July 1st 2026

Via www.regulations.gov

Hon. Jamieson Greer
United States Trade Representative
Office of the United States Trade Representative
600 17th Street NW
Washington, DC 20508

Re: Comments on the Notice of Determination Concerning Action Pursuant to Section 301: Brazil's Acts, Policies, and Practices Related to Digital Trade and Electronic Payment Services; Unfair, Preferential Tariffs; Anti-Corruption Enforcement; Intellectual Property Protection; Ethanol Market Access; and Illegal Deforestation; Docket No. USTR-2026-0331

The Government of Brazil submits these comments in response to the Notice of Proposed Action issued by the Office of the United States Trade Representative ("USTR") in connection with its investigation into Brazil's acts, policies, and practices related to Digital Trade and Electronic Payment Services; Unfair, Preferential Tariffs; Anti-Corruption Enforcement; Intellectual Property Protection; Ethanol Market Access; and Illegal Deforestation ("Brazil Section 301 Investigation"). This investigation was announced on July 15, 2025, pursuant to Section 301 of the Trade Act of 1974.[1] The Notice of Proposed Action was published on June 4, 2026.[2] Brazil strongly rejects the findings made in the Notice of Proposed Action and maintains that its acts, policies, and practices are not, in any way, unreasonable, discriminatory, or burdensome to U.S. commerce. As such, the

[1] *See Initiation of Section 301 Investigation: Brazil's Acts, Policies, and Practices Related to Digital Trade and Electronic Payment Services; Unfair, Preferential Tariffs; Anti-Corruption Enforcement; Intellectual Property Protection; Ethanol Market Access; and Illegal Deforestation; Hearing; and Request for Public Comments*, 90 Fed. Reg. 34,069 (Jul. 18, 2025) ("*Initiation Notice*").

[2] *See Notice of Determination and Request for Comments Concerning Action Pursuant to Section 301: Brazil's Acts, Policies, and Practices Related to Digital Trade and Electronic Payment Services; Unfair, Preferential Tariffs; Anti-Corruption Enforcement; Intellectual Property Protection; Ethanol Market Access; and Illegal Deforestation*, 91 Fed. Reg. 33,854 (June 4, 2026) ("*Notice of Proposed Action*")

Government of Brazil requests that USTR refrain from imposing unilateral measures as a result of this Section 301 Investigation.

I. USTR's Findings in the Notice of Proposed Action Do Not Satisfy the Requirements for Action under Section 301

Section 301 of the Trade Act of 1974 ("Section 301") does not authorize USTR to impose trade action merely because it disagrees with the policy choices of another sovereign country. By its terms, Section 301 requires a finding that the challenged act, policy, or practice is "unreasonable or discriminatory" and that it "burdens or restricts United States commerce."[3] The Notice of Initiation correctly recognized this standard when it expressly invited comments on whether the identified Brazilian measures burden or restrict U.S. commerce and, if so, on "the nature and level of the burden or restriction," including supporting economic assessments.[4]

Yet the Notice of Proposed Action does not satisfy these statutory prerequisites. Across the six issues addressed, USTR identifies areas of policy divergence or, in some instances, ongoing domestic challenges in Brazil. USTR does not, however, establish the required statutory nexus between a concrete Brazilian act, policy, or practice and an identifiable burden or restriction on U.S. commerce. Instead, the analysis leaps from disagreement with Brazil's sovereign choices to conclusions that those choices are "unreasonable", and from generalized assertions of commercial disadvantage to the conclusion that U.S. commerce is burdened or restricted. That is insufficient to justify action under Section 301.

The analytical leaps are evident throughout the Notice of Proposed Action. In the area of digital trade, USTR relies on concerns regarding judicial orders, confidentiality measures, penalties for non-compliance, and alleged preferences associated with Pix.[5] In anti-corruption enforcement, it relies on selected developments associated with Operation Car Wash, renegotiated leniency agreements, and commentary from external observers.[6] In the section on deforestation, USTR acknowledges Brazil's legal framework and recent enforcement steps, yet treats instances of illegal deforestation as sufficient to establish

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[3] *See* 19 U.S.C. § 2411(b).
[4] *Initiation Notice*, p. 34,072.
[5] *Notice of Proposed Action*, pp. 33,855-33,856.
[6] *Notice of Proposed Action*, pp. 33,856-33,857.

actionable conduct.[7] In *none* of these areas does the Notice of Proposed Action articulate a limiting principle that distinguishes broader policy disagreement from actionable trade conduct.

Yet Section 301 does not furnish USTR with a roving mandate to assess whether another country's domestic institutions or sovereign policy choices satisfies USTR's policy preferences. If, for example, the pace and direction of anti-corruption proceedings, the confidentiality of court orders issued in accordance with domestic law, or the structure of a digital payments system were sufficient, without more, to justify action under Section 301, the statute would be deprived of any meaningful limiting principle. It would instead become a vehicle for second guessing domestic public policy across a wide range of fields far removed from the concept of discriminatory or unfair trade conduct directed at U.S. commerce, properly understood. Nothing in the statute supports such an expansive reading.

These concerns are heightened where the issues identified by USTR intersect with disciplines governed by the multilateral trading system, such as e.g. trade in goods and services, and intellectual property protection. As Brazil explained in its previous comments, where an investigation implicates rights and obligations under the World Trade Organization ("WTO") covered agreements, the United States may not bypass multilateral procedures in favor of unilateral action. Section 303(a)(2) of the Trade Act reflects this constraint, and Article 23 of the WTO Understanding on the Rules and Procedures Governing the Settlement of Disputes ("DSU") likewise requires disputes under the covered agreements to be brought before the WTO dispute settlement system.[8]

In sum, the Notice of Proposed Action does not demonstrate that the challenged Brazilian acts, policies, or practices are "unreasonable or discriminatory", nor does it establish that they burden or restrict U.S. commerce. Instead, as Brazil demonstrates in the sections that follow, the Notice repeatedly substitutes, for each of the six issue areas investigated,

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[7] *Notice of Proposed Action*, pp. 33,858-33,860.

[8] *See* Government of Brazil, *Comments on the Section 301 Investigation of Brazil's Acts, Policies, and Practices Related to Digital Trade and Electronic Payment Services; Unfair, Preferential Tariffs; Anti-Corruption Enforcement; Intellectual Property Protection; Ethanol Market Access; and Illegal Deforestation*, August 18, 2025 ("Brazil's Written Comments"), p. 3. *See also* Government of Brazil, *Post-Hearing Rebuttal Comments on the Section 301 Investigation of Brazil's Acts, Policies, and Practices Related to Digital Trade and Electronic Payment Services; Unfair, Preferential Tariffs; Anti-Corruption Enforcement; Intellectual Property Protection; Ethanol Market Access; and Illegal Deforestation*, September 10, 2025 ("Brazil's Post-Hearing Rebuttal Comments"), p. 2.

concern, dissatisfaction, or policy disagreement for the statutory showing that Section 301 requires.

