In the Matter Of:

USTR 301 INVESTIGATION HEARING

HEARING

September 03, 2025

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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

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WEDNESDAY
SEPTEMBER 3, 2025

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The Public Hearing convened at the U.S. International Trade Commission, 500 E Street SW, Washington, DC, at 10:00 a.m. EDT, Megan Grimball, Panel Chair, presiding.

PRESENT

MEGAN GRIMBALL, USTR, Panel Chair
VICTOR BAN, USTR
MEGAN PASTOR, USTR
KATE GIBSON, USTR
SARAH BONNER, U.S. Small Business Administration
NICHOLAS VOLTAGGIO, Department of the Treasury
DEVIN ABBOTT, Department of Agriculture
SABINA NEUMANN, Department of Agriculture
ANDREW STEPHENS, Department of Agriculture
JULIA REINITZ, Department of Labor
JILLIAN COTA, Department of Commerce
TOBIAS REYNOLDS, Department of Commerce
MICHELLE SARA KING, Department of Commerce
WILLIAM (STU) HUFFMAN, Department of State
ANNE YU, Department of Health and Human Services

WITNESSES PRESENT

NEIL HERRINGTON, U.S. Chamber of Commerce
ED BRZYTWA, Consumer Technology Association
SEAN MURPHY, Information Technology Industry Council
AMBASSADOR ROBERTO AZEVEDO, Confederacao Nacional

da Industria
SUEME ANDRADE, National Confederation of Agriculture and Livestock of Brazil
MARCOS ANTONIO MATOS, Brazilian Coffee Exporters Council
MELINDA ST. LOUIS, Public Citizen and Data Privacy Brasil
GEOFF COOPER, Renewable Fuels Association
CHRIS BLILEY, Growth Energy
NEIL ROCKSTAD, American Sugarbeet Growers Association and U.S. Beet Sugar Association
ANDRÉA VERÍSSIMO, Brazilian Corn Ethanol Association (União Nacional do Etanol de Milho)
WELBER BARRAL, União da Indústria de Cana-de-Açúcar e Bioenergia
LINDA SCHMID, U.S. Grains & Bioproducts Council
KENNETH R. HARTMAN JR., National Corn Growers Association
ANJAM AZIZ, Pharmaceutical Research and Manufacturers of America
RENÉ GUILHERME DA SILVA MEDRADO, Federation of Industries of the State of São Paulo
FABRIZIO PANZINI, American Chamber of Commerce for Brazil
GABRIEL LEONARDOS, Brazilian Intellectual Property Association
JOE MENCER, Agricultural Council of Arkansas
SHERIDAN McKINNEY, U.S. Cattlemen's Association
KENT BACUS, National Cattlemen's Beef Association
FERNANDO AGUIAR, Brazilian Association of Fishery Industries (Abipesca)
MARIA ZIEBA, National Pork Producers Council
WILLIAM MURRAY, National Coffee Association
ASHLEY AMIDON, International Wood Products Association
JOSÉ LUIZ PIMENTA JÚNIOR, Brazilian Furniture Manufacturers Association
BRITTNEY POWELL, Brazilian Tree Industry (Indústria Brasileira de Árvores)
PAULO ROBERTO PUPO, Brazilian Mechanically Processed Wood Industry Association
TIMOTHY BRIGHTBILL, Coalition of American Millwork Producers
TERRY WEBBER, American Forest & Paper Association
JASON BERNSTEIN, American Chemistry Council
PETER BARRY, WEG Electric Corp.
RICARDO FREIRE VASCONCELLOS, Conservative Congress of Brazil
DANIEL HICKEY, Embraer, S.A.

ALAIS COLUCHI, Brazilian Association of Manufacturers of Ceramic Tiles, Sanitary Ware and Related Products
ANDRE GAIDZINSKI, Eliane Ceramic Tiles USA
JAMES DURBIN, Portobello America

P-R-O-C-E-E-D-I-N-G-S

10:06 a.m.

CHAIR GRIMBALL: Good morning, and welcome.

The Office of the United States Trade Representative, in conjunction with the Interagency Section 301 Committee, is holding this public hearing in connection with 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.

In accordance with the specific direction of the President, the United States Trade Representative initiated this investigation on July 15th, 2025.

In the Federal Register Notice published on July 18th, 2025 announcing this initiation, USTR also invited written comments and announced this hearing.

The July 18th Notice invited comment on a number of issues going to the question of whether the acts, policies, or practices at issue are actionable under the Statute.

