



## OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

**Docket No. USTR-2025-0043**

**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**

**AGENCY:** Office of the United States Trade Representative (USTR).

**ACTION:** Notice of initiation of investigation and a hearing, and a request for comments.

**SUMMARY:** In accordance with the specific direction of the President, on July 15, 2025 the U.S. Trade Representative initiated an 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. The Section 301 Committee is holding a public hearing and seeking public comments in connection with this investigation.

### **DATES:**

*July 15, 2025:* The U.S. Trade Representative initiated the investigation.

*July 17, 2025:* USTR will open the docket for submission of written comments.

*August 18, 2025, at 11:59 p.m. EDT:* To be assured of consideration, submit written comments, requests to appear at the hearing, along with a summary of the testimony, by this date.

*September 3, 2025, at 10.00 a.m.:* USTR will hold a public hearing in the main hearing room of the U.S. International Trade Commission, 500 E Street SW, Washington, DC

20436, beginning at 10 a.m. If necessary, the hearing may continue on the next business day.

*Seven calendar days after the last day of the public hearing:* Due date for submission of post-hearing rebuttal comments.

**ADDRESSES:** Submit documents in response to this notice, including written comments, hearing appearance requests, summaries of testimony, and post-hearing rebuttal comments through the online USTR portal: <https://comments.ustr.gov/s/>.

**FOR FURTHER INFORMATION CONTACT:** For general questions about this notice contact Philip Butler and Megan Grimball, Chairs of the Section 301 Committee; or Megan Paster, Assistant General Counsel at 202.395.5725.

**SUPPLEMENTARY INFORMATION:**

**I. Brazil's Acts, Policies, and Practices**

The Section 301 investigation will initially focus on the issue areas discussed below.

**A. Digital Trade and Electronic Payment Services**

Evidence indicates that Brazil engages in a variety of acts, policies, and practices that may undermine the competitiveness of U.S. companies engaged in digital trade and electronic payment services. For example, the Brazilian Supreme Court recently voted to make social media companies liable for illegal postings by their users, even absent a court order to remove that content, but includes within the scope of such “illegal” postings a broad range of speech, including political speech. This regime could trigger the preemptive takedown of content and restrictions on a wide array of speech, as well as significantly increase the risk of economic harm to U.S. social media companies. Additionally, Brazilian courts have issued secret orders instructing U.S. social media companies to censor thousands of posts and de-platform dozens of political critics, including U.S. persons, for lawful speech on U.S. soil. When U.S. and U.S.-headquartered companies have refused to comply with these orders, Brazilian courts have

imposed substantial fines on U.S. and U.S.-headquartered companies, ordered the suspension of U.S. and U.S.-headquartered platforms in Brazil, and threatened U.S. and U.S.-headquartered company executives with arrest or criminal prosecution.

More generally, evidence indicates that these acts, policies, and practices may undermine the competitiveness of U.S. companies engaged in digital trade and electronic payment services, for example, by raising risks or costs for U.S. businesses, restricting the ability of U.S. companies to provide services or engage in normal business practices, decreasing the revenue and returns on investments of those U.S. companies, assigning increased regulatory burdens and compliance costs on those U.S. companies, or creating advantages for domestic Brazilian competitors.

For example, Brazil imposes overly broad restrictions on the transfer of personal data outside Brazil, including to the United States, that may not adequately account for routine business purposes. These restrictions may prevent a business from securely processing data or providing services from U.S. servers. Additionally, Brazil also appears to engage in a number of unfair practices with respect to electronic payment services, including but not limited to advantaging its government-developed electronic payment services.

## **B. Brazil's Unfair, Preferential Tariffs**

Brazil has lowered tariffs on an unfair, preferential basis by entering into partial-scope preferential trade arrangements with certain large trading partners, while disadvantaging the United States by applying higher tariffs to U.S. imports. Under these arrangements, Brazil accords lower, preferential tariff treatment only to certain large trading partners in specific sectors, including sectors in which these trading partners are globally competitive. At the same time, Brazil maintains high most-favored nation (MFN) tariffs that apply to U.S. exports. In 2024, Brazil had a 12.2 percent simple average MFN applied rate, compared to the United States' 3.3 percent simple average

MFN rate.