A. USTR's Findings Regarding Digital Trade and Electronic Payment Services Do Not Support Action under Section 301

USTR's findings regarding digital trade and electronic payment services do not establish actionable conduct under Section 301. As an initial matter, USTR expressly declined, "on the facts gathered during this investigation, and at this time," to make findings with respect to the Brazilian Supreme Court's decision of June 26, 2025 or to restrictions on the transfer of personal data outside Brazil.[9] The Notice therefore rests on two propositions only: (i) that Brazilian courts issued confidential orders requiring U.S. social media companies to remove content or suspend profiles, with penalties for non-compliance; and (ii) that Brazil allegedly disadvantaged competing electronic payment services through Pix.[10]

First, the Notice characterizes certain Brazilian judicial orders as "secret," criticizes associated penalties for non-compliance, and concludes that these orders are unreasonable because they require U.S. social media companies to take down political content and suspend profiles for speech allegedly protected in the United States.[11] That characterization does not support action under Section 301. The orders to which USTR refers arise in the context of Brazil's ordinary judicial processes, including proceedings involving electoral integrity, criminal investigations, and the protection of fundamental rights under Brazil's constitutional order[12]. Any claim of unreasonableness in this regard is entirely unfounded, as USTR does not even identify, let alone engage with, the grounds and reasoning articulated by Brazilian judges in ordering the restriction of digital content. Brazil's prior written comments explained that confidentiality in such proceedings is used pursuant to lawful procedures designed to protect privacy, the integrity of investigations, and other legitimate public interests, and that parties remain entitled to full due process protections under Brazilian law.[13] USTR's Notice fails to engage with, much less refute,

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[9] *Notice of Proposed Action*, p. 33,855, fn. 1.
[10] *Notice of Proposed Action*, p. 33,855-33,856.
[11] *Notice of Proposed Action*, p. 33,855.
[12] For example, in the case of the court orders issued against Company X, the blocking of the accounts and profiles was ordered to ensure the effectiveness of a police investigation being conducted in Brazil, as the platform was being used for the disclosure of personal data, photographs, threats, and intimidation of police officers and their family members. Likewise, the court orders issued against the Rumble platform were made in the context of a criminal investigation into an organized crime group acting in Brazil.
[13] *See* Brazil's Written Comments, pp. 5-12, esp. 11-12.

those submissions. Instead, USTR concludes that Brazil's judicial orders are "unreasonable" merely because they carry penalties for non-compliance, which is a regular feature of any judicial legal system.

Nor does USTR establish discriminatory treatment of the kind contemplated by Section 301. The conduct identified by USTR is not directed specifically at U.S. companies because of their origin, nor does USTR identify any rule under Brazilian law that imposes a distinct liability regime on foreign or U.S.-owned platforms. Brazil's previous comments made precisely the point that the relevant legal framework is facially neutral, applies to domestic and foreign entities alike, and does not create liability specifically applicable to U.S. persons, businesses, or the United States itself.[14] The Notice does not identify evidence to the contrary. Instead, USTR relies on a limited set of highly visible disputes involving prominent U.S. platforms and infers from those disputes that Brazil's acts, policies, and practices are discriminatory or trade restrictive.[15] That is plainly insufficient. Section 301 does not permit action simply because some of the most visible firms operating in a given sector happen to be based in the United States.

The Notice likewise fails to establish a sufficient nexus between those judicial developments and a cognizable burden or restriction on U.S. commerce. USTR points to compliance costs, fines, temporary suspensions, and lost market opportunities associated with particular court orders.[16] But the existence of compliance disputes in individual judicial matters does not itself demonstrate that Brazil is burdening or restricting U.S. commerce within the meaning of Section 301. At best, the Notice shows that major digital platforms operating in Brazil, like firms operating in any large foreign market, may be required to comply with domestic legal orders and face penalties if they do not. That is an ordinary incident of operating under another sovereign's jurisdiction. It is not, without more, a basis for concluding that Brazil has adopted an actionable practice directed at U.S. commerce.

Second, USTR contends that Brazil has unfairly disadvantaged competing electronic payment services by favoring Pix, pointing in particular to the Central Bank's dual role as regulator and operator, participation requirements for certain institutions, display

[14] Brazil's Written Comments, p. 10.
[15] *See Notice of Proposed Action*, p. 33,855.
[16] *Notice of Proposed Action*, p. 33,855.

requirements, and pricing rules applicable to Pix transactions.[17] Those assertions ignore the central features of Pix that Brazil documented extensively in its previous comments. Pix is an open-access public infrastructure, participation is broadly available on non-discriminatory terms, and the system was designed to promote competition, reduce transaction costs, expand financial inclusion, and enable new business models across the payments ecosystem.[18] Far from excluding foreign firms, Pix has enlarged the Brazilian market for digital payments and created new points of entry for private providers, including U.S. firms.[19]

Brazil's previous comments explained that Pix currently operates with a very large number of participants, the overwhelming majority of whom participate voluntarily, and that participation as a payment initiator remains open to *all* qualifying companies regardless of capital origin.[20] Brazil further documented that U.S. and other foreign firms have operated successfully within the Pix ecosystem, including through payment initiation services. In its post-hearing rebuttal, Brazil noted, for example, that Google Pay Brazil was the largest payment initiator at the time, and that Visa had also obtained authorization to operate within the Pix ecosystem.[21] Those facts directly contradict the suggestion that Pix operates as a closed national champion from which U.S. firms are excluded or to which they are subject on discriminatory terms.

Nor does the Notice meaningfully address Brazil's evidence that Pix has generated system-wide benefits rather than exclusionary effects. Brazil's written comments described the Central Bank's stated objectives in establishing Pix—increasing security and efficiency, promoting non-discriminatory access, fostering innovation, and advancing financial inclusion—and supported those objectives with evidence from international institutions and market participants.[22] Brazil also explained that digital payment transformation in Brazil has benefited all electronic payment instruments, including card networks, and that the post-Pix environment has expanded opportunities for banks, fintechs, and technology firms alike.[23] USTR's Notice does not engage with that record. Instead, it assumes that simply because the Central Bank regulates and operates a public payments infrastructure,

[17] *Notice of Proposed Action*, pp. 33,855-33,856.
[18] Brazil's Written Comments, pp. 17-18.
[19] Brazil's Post-Hearing Rebuttal Comments, pp. 12-13.
[20] Brazil's Post-Hearing Rebuttal Comments, p. 12.
[21] Brazil's Post-Hearing Rebuttal Comments, p. 12.
[22] Brazil's Written Comments, pp. 17-22.
[23] Brazil's Written Comments, pp. 20-21.

any rules associated with interoperability, visibility, or participation necessarily amount to favoritism and unfair disadvantage. That assumption is unwarranted.

The existence of a public instant payment infrastructure operated by a central bank is not unusual or inherently suspect. Brazil's prior written comments pointed to analogous developments in other jurisdictions, including the United States, where the Federal Reserve has introduced FedNow as a public instant payments infrastructure.[24] Brazil's point was not that FedNow and Pix are identical in every respect, but that the basic proposition USTR treats as suspect—that a central bank may provide essential payments infrastructure while also acting as regulator of the broader system—is not, without more, evidence of unfair or discriminatory treatment. The Notice fails to explain why Brazil's adoption of a comparable public infrastructure model should be treated as actionable under Section 301.

Just as importantly, USTR has not shown that the design features of Pix burden or restrict U.S. commerce in the sense required by the statute. The Notice states that U.S. services providers incur costs and are required to promote a Brazilian competitor,[25] but it does not identify any nationality-based rule that targets U.S. firms, any exclusion of U.S. providers from participation, or any demonstrated foreclosure of U.S. payment services from the Brazilian market. To the contrary, Brazil's previous comments showed that participation is open, that access is non-discriminatory, and that the overall expansion of the digital payments ecosystem has delivered tangible benefits to a wide range of participants, including U.S.-connected firms.[26]

For these reasons, USTR's findings with respect to digital trade and electronic payment services do not support action under Section 301.

B. USTR's Findings Regarding Brazil's Preferential Tariff Arrangements Do Not Support Action under Section 301

USTR's findings regarding Brazil's preferential tariff arrangements with Mexico and India likewise do not support action under Section 301.