Actionable matters under Section 301 include acts, policies, and practices of a foreign country that are unreasonable and discriminatory, and burden or restrict U.S. commerce.

The July 18th Notice is available on the USTR web page under the Section 301 Investigations page and is published in the Federal Register at 90 Fed Reg 34069.

The purpose of this hearing is to receive public testimony regarding the issues raised in the July 18th Notice.

The Section 301 Committee will carefully consider today's testimony as well as all written comments in response to the Federal Register Notice, including post-hearing rebuttal comments.

Because this hearing will last one day, all written comments, including post-hearing comments are due September 10th, 2025.

Consistent with the rules and procedures set forth in the July 18th Federal Register Notice, witnesses have provided USTR and the Section 301 Committee with a summary of their testimony in advance of today's hearing.

As appropriate, witnesses have been advised in advance that this hearing will not address potential remedies under Section 301, which is a separate inquiry.

Nor will this hearing address tariffs that have been separately imposed pursuant to the International Emergency Economic Powers Act, or IEEPA.

Specifically, the reciprocal tariffs imposed under Executive Order 14257 and those imposed separately on goods of Brazil under Executive Order 14323.

Should witness testimony address issues beyond the scope of this hearing, the Chair will ask the witness to redirect or to conclude their testimony.

After the Section 301 Committee has completed its work, the Committee will make a recommendation to the U.S. Trade Representative on whether the acts, policies, and practices are actionable under the statute.

If the U.S. Trade Representative determines actionable acts, policies, and practices exist, the U.S. Trade Representative will determine whether action is appropriate, and if so, what action to take, which would involve an additional Notice and comment period.

We are please this morning to have international trade and economic experts from a range of U.S. governments and departments.

If you could please introduce yourselves?

MS. BONNER: Sarah Bonner, the U.S. Small Business Administration, Office of Manufacturing and Trade.

MR. VOLTAGGIO: Nicholas Voltaggio, Department of the Treasury, Office of Trade and Investment Policy.

MR. ABBOTT: Devin Abbott, Foreign Agricultural Service, Department of Agriculture.

MR. BAN: Victor Ban, Office of the United States Trade Representative.

MS. REINITZ: Julie Reinitz, U.S. Department of Labor, Office of Trade and Labor Affairs.

MS. COTA: Jillian Cota, the International Trade Administration at the U.S. Department of Commerce.

MR. HUFFMAN: Stu Huffman, U.S.

Department of State, Trade, Policy, and Negotiations.

CHAIR GRIMBALL: And I'm Megan Grimball, USTR Chair of the Section 301 Committee.

Before we proceed with Panel 1, I will provide some procedural and administrative instructions.

Please note that no cameras or video or audio recording will be allowed during the hearing.

The hearing is scheduled to conclude today, Wednesday, September 3rd.

A written transcript of this hearing will be posted on the USTR website as soon as possible after the conclusion of this hearing.

We will have six panels of witnesses with 38 individuals scheduled to testify.

The provisional schedule has been posted on the USTR website.

We will have a brief break between panels and a 45-minute break for lunch, and a 10 minute break in the afternoon.

Each witness appearing at the hearing is limited to five minutes of oral testimony.

The light before you will be green when you start your testimony, yellow means you have one minute left, and red means that your time has expired.

After the testimony from each panel of witnesses, the Section 301 Committee will have an opportunity to ask questions. All questions will be from the agency representatives. There will be no questions accepted from the floor.

Committee representatives will generally direct their questions to one or more witnesses.

Again, post-hearing comments, including any written responses to questions from the Section 301 Committee, are due September 10th, 2025.

The rules and procedures for written submissions are set out in the July 18th Federal Register Notice.

Given the number of witnesses and the schedule, we request that witnesses, when responding to questions, be as concise as possible.

We likewise ask witnesses to be understanding when and if the Chair asks a witness to conclude a response.

In this regard, witnesses should recall that they had a full opportunity to provide more extensive responses in their post-hearing submissions.

With that, we will begin with the first panel.

Mr. Herrington, you have the floor.

MR. HERRINGTON: Madam Chair, thank you very much.

Distinguished panel, the U.S. Chamber very much appreciates the opportunity to appear today to respond to the USTR's investigation under Section 301.

I want to recognize my esteemed co-panelists here. It's an honor to be with them as well.

Brazil's a very important commercial partner for a broad range of U.S. companies of every size, sector, and state.

