> (accessed on 17 April 2015). [↑](#footnote-ref-17)
18. It is not considered a single window for the purposes of TFA Article 10.4. [↑](#footnote-ref-18)
19. The Presidential Decree n. 8,229/2014 includes 20 participants in the *Portal Único* Program with the possibility to involve more stakeholders if necessary. [↑](#footnote-ref-19)
20. Chinese delays are distorted more by the time spent to obtaining documents to export than because of shipment activities (movement of cargos, inspections, shipment etc). Those activities bear fewer costs in China than in Brazil (Doing Business, 2014). Moreover, it is important to consider that larger manufacture exporters – e.g. China – are more likely to have higher indirect costs for the same time-delay of others due to the very nature of the aggregated value in their exports. [↑](#footnote-ref-20)
21. Please find a detailed explanation on the economy model used in this research at CGTI’s website <http://ccgi.fgv.br/en/research>. [↑](#footnote-ref-21)
22. This is the most recent dataset available to the public at the time of writing of this paper. [↑](#footnote-ref-22)