As an initial matter, Brazil's trade arrangements with Mexico and India are longstanding, lawful trade agreements negotiated within established regional frameworks and notified in

[24] Brazil's Written Comments, pp. 22-23.
[25] *Notice of Proposed Action*, p. 33,855-33,856.
[26] Brazil's Written Comments, pp. 17-22 ; Brazil's Post-Hearing Rebuttal Comments, pp. 12-13.

accordance with multilateral rules. Brazil's previous comments explained that, as a member of MERCOSUR, Brazil generally negotiates tariff preferences through regional arrangements that are consistent with the relevant WTO disciplines, including the Decision on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries ("Enabling Clause").[27] USTR's dissatisfaction with the economic profile or export competitiveness of Brazil's trading partners does not transform those arrangements into actionable conduct under Section 301. Section 301 does not authorize the United States to treat lawful preferential arrangements as "unreasonable" simply because the United States would have preferred not to face competition from the beneficiaries of those arrangements in the Brazilian market.

Nor does the record support USTR's suggestion that these arrangements have materially burdened or restricted U.S. commerce. Brazil's earlier comments demonstrated that the United States and Brazil maintain a robust and increasingly beneficial trade relationship, including a U.S. goods trade surplus with Brazil in 2024.[28] Those comments further established that, in practice, Brazil's *as applied* tariff schedule is already highly favorable to U.S. exports. In this regard, eight of the ten principal U.S. exports to Brazil enter duty free, and a substantial share of total U.S. exports to Brazil likewise benefit from duty-free treatment.[29] Those facts are irreconcilable with USTR's effort to characterize Brazil's tariff regime as one that somehow burdens or restricts U.S. commerce in any meaningful or systemic way.

In the Notice of Proposed Action, USTR relies on increases in Mexican and Indian shares of imports under relevant tariff classifications and corresponding declines in the U.S. share.[30] But USTR itself *expressly* acknowledges that these trends "may reflect other market dynamics and cannot be attributed solely to the preferential trade arrangements."[31] That concession *confirms* that USTR has not established the causal connection necessary to transform those trade arrangements into a demonstrated burden or restriction on U.S. commerce. A finding under Section 301 that U.S. commerce has been burdened or restricted by a challenged measure cannot rest on the proposition that the measure may

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[27] Brazil's Written Comments, pp. 26-27.
[28] Brazil's Written Comments, p. 25.
[29] Brazil's Written Comments, p. 25.
[30] *Notice of Proposed Action*, p. 33,856.
[31] *Notice of Proposed Action*, p. 33,856.

have been one of many possible contributing factors in a broader commercial evolution of the market.

In any event, Brazil's previous comments provided affirmative evidence that materially weakens any inference of a burden or restriction on U.S commerce. With respect to India, Brazil explained that the MERCOSUR-India Preferential Trade Agreement is narrow in scope, covers only a limited universe of tariff lines, and is of modest commercial significance in practice.[32] Those comments further showed that many of the tariff lines receiving full concessions under that arrangement no longer confer preferential treatment in practical terms because Brazil has since reduced its MFN tariffs on those goods to zero.[33] Most importantly, Brazil demonstrated that total U.S. exports to Brazil have *grown substantially* since that agreement entered into force, including growth *in the very product categories* encompassing the tariff lines for which India received duty-free treatment.[34] Those are clearly not the hallmarks of a measure that is burdening or restricting U.S. commerce.

The same is true with respect to Mexico. Brazil's earlier comments explained that the relevant arrangements with Mexico are part of a broader series of Economic Complementation Agreements, and that U.S. exports to Brazil have expanded significantly, *more than quadrupling in value*, during the same period in which those arrangements have been in effect.[35] Brazil further noted that the United States moved from a goods trade deficit with Brazil in the early 2000s to sustained goods trade surpluses in later years. In fact, the United States has had a goods trade surplus with Brazil in *every year* since 2008.[36] Those facts substantially undercut USTR's attempt to portray Brazil's tariff arrangements with Mexico as somehow being a source of trade injury to the United States. The overall commercial record is *irreconcilable* with the proposition that those arrangements have burdened or restricted U.S. commerce in the manner required under Section 301.

That conclusion applies with even greater force in the automotive context. As Brazil's previous comments explained, the relevant MERCOSUR-Mexico arrangements include preferential treatment for automobiles and automotive parts, but U.S. and Mexican

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[32] Brazil's Written Comments, pp. 28-29.
[33] Brazil's Written Comments, p. 29.
[34] Brazil's Written Comments, p. 29.
[35] Brazil's Written Comments, pp. 30-31.
[36] Brazil's Written Comments, p. 31.

automotive production are themselves deeply integrated.[37] Many Mexican automotive operations are owned by, or heavily tied to, U.S. firms, and Mexico is a major export market for U.S. automotive parts and components.[38] Brazil's prior comments further noted that a substantial share of the value embedded in Mexican vehicles exported abroad includes U.S.-produced content.[39] In these circumstances, USTR cannot simply assume that preferences accorded to Mexican automotive exports injure U.S. commerce. To the contrary, terminating those preferences could itself adversely affect U.S. commercial interests tied to automotive production and supply chains in Mexico.

USTR's further suggestion that Brazil's tariff preferences create incentives to offshore U.S. production to Mexico or India fares no better because it is entirely speculative.[40] That suggestion rests on a chain of bare assumptions about firms' localization decisions, the availability and sourcing of inputs, satisfaction of rules of origin, and the extent to which any finished goods would in fact be re-directed to Brazil under the relevant arrangements. The Notice offers no concrete evidence that such offshoring has occurred as a result of Brazil's tariff preferences, much less that it has occurred on a scale sufficient to constitute a burden or restriction on U.S. commerce. There is no basis for construing Section 301 as permitting action based on an abstract possibility that a firm might, under certain circumstances, choose to restructure production to take advantage of a foreign preferential arrangement.

To accept such a reading of the statute would be to effectively convert ordinary preferential trade liberalization among third countries into actionable conduct whenever the United States believes itself to be a competitive supplier in the same sectors. That would significantly expand Section 301 beyond any administrable limiting principle. Countries routinely enter into preferential trade arrangements with one another, as recent United States' practice demonstrates. The fact that those arrangements may improve market access for one trading partner relative to another does not, without more, make them "unreasonable" within the meaning of Section 301. If it did, Section 301 could be invoked against a wide range of non-U.S. regional arrangements whenever the United States took

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[37] Brazil's Written Comments, pp. 31-32.
[38] Brazil's Written Comments, p. 31.
[39] Brazil's Written Comments, pp. 31-32.
[40] *Notice of Proposed Action*, p. 33,856.

the view that it had lost relative competitiveness in the covered sectors. Nothing in the statute supports such a result.

For all of these reasons, USTR's findings regarding Brazil's preferential tariff arrangements do not support action under Section 301.

C. USTR's Findings Regarding Anti-Corruption Enforcement Do Not Support Action under Section 301

USTR's findings regarding anti-corruption enforcement likewise do not support action under Section 301. USTR points to a limited set of developments associated principally with Operation Car Wash, the renegotiation of certain leniency agreements, the pace of judicial review, and commentary from observers such as the Organization for Economic Cooperation and Development ("OECD") and Transparency International.[41] From those selected developments, USTR infers that Brazil "has failed and continues to fail to take sufficient enforcement action to combat bribery and corruption."[42] In an analytical leap, USTR then reasons that this asserted deficiency burdens U.S. commerce because U.S. firms, which are subject to stringent anti-bribery requirements, are supposedly disadvantaged in seeking trade and investment opportunities in Brazil.[43] That chain of reasoning is insufficient to sustain action under Section 301.

