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**Council for Trade in Goods
Committee on Safeguards**

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**IMMEDIATE NOTIFICATION UNDER ARTICLE 12.5 OF THE AGREEMENT
ON SAFEGUARDS TO THE COUNCIL FOR TRADE IN GOODS OF
PROPOSED SUSPENSION OF CONCESSIONS AND OTHER
OBLIGATIONS REFERRED TO IN PARAGRAPH 2
OF ARTICLE 8 OF THE AGREEMENT
ON SAFEGUARDS**

BRAZIL

The following communication, dated 18 February 2019, is being circulated at the request of the Delegation of Brazil.

Pursuant to Article 12.5 of the Agreement on Safeguards, and in accordance with the agreed format for notifications (G/SG/1, 1 July 1996; amended 19 October 2009, G/SG/1/Rev.1 - G/SG/N/6/Rev.1 - G/SG/89), Brazil provides the immediate notification to the Council for Trade in Goods of the proposed suspension of concessions and other obligations referred to in paragraph 2 of Article 8.

1. Which Member is proposing suspension of concessions and other obligations referred to in Article 8.2.

Brazil.

2. Specify the measure, the product subject to the measure, the WTO document that notified the safeguard measure, and the Member imposing the measure in relation to which the Member is proposing suspension of concessions and other obligations referred to in Article 8.2.

On the 1st of February of 2019, the European Commission published the Commission Implementing Regulation (EU) 2019/159 of 31st of January of 2019 imposing definitive safeguard measures on imports of certain steel products. Such measures came into force on the 2nd of February of 2019 and replaced the provisional measures in place since the 18th of July of 2018.

Pursuant to Article 12.1(c) of the Agreement on Safeguards, the European Union notified to the WTO the publication of Commission Implementing Regulation (EU) 2019/159 on the 7th of February of 2019 (G/SG/N/11/EU/1/Suppl.2). On the 4th of January 2019, the European Union had submitted a notification on finding serious injury or threat thereof pursuant to Article 12.1(b) of the Agreement on Safeguards (G/SG/N/8/EU/1; G/SG/N/10/EU/1; G/SG/N/11/EU/1/Suppl.1).

The product concerned is certain steel products belonging to 26 steel product categories listed in Annex I of the notification to the WTO under Article 12.1(c) submitted by the European Union (G/SG/N/11/EU/1/Suppl.2), ranging from CN Code 7208 10 00 to CN Code 7306 90 00.

According to the notification submitted by the European Union, Brazil has been exempted from the application of the safeguard measures under certain product categories pursuant to Article 9 of the Agreement on Safeguards. However, the European Union emphasized that the exclusion of the developing country Members of the WTO should apply as long as their share of Union imports does not exceed 3%, and the Commission will carry out an assessment of the situation on a regular

basis in order to examine whether any country has exceeded the above threshold and should eventually be included in the scope of the safeguard measures.

According to Annex II.2 of the notification submitted by the European Union, imports originating in Brazil under product categories 1, 2, 6, 7, 8, 17, and 24 will be subject to the tariff-rate quota ('TRQ ') established by the Commission Implementing Regulation (EU) 2019/159 of 31st of January of 2019 from the 2nd of February of 2019 until the 30th of June of 2021, subject to an out-of-quota duty of 25 % (no safeguard measure applied within the limits of the quota). On July 1st, 2019, and on July 1st, 2020, respectively, the total amount of TRQs (both country-specific and global) per each product category will be increased by 5%.

3. Describe the proposed suspension of concessions and other obligations referred to in Article 8.2, and the proposed date from which it will come into effect.

The proposed suspension of substantially equivalent concessions referred to in Article 8.2 of the Agreement on Safeguards will take the form of an increase in duties on selected products originating in the European Union.

In this respect, Brazil notes that the imposition of the tariff-rate quota, subject to an out-of-quota duty of 25%, would result in an estimated impact of € 180,000,000.00 on Brazil's exports to the European Union over the duration of the measure (from the 2nd of February of 2019 until the 30th of June of 2021).

According to Article 8.2 of the Agreement on Safeguards, Brazil hereby notifies its intention to apply, within 30 days from the date of this notification, additional duties on imported products originating in the European Union as specified in **Annex I**. The calculation of the proposed suspension of concessions or other obligations under GATT 1994 is explained in **Annex II**. Since the proposed suspension is less than equivalent to the adverse effects of the safeguard measures applied by the European Union, Brazil reserves its right to include other products in the list specified in Annex I. Brazil will notify the Council for Trade in Goods of any such inclusion.

Brazil reserves its right to withdraw, modify, supplement or replace this notification, and/or make further notifications, should it deem that appropriate, including in light of any subsequent developments. The suspension of concessions and other obligations will continue to apply until the European Union's safeguard measures are lifted.