In particular, Brazil accords to India and Mexico preferential tariff treatment that it does not accord to the United States. This preferential treatment covers thousands of tariff lines for Mexico and hundreds of tariff lines for India at tariff rates that are between 10 and 100 percent lower than Brazil's MFN rate. This preferential treatment applies to hundreds of products across multiple sectors, such as agricultural products, motor vehicles and parts, minerals, chemicals, and machinery. In 2023, Brazil imported approximately \$5.5 billion in imports at these preferential tariff rates—\$4.6 billion from Mexico and \$1.0 billion from India. Products covered by preferential tariffs included nearly \$1.7 billion in motor vehicles and motor vehicle parts from Mexico. Nearly all of Brazil's imports of motor vehicles and parts from Mexico were subject to no tariffs, while Brazil's imports of these products from the United States were subject to MFN rates, almost all of which are between 14 and 35 percent.

Brazil accords this preferential treatment pursuant to bilateral agreements with large trading partners covering only discrete sectors. In 2024, Brazil's gross domestic product (GDP) exceeded \$2.1 trillion, and it imported over \$274 billion of goods and exported over \$339 billion. In 2024, Mexico exported \$617.8 billion of goods, and India exported over \$447 billion. Furthermore, Brazil, Mexico, and India are already advanced and globally competitive in many of the sectors covered by preferential tariff treatment. For example, Mexico is one of the largest global vehicle producers, and India is one of the world's leading chemical producers. Nonetheless, Mexican vehicles and Indian chemicals receive preferential tariff treatment from Brazil while U.S. vehicles and chemicals are subject to Brazil's MFN rate.

When Brazil applies lower tariffs on goods of other large and competitive economies, while continuing to subject U.S. goods to its high, MFN rates, U.S. exports are denied a level playing field in Brazil's market. This can suppress U.S. exports and

economic output, with negative consequences for employment and domestic production.

### **C. Anti-Corruption Enforcement**

Evidence suggests that Brazil's efforts to fight corruption have weakened considerably in some areas. For example, reports indicate that prosecutors have engaged in opaque agreements to provide leniency to companies engaged in corruption and indicate conflicts of interest in judicial decisions. In a highly publicized case involving the bribery of public officials for public projects and money laundering, rulings by a Supreme Court justice to throw out the convictions have drawn widespread criticism. Evidence indicates that Brazil's lack of enforcement of anti-corruption measures and lack of transparency may disadvantage U.S. companies engaged in trade and investment in Brazil and raises concerns in relation to norms relating to fighting bribery and corruption, such as under *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 Relating to Trade Rules and Transparency*, Annex III or the *Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, done at Paris, December 19, 1997*.

### **D. Intellectual Property Protection**

Brazil engages in a variety of acts, policies, and practices that apparently deny adequate and effective protection and enforcement of intellectual property rights. For example, Brazil has failed to effectively address widespread importation, distribution, sale, and use of counterfeit goods, modified gaming consoles, illicit streaming devices, and other circumvention devices. Counterfeiting remains widespread because enforcement raids are not followed by deterrent-level remedies or penalties and long-term disruption of these illicit business practices. The Rua 25 de Março area has for decades remained one of the largest markets for counterfeit goods despite raids targeting this area.

As another example, the overall average pendency of patent applications remains high, particularly for biopharmaceutical patent applications. The impact of the current average patent application pendency of almost 7 years (and 9.5 years for pharmaceutical patents granted between 2020 and 2024) is to cut into the patent term. In addition, the failure to effectively address piracy of copyrighted content remains a significant barrier to the adoption of legitimate content distribution channels. Brazil's failure to address such issues harms American workers whose livelihoods are tied to America's innovation- and creativity-driven sectors.

#### **E. Ethanol Market Access**

The United States suffers from higher tariffs on ethanol by Brazil and from imbalanced trade resulting from Brazil's decision to abandon the reciprocal, virtually duty-free treatment that promoted the development of both of our industries and to flourishing and mutually beneficial trade. Brazil and the United States are the two largest ethanol producers in the world. In 2024, the United States produced an estimated 16.1 billion gallons of ethanol, while Brazil produced nearly 8.8 billion gallons—figures that together make up 80 percent of the world's total ethanol production. The United States competes with Brazil in global sales of agricultural commodities that serve as feedstocks for biofuels such as ethanol and biodiesel, including corn and soybeans. In Brazil, the main feedstock for ethanol production is sugarcane, followed by corn. Brazil's corn ethanol production has been rapidly increasing since 2017.