As an initial matter, the Notice does not engage properly with the broader anti-corruption record that Brazil placed before USTR. Brazil's previous comments explained that Brazil maintains a comprehensive anti-corruption regime anchored in both domestic law and international commitments, including the OECD Anti-Bribery Convention, the Inter-American Convention Against Corruption, the United Nations Convention Against Corruption, and the United Nations Convention Against Transnational Organized Crime.[44] Brazil further explained that it actively participates in the monitoring mechanisms associated with those instruments and has implemented those commitments through a wide range of domestic legal and institutional measures.[45] USTR's Notice does not dispute the existence of that framework. Instead, it isolates a narrower set of highly visible

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[41] *Notice of Proposed Action*, p. 33,856-33,857.
[42] *Notice of Proposed Action*, p. 33,856.
[43] *Notice of Proposed Action*, p. 33,857.
[44] Brazil's Written Comments, pp. 40-41.
[45] *See* Brazil's Written Comments, pp. 40-44.

controversies and treats them as sufficient to characterize as inadequate Brazil's enforcement system as a whole.

That approach is particularly problematic because Brazil's prior comments did not rest merely on the existence of relevant legal frameworks. Brazil also submitted evidence of *concrete* enforcement activity. As Brazil explained, since the Clean Company Act took effect in 2013, Brazilian authorities have initiated more than 4,200 proceedings involving companies, including approximately 1,900 Administrative Accountability Proceedings and 2,300 Summary Preliminary Investigations.[46] Brazil also emphasized its extensive cooperation with U.S. and other foreign authorities in major cross-border matters, as well as international recognition of Brazilian anti-corruption initiatives by bodies such as the OECD, the Organization of American States ("OAS"), and the Financial Action Task Force ("FATF").[47] Whatever criticisms may be directed at particular cases or judicial developments, that broader record is *irreconcilable* with a finding that Brazil has simply "failed and continues to fail" to enforce anti-corruption law.[48]

Controversy surrounding specific judicial developments in high profile cases is not proof that Brazil has adopted a broader trade-related "act, policy, or practice" that is unreasonable within the meaning of Section 301. USTR's Notice simply extrapolates from selected, exceptional developments to a generalized finding of failure in anti-corruption enforcement. That extrapolation is especially unwarranted because the OECD materials on which USTR relies are themselves more nuanced than the Notice suggests. The OECD's Phase 4 evaluation of Brazil identified shortcomings in foreign bribery enforcement and made recommendations for improvement.[49] However, the same body of materials also reflects the existence of a functioning legal framework and a continuing reform process, rather than the absence of anti-corruption enforcement altogether.[50] A recommendation from the OECD that Brazil strengthen aspects of its anti-bribery system does not, without more, support a sweeping finding that Brazil's anti-corruption regime is so deficient as to justify unilateral trade action under Section 301.

[46] Brazil's Written Comments, p. 45.
[47] *See* Brazil's Written Comments, pp. 47-51.
[48] *Notice of Proposed Action*, p. 33,856.
[49] *Notice of Proposed Action*, p. 33,856-33,857.
[50] *See* Brazil's Written Comments, pp. 39-40 and 49-51.

The Notice states that, in 2024, penalties under Operation Car Wash imposed on companies that had confessed to mass corruption were suspended and allowed to be renegotiated. The renegotiation of these leniency agreements has been faulted for progressing without transparency and with serious conflict of interests. However, Brazil has made important institutional developments aimed at strengthening coordination among the authorities responsible for corporate liability enforcement and leniency negotiations. In April 2025, the Office of the Comptroller General ("CGU") and the Federal Public Prosecutor's Office ("MPF") jointly signed a Technical Cooperation Agreement establishing a structured framework for coordination in the conduct of leniency negotiations and related enforcement actions. The agreement provides clearer institutional orientation for the interaction among the competent authorities, including mechanisms for information sharing and alignment in cases with potential transnational implications, while preserving the legal competences of each institution. Its practical effectiveness is already yielding tangible results. The CGU and the Office of the Attorney General ("AGU") have recently concluded major coordinated resolutions with foreign authorities, including in the Freepoint, Trafigura and Seatrium matters.

Brazil also reports the publication of Interministerial Normative Ordinance No. 1 of the CGU and the AGU, dated December 19, 2025, which further refines its currently available set of guidelines for leniency agreements. According to legal and compliance experts, the Ordinance effectively encourages self-reporting by providing greater clarity and predictability regarding the applicable reduction of fines. Self-reporting is now expressly defined as a report submitted before the commencement of any investigation, administrative proceeding, police inquiry, or any other type of investigation, including in the criminal sphere. While the Ordinance is a CGU/AGU initiative, Brazil emphasizes that it now establishes a uniform and objective temporal benchmark applicable across administrative and criminal contexts, reflecting the increasing coordination among these institutions.

The assessments of the relevant international organizations corroborate Brazil's enforcement record and directly contradict USTR's characterization of systemic failure.

> ***Brazil's non-criminal framework for imposing liability has proven effective, especially for domestic corruption offences****. In addition, Brazil has concluded three leniency agreements applying the regime against companies for foreign bribery and other corruption offences. While the fact that the liability is non-criminal as affected Brazil's efforts to secure mutual legal assistance from other countries (see Section B.5 above), there is no*

compelling need at present to follow-up on efforts to adopt alternative corporate liability models.

(OECD 4th Phase Report on Brazil, 2023, par. 288)

[284] – Civil and administrative liability of legal entities for acts against national and foreign public administration, provided for in the Anticorruption Law (Law No. 12.846/13).205 The Anticorruption Law establishes the objective, civil and administrative liability of legal entities for acts against the Public Administration, whether national or foreign. The law provides for civil and administrative sanctions, such as an administrative fine, of up to 20% of the company's gross revenue, and extraordinary publication of the conviction. In addition, the legislation introduces the leniency agreement, a consensual resolution instrument that allows for faster compensation of damages, as well as investigative leverage. The law also sought to pay special attention to preventive aspects, treating companies that have adequate integrity programs in place differently. The CGU is responsible for a large part of the procedures, such as initiating and judging administrative accountability proceedings and signing leniency agreements within the Federal Executive Branch.

[285] ***It is considered a best practice as it represents an important step forward by providing for the strict liability, in the civil and administrative spheres, of companies that commit harmful acts against the national or foreign public administration****. As well as complying with international commitments made by Brazil, the law closes a gap in the country's legal system by dealing directly with the conduct of corruptors.*

(OAS 6th Round Report on Brazil, 2025, par. 284 and 285)[51]

Furthermore, USTR's Notice fails to acknowledge the OECD's Phase 4 Follow-Up Report, approved by the Working Group on Bribery in March 2026 — just seventy-four days before USTR published its findings. That more recent assessment reflects continued progress by Brazilian authorities and expressly notes that concerns relating to the renegotiation of leniency agreements were "largely resolved for the CGU." Selectively

[51] https://www.oas.org/en/sla/dlc/mesicic/docs/Doc_674(Brasil)_eng_rev4.pdf

invoking older OECD materials while ignoring the organization's most recent conclusions undermines the evidentiary basis of USTR's findings.

Nor does the record support any suggestion that the monocratic STF decision led to the wholesale annulment of cases in Brazil. That decision did not annul any proceeding in its entirety; it addressed only the evidentiary value of specific materials obtained through compromised systems, leaving unaffected both the leniency agreements that did not rely on such materials and the remainder of the proceedings in which those materials had been used.