ANNEX I

NCM	Description	Additional duty
04021010	Milk in powder, fat content≤1, 5%arsenic<5ppm, con/ad sug	15
04021090	Other milk, cream, in powder, fat content≤1, 5% con/ad sug	15
04022110	Integral milk, in powder, fat cont.>1, 5%, concen.n/sugar	15
04022120	Semi-ski.milk, powder, fat content>1, 5%, concent.n/sugar	15
04022910	Integral milk, powder, etc.fat cont>1, 5%, conc.added sugar	15
04022920	Semi-skim.milk, powder, etc.fat cont>1, 5%, con.added sug	15
24021000	Cigars, cheroots and cigarillos, containing tobacco	11
24022000	Cigarettes containing tobacco	11
24029000	Cigars/cheroots/cigarillos/cigarettes, of tobacco subst.	11
71131100	Articles of jewellery, silver, wheter or n/plated/clad pr	10
71131900	Articles of jewellery, silver, of oth.precious metal, etc	10
71132000	Articles of jewellery, of base metal clad with prec.met.	10
87031000	Motor vehicles desig.f/travel.on snow,golf cars,etc	19
95044000	Playing cards	11
95063100	Complete clubs for golf	11
95063200	Balls for golf	11
95063900	Other equipment for golf	11
96140000	Pipes, cigarette holders and their parts	10
07032090	Other fresh/chilled garlic	19
42022220	Purses of textile materials	19
42023100	Pockets articles/purses of natural leathers/reconst.etc	11
42031000	Apparel of natural leather or composition	11
42033000	Belts and bandoliers, etc.of natural leather/composit.	11
64031900	Footwear for other sports, of leather	19
64032000	Footwear of leather, with upper straps, etc	19
64034000	Oth.footwear of leather, c/protective metal toecap	19
64035190	Oth.footwear of leather and outer soles of leather, covering the ankle	19
64035990	Oth.footwear of leather and outer soles of leather, covering the ankle	19
64039190	Oth.footwear of leather and outer soles of leather, covering the ankle	19
64039990	Other footwear of leather with outer soles of rubber or plastic	19
90041000	Sunglasses	11
94036000	Other wooden furniture	10
95030021	Dolls activated by mechanism of rope or electric	19
95030022	Other puppets, even dressed	19
95030031	Filled toys repres.animals, no hum. criatu.	19
95030097	Other toys with electric motor	19

ANNEX II

The proposed suspension of substantially equivalent concessions or other obligations under GATT 1994 was calculated as follows. In order to assess the amount of imports originating in Brazil affected by the tariff-rate quota established by the European Union, first a gravity model was used to estimate the exporter's and importer's GDP elasticities and the volume of trade expected during the period (from the 2nd of February of 2019 until the 30th of June of 2021) for each one of the product categories exported by Brazil covered by the EU safeguard measures (product categories 1, 2, 6, 7, 8, 17, and 24). Then, based on the average participation of the imports from Brazil within the total European Union imports for each category and also based on the weighted-average export prices of 2018, the value of Brazilian exports that would be affected by the additional duty imposed by the safeguard measures would be € 90 million in 2019, € 60 million in 2020 and € 30 million in 2021 (**Table 1**).

The following equation was estimated:

$$X_{ijt} = \exp[\beta_0 + \beta_1 \ln GDP_{it} + \beta_2 \ln GDP_{jt} + \beta^g G_{ij} + \gamma_i + \chi_j + \theta_t] \times \epsilon_{ijt}$$

where:

- "X_{ijt}" is the exported value from country i to country j in year t;
- "GDP_{it}" is the exporter's GDP in year t;
- "GDP_{jt}" is the importer's GDP in year t;
- "G_{ij}" is a vector with the gravity variables (distance, common language, colonial ties and contiguity)
- "γ_i" is the exporter fixed-effect;
- "χ_j" is the importer fixed-effect;
- "θ_t" is the time fixed-effect.

The total amount of € 180 million for the period from 2019 to 2021 was converted to US dollars, reaching a total of US\$ 205.2 millions of exports from Brazil to the European Union that would be affected by the 25% additional duty imposed by the safeguard measures. The total amount of tariffs generated would be equal to US\$ 51.3 millions.

Therefore, a suspension of trade concessions on the products in Annex I which does not exceed the amount that would result from the application of the EU measures to the imports of the steel originating in Brazil represents an appropriate suspension of the application of substantially equivalent trade concessions in line with the Agreement on Safeguards.