Between 2010 and 2017, Brazil and the United States each took action to establish virtually duty-free bilateral trade of ethanol. In 2010, Brazil suspended its 20 percent tariff on imported ethanol, a move that was supported by Brazil's ethanol industry. In 2011, the United States allowed the "blender" tax credit to U.S. ethanol producers and the \$0.54/gallon surcharge on ethanol imports to expire. These actions permitted bilateral ethanol trade to flourish.

However, beginning in September 2017, Brazil abandoned this mutually beneficial approach, in a way that disadvantaged the United States in particular, which supplies the majority of Brazil's imports of ethanol. Since then, U.S. ethanol producers have, at times, faced steep and unfair Brazilian import tariffs on their products.

Brazil first imposed a tariff-rate quota (TRQ) of 600 million liters annually in 2017, with an out-of-quota rate of 20 percent on imports of ethanol. In September 2019, the TRQ was expanded to 750 million liters annually, but the TRQ expired in December 2020, causing all ethanol imports to face a 20 percent rate, which later changed to 18 percent in November 2021. The expiry of the TRQ and significantly higher Brazilian tariff rates have had a negative impact on the previously robust bilateral ethanol trade. Brazil temporarily eliminated its ethanol tariff from March 23, 2022, to January 31, 2023, but then reinstated the tariff at 16 percent. Effective January 1, 2024, Brazil set its tariff rate on ethanol at 18 percent, where it remains.

These tariff rates have had demonstrable impacts on U.S. ethanol exports to Brazil. U.S. ethanol exports to Brazil peaked at \$761 million in 2018, but fell to \$140,000 in 2023, and were \$53 million in 2024, suggesting that U.S. ethanol producers are at a significant disadvantage under the current tariff system.

## **F. Illegal Deforestation**

Evidence indicates that Brazil's lack of effective enforcement of its environmental laws and regulations has contributed to illegal deforestation in Brazil, and Brazilian ranchers and farmers have made use of such illegally deforested land by using it for agricultural production for livestock and a wide range of crops, including corn and soybeans. Conversion of illegally deforested land for agricultural production provides an unfair competitive advantage to agricultural exports by lowering costs and expanding availability of land inputs.

Brazil is a major competitor of the United States in global sales of agricultural products, including beef, corn, and soybeans. When China engages in economic coercion and restricts or prohibits U.S. agricultural exports, Brazilian producers readily backfill those products. Although the United States has an overall trade surplus with Brazil in goods and services, the U.S. trade deficit with Brazil for agricultural products has risen steeply in recent years, from approximately US\$3 billion in 2020 to US\$7 billion in 2024.

Agricultural production, particularly for soy plantations and cattle ranches, has been one of the main drivers of deforestation in Brazil, and deforestation reached a 15-year high in 2021. Brazil's enforcement efforts have not stopped illegal deforestation, and previously deforested land has not been restored, despite some efforts by Brazil recently to strengthen its environmental laws as well as enforcement of those laws. While deforestation rates have declined in recent years, deforestation rates in 2024 were nevertheless estimated to be about 3,403 hectares per day. Evidence indicates that up to 91 percent of such deforestation could be illegal. Agricultural products produced on previously illegally deforested land may also continue to compete with U.S. products.

Reports also suggest that illegal logging is occurring at significant levels in Brazil. In fact, reports estimate that more than one third of all Amazonian timber is estimated to be of illegal origin, either because it is illegally harvested from protected

lands or it is harvested without the appropriate permits and approvals. There is documented evidence of the extensive use of forced labor within the context of illegal deforestation. Evidence also suggests that Brazilian producers use legitimate timber production sites as fronts, along with fraudulent transport documents, to launder illegal timber illegally harvested elsewhere. Corruption in the system also undermines Brazil's enforcement of laws designed to prevent illegal deforestation, as evidence indicates that timber harvested illegally is disguised as legal through fraudulent paperwork schemes and bribery of Brazilian officials. Evidence further indicates that Brazil has ineffectively enforced environmental laws and regulations meant to prevent illegally harvested timber from entering the market. Sanctioned production sites have continued to sell timber to U.S. buyers, and Brazilian timber exporters that have been fined have been able to continue trading products on the global market. Illegal timber enters the U.S. market in violation of laws such as the Lacey Act, and can be sold at lower prices, thereby creating an unfair advantage over U.S. products that are harvested legally.

