

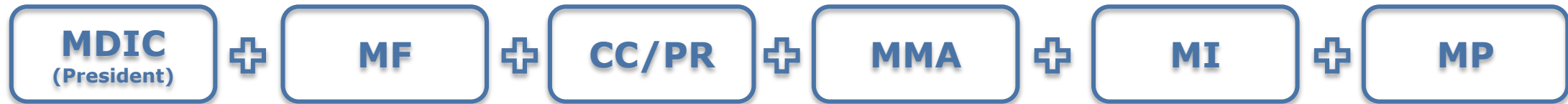


**GOVERNMENT OF BRAZIL
MINISTRY OF INDUSTRY, FOREIGN TRADE AND SERVICES – MDIC
NATIONAL COUNCIL OF THE EXPORT PROCESSING ZONES – CZPE
EXECUTIVE SECRETARIAT - SE**

The Brazilian Regime of Export Processing Zones - EPZ

BASIC INFORMATION

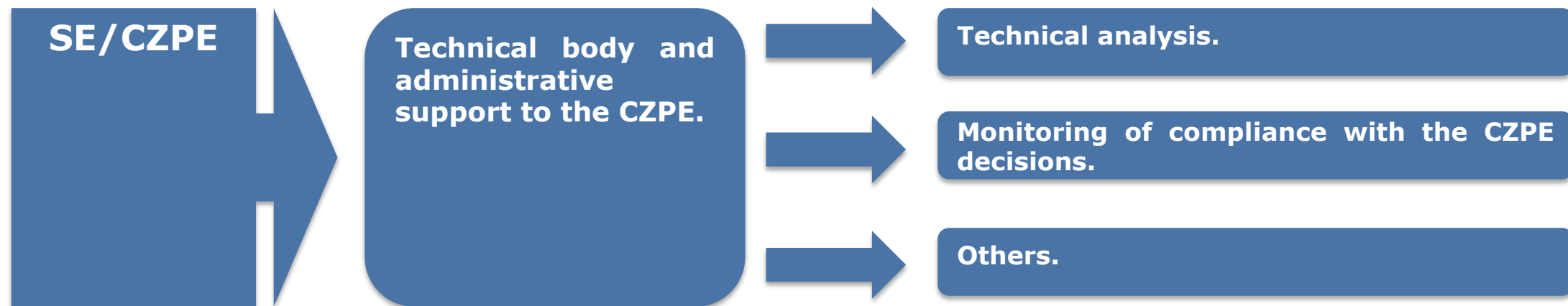
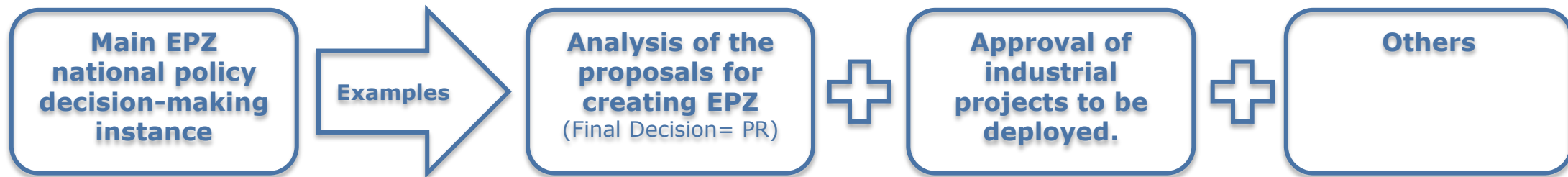
➔ CZPE – Council of Ministers:



- ❑ 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:



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 POTENCIAL

Huge Domestic
Market

One of The Most
Attractive
Countries for FDI

Leading Regional
Economy

Gateway to Latin
America

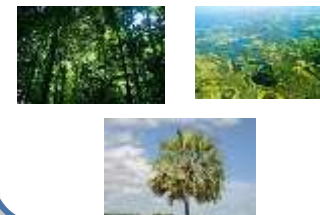
Mining Production
(Global Player)



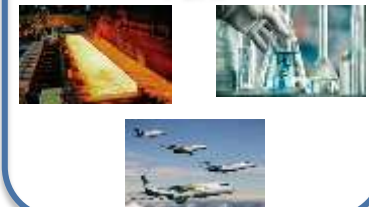
Agricultural
Production
(Global Player)



Biodiversity



High Profile Industrial
Park



EPZ CONTRIBUTION

Brazilian Potentialities

Demand from
International Markets

Direct Investments

Business
Opportunities

Employment

Income

Exports

INTERNATIONAL EXPERIENCE

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]

Diversified Models (Examples)

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



Comilla EPZ (Bangladesh)

- ❑ Special areas designated for receipt of investments.
- ❑ Varied economic activities.