Most importantly, this is how the OECD assesses the current situation in Brazil and highlights the country's capacity to handle complex corruption cases:

> *While the Brazilian authorities acknowledge that they cannot, pursuant to the monocratic STF decision, provide mutual legal assistance in relation to the challenged evidence, they report that they have been able to provide mutual legal assistance effectively in other contexts (the case being fact-specific does not have a wider impact on MLA generally or, regarding this case, on evidence obtained independently of the tainted computer systems).* ***Most notably, Brazil's CGU cooperated with law enforcement authorities in Singapore and United States to resolve three multijurisdictional cases where Brazilian officials were implicated in transnational corruption. In addition, Brazil can still provide police-to-police cooperation in all cases not directly affected by the monocratic STF decision.*** *Brazil also observes that the monocratic STF decision is under appeal and thus still needs to be considered by the full STF.*
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> (OECD Phase 4 Follow-Up Report on Brazil, March 2026, par. 20)

The OECD's 2026 study on sanctioning foreign bribery through multijurisdictional resolutions further reinforces this conclusion.[52] The study reviews 31 cases involving coordinated cross-border enforcement of foreign bribery between December 2008 and March 2026. That study identifies Brazil as the country that obtained the second-largest share of monetary sanctions and forfeited assets globally across all multijurisdictional resolutions reviewed. The study further identifies Brazil as the country that has co-resolved

[52] https://www.oecd.org/en/publications/sanctioning-foreign-bribery-through-multijurisdictional-resolutions_48ff398e-en.html

the greatest number of cases with the United States — 17 joint cases, more than twice the number recorded by any other country. This finding, produced by the very body whose earlier reports USTR invokes against Brazil, documents an unparalleled record of bilateral enforcement cooperation between Brazilian and U.S. authorities. It is irreconcilable with any characterization of Brazil as a jurisdiction that fails to enforce anti-corruption law or that has adopted policies adverse to U.S. interests in this domain.

Finally, Brazil's previous comments demonstrate that Brazil has undertaken anti-corruption commitments specifically in the bilateral context with the United States. In particular, Brazil explained that it has made significant commitments through the Protocol to the Agreement on Trade and Economic Cooperation between the Government of the United States of America and the Government of the Federative Republic of Brazil, and that it has taken comprehensive steps to implement those commitments through domestic legal, institutional, and administrative measures.[53] That bilateral record, alongside the impressive numbers of cooperation between both countries in anticorruption cases, further undercuts any suggestion that Brazil has failed, as a matter of policy, to maintain a serious anti-corruption regime.

For those reasons, USTR's findings regarding anti-corruption enforcement do not establish actionable conduct under Section 301.

D. USTR's Findings Regarding Intellectual Property Protection Do Not Support Action under Section 301

USTR's findings regarding intellectual property protection in Brazil likewise do not support action under Section 301. In its Notice of Proposed Action, USTR relies principally on three assertions: (i) that Brazil has failed to sufficiently address counterfeiting and trafficking in counterfeit goods; (ii) that patent examination in Brazil, particularly for biopharmaceutical patents, remains unreasonably slow and is not offset by any patent term adjustment mechanism; and (iii) that Brazil has failed to carry out sufficiently continuous anti-piracy enforcement.[54] From those assertions, USTR concludes that Brazil's acts, policies, and practices are unreasonable and burden or restrict

[53] Brazil's Written Comments, pp. 41-43.
[54] *Notice of Proposed Action*, pp. 33,857-33,858.

U.S. commerce.[55] That conclusion, however, finds no support in the evidence on the record.

As an initial matter, USTR gives insufficient weight to the breadth and quality of Brazil's intellectual property framework. As explained in Brazil's previous comments, Brazil maintains a comprehensive regime for the protection of intellectual property rights and participates in the principal multilateral intellectual property instruments administered by the WTO and World Intellectual Property Organization ("WIPO").[56] Those comments also explained that Brazil participates in international mechanisms designed to facilitate and accelerate patent examination, including the Global Patent Prosecution Highway ("GPPH") and bilateral Patent Prosecution Highway ("PPH") arrangements with other jurisdictions, including the United States.[57] In its Notice, USTR does not dispute the existence of Brazil's intellectual property framework. Instead, it isolates a set of concerns in particular areas and treats them as sufficient, without more, to characterize Brazil's intellectual property regime as a whole as actionable under Section 301.

That approach is particularly problematic in light of USTR's own prior recognition of Brazil's progress in the area of intellectual property protection. Brazil's post-hearing rebuttal comments emphasized that USTR itself, in the 2025 Special 301 Report, moved Brazil from the Priority Watch List in recognition of "concrete progress" in intellectual property enforcement.[58] While that fact does not imply that no issues remain, it *substantially* weakens the narrative that Brazil is somehow systemically denying adequate and effective intellectual property protection in a manner that now warrants a 25 percent tariff on Brazilian goods.

USTR's discussion of patent pendency in the Notice of Proposed Action is similarly inchoate. Brazil's previous comments did not deny that patent examination timelines had been a matter of concern in the past. Brazil showed, however, that the relevant metrics had *materially* improved as a result of administrative reform and backlog reduction measures implemented through Brazil's National Intellectual Property Strategy and related initiatives.[59] In its post-hearing rebuttal comments, Brazil noted that official data from

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[55] *Notice of Proposed Action*, pp. 33,857-33,858.
[56] Brazil's Written Comments, pp. 53-54.
[57] Brazil's Written Comments, p. 54.
[58] Brazil's Post-Hearing Rebuttal Comments, p. 18.
[59] Brazil's Written Comments, pp. 61-62.

Brazil's National Institute of Industrial Property ("INPI") showed a dramatic reduction in average patent pendency, a near elimination of the historical backlog, and materially improved timelines.[60] Brazil also explained that U.S. applicants benefit from the bilateral PPH arrangement, under which the average pendency for U.S. applicants in Brazil had fallen to approximately nine months.[61] While the Notice of Proposed Action acknowledges some improvement, it nevertheless relies on broader and outdated averages to preserve a narrative of unreasonable delays.[62] That treatment does not adequately engage with the more current and specific evidence that Brazil placed on the record of this investigation.

Nor does the absence of a patent term adjustment mechanism render Brazil's regime actionable under Section 301. Brazil's post-hearing rebuttal comments explained that Article 33 of the Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS Agreement") requires a minimum patent term of twenty years from the filing date, and that Brazil's legislation complies with that obligation.[63] Brazil further explained that demands for patent term adjustment go beyond what international law requires and accordingly amount to TRIPS-plus demands that Brazil is not obligated to adopt.[64] Brazil also pointed to domestic safeguards, including the availability of compensation for unauthorized use during the pendency period and injunctive relief in appropriate cases.[65] USTR may prefer a system that provides additional term restoration, but a sovereign decision not to adopt TRIPS-plus patent duration mechanisms cannot, without more, be treated as "unreasonable" conduct that should be sanctioned under Section 301.