## **II. Initiation of Section 301 Investigation**

Section 302(b)(1)(A) of the Trade Act of 1974, as amended (Trade Act), authorizes the U.S. Trade Representative to initiate an investigation to determine whether an act, policy, or practice of a foreign country is actionable under Section 301 of the Trade Act. Actionable matters under Section 301 include acts, policies, and practices of a foreign country that are unreasonable or discriminatory and burden or restrict U.S. commerce. An act, policy, or practice is unreasonable if, while not necessarily in violation of, or inconsistent with, the international legal rights of the United States, it is otherwise unfair and inequitable.

On July 15, 2025, in accordance with the specific direction of the President, the U.S. Trade Representative initiated a Section 301 investigation to examine whether 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 are unreasonable or discriminatory and burden or restrict U.S. commerce. Pursuant to Section 302(b)(1)(B) of the Trade Act, USTR has consulted with appropriate advisory committees and the inter-agency Section 301 Committee. Pursuant to Section 303(a) of the Trade Act, USTR is requesting consultations with the Government of Brazil.

Pursuant to Section 304 of the Trade Act, USTR must determine whether the acts, policies, or practices under investigation are actionable under Section 301. If that determination is affirmative, the U.S. Trade Representative must determine whether action is appropriate, and if so, what action to take.

### **III. Request for Public Comments**

You may submit written comments on any issue covered by the investigation. In particular, USTR invites comments regarding:

#### **Digital Trade and Electronic Payment Services**

- The acts, policies, or practices of Brazil that may undermine the competitiveness of U.S. companies engaged in digital trade or electronic payment services.
- The extent to which Brazil's acts, policies, or practices discriminate against or unfairly disadvantage U.S. companies engaged in digital trade or electronic payment services.

#### **Unfair, Preferential Tariffs**

- The acts, policies, or practices of Brazil which accord lower, preferential tariff treatment only to certain large trading partners in specific sectors, including sectors in which these trading partners are globally competitive.
- The extent to which Brazil's acts, policies, or practices discriminate against or unfairly disadvantage U.S. exports and economic output.

#### **Anti-Corruption Enforcement**

- The extent to which Brazil's enforcement of anti-corruption is not sufficient.
- The extent to which Brazil's lack of enforcement of anti-corruption measures disadvantage U.S. companies engaged in trade and investment in Brazil.

#### Intellectual Property Protection

- The acts, policies, and practices of Brazil that deny adequate and effective protection and enforcement of intellectual property rights.
- The extent to which Brazil's acts, policies, or practices discriminate against or unfairly disadvantage American workers whose livelihoods are tied to American's innovation- and creativity-driven sectors.
- Other acts, policies, and practices of Brazil relating to the protection or enforcement of intellectual property rights that may discriminate against or unfairly disadvantage U.S. businesses.

#### Ethanol Market Access

- The extent to which Brazil's tariff rates or any related regulations on ethanol discriminate against or unfairly disadvantage U.S. ethanol producers.
- Other acts, policies, or practices of Brazil that may discriminate against or unfairly disadvantage U.S. producers of ethanol, biofuels, or related products.

#### Illegal Deforestation

- The extent to which Brazil has laws and regulations to effectively address illegal deforestation, use of illegally deforested land for agricultural production, and illegal logging taking place in its territory.
- The extent to which Brazil is effectively enforcing laws and regulations to address illegal deforestation, use of illegally deforested land for agricultural production, and illegal logging taking place in its territory.

- The extent to which agricultural products are being produced on illegally deforested land and are being exported, directly or through downstream agricultural products, to the United States or other markets.
- The extent to which Brazilian products, including lumber and wooden furniture, are being made with timber harvested illegally and are being exported to the United States or other markets.
- Other acts, policies, or practices of Brazil related to illegal deforestation that may discriminate against or unfairly disadvantage U.S. businesses.