It represents a dynamic market that is full of potential for continued growth that will benefit American workers, farmers, and companies.

Realizing this potential requires

concrete steps to ensure fair market access and enhanced regulatory transparency.

As we detail in the long form submission, we believe that addressing these trade barriers is not only in the strategic interests of the United States, but also stands to benefit the Brazilian people.

At the same time, a more stable and transparent trade environment will support growth and innovation in Brazil to the benefit of both the Brazilian and U.S. firms.

The Chamber supports a deliberative, evidence-based approach to addressing concerns relating to Brazil's trade policies and practices.

We are concerned that the recent imposition of a legally dubious 50 percent tariff on a significant percentage of U.S. imports from Brazil will have far reaching negative implications for U.S. businesses and workers, adversely impact U.S. supply chains, and could lead to an escalatory cycle of retaliation that undermines the laudable aim of the present investigation to achieve resolution of legitimate commercial concerns.

For the same reasons, we urge careful deliberation before USTR imposes additional tariffs on products of Brazil pursuant to this investigation.

We also urge that tariff stacking should be avoided for all products subject to sectoral tariffs under Section 232, as this would result in cumulative tariff burdens for U.S. companies and consumers.

An ideal outcome to the Section 301 process will be comprehensive negotiations between Brazil and the U.S. that place the economic relationship on a more stable, predictable, and prosperous footing.

The trade protocol negotiated under the first Trump administration, ATEC, provides a ready platform for economic cooperation that can be expanded to strategic areas such as critical minerals.

Let me now briefly highlight a selection of Brazilian trade barriers that Chamber outlined in its long form submission.

Brazil's rapidly evolving digital policy landscape has presented challenges for U.S. companies related to transparency, predictability, and discrimination.

With regard to content moderation, U.S. companies have been adversely impacted by decisions that appear to exceed Brazil's sovereign and legal jurisdiction.

Brazil should not compel moderation of content hosted or transmitted outside of its territory.

Regarding electronic payment services, Brazil's PIX system has delivered benefits in areas like financial inclusion, but the Central Bank's dual roles as both operator and regulator has created conflicts of interest tied to mandated integration, access to competitor data, and asymmetric obligations.

Brazil should separate roles or subject to independent oversight.

Telecom regulator ANATEL has imposed joint liability on platforms and marketplaces and conformity rules for data centers, all of which were adopted without consultation or regulatory impact analysis, raising legality and predictability concerns.

Additional proposed regulations governing AI platform rules, video on demand quotas and taxes, network usage fees, and possible digital services tax risks discriminatory effect.

Brazil should refrain from measures that selectively target U.S. firms.

Regarding intellectual property, the 2021 Supreme Court decision eliminating Article 40's minimum patent term was applied retroactively in a manner raising concerns under international law.

The lack of patent term adjustment, absence of regulatory data protection for human pharmaceuticals, and broad compulsory licensing rules also create uncertainty.

Brazil should introduce a statutory PTA guarantee, effective RDP, and ensure that application of sales is consistent with international norms.

With regard to ethanol market access, Brazil's 18 percent tariff and challenges in accessing RenovaBio hinder reciprocal trade and collaboration in areas like sustainable aviation, fuel, science-based recognition of environmental standards, and equitable access to programs should be prioritized.

In conclusion, securing improvements in the U.S.-Brazil trade relationship by lowering tariff and non-tariff barriers in a reciprocal manner and ending unfair discrimination is a worthy goal that will enjoy broad support from the U.S. business, energy, and agricultural committees -- communities -- excuse me.

As such, the Section 301 review provides an important platform for U.S. officials to engage with their Brazilian counterparts in this aim in order to expand opportunities for U.S. companies and realize the full potential of U.S. trade with Brazil while avoiding tariffs that raise the cost of living, harm small businesses, and undermined manufacturing in the United States.

I again appreciate this opportunity to testify and look forward to any questions.

CHAIR GRIMBALL: Thank you.

Mr. Brzytwa, you have the floor.

MR. BRZYTWA: Thank you for the opportunity to testify today. I'm Ed Brzytwa, Vice President of International Trade at the Consumer Technology Association, which represents the $537 billion U.S. consumer technology industry and owns and produces CES, the world's most powerful technology event.

CTA appreciates USTR's leadership in launching this investigation. The United States is locked in a global technology competition with China.

The U.S. innovation ecosystem is the envy of the world, but winning that competition requires more than domestic innovation.

