

BRAZIL - CERTAIN MEASURES AFFECTING TRADE AND INVESTMENT
IN THE AUTOMOTIVE SECTOR

Request for Consultations by the United States

The following communication, dated 10 January 1997, from the Permanent Mission of the United States to the Permanent Mission of Brazil and the Dispute Settlement Body, is circulated in accordance with Article 4.4 of the DSU.

My authorities have instructed me to request bilateral consultations with the Government of Brazil pursuant to Articles 1 and 4 of the Understanding on Rules and Procedures Governing the Settlement of Disputes ("DSU"), Article XXIII:1 of the General Agreement on Tariffs and Trade 1994 ("GATT 1994"), Article 8 of the Agreement on Trade-Related Investment Measures (the "TRIMs Agreement") (to the extent Article 8 incorporates by reference Article XXIII of the GATT 1994), and Articles 4.1, 7.1 and 30 of the Agreement on Subsidies and Countervailing Measures (the "Subsidies Agreement") (to the extent Article 30 incorporates by reference Article XXIII of the GATT 1994), regarding certain measures affecting trade and investment in the automotive sector implemented by Brazil. The measures in question include Decree 1,987, issued 21 August 1996, and Provisional Measure 1,532, issued 18 December 1996, as well as measures that extend or modify those measures; and any modifications to the regime established under Provisional Measure 1,235 and Decree 1,761 that have been made subsequent to consultations held between the United States and Brazil pursuant to the above-mentioned Articles on 13 August 1996. The measures in question provide, *inter alia*, for benefits to certain companies located in Japan, the Republic of Korea and the European Communities in the form of reduced tariffs on a specified number of vehicles; benefits to companies investing in automotive manufacturing facilities in the Northeast of Brazil; and benefits to manufacturers of motor vehicles and parts, in the form of a reduction in duties on their imports of certain products, conditional on compliance with average domestic content requirement, trade-balancing and local content requirements with regard to inputs, and other criteria which may be imposed by the Ministry of Trade.

The United States considers that these measures violate the obligations of Brazil under Articles I:1 and III:4 of the GATT 1994, Article 2 of the TRIMs Agreement, and Articles 3 and 27.4 of the Subsidies Agreement. The United States also considers that these measures nullify or impair benefits accruing to the United States directly or indirectly under Article II of GATT 1994 within the meaning of Article XXIII:1(b) of GATT 1994. The United States reserves the right to raise additional factual claims and legal matters during the course of the consultations.

We look forward to receiving your reply to this request and to fixing a mutually acceptable date for consultations.