#### General

- Whether there are any other acts, policies, and practices of Brazil related to the production of goods and services referenced in this notice that discriminate against or unfairly disadvantage U.S. businesses.
- Whether Brazil's acts, policies, and practices identified in this initiation notice are unreasonable or discriminatory.
- Whether Brazil's acts, policies, and practices identified in this initiation notice burden or restrict U.S. commerce, and if so, the nature and level of the burden or restriction. This would include economic assessments of the burden or restriction on U.S. commerce.
- Whether Brazil's acts, policies, and practices identified in this initiation notice are actionable under Section 301(b) of the Trade Act, and what action, if any, should be taken, including tariff and non-tariff actions.

To be assured of consideration, USTR must receive written comments by 11:59 p.m.

EDT on August 18, 2025. Additional instructions on how to submit written comments are provided below in Part V.

#### **IV. Hearing Participation**

The Section 301 Committee will convene a public hearing on September 3, 2025, and if needed, the hearing will continue on September 4, 2025. To testify at the hearing, you must submit a request to appear using the electronic portal at <https://comments.ustr.gov/s/>, following the instructions in Part V below. Requests to appear must include a summary of testimony, and may be accompanied by a prehearing submission. Remarks at the hearing are limited to five minutes to allow for possible questions from the Section 301 Committee. All submissions must be in English. To be assured of consideration, USTR must receive your request to appear and summary of the testimony by August 18, 2025.

Post-hearing rebuttal comments, which should be limited to rebutting or supplementing testimony presented at the hearing, may be submitted within seven calendar days after the last day of the public hearing. Rebuttal comments must be submitted using the electronic portal at <https://comments.ustr.gov/s/>, following the instructions in Part V below.

## **V. Submissions Instructions**

Interested persons must submit written comments, requests to appear at the hearing, summaries of testimony, and post-hearing rebuttal comments using the appropriate docket on the portal at <https://comments.ustr.gov/s/>. To make a submission, use the docket on the portal entitled ‘Request for Comments on the Section 301 Investigation of Acts, Policies, and Practices of Brazil Related to Digital Trade and Electronic Payment Services; Unfair, Preferential Tariffs; Anti-Corruption Enforcement; Intellectual Property Protection; Ethanol Market Access; and Illegal Deforestation,’ docket number USTR-2025-0043. Interested persons wishing to provide testimony at the hearing must submit a notification of intent and summary of testimony using the docket entitled ‘Request to Appear at the Hearing on the Section 301 Investigation of Acts, Policies, and Practices of Brazil Related to Digital Trade and Electronic Payment

Services; Unfair, Preferential Tariffs; Anti-Corruption Enforcement; Intellectual Property Protection; Ethanol Market Access; and Illegal Deforestation,’ docket number USTR-2025-0044.

You do not need to establish an account to submit comments or a notification of intent to testify. The first screen allows you to enter identification and contact information. Third party organizations such as law firms, trade associations, or customs brokers should identify the full legal name of the organization they represent and identify the primary point of contact for the submission. Information fields are optional. However, USTR may not consider your comment or request if insufficient information is provided. Fields with a gray Business Confidential Information (BCI) notation are for BCI information that will not be made publicly available. Fields with a green (Public) notation will be viewable by the public. After entering the identification and contact information, you can complete the remainder of the comment, or any portion of it, by clicking ‘Next.’ You may upload documents at the end of the form and indicate whether USTR should treat the documents as business confidential or public information. Any page containing BCI must be clearly marked ‘BUSINESS CONFIDENTIAL’ on the top of that page and the submission should clearly indicate, via brackets, highlighting, or other means, the specific information that is BCI. If you request business confidential treatment, you must certify in writing that the information would not customarily be released to the public. Parties uploading attachments containing BCI also must submit a public version of their comments. If these procedures are not sufficient to protect BCI or otherwise protect business interests, please contact the USTR Section 301 support line at 202.395.5725 to discuss whether alternative arrangements are possible. USTR will post attachments uploaded to the docket for public inspection, except for properly designated BCI. You can view submissions on USTR’s electronic portal at <https://comments.ustr.gov/s/>.

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