

# WTO sides with the EU in appeal on Brazil's industrial tax measures

The WTO Appellate Body confirmed the initial ruling of August 2017 that numerous Brazilian tax programmes are not in line with WTO rules as they favour domestic products. The programmes disadvantage EU automotive, and Information and Communications Technology (ICT) products by granting tax advantages based on the local content embedded in products. According to the ruling such measures are incompatible with WTO law.

As a consequence of the ruling, Brazil will now have to bring its tax programmes in compliance with WTO rules and remove the prohibited measures without delay.

## **Background**

Brazil is an important trade partner for the EU. The EU is Brazil's second biggest trading partner accounting for more than 18% of its total trade. For many sectors of the Brazilian economy, the EU is the biggest foreign investor. Machinery and appliances, chemical products and transport equipment make up the bulk of EU exports to Brazil. However, Brazil's restrictive trade policies have resulted in a decline in EU exports of goods to Brazil, from a peak of €40 billion in 2013 to €32.2 billion in 2017.

The EU initiated the WTO dispute in December 2013. In July 2015, Japan launched a parallel dispute against the same Brazilian programmes and the two cases were joined. The reports issued in both cases are substantially the same.

The ruling of the WTO Appellate Body largely upholds the findings of the WTO Panel of 30 August 2017.

## **For more information**

[Appellate Body report](#)

[History of the case](#)

[EU-Brazil trade relations](#)

[WTO Dispute Settlement](#)