The same is true for regulatory data protection. Although USTR, in the Notice of Proposed Action, does not appear to place as much express emphasis on that issue as some stakeholders did during the investigation, Brazil squarely addressed those concerns in its prior comments and explained that its legal framework protects undisclosed test data against unfair commercial use and disclosure in a manner consistent with Article 39.3 of the TRIPS Agreement.[66] Brazil further explained that stakeholder demands for data exclusivity for human-use pharmaceuticals likewise seek TRIPS-plus protection that

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[60] Brazil's Post-Hearing Rebuttal Comments, pp. 15-17.
[61] Brazil's Written Comments, p. 70; Brazil's Post-Hearing Rebuttal Comments, p. 16.
[62] *Notice of Proposed Action*, pp. 33,857-33,858.
[63] Brazil's Post-Hearing Rebuttal Comments, p. 16.
[64] Brazil's Post-Hearing Rebuttal Comments, p. 16.
[65] Brazil's Post-Hearing Rebuttal Comments, p. 17.
[66] Brazil's Post-Hearing Rebuttal Comments, pp. 14-15.

international law does not require Brazil to provide.[67] To the extent USTR's broader intellectual property concerns continue to draw support from those stakeholder demands, they do not provide a sound basis for Section 301 action.

The Notice's discussion of piracy and counterfeiting also does not fairly account for the enforcement record before USTR in the investigation. Brazil's previous comments documented a sustained set of enforcement operations across both physical and digital markets, including major seizures, multinational anti-piracy actions, the blocking of websites and applications, cooperation among enforcement agencies, the issuance of best practice guidance for e-commerce platforms, and the development of specialized judicial and administrative capacity.[68] Brazil also highlighted specific operations, such as Operation 404 and other major enforcement campaigns, which USTR had itself previously acknowledged positively.[69] Nevertheless, the Notice of Proposed Action treats Brazil's efforts as insufficiently sustained.[70] Yet, the existence of continuing enforcement challenges in a large market does not negate the extensive record of enforcement action Brazil submitted. Nor does the Notice identify any basis for concluding that the remaining challenges are the product of a policy of denial or discriminatory treatment directed at U.S. right holders, rather than the practical enforcement difficulties that all jurisdictions face in evolving physical and digital marketplaces.

Finally, the Notice of Proposed Action itself confirms that intellectual property concerns are capable of being addressed through more specific and appropriate channels. In this regard, USTR expressly invites views on U.S. engagement with Brazil in the context of the ongoing Special 301 review.[71] That itself is an acknowledgment that U.S. concerns regarding intellectual property protection and enforcement in Brazil are more appropriately addressed through the established Special 301 process and related bilateral engagement, rather than through a sweeping tariff on Brazilian goods.

For these reasons, USTR's findings regarding intellectual property protection do not support action under Section 301.

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[67] Brazil's Post-Hearing Rebuttal Comments, p. 15.
[68] Brazil's Written Comments, pp. 63-69; Brazil's Post-Hearing Rebuttal Comments, pp. 18-19.
[69] Brazil's Written Comments, pp. 65-66; Brazil's Post-Hearing Rebuttal Comments, p. 18.
[70] *Notice of Proposed Action*, p. 33,858.
[71] *Notice of Proposed Action*, p. 33,861.

E. USTR's Findings Regarding Ethanol Market Access Do Not Support Action under Section 301

USTR's findings regarding ethanol market access likewise do not support action under Section 301. At the outset, Brazil notes that USTR does not contend that Brazil's current tariff on ethanol violates any bilateral commitments with the United States. Nor does it identify a tariff that is discriminatorily applied only to U.S. ethanol. Rather, USTR contends that Brazil "discontinued its previously balanced tariff treatment", departed from an earlier period of bilateral cooperation, and thereby established "non-reciprocal and unfair conditions" for trade in ethanol.[72] USTR then points to the decline in U.S. ethanol exports to Brazil and the continued access of Brazilian ethanol to the U.S. market as evidence that Brazil's acts, policies, and practices are unreasonable and burden or restrict U.S. commerce.[73] Those assertions are insufficient to sustain action under Section 301.

As Brazil explained in its previous comments, Brazil's ethanol tariff is applied on a Most Favored Nation ("MFN") basis and remains below Brazil's WTO bound rate.[74] The tariff applies equally to all countries that do not benefit from a preferential arrangement and therefore does not discriminate against the United States. USTR may disagree with the level of the tariff or Brazil's decisions not to maintain earlier periods of greater liberalization, but mere disagreement with the exercise of a sovereign tariff choice that is consistent with multilateral commitments does *not* amount to a demonstration of unreasonable or discriminatory conduct for purposes of Section 301.

USTR's reliance on the decline in U.S. ethanol exports to Brazil is also unavailing. The reduction in export values or volumes following a change in applied tariffs does not, without more, establish that the tariff is discriminatory or unfair for purposes of Section 301. Trade flows are affected by a broad range of factors. Brazil's previous comments made precisely this point in noting that bilateral ethanol trade flows are affected by a variety of factors including the supply and demand of inputs, pricing trends, subsidy programs, regulatory and environmental policies, and blending mandates.[75] USTR therefore cannot simply convert a decline in trade flows, viewed in isolation from the

[72] *Notice of Proposed Action*, p. 33,858
[73] *Notice of Proposed Action*, p. 33,858.
[74] Brazil's Written Comments, p. 72; Brazil's Post-Hearing Rebuttal Comments, p. 36.
[75] Brazil's Post-Hearing Rebuttal Comments, pp. 35-36.

broader commercial context, into proof that Brazil's tariff is unreasonable, discriminatory, or actionable under Section 301.

The same is true of USTR's emphasis on asymmetry in recent bilateral trade values. The Notice points to the fact that Brazilian ethanol exports to the United States exceeded U.S. ethanol exports to Brazil in 2024, and that U.S. exports to markets such as Canada grew while exports to Brazil declined.[76] Yet, asymmetry in trade flows is not itself evidence of unreasonable or discriminatory conduct. Nor does the comparison with Canada aid in establishing the requisite causal nexus, since it assumes that the sole or decisive difference between those markets is Brazil's ethanol tariff. Section 301 requires more than a showing that U.S. export performance worsened after another country adjusted an applied tariff. It requires a demonstrated basis for characterizing that conduct as unreasonable or discriminatory and a demonstrated burden or restriction on U.S. commerce. USTR has not made that showing.

Additionally, Brazil emphasizes that if a country's decision to raise or reimpose an MFN tariff within its bound rate can be characterized as "unreasonable" simply on the basis that the tariff had previously been lower, then Section 301 would become a vehicle for challenging any sovereign choice not to preserve unilateral liberalization indefinitely. That cannot be the meaning of the statute. Nothing in Section 301 suggests that a temporary suspension of duties, a tariff-rate quota, or a period of lower applied rates creates a continuing obligation to maintain those terms indefinitely, absent a binding commitment to do so. Brazil's current policy may be less favorable than the United States would prefer, but that is not enough to transform it into actionable conduct under Section 301.

Finally, Brazil's prior comments identified a more appropriate and constructive path forward. Brazil explained that bilateral engagement has historically produced the most meaningful advances in ethanol trade and urged USTR to re-engage through negotiation rather than to preempt that process through unilateral tariffs.[77] That remains the better course. If the United States wishes to pursue improved ethanol market access, that objective is better addressed through targeted bilateral discussions rather than a sweeping 25 percent tariff on Brazilian goods. Indeed, the availability of that issue-specific channel

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[76] *Notice of Proposed Action*, p. 33,858.
[77] Brazil's Post-Hearing Rebuttal Comments, p. 3.

itself confirms that the proposed action is not an appropriate response to the concerns identified by USTR.

For all of these reasons, USTR's findings regarding ethanol market access do not establish actionable conduct under Section 301.