To ensure that American technology and American values can flourish around the globe, we need strategic alignment with our democratic allies.

Brazil is one of those allies, and strengthening our relationship with Brazil is in our national interest.

To support our foreign policy and national security objectives, American trade policy should bring Brazil closer to the United States, not push the country towards stronger ties with China and other adversaries.

Last week, CTA led a trade mission to Brazil to raise awareness of CES, our trade show, and encourage Brazilian Government officials and industry leaders to attend CES 2026 in Las Vegas in January.

Greater Brazilian presence at CES would be an excellent step forward in our bilateral relationship. It would foster collaboration, showcase innovation, and deepened commercial ties between our countries.

In Brazil, we saw a country rapidly embracing technology. Brazilian startups are leveraging AI, FinTech and hardware to support sustainable growth, and expand financial inclusion, rural development, and access to education and healthcare.

In the business community and among consumers, there's a clear preference for U.S. technologies, but also an openness to alternatives. That openness is a vulnerability.

If we make it harder or more expensive for Brazil to acquire U.S. made technology, other countries will fill the gap.

At one tech startup conference during the trip, we heard calls to diversify supply chains away from the United States due to a riskier trade environment.

In this environment, USTR plays a vital role. USTR's investigation into Brazil's barriers to trade and investment is a vital first step towards the free, open, and predictable trade that benefits both sides.

Removing trade barriers unlocks new opportunities for U.S. exports and investment, and at the same time, strengthens Brazil's economy and accelerates its innovation. This is a win-win scenario.

But let me be clear, tariffs should be a precision tool, not a sledgehammer. These tools of trade policy should be a last resort, not a first response. And when applied they should be targeted and strategic.

More, American businesses and our partners abroad need certainty on tariffs. Certainty. A volatile and uncertain tariff landscape pushes our partners away, hurting American technology innovation and the American consumers who love and rely on these products.

What we need is meaningful negotiations between the U.S. and Brazilian Governments, coupled with public/private dialogue to ensure that stakeholders can share their views.

Government to government

conversations are not enough to ensure progress. More, when allies like Brazil make meaningful reforms, the United States must respond with tariff relief.

This approach boosts our U.S. innovation, supports U.S. consumers and enhances our soft power, and reinforces our global leadership.

Let's use this moment to build bridges, not barriers, and create change that works for American businesses and American families.

This investigation is an opportunity to deliver that change through smarter trade policy, deeper investment and shared economic growth.

Let's align our policies with our allies like Brazil, and let's lead the global technology race together.

Thank you.

CHAIR GRIMBALL: Thank you, Mr. Brzytwa. Did I pronounce that correctly?

MR. BRZYTWA: I say Brzytwa, but if you want the Polish, it's Brzytwa.

CHAIR GRIMBALL: Oh, I may have to --

MR. BRZYTWA: It means razor.

CHAIR GRIMBALL: -- stick with the former this morning. Thank you for that.

Mr. Murphy, you have the floor.

MR. MURPHY: Good morning, my name is Sean Murphy. I'm the Executive Vice President of Policy at the Information Technology Industry Council, ITI.

ITI is the premier global advocate for the technology industry and represents many of the world's most innovative companies.

On behalf of our members --

CHAIR GRIMBALL: Could you pull your microphone forward --

(Simultaneous speaking.)

CHAIR GRIMBALL: -- closer to you?

MR. MURPHY: I'm sorry.

We engage with governments around the world to help them develop policies that impact the technology, hardware, software services, and related industries.

ITI appreciates the --

CHAIR GRIMBALL: No cameras, sir. No cameras.

Thank you.

Sorry, Mr. Murphy, please.

MR. MURPHY: Thank you.

ITI appreciates the opportunity today to summarize its written submission detailing the challenges our member country -- member companies confront in the Brazilian market.

Our longstanding concerns, which predate this investigation include the following, onerous content moderation and platform liability rules, an uneven playing field for digital payment services companies that compete with the government championed alternative, unfair network usage fees and data center certification initiatives, and other measures that favor competitors from third countries, which are aggressively expanding their investments and regulatory influence in Brazil and the hemisphere.

Brazil is the largest economy in Latin America and the dominant voice in the Southern common market, also known as MERCOSUL or MERCOSUR.

The policy choices that Brazil makes now will determine whether American companies can compete in its technology market and the broader region for decades to come.

ITI offers three key recommendations for your consideration.

