The Brazilian Regime of Export Processing Zones - EPZ
CZPE - INSTITUTIONAL

CZPE – Council of Ministers:

MDIC (President) + MF + CC/PR + MMA + MI + MP

- MDIC = Ministry of Industry, Foreign Trade and Services
- MF = Ministry of Finance
- CC/PR = Civil Office of President of Republic
- MMA = Ministry of Environment
- MI = Ministry of Integration
- MP = Ministry of Planning, Development and Administration

CZPE – Acting:

Main EPZ national policy decision-making instance

Examples

Analysis of the proposals for creating EPZ (Final Decision = PR)

Approval of industrial projects to be deployed.

Others

Technical body and administrative support to the CZPE.

Technical analysis.

Monitoring of compliance with the CZPE decisions.

Others.
BRAZILIAN OVERVIEW – POTENTIAL & EPZ CONTRIBUTION

THE SITUATION

9th World Economy (IMF 2015)  
Unbalance  
25th World Exporter (WTO 2015)

THE CHALLENGE

How can Brazil increase its share in the world trade?

THE POTENTIAL

Huge Domestic Market  
One of The Most Attractive Countries for FDI  
Leading Regional Economy  
Gateway to Latin America

Brazilian Potentialities  
Demand from International Markets  
Direct Investments  
Business Opportunities  
Employment  
Income  
Exports

High Profile Industrial Park  
Agricultural Production (Global Player)  
Biodiversity  
Mining Production (Global Player)
Diversified Models (Examples)

- Specific areas and segregated on State control.
- Export of products with lower added value.

- Specific areas designated for receipt of investments.
- Varied economic activities.

- Diversified economic activity centers;
- Logistic area operations and support to trade and international investment.

Commom Features

- Specific geographical areas within the national borders of the countries.
- Business rules different from those applicable to other parts of the national territory.
- Attraction/investment facilitation (rules of investment, trade, customs control, and others).

Wide Use

USA
Colombia
China
Dubai
Uruguay

"... For example, in 1986, the International Labour Organization's (ILO's) database of SEZs reported 176 zones in 47 countries; by 2006, this number rose to 3,500 zones in 130 countries (Boyenge 2007), although many of these zones are single companies licensed individually as free zones. SEZs now are estimated to account for more than US$200 billion in global exports and employ directly at least 40 million workers (FIAS 2008)"

[Special Economic Zones: Progress, Emerging Challenges, and Future Directions  The World Bank/2011]
**BRAZILIAN EPZ - CONCEPT & GOALS**

**Concept**
EPZ: industrial areas intended for exports (Export Revenue ≥ 80%) under customs control (Primary Zones).

**Segregated Area**
- Segregated Area for Customs Control
- Administration of EPZ and other Government Agencies

**Industrial Activities**

**GOALS**
- To attract new investments.
- To generate employment and income, and to reduce regional economic unbalances.
- To foster technological innovation.
- To improve the social and economic development of Brazil.
BRAZILIAN EPZ - INCENTIVES

**TAX INCENTIVES**

Purchases of goods and services in the domestic market – Supension:
- IPI (Tax on Manufactured Products)
- COFINS (Social Contribution – Tax Presumptive Profit)
- PIS/PASEP (Social Contribution on Gross Revenue).

Purchases of goods and services in the external market – Supension:
- II (Import Tax)
- AFRMM (Additional Freight Charge for the Renovation of the Merchant Navy)
- IPI
- COFINS - Import
- PIS/PASEP – Import

**ADMINISTRATIVE BENEFITS**

Exemption of licenses or authorizations for import (raw materials and capital goods) and export operations.

⇒ Except: sanitary, national security, and environmental measures.

**LONG-TERM LEGAL CERTAINTY**

Period Granted: 20 years extendable for 20 years.

**OTHERS INCENTIVES**

Regional Tax Incentives (North & Northeast)
- Reduction of The Corporate Income Tax (Limit = 75%)

Free Import of Used Capital Goods

No State Value-Added Tax (ICMS)

IT – R&D Incentives
The continuation of company in an EPZ depends on the minimum export of 80% of its total gross sales revenue.

Note: Products sold to the domestic market will be subject to the payment of all taxes and contributions normally granted by the EPZ regime.

The tax suspension provided for the EPZ Regime applies only to the acquisition of capital goods, raw materials, intermediate products, and packaging materials.

Examples:

- Capital Goods
- Raw Materials
- Intermediate Products
- Packing Materials

The companies authorized to operate in EPZs are subjected to the same legal and regulatory provisions applicable to all national companies.

The creation of EPZs requires the final approval from the President of the Republic, and the operationalization of an EPZ requires also the Brazilian Customs Authority's permission.