F. USTR's Findings Regarding Illegal Deforestation Do Not Support Action under Section 301

USTR's findings regarding illegal deforestation likewise do not support action under Section 301. The Notice of Proposed Action does not contend that Brazil lacks laws, regulations, or institutions directed at illegal deforestation. Indeed, USTR expressly acknowledges that Brazil has a legal framework for combating illegal deforestation and recognizes that Brazil has recently taken steps to improve enforcement, including investments in technology and other enforcement-related measures.[78] USTR asserts, however, that illegal deforestation persists notwithstanding those efforts, that fraud and corruption remain present in certain supply chains, and that the resulting production of agricultural and timber products confers an unfair competitive advantage that burdens U.S. commerce.[79] None of these assertions establish actionable conduct under Section 301.

As an initial matter, Brazil's previous comments documented an extensive and evolving enforcement architecture that the Notice of Proposed Action fails to properly engage with. Brazil explained that, since January 2023, it has increased resources for the principal agencies responsible for combatting illegal deforestation, expanded field operations, strengthened satellite-based monitoring, lifted prior freezes affecting environmental fines, and intensified the use of existing legal and administrative tools.[80] In accordance with the most recent budgetary data from Integrated Planning and Budgeting System ("SIOP"), the allocation for Action 214N (Environmental Control and Enforcement, Ministry of the Environment ("MMA")/Ibama) rose from BRL 181.8 million in 2022 to BRL 340.99 million in 2026, an increase of 87.6% over the period, totaling BRL 1,345 billion cumulatively between 2022 and 2026. As a recent reinforcement, Provisional Measure No. 1,367/2026, dated June 15, 2026, authorized an extraordinary credit of BRL 337.5 million to the MMA, of which BRL 194.4 million were allocated to Ibama, raising the available

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[78] *Notice of Proposed Action*, pp. 33,858-33,859.
[79] *Notice of Proposed Action*, pp. 33,859-33,860.
[80] Brazil's Post-Hearing Rebuttal Comments, pp. 19-20.

budget for enforcement and wildfire suppression to 24% above the previous record level, reached in 2025.

Brazil further described the operation of the Forest Code, the Rural Environmental Registry ("CAR") and National Rural Environmental Registry System ("SICAR"), the National System for Controlling the Origin of Forest Products ("Sinaflor"), the Forest Origin Document ("DOF") chain of custody framework, the "Prodes" and "Deter" satellite monitoring systems - operated by National Institute for Space Research ("INPE"), which produce the official deforestation rate and daily alerts that guide field enforcement -, the Crotalus System - used to prioritize and share geospatial information on deforestation -, the Federal Technical Registry of Potentially Polluting Activities, the "Sicafi" - system that manages the administrative sanctioning process established by Decree No. 6,514/2008, which governs the investigation of infractions and the application of fines, embargoes, and seizures -, the resolution of the National Monetary Council that conditions the granting of rural credit on environmental compliance within the CAR, besides embargo lists, and other mechanisms directed at traceability, compliance, and enforcement.[81]

Brazil also placed on the record recent official data showing meaningful declines in deforestation and alerts, including official figures reporting that Deter alerts in the Amazon declined by approximately 50 percent in calendar year 2023 compared to 2022, declined by 30.6 percent in the August 2023–July 2024 monitoring cycle recorded by Prodes, and that Cerrado Deter alerts declined by a further 20.8 percent in the August 2024–July 2025 cycle.[82] According to the most recent data, Prodes 2025 (August 2024–July 2025 cycle) recorded a further reduction of 11.08% in the Amazon and 11.49% in the Cerrado, bringing the cumulative decrease since 2022 to 50% in the Amazon and 32.3% in the Cerrado, marking the third consecutive year of decline. Preliminary Deter data for the August 2025–May 2026 cycle already indicate a reduction of 37.5% in the Amazon and 8.2% in the Cerrado.

Whatever concerns may remain, the record before USTR is irreconcilable with the proposition that Brazil is passively permitting illegal deforestation or lacks a meaningful enforcement framework.

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[81] Brazil's Written Comments, pp. 77-82; Brazil's Post-Hearing Rebuttal Comments, pp. 19-20.
[82] Brazil's Post-Hearing Rebuttal Comments, pp. 21 and 25.

USTR relies principally on a historical narrative while not substantively engaging with the more recent official trend data Brazil placed on the record. The Notice of Proposed Action emphasizes that deforestation reached a 15-year high in 2021 and cites estimates regarding the share of illegal deforestation and illegal land clearing between 2023 and 2024.[83] Crucially, however, it does not appear to incorporate or address in any substantive way the more recent official data submitted by Brazil showing marked declines in deforestation and alerts in subsequent monitoring periods. Instead, USTR acknowledges in general terms that some comments described recent enforcement improvements, but then reasons that such efforts could be undone by future administrations and that illegal deforestation nevertheless persists.[84] Action under Section 301 must be justified by present acts, policies, or practices, not by speculation that a future government might weaken ongoing enforcement efforts. If the sufficiency of current action can be overridden by conjecture about what a later administration may do, Section 301 would become untethered from any administrable standard.

Regarding fraud and corruption in deforestation-linked value chains, USTR points to concerns about fraudulent registrations, inadequate auditing and the prevalence of fraud in the timber sector.[85] Brazil, however, had already submitted detailed evidence describing overlapping legal, administrative, and digital controls designed precisely to address those risks, including auditable chain-of-custody systems, georeferenced registries, public embargo data, screening of rural credit, and related enforcement tools.[86] Brazil also pointed to concrete operations in which authorities detected and disrupted fraud schemes, including fraud involving forest credits and timber harvesting, such as:[87]

- **Operation Metaverso (Ibama)** investigates fraud in the Forest Origin Document (DOF) and Sinaflor systems used to "launder" illegal timber. The 2024 phase resulted in BRL 54 million in fines, the embargo of 26,000 hectares, and the suspension of 20 Sustainable Forest Management Plans. Phases carried out in 2025 in Mato Grosso and Acre blocked more than 1.3 million cubic meters in irregular forest credits, with over 300 companies under investigation nationwide;

[83] *Notice of Proposed Action*, pp. 33,858-33,859.
[84] *Notice of Proposed Action*, p. 33,860.
[85] *Notice of Proposed Action*, pp. 33,858.
[86] Brazil's Post-Hearing Rebuttal Comments, p. 20.
[87] Brazil's Post-Hearing Rebuttal Comments, p. 24.

- **Operation Caixa-Forte 1 and 2 (Ibama, 2025)** targeted banks and rural producers financing activities in embargoed areas, resulting in BRL 4.8 million in fines in the Cerrado (March 2025) and BRL 11.2 million in the Amazon (November 2025), as well as the identification of BRL 25 million in irregular credit granted to illegally deforested areas; and

- **Operation Pátio Subdolus (Federal Police and Ibama, February 2025)** investigated fraud in the system for issuing Forest Origin Documents and led to the suspension of company activities in Maranhão.

The existence of fraud risks in a large and difficult enforcement environment does not establish that Brazil maintains a policy of permitting fraud, let alone that Brazil has adopted an unreasonable or discriminatory trade practice within the meaning of Section 301.

Brazil's prior comments also directly addressed the economic premise of USTR's findings. Brazil explained that illegal deforestation does not constitute a competitive "benefit" for Brazilian agriculture in the abstract and that Brazil's success in major agricultural sectors is overwhelmingly attributable to productivity gains, technological innovation, and structural efficiencies, rather than unlawful land conversion.[88] In its post-hearing rebuttal comments, Brazil also responded in detail to allegations levelled against particular sectors, including timber, cotton, and beef, emphasizing traceability systems, certification mechanisms, regional production realities, enforcement actions against fraud, and the distinction between plantation-based production and Amazonian frontier activities.[89] The Notice of Proposed Action does not meaningfully engage with those sector-specific responses. Instead, it reverts to a generalized account of systemic environmental illegality and treats that alone as sufficient to establish a burden on U.S. commerce. It is not.