Shenzhen/ China - 1980



Shenzhen/China - Today

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



Dubai



Singapore

Common 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).

BRAZILIAN EPZ - CONCEPT & GOALS

Concept

EPZ: industrial areas intended for exports (Export Revenue \geq 80%) under customs control (Primary Zones).



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 – Suspension:

- ☐ 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 – Suspension:

- ☐ 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**

BRAZILIAN EPZ - LIMITS & REQUIREMENTS

LIMITS

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.

REQUIREMENTS

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

Products	Volume (Million Ton)	% Participation in International Trade	Ranking (World)
Corn	18,6	13,4%	4th
Soya beans	63,8	44,2%	1st
Beef	1,9	19,9%	2nd
Chicken meat	4,8	41,7%	1st



LOCAL
PROCESSING



GENERATION OF
EMPLOYMENT AND INCOME



ECONOMIC AND SOCIAL
DEVELOPMENT



CONTRIBUTION OF BRAZILIAN EPZ

FOCUS = Adding value to the exportable production.

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

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

Source: SECEX/MDIC.

CONTRIBUTION OF BRAZILIAN EPZ

FOCUS = Adding value to the exportable production.

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

Supply Chains	Description	Total of Brazilian Exp. (US\$ Millions)	Part. % on Total Brazilian Exportations	Average Price (US\$/Ton)	Potencial Added Value in Exports
	TOTAL	185.235	100,00%	-	-
Soya	Soya beans	19.331	10,44%	374,77	-
	Crude soyabean oil	801	0,43%	696,86	85,94%
	Refined soybean oil	96	0,05%	926,72	147,28%
	Soy proteins, peptones and their derivatives	19	0,01%	4.841,50	1191,86%
Maize	Grain maize	3.655	1,97%	167,34	-
	Crude maize oil	26	0,01%	798,73	377,31%
	Refined maize oil, in containers holding 5 litres or less	2	0,00%	1.585,23	847,31%
Coffe	Raw coffe beans	4.843	2,61%	2.655,31	-
	Roasted coffee, decaffeinated or not	13	0,01%	5.994,02	125,74%
	Soluble coffe	574	0,31%	6.813,65	156,60%
Cotton	Raw cotton	1.215	0,66%	1510,26	-
	Cotton yarns	23	0,01%	3363,48	122,71%
	Cotton fabrics	149	0,08%	6002,85	297,47%

Source: SECEX/MDIC.

BRAZILIAN EPZ – THE CURRENT SITUATION

EPZ IN BRAZIL



AC: SENADOR GUIOMARD

BA: ILHÉUS

CE: PECÉM

ES: ARACRUZ

MG: TEÓFILO OTONI E UBERABA

MS: CORUMBÁ E BATAGUASSU

MT: CÁCERES

PA: BARCARENA

PE: SLUAPE

PI: PARNAÍBA

RJ: ITAGUAÍ

RN: ASSÚ E MACAÍBA

RO: PORTO VELHO

RR: BOA VISTA

SC: IMBITUBA

SP: FERNANDÓPOLIS

TO: ARAGUAINA

MINISTRY OF INDUSTRY, FOREIGN TRADE AND SERVICES – MDIC
NATIONAL COUNCIL OF THE EXPORT PROCESSING ZONES – CZPE
EXECUTIVE SECRETARIAT - SE

□ 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: açaí 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)



THE MOST ADVANCED BRAZILIAN EPZ IN DEVELOPMENT



PARNAIBA 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)

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)



THE MOST ADVANCED BRAZILIAN EPZ IN DEVELOPMENT



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

Pecem Port Infrastructure



Multinational Companies



Global Production Chains



THE MOST ADVANCED BRAZILIAN EPZ IN DEVELOPMENT



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



THE MOST ADVANCED BRAZILIAN EPZ IN DEVELOPMENT



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%**



THE MOST ADVANCED BRAZILIAN EPZ IN DEVELOPMENT



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



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**



MINISTRY OF INDUSTRY, FOREIGN TRADE AND SERVICES – MDIC NATIONAL COUNCIL OF THE EXPORT PROCESSING ZONES – CZPE EXECUTIVE SECRETARIAT - SE

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MINISTRY OF
INDUSTRY, FOREIGN TRADES
AND SERVICES