First, we recommend that the United States strengthen its relationship with Brazil. We encourage the administration to leverage and expand existing bilateral channels such as the U.S./Brazil commercial dialogue in order to engage constructively with Brazilian counterparts and address the concerns detailed in ITI's submission.

We also encourage you to de-escalate tensions and restore business certainty.

And ultimately, we would like to see the bilateral business relationship strengthened.

Second, we recommend that the administration develop a comprehensive strategic approach toward Brazil.

The challenges in Brazil that our member companies face can best be resolved through cooperative, results-oriented, government to government engagement that is focused on the long-term strategic interest of both sides.

This will require sustained coordination within the U.S. Government, with industry stakeholders, and obviously, with Brazilian counterparts.

We want the two governments to move past the status quo and work in earnest to address our industry specific concerns and restore predictability, to promote rules and regulations in Brazil that align with international best practices, to position the United States as Brazil's preferred technology partner for the long term, and strengthen longstanding dialogue between U.S. and Brazil for mutual benefit.

Third, we recommend that any U.S. trade actions should support and not undermine long-term American strategic interests in Brazil and the region. We are not advocating for more tariffs, but rather for strategic problem solving dialogue.

We want to avoid outcomes that could inadvertently reduce overall U.S. business opportunities in Brazil or push Brazil toward deeper cooperation with non-U.S. technology companies or to embrace other regulatory models.

In conclusion, we believe that the U.S./Brazil relationship is at a critical inflection point. ITI and our members look forward to working with the United States and Brazilian Government to achieve positive outcomes which include resolving our legitimate business currents -- concerns about market conditions in Brazil.

Expanding Brazilian consumers access to our company's products and services, de-escalating tensions, and restoring mutual beneficial commercial ties, strengthening the U.S./Brazilian technology and trade relationship for the long term, and positioning stakeholders in both countries for success in the global digital economy.

Thank you, again. I welcome any questions you may have.

CHAIR GRIMBALL: Thank you, Mr. Murphy.

Ambassador Azevedo, you have the floor.

AMBASSADOR AZEVEDO: Well, good morning. I'm Roberto Azevedo, a consultant to CNI, the Brazilian National Confederation of Industry. And as a former Director General of the World Trade Organization, I have a long history of working with the Trump administration on trade issues.

CNI is the main representative of the Brazilian industry and represents 27 state federations of industry, over 1,200 trade unions, and almost 700,000 affiliated industries.

In the Section 301 Notice of Investigation, the USTR identified six areas of concern and CNI has already submitted detailed comments in writing on each of these topics.

First, Brazil does not undermine the competitiveness of U.S. companies engaged in digital trade and electronic payment services. Brazilian laws try to strike a balance between technological innovation and free data flows with individual privacy rights.

And Brazil also offers a fast, cost effective, and secure payment system, similar to the FedNow instant payment system created and implemented by the U.S. Federal Reserve Board.

This payment system has enhanced financial inclusion, reduced reliance on physical cash, and increased efficiency in retail and e-commerce, heavily benefitting U.S. companies.

Second, Brazil's preferential rates

are consistent with international agreements ratified and adopted by all members, the United States included, with an effective tariff rate of 2.7 percent. U.S. goods are subject to the lowest tariff rates among our trading partners, except MERCOSUR.

In fact, almost three-quarters of U.S. goods enter Brazil duty free. These rates are even more beneficial than those accorded to countries like Mexico and India, which are subject to average effective tariff rates of 4.7 percent and 3.2 percent, respectively.

Third, Brazil enforces its anti-corruption laws. As a matter of fact, ongoing peer reviews at the OECD have praised Brazil's comprehensive legal and institutional framework for anti-corruption.

Fourth, Brazil has taken significant intellectual property enforcement actions, which the USTR itself has, of course, encouraged and recognized.

Patent rights have been granted in 2.9 years, which is aligned with the 2.2 years for patent applications in the United States, and the U.S. companies ranked number one in patent rights in Brazil.

Fifth, Brazil does not adopt unreasonable or discriminatory acts, policies or practices concerning ethanol that burden or restrict U.S. commerce. And as the two largest global ethanol producers, the United States and Brazil have a limited need for imports to meet domestic demand.

They should be working together to promote the expansion of ethanol blending mandates in foreign countries to increase the demand for ethanol.

And finally, the USTR itself has recognized that Brazil has strengthened enforcement of its environmental laws, reducing deforestation rates.

Brazil also has a robust control system for the production and commercialization of forest products. It is not true that illegal deforestation undermines the competitiveness of U.S. producers