

**NOTIFICATION PURSUANT TO ARTICLE 12.1(C) OF THE
AGREEMENT ON SAFEGUARDS**

**NOTIFICATION UNDER ARTICLE 12.1(B) OF THE
AGREEMENT ON SAFEGUARDS ON FINDING A SERIOUS INJURY
OR THREAT THEREOF CAUSED BY INCREASED IMPORTS**

BRAZIL

(Coconuts)

I have the honour to write in my capacity as representative of the MERCOSUR *Pro Tempore* Presidency to notify the Committee on Safeguards of the intention to extend the safeguard measure in effect in the customs territory of Brazil, concerning desiccated peeled coconut, whether or not grated, classified under the tariff line 0801.11.10, of the Mercosur Common Nomenclature (NCM) applied by Brazil, under Articles 12.1(b) and 12.1(c) of the Agreement on Safeguards, following the agreed format for notifications contained in document G/SG/W/1, 1 July, 1996. The appropriate documentation is attached.

Pursuant to Article 12 of the WTO Agreement on Safeguards, the Federative Republic of Brazil also states that is ready to hold prior consultations with Members having a substantial interest as exporters of the product concerned, and to that end offers the dates of 7-11 August 2006.

This notification is made in accordance with the terms of the WTO Agreement on Safeguards and the "Regulations on the Application of Safeguard Measures to Supports from Non-Member Countries of MERCOSUR", adopted under Common Market Council Decision No. 17/96, which was notified to the WTO in 21 February 1997.

1. Evidence that the safeguard measure continues to be necessary to prevent or remedy serious injury or threat thereof caused by increased imports and that the industry concerned is adjusting

Pursuant to Article 7, paragraphs 2 and 3 of the Agreement on Safeguards, a safeguard measure should not be applied for a period exceeding four years, unless it is extended. The period may be extended provided that the competent authorities of the importing Member have determined that the safeguard measure continues to be necessary to prevent or remedy serious injury and that there is evidence that the industry is adjusting.

The analysis conducted by Brazilian authorities considered 3 periods of 12 months: P1 (September 2002 to August 2003); P2 (September 2003 to August 2004) and P3 (September 2004 to August 2005).

Domestic sales and the Brazilian consumption have increased from P1 to P2. Although consumption continued growing from P2 to P3, domestic sales fell to a level below P1. Despite of the increasing volume of sales made by the domestic industry from P1 to P2, its share in Brazilian consumption was maintained at the same level. Comparing P2 to P3, it was noted that such share dropped 4 percentile points.

The share of the domestic industry in the industrial demand has continuously decreased. From P1 to P2, it decreased 1,3 percentile point. In P3, comparatively to P2, more 16,7 percentile points, totalizing a decline of, approximately, 18 percentile points, from P1 to P3.

The domestic production increased from P1 to P2 and decreased in the subsequent period, compared to P2 or P1. When analyzing the cultivated area and the production per hectare, the conclusions were the same. The reduction of employment from P1 to P3 was superior to the decrease of the cultivated area in the same period.

There was also a continued decline in the internal prices of the domestic industry.

The net income has declined continuously during the analyzed period by reason of the continued decrease in price, considering that, from P1 to P2, the quantity sold had increased.

An undercutting margin was observed in all of the periods analyzed.

The review has determined that from P1 to P2, the domestic industry implemented the structural adjustment which resulted in its partial recovery. The production per hectare and the plantation area increased in that period.

However, subsequently, a substantial increase of imports resulted in a decrease of the share of domestic industry in apparent consumption. As a consequence, the main economic indicators of the domestic industry were affected: decrease in the figures of production, prices, sales, cultivated area and employment.

The evaluation of the adjustment made by the sector indicated that the domestic industry is implementing the adjustment plan. But, in P3, when the imports grew substantially, they caused serious prejudice, reflected in the results expected from the implementation of the adjustment.

As a result, it was concluded that the requirements for the extension of the safeguard measure were met.

2. Information on an absolute increase in imports.

Brazilian Imports of Desiccated Coconut

Period	In ton.	Index	In US\$ FOB	Index
P1	4.367,23	100.0	3.230.946	100.0
P2	4.749,94	108,8	3.041.554	94,1
P3	8.665,65	198,4	7.090.300	219,4

The imports of desiccated coconut increased continuously: from P1 to P2, 8,8%; and from P2 to P3, 82,4%, resulting in a total increase of 98,4%, from P1 to P3. At the same period, the quota increased 10%. The fact that the safeguard measure was applied to certain developing countries cannot explain the substantial increasing in imports.

Certain Brazilian importers used the tariff line 0801.11.90 to classify the product and circumvent the quota.

In general, the prices of the desiccated coconut imported decreased from P1 to P2 and increased in P3. Some foreign producers, however, decreased these prices from P2 to P3.

