Brazil Wants Mexico To Limit Car Exports

Stan Lehman, Associated Press

SAO PAULO (AP) — The Brazilian government officially asked Mexico to set a $1.4 billion annual limit on the auto exports it ships to Brazil, an official with direct knowledge of trade talks between the two nations said Friday.

Brazil has threatened to scrap a decade-old automotive trade pact with Mexico and start charging tariffs on Mexican-built cars as it battles a growing trade deficit in the auto sector.

Officials from the two nations have held talks since February in an effort to reach an accord.

"Last night Brazil sent a letter to the Mexican government proposing a quota of $1.4 billion annually over the next three years, which is the average of the value of the imports over the past three year," said the official, who spoke on condition of anonymity as he wasn't authorized to discuss the matter.

Brazil's imports of Mexican vehicles jumped 40 percent in 2011 to a value of more than $2 billion. Brazil exported just $372 million worth of cars to Mexico, generating complaints within Brazil's domestic auto sector.

Mexico sent a letter to Brazil on Wednesday saying it would accept an annual limit only if it was based on the level of Mexican exports reached in 2011, which was 147,000 vehicles, said the official, who also spoke on condition of anonymity.

Brazil wants to reduce Mexico's export level to 65,000 cars, but Mexico rejected that in its letter, the official said.

"We are not accepting that the starting point is a number we exceeded years ago," said the official.

Ending the 2002 agreement on their bilateral trade in vehicles and parts 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.

Among the models brought into Brazil from Mexico are Nissan's March, Tiida and Sentra, the Ford Fusion, the Fiat 500 and the Volkswagen 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.

Cars assembled in the 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.

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