The establishment of company in EPZ requires previous authorization from the National Council of Export Processing Zones (CZPE) and the Brazilian Customs Authority.
# BRAZILIAN EPZ – FOCUS & POTENTIAL

## FOCUS

### ADDING VALUE TO THE EXPORTABLE PRODUCTION

**BRAZIL - MAIN AGRICULTURAL PRODUCTS (2022/2023)**

Projections of Brazilian Ministry of Agriculture, Livestock and Food Supply - MAPA

<table>
<thead>
<tr>
<th>Products</th>
<th>Volume (Million Ton)</th>
<th>% Participation in International Trade</th>
<th>Ranking (World)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>18.6</td>
<td>13.4%</td>
<td>4th</td>
</tr>
<tr>
<td>Soya beans</td>
<td>63.8</td>
<td>44.2%</td>
<td>1st</td>
</tr>
<tr>
<td>Beef</td>
<td>1.9</td>
<td>19.9%</td>
<td>2nd</td>
</tr>
<tr>
<td>Chicken meat</td>
<td>4.8</td>
<td>41.7%</td>
<td>1st</td>
</tr>
</tbody>
</table>

## LOCAL PROCESSING

- **Generation of Employment and Income**
- **Economic and Social Development**
FOCUS = Adding value to the exportable production.

## PRICE DIFFERENTIAL IN BRAZILIAN EXPORTS
Study on Selected Supply Chains - 2016

<table>
<thead>
<tr>
<th>Supply Chains</th>
<th>Description</th>
<th>Total of Brazilian Exp. (US$ Millions)</th>
<th>Part. % on Total Brazilian Exportations</th>
<th>Average Price (US$/Ton)</th>
<th>Potencial Added Value in Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>185.235</td>
<td>100,00%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Iron Ore and Steel</td>
<td>Iron ore and concentrates</td>
<td>13.289</td>
<td>7,17%</td>
<td>35,54</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Semi-manufactured products of iron or steel</td>
<td>2.691</td>
<td>1,45%</td>
<td>318,64</td>
<td>796,57%</td>
</tr>
<tr>
<td></td>
<td>Flat-rolled products of iron steel</td>
<td>1.595</td>
<td>0,86%</td>
<td>512,79</td>
<td>1342,85%</td>
</tr>
<tr>
<td>Aluminium</td>
<td>Aluminium ore and concentrates</td>
<td>265</td>
<td>0,14%</td>
<td>25,39</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Unwrought aluminium</td>
<td>496</td>
<td>0,27%</td>
<td>1.534,60</td>
<td>5944,11%</td>
</tr>
<tr>
<td></td>
<td>Aluminium articles</td>
<td>27</td>
<td>0,01%</td>
<td>15.344,90</td>
<td>60336,79%</td>
</tr>
<tr>
<td>Wood and Furniture</td>
<td>Tree trunk</td>
<td>41</td>
<td>0,02%</td>
<td>191,65</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Wood sawn or chipped</td>
<td>537</td>
<td>0,29%</td>
<td>467,36</td>
<td>143,86%</td>
</tr>
<tr>
<td></td>
<td>Laminated wood</td>
<td>26</td>
<td>0,01%</td>
<td>631,90</td>
<td>229,72%</td>
</tr>
<tr>
<td></td>
<td>Furniture and parts, except medical or surgical</td>
<td>576</td>
<td>0,31%</td>
<td>1.931,28</td>
<td>907,71%</td>
</tr>
<tr>
<td>Leather and Footwear</td>
<td>Hides and skins</td>
<td>2.027</td>
<td>1,09%</td>
<td>4.563,95</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Footwear</td>
<td>998</td>
<td>0,54%</td>
<td>18.519,67</td>
<td>305,78%</td>
</tr>
</tbody>
</table>

Source: SECEX/MDIC.
## PRICE DIFFERENTIAL IN BRAZILIAN EXPORTS
### Study on Selected Supply Chains - 2016

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<tr>
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<td></td>
<td>185.235</td>
<td>100,00%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Soya</strong></td>
<td>Soya beans</td>
<td>19.331</td>
<td>10,44%</td>
<td>374.77</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Crude soyabeans oil</td>
<td>801</td>
<td>0,43%</td>
<td>696.86</td>
<td>85.94%</td>
</tr>
<tr>
<td></td>
<td>Refined soybean oil</td>
<td>96</td>
<td>0,05%</td>
<td>926.72</td>
<td>147.28%</td>
</tr>
<tr>
<td></td>
<td>Soy proteins, peptones and their derivatives</td>
<td>19</td>
<td>0,01%</td>
<td>4.841.50</td>
<td>1191.86%</td>
</tr>
<tr>
<td><strong>Maize</strong></td>
<td>Grain maize</td>
<td>3.655</td>
<td>1,97%</td>
<td>167.34</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Crude maize oil</td>
<td>26</td>
<td>0,01%</td>
<td>798.73</td>
<td>377.31%</td>
</tr>
<tr>
<td></td>
<td>Refined maize oil, in containers holding 5 litres or less</td>
<td>2</td>
<td>0,00%</td>
<td>1.585.23</td>
<td>847.31%</td>
</tr>
<tr>
<td><strong>Coffe</strong></td>
<td>Raw coffe beans</td>
<td>4.843</td>
<td>2,61%</td>
<td>2.655.31</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Roasted coffee, decaffeinated or not</td>
<td>13</td>
<td>0,01%</td>
<td>5.994.02</td>
<td>125.74%</td>
</tr>
<tr>
<td></td>
<td>Soluble coffe</td>
<td>574</td>
<td>0,31%</td>
<td>6.813.65</td>
<td>156.60%</td>
</tr>
<tr>
<td><strong>Cotton</strong></td>
<td>Raw cotton</td>
<td>1.215</td>
<td>0,66%</td>
<td>1510.26</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Cotton yarns</td>
<td>23</td>
<td>0,01%</td>
<td>3363.48</td>
<td>122.71%</td>
</tr>
<tr>
<td></td>
<td>Cotton fabrics</td>
<td>149</td>
<td>0,08%</td>
<td>6002.85</td>
<td>297.47%</td>
</tr>
</tbody>
</table>

