

assessments for all plant products imported into Brazil, in order to ensure that Canada's historical trade is not disrupted.

- Continue to pursue approval of outstanding Canadian requests for pest risk assessments.
- Promote dialogue in the Free Trade Area of the Americas and World Trade Organization negotiations.
- Continue representations aimed at removal of Brazil's BSE measures on imports from Canada.

IMPROVING ACCESS TO TRADE IN GOODS AND SERVICES

Merchant Marine Renewal Tax

Canada has raised concerns about the imposition of duties and charges on imports that are not notified in Brazil's WTO schedule, such as the Merchant Marine Renewal Tax with its potential trade-restricting and trade-distorting effect. The amount of this tax is 25% of the ocean freight on imported goods. Since the tax does not apply to domestically produced goods, or to goods imported over land from neighbouring countries, Canada considers that it violates both the national treatment and most-favoured-nation obligations of the General Agreement on Tariffs and Trade (GATT). Also, in many cases where Brazil's applied tariff is within the level of its WTO binding, the combination of the Merchant Marine Renewal Tax and the applied tariff exceeds the WTO binding.

Customs Valuation

On February 13, 1998, Brazil published Decree No. 2.498/98, implementing the Customs Valuation Agreement of the World Trade Organization. The agreement was further regulated by the adoption of two Normative Instructions (16/98 and 17/98) issued by the Brazilian Revenue Department, which establish that all goods are subject to verification and that the process is a selective one. The verification process takes into consideration the declared price of the merchandise, the integrity of the documents presented, freight costs, costs related to loading and unloading the merchandise, and costs of freight insurance. In addition, Brazilian authorities may request further documentation from the importer to confirm the declared price of the merchandise.

In practice, 80% of goods enter Brazil under the automatic licensing system (SISCOMEX) introduced in 1997. The remaining 20% of goods (normally, goods subject to health and phytosanitary requirements) require approval and are reviewed by the respective decision-making ministries. While Brazil has hailed SISCOMEX as a significant step forward in streamlining customs procedures, many current and potential exporters find the system cumbersome and inflexible.

Canada will continue to monitor how Brazil applies its customs valuation regime on Canadian exports to ensure that this is consistent with Brazil's international trade obligations.

Bovine Spongiform Encephalopathy

Following Canada's May 20, 2003, announcement of a bovine spongiform encephalopathy case, Brazil imposed a ban on imports of ruminants, embryos and by-products from the same species originating from Canada. Canada has kept all its trading partners, including Brazil, fully informed of the results of its investigation and regulatory response, and it is requesting a resumption of trade on scientific grounds. (For further information, see the BSE overview in Chapter 2.)

Seed Potatoes

In 2001, Brazil notified the WTO Sanitary and Phytosanitary (SPS) Committee that it had implemented new restrictions on the maximum levels of quarantinable non-regulated pests on seed potatoes and had established maximum levels for physiological defects. The measure took effect in November 2001.

Brazil's requirement to include quarantinable non-regulated pests among export certification criteria is inconsistent with internationally agreed principles and practices. Canada has continued to make representations, both bilaterally and at the WTO SPS Committee, and will continue to press Brazil for a resolution.

Tariff on Wheat

In 1996, Brazil notified WTO members that it had withdrawn a market access concession from its WTO schedule, under which 750,000 tonnes of wheat