The imports increased in relation of the production of the domestic industry too.

There were no imports from the State-parties of MERCOSUR.

3. Description of the product subject to the safeguard measure

The product subject to the safeguard measure is the desiccated peeled coconut, whether or not grated, classified in the item 0801.11.10 of the Mercosur Nomenclature based on the Harmonized System (NCM/SH).

Based on the available information about the imported and the domestically produced product, and taking into account that both are destined to the same market and near substitutes, it was ratified that the dry coconut produced in Brazil is directly competitive to the imported grated coconut.

4. WTO document that notified the initial application of the measure

The WTO document that notified the initial application of the measure was G/SG/N/11/BRA/2.

Other documents related with this measure are G/SG/N/13/BRA/3, G/SG/N/6/BRA/2/Suppl.1, G/SG/N/11/BRA/2/Suppl.3, G/SG/N/11/BRA/2/Suppl.2, and G/SG/N/11/BRA/2/Suppl.1.

5. Duration of the measure from initial application of the measure

The initial safeguard measure was applied from 1 September 2002 to 31 August 2006. Brazil now has the intention to extend the safeguard measure for 4 more years. The measure to be extended is expected to be in force from 1 September 2006 to 31 August 2010.

6. Precise description of the measure in place prior to the date of extension

Period	Quota (in tons)
01.09.2002 to 31.08.2003	3.957,0
01.09.2003 to 31.08.2004	4.154,9
01.09.2004 to 31.08.2005	4.352,7
01.09.2005 to 31.08.2006	4.550,6

7. Description of the extended measure

Therefore, the safeguard measure will be extended for more 4 years, under the forms of quantitative restrictions, applied to imports of desiccated coconuts, classified under NCM/SH 0801.11.10, as follows:

Period	Quota (in tons)
01.09.2006 to 31.08.2007	4.778
01.09.2007 to 31.08.2008	5.017
01.09.2008 to 31.08.2009	5.256
01.09.2009 to 31.08.2010	5.495

8. Progressive liberalization of the measure

The measure will be progressively liberalized, at regular intervals, at the beginning of each period of application (September 2007, September 2008 and September 2009)

The quota will be increased in 5, 10 and 15 per cent, in each period, calculated taking in account the quota of the first period of the extension of measure.

9. Developing countries to which the measure is not applied under article 9.1 of the agreement on Safeguards.

Pursuant to Article 9 of the Agreement on Safeguards, the measure will not be applied against products originating in a developing country Member, as long as its share of the total imports of the product concerned in the importing Member does not exceed 3 per cent and account for not more than 9 per cent of the total imports of the product concerned.

The extension of the safeguard measure will not apply to the countries listed below. It has to be noted that since 2005, this list was not modified.

ANGOLA	MALAWI
ANTIGUA AND BARBUDA	MALDIVES
BAHRAIN	MALI
BANGLADESH	MALTA
BARBADOS	MAURITANIA
BELIZE	MAURITIUS
BENIN	MOLDOVA
BOLIVIA	MONGOLIA
BOTSWANA	MOROCCO
BRUNEI DARUSSALAM	MOZAMBIQUE
BURKINA FASO	MYANMAR
BURUNDI	NAMIBIA
CAMEROON	NICARAGUA
CENTRAL AFRICAN REPUBLIC	NÍGER
CHAD	NIGERIA
CHILE	OMAN
CHINA	
CHINESE TAIPEI	PAKISTAN
COLOMBIA	PANAMA
CONGO	PAPUA NEW GUINEA
COSTA RICA	PERU
CUBA	QATAR
CYPRUS	RWANDA
DEMOCRATIC REPUBLIC OF THE CONGO	
DJIBOUTI	SAINT KITTS AND NEVIS
DOMINICA	SAINT LUCIA
ECUADOR	SAINT VINCENT & THE GRENADINES
EGYPT	SENEGAL
EL SALVADOR	SIERRA LEONE
FIJI	SOLOMON ISLANDS
GABON	SOUTH AFRICA
THE GAMBIA	SURINAME
GRENADA	SWAZILAND
GUATEMALA	TANZANIA
GUINEA BISSAU	THAILAND
GUINEA	TOGO
GUYANA	TRINIDAD AND TOBAGO
HAITI	TUNISIA
HONDURAS	TURKEY
JAMAICA	UGANDA
JORDAN	UNITED ARAB EMIRATES
KENYA	VENEZUELA
KUWAIT	ZAMBIA
LESOTHO	ZIMBABWE
MADAGASCAR	

10. Proposed date for the mid-term review.

The mid-term review will begin in September 2008.

Brazil is ready to consult with Members with interest in the products concerned with a view to providing additional information. To this end, and taking into account that a final decision will be taken by the competent authorities during the week starting 28 August 2006, proposes to hold consultations in Geneva during the week starting 7 August 2006, if necessary.