Table 1

	1	2	6	7	8	17	24
	Non Alloy and Other Alloy Hot Rolled Sheets and Strips	Non Alloy and Other Alloy Cold Rolled Sheets	Tin Mill products	Non Alloy and Other Alloy Quarto Plates	Stainless Hot Rolled Sheets and Strips	Angles, Shapes and Sections of Iron or Non Alloy Steel	Other Seamless Tubes
Quotas - tons	All third countries	Brazil	Brazil	Other countries	Other countries	Brazil	Other countries
02/02/19 a 30/06/19	3.359.532	65.399	19.730	466.981	10.197	8.578	55.346
01/07/19 a 30/06/20	8.641.213	168.215	50.749	1.201.144	26.227	22.064	142.357
01/07/20 a 30/06/21	9.073.273	176.626	53.286	1.261.201	27.539	23.167	149.475
Market Share % Brazil - 2017	0,053			0,145	0,110		0,109
Calculation of the quotas for Brazil - tons							
2019	442.174	162.586	49.050	168.015	2.790	21.325	14.954
2020	468.920	172.420	52.017	178.178	2.958	22.615	15.858
2021 (até jun)	240.179	88.313	26.643	91.262	1.515	11.583	8.122
Brazil exports forecast - tons							
2019	272.564	269.102	49.825	88.670	9.908	10.552	28.213
2020	278.029	274.498	50.824	90.448	10.107	10.764	28.779
2021 (até jun)	141.578	139.779	25.880	46.058	5.147	5.481	14.655
Exports forecast vs. Quotas - tons							
2019	-169.610	106.516	774	-79.345	7.118	-10.773	13.259
2020	-190.890	102.077	-1.194	-87.730	7.148	-11.851	12.921
2021 (até jun)	-98.601	51.467	-763	-45.204	3.631	-6.102	6.532
Average price 2018 - €/ton	529,10	583,30	770,73	564,04	1.141,27	489,48	1.443,05
Exports subject to tariffs - €							
2019	-	62.131.092	596.705	-	8.124.037	-	19.134.166
2020	-	59.542.163	-	-	-	-	-
2021 (January-June)	-	30.020.703	-	-	-	-	-

Table 2

NCM	Description	Imports from EU in 2018 (US\$)	Additional imports tariff (%)	Level of suspensions per year (US\$)	Level of suspensions during safeguards application (US\$)
04021010	Milk in powder, fat content<=1, 5%arsenic<5ppm, con/ad sug	-	15	-	-
04021090	Other milk, cream, in powder, fat content<=1, 5% con/ad sug	1.527.952	15	229.193	553.883
04022110	Integral milk, in powder, fat cont.>1, 5%, concen.n/sugar	-	15	-	-
04022120	Semi-ski.milk, powder, fat content>1, 5%, concent.n/sugar	-	15	-	-
04022910	Integral milk, powder, etc.fat cont>1, 5%, conc.added sugar	-	15	-	-
04022920	Semi-skim.milk, powder, etc.fat cont>1, 5%, con.added sug	-	15	-	-
07032090	Other fresh/chilled garlic	11.188.090	19	2.125.737	5.137.198
24021000	Cigars, cheroots and cigarillos, containing tobacco	43.733	11	4.811	11.626
24022000	Cigarettes containing tobacco	16.164.630	11	1.778.109	4.297.097
24029000	Cigars/cheroots/cigarillos/cigarettes, of tobacco subst.	349	11	38	93
42022220	Purses of textile materials	3.841.809	19	729.944	1.764.031
42023100	Pockets articles/purses of natural leathers/reconst.etc	3.216.382	11	353.802	855.022
42031000	Apparel of natural leather or composition	1.468.700	11	161.557	390.429
42033000	Belts and bandoliers, etc.of natural leather/composit.	2.279.953	11	250.795	606.088
64031900	Footwear for other sports, of leather	450.597	19	85.613	206.899
64032000	Footwear of leather, with upper straps, etc	3.828	19	727	1.758
64034000	Oth.footwear of leather, c/protective metal toecap	340.489	19	64.693	156.341
64035190	Oth.footwear of leather and outer soles of leather, covering the ankle	1.190.131	19	226.125	546.468
64035990	Oth.footwear of leather and outer soles of leather, covering the ankle	8.244.553	19	1.566.465	3.785.624
64039190	Oth.footwear of leather and outer soles of leather, covering the ankle	1.197.730	19	227.569	549.958
64039990	Other footwear of leather with outer soles of rubber or plastic	7.850.612	19	1.491.616	3.604.739
71131100	Articles of jewellery, silver, wheter or n/plated/clad pr	1.341.444	10	134.144	324.182
71131900	Articles of jewellery, silver, of oth.precious metal, etc	5.499.401	10	549.940	1.329.022
71132000	Articles of jewellery, of base metal clad with prec.met.	20.010	10	2.001	4.836
87031000	Motor vehicles desig.f/travel.on snow,golf cars,etc	31.790	19	6.040	14.597
90041000	Sunglasses	34.236.732	11	3.766.041	9.101.265
94036000	Other wooden furniture	6.745.782	10	674.578	1.630.231
95030021	Dolls activated by mechanism of rope or electric	1.609	19	306	739
95030022	Other puppets, even dressed	19.361	19	3.679	8.890
95030031	Filled toys repres.animals, no hum. criatu.	17.309	19	3.289	7.948
95030097	Other toys with electric motor	208.296	19	39.576	95.643
95044000	Playing cards	35.539	11	3.909	9.447
95063100	Complete clubs for golf	3.418	11	376	909
95063200	Balls for golf	1.216	11	134	323
95063900	Other equipment for golf	2.078	11	229	552
96140000	Pipes, cigarette holders and their parts	44.806	10	4.481	10.828