Finally, the poor fit between USTR's findings and its proposed remedy is particularly pronounced in this area. If USTR's concern is illegal deforestation, fraud in particular value chains, or weak enforcement affecting specific products, then a sweeping 25 percent tariff on Brazilian goods is plainly not fit for purpose. Targeted cooperation on traceability, customs enforcement, environmental monitoring, and issue-specific engagement would be

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[88] Brazil's Written Comments, pp. 86-90 ; Brazil's Post-Hearing Rebuttal Comments, pp. 21-22.
[89] Brazil's Post-Hearing Rebuttal Comments, pp. 22-30.

far more logically connected to the concerns identified in the Notice of Proposed Action than a 25 percent tariff on Brazilian goods.

For all of these reasons, USTR's findings regarding illegal deforestation do not establish actionable conduct under Section 301.

II. The Proposed Remedy is In Any Event Inappropriate

Even if USTR were to maintain any of the findings set out in the Notice of Proposed Action (which it should not), the proposed remedy would remain inappropriate. Section 301 authorizes only "appropriate and feasible" action to obtain the elimination of the act, policy, or practice at issue. The proposed 25 percent tariff on Brazilian goods, subject to certain exemptions, does not meet that standard. It is disconnected from the purported objective of eliminating the challenged conduct and will impose substantial costs on U.S. commercial interests without addressing the concerns identified.

The proposed action is not calibrated to the specific concerns asserted by USTR. To recall, in the digital section, USTR objects to judicial orders and alleged preferences associated with Pix. In anti-corruption, it points to perceived enforcement deficiencies. In intellectual property, it raises concerns about patent pendency and enforcement gaps. In deforestation, it identifies alleged shortcomings in environmental enforcement and downstream competitive effects. However, the Notice fails to explain how a 25 percent tariff on Brazilian goods would induce changes in any of these areas.

That disconnect is dispositive. Section 301 does not provide an open-ended license to impose trade costs in response to objectionable foreign conduct. It contemplates measures that are reasonably fitted to secure the elimination of the act, policy, or practice at issue. Here, USTR relies, at most, on a theory of generalized economic pressure. But undifferentiated pressure cannot substitute for a reasoned explanation of why the chosen measure is appropriate to the conduct identified, particularly where the concerns are heterogeneous and largely unrelated to market access for goods.

The structure of the proposed exemptions reinforces that conclusion. USTR proposes to exclude a wide range of products, including informational materials, donations, accompanied baggage, goods already subject to Section 232 tariffs, and an extensive list of additional items. It explains that many of these exclusions are necessary to avoid supply disruptions, economy-wide effects, or situations in which tariffs would not meaningfully contribute to eliminating the challenged conduct. Those exclusions therefore confirm that:

(i) broad tariffs on Brazilian goods would impose real costs on the U.S. economy; and (ii) in many instances, such tariffs would not advance USTR's stated objective.

USTR's rationale for these exclusions, however, is not confined to the products it has chosen to exclude. The risk that a tariff will impose costs without contributing to elimination of the challenged conduct applies with equal force to the broader universe of Brazilian imports that would remain subject to the proposed 25 percent tariff. The proposed tariff is not a carefully tailored instrument directed at the challenged conduct, but a blunt measure whose economic consequences USTR is attempting to mitigate at the margins.

Brazil and the United States maintain a deeply integrated, commercially significant relationship. In its August 2025 written comments, Brazil noted that, according to U.S. data, the United States exported US$78.4 billion in goods and services to Brazil in 2024 while importing US$49 billion, resulting in a U.S. trade surplus of US$29.3 billion.[90] Brazil also emphasized the breadth of investment between the two countries and the role of Brazilian investment in supporting jobs, research and development, and exports in the United States.[91] Those features of the bilateral relationship make clear that sweeping tariffs on Brazilian goods would not operate in a vacuum, and would affect firms, supply chains, investors, and consumers on both sides of a highly integrated commercial relationship.

The record of this investigation also reflects significant concern within the United States regarding the consequences of Section 301 action against Brazil. In its post-hearing rebuttal comments, Brazil noted that, out of 223 substantive comments received by USTR, 162 were either neutral or took the view that Brazil's acts, policies, and practices did not meet the requirements for action under Section 301.[92] Brazil further noted that 43 U.S. companies and trade associations requested product exclusions from any Section 301 tariffs, emphasizing the absence of domestic substitutes and the risk of costs being passed on to U.S. consumers and downstream industries.[93] Those observations are highly pertinent to whether the proposed tariff action is "appropriate." They show that many U.S.

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[90] Brazil's Written Comments, p. 2.
[91] Brazil's Written Comments, p. 2.
[92] Brazil's Post-Hearing Rebuttal Comments, pp. 1-2.
[93] Brazil's Post-Hearing Rebuttal Comments, pp. 1-2.

stakeholders expect broad tariff action to harm, rather than advance, U.S. economic interests.

The proposed action is further inappropriate because it collapses distinct policy issues into a single trade response, notwithstanding the availability of more appropriate, issue-specific tools. If the United States has continuing concerns with intellectual property protection in Brazil, the Notice itself recognizes the existence of the Special 301 process and invites views on U.S. engagement with Brazil in that context.[94] If the United States seeks further discussion of ethanol market access, Brazil has already explained that bilateral negotiations have historically been the most effective means of addressing ethanol trade issues, including under the 2007 Memorandum of Understanding to Advance Cooperation on Biofuels and the 2020 Joint Statement on Ethanol.[95] If the United States seeks continued cooperation on illegal deforestation, that objective is likewise better served through targeted environmental, customs, and law enforcement cooperation than through a blanket tariff on Brazilian goods. The availability of those issue-specific channels further confirms that a generalized tariff remedy is not the appropriate response.

Finally, the proposed tariff risks undermining, rather than encouraging, the very forms of constructive engagement that are most likely to address any legitimate U.S. concerns. Brazil has consistently participated in this process, submitted detailed written comments, responded to hearing testimony, and emphasized its willingness to engage in dialogue and negotiations. USTR has itself acknowledged that the United States "continues to engage intensively with Brazil to seek resolution of U.S. concerns."[96] In these circumstances, resort to a sweeping tariff on Brazilian goods would be premature and counterproductive. It would burden a bilateral trade and investment relationship that is plainly important to both sides, while reducing the space for engagement most capable of producing practical outcomes.

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[94] *Notice of Proposed Action*, p. 33,861

[95] Brazil's Post-Hearing Rebuttal Comments, p. 3.

[96] USTR, Press Release, "USTR Section 301 Determination on Brazil's Unreasonable Acts, Policies, and Practices", June 1, 2026, available at: https://ustr.gov/about/policy-offices/press-office/press-releases/2026/june/ustr-section-301-determination-brazils-unreasonable-acts-policies-and-practices (last accessed on 17 June 2026).

III. Conclusion

For all of the reasons stated above, USTR should not adopt the proposed 25 percent tariff on goods of Brazil. Even apart from the absence of a sufficient statutory basis for action under Section 301, the proposed measure will impose substantial costs on U.S. interests without materially contributing to the elimination of the alleged acts, policies, and practices investigated.

Brazil urges USTR to reconsider the findings made in the Notice of Proposed Action and to engage in constructive dialogue. Brazil remains open to consultations and reaffirms its commitment to resolving trade concerns through cooperative and lawful means.

Sincerely,

Mauro Vieira
Minister of Foreign Affairs
Government of the Federative Republic of Brazil