

BRAZIL - CERTAIN AUTOMOTIVE INVESTMENT MEASURES

Request to Join Consultations

Communication from the European Communities

The following communication, dated 7 August 1996, from the Permanent Delegation of the European Commission to the Permanent Missions of Brazil and Japan and to the Dispute Settlement Body, is circulated in accordance with Article 4.11 of the DSU.

Pursuant to the procedures laid down in Article 4.11 of the Understanding on Rules and Procedures Governing the Settlement of Disputes, the European Community wishes to be joined in the consultations under Article XXII:1 of the General Agreement on Tariffs and Trade 1994 (GATT 1994), Article 8 of the Agreement on Trade Related Investment Measures (TRIMs Agreement) and Articles 4.1, 7.1 and 30 of the Agreement on Subsidies and Countervailing Measures (SCM Agreement) requested by the Government of Japan by a communication circulated to WTO Members on 6 August 1996 (Document WT/DS51/1, G/L/98, G/SCM/D4/1, G/TRIMS/D/1) regarding certain automotive investment measures (the "Measures") of Brazil, which have been introduced by the Government of Brazil in December 1995 in accordance with Provisional Measure No. 1,235 and Decree 1,761 and have been successively extended and modified by the Government of Brazil. The Measures have, inter alia, established domestic content requirements and requirements for observance of certain proportions between export value and import value for manufacturers of motor vehicles, vehicle parts and materials.

The European Community has a major trade interest in the Brazilian market. Exports of the main automobile parts and components¹ originating in the European Community amounted to over 630 million ECU in 1995. This trade flow is likely to be adversely affected by the local content requirements foreseen in the Brazilian legislation. EC exports of finished vehicles (CN headings 8701 to 8705) during the same period amounted to nearly 1,659 million ECU while imports from Brazil amounted to 198 million ECU. Again, the foreseeable effect of the measures adopted by Brazil on these exchanges is likely to be detrimental for the Community interests.

¹This includes parts and components classified under CN headings 8706 to 8708 as well as engines classified under headings 8407 31 to 8407 34 and 8408 20. It does not include parts and components classified under other chapters such as tyres, windscreens and other glass products or other mechanical and electrical elements classified under chapters 84 and 85.