Brazil May Break Car Agreement With Mexico

Marco Sibaja, Associated Press

BRASILIA, Brazil (AP) — Brazil may end a decade-old automotive trade pact with Mexico and start charging tariffs on cars imported from that country as it battles a growing trade deficit in the sector, the government and local media said Thursday.

The 2002 agreement for the import and export of cars and parts with Mexico "is being reviewed," said trade secretary Tatiana Prazeres, according to the Ministry of Development, Industry and Foreign Trade's press office.

The end of the agreement would mean that Mexican cars sold in Brazil would have a 35 percent import tax and an "industrial production tax" of up to 41 percent slapped on them.

Brazil imports of Mexican vehicles rose 40 percent in 2011 from the previous year to more than $2 billion, while it exported just $372 million worth of cars to Mexico, according to the Valor Economico business newspaper. Among the models brought in are Nissan's March, Tiida and Sentra, the Ford Fusion, the Fiat 500 and Volkswagen's Jetta.

In September, Brazil increased by 30 percentage points the industrial production tax levied on imported vehicles in a bid to protect its local auto industry from rising imports.

But cars made in Mercosur trade bloc countries — Argentina, Paraguay, Uruguay and Brazil— and those produced in Mexico with at least 65 percent of their parts made in Brazil were exempt from the measure.

Valor Economico said Brazil was planning to end the agreement because of its growing deficit in the sector.

Valor Economico said the decision to end the Mexico-Brazil agreement is expected to be announced in a few days when Development, Industry and Foreign Trade Minister Fernando Pimentel and Foreign Minister Antonio Patriota return to Brazil.

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