**FOCUS = Adding value to the exportable production.**

*Source: SECEX/MDIC.*
The Brazil has authorized 25 EPZ.

19 EPZs in effective deployment (18 STATES).

The Brazilian EPZs are in different stages.

The Acre/AC EPZ, Parnaíba/PI EPZ, and Pecem/CE EPZ have industrial projects approved by CZPE.

EPZs of Acre/AC and Pecem/CE are bonded by Customs Authority. The Parnaíba is finishing its infrastructure works.

The Pecem/CE EPZ started its operations in 2016.
THE MOST ADVANCED BRAZILIAN EPZ IN DEVELOPMENT

ACRE EPZ
(SENADOR GUIOMARD CITY/ACRE STATE)

- **Proponent:** State of Acre
- **Creation:** 30th June 2010
- **Total Area (ha*):** 130.17
- **Potentialities:** Amazon biodiversity; Wood processing; Brazilian nuts; Rubber (latex); Fruits; and Fish farming.

- **Industrial Projects Approved:**
  - Amazon Polímeros: plastics
  - Anawa: soybean oil and sugar
  - Acreparquet: wood furniture; and
  - Superfruits: açai berry (fruit flakes/ freeze-dried powder).

The use of raw materials available in the region

Transoceanic Road

Access to Ports in the Pacific Ocean

*1 “hectare” (ha) = 2.4710439 American acres*
THE MOST ADVANCED BRAZILIAN EPZ IN DEVELOPMENT

ACRE EPZ
(SENADOR GUIOMARD CITY/ACRE STATE)
PARNAÍBA EPZ
(PARNAÍBA CITY/PIAUÍ STATE)

- **Proponent:** State of Piauí
- **Creation:** 30th June 2010
- **Total Area (ha):** 348.80
- **Potentialities:** Grains (soyabean); Food processing (fruits, honey); Pharmachemicals; Waxes and fibers; and Fish.

**Industrial Projects Approved:**
- DK Frutas: food processing
- KTAFarma: salts of pilocarpine
- Agrocera: wax (carnaúba)
- Ecopellets: pellets (carnaúba)

The Most Advanced Brazilian EPZ in Development

**Grains & Food Processing (Fruits)**

**New Agricultural Frontier MATOPIBA**

**Regional companies with regional export operations.**
THE MOST ADVANCED BRAZILIAN EPZ IN DEVELOPMENT

PARNAIBA EPZ
(PARNAÍBA CITY/PIAUÍ STATE)
PECEM EPZ
(SÃO GONÇALO DO AMARANTE CITY/CEARÁ STATE)

- **Proponent:** State of Ceara
- **Creation:** 16th June 2010
- **Total Area (ha):** 6,182.44
- **Potentialities:** Steel mill; Leather & footwear; Textiles; Ceramics; Granite; and Food processing (fruits and fish).

**Industrial Projects Approved:**
- Companhia Siderúrgica do Pecém – CSP: steel plates
- Vale Pecém: ores
- White Martins Pecém: industrial gases
- Phoenix do Pecém: Steelmaking waste
THE MOST ADVANCED BRAZILIAN EPZ IN DEVELOPMENT

PECEM EPZ
(SÃO GONÇALO DO AMARANTE CITY/CEARÁ STATE)
PECEM EPZ
(SÃO GONÇALO DO AMARANTE CITY/CEARÁ STATE)

Pecem Steel Company (CSP)

- **Investment**: US$ 5.4 billion
- **Annual Production** (1st phase): 3 million tons of steel plate
- **Direct employees** (1st phase of plant operations): 2,800
- **Joint venture**: Vale (50%), Dongkuk (30%) e Posco (20%)
- **Impacts on regional development** (potential increase)
  - GDP of the state of Ceará: 12%
  - Ceará’s industrial GDP: 48%
GLOBAL FREE ZONES OF THE YEAR 2016
(Awarded by fDi Magazine - Financial Times)

Categories:

- Winner
  - Large tenants – Latin America and Caribbean

- Bespoke Awards:
  - Supporting education and training
  - Infrastructure upgrades
  - Expansions

PECEM EPZ
(SÃO GONÇALO DO AMARANTE CITY/CEARÁ STATE)
MINISTRY OF INDUSTRY, FOREIGN TRADE AND SERVICES – MDIC
NATIONAL COUNCIL OF THE EXPORT PROCESSING ZONES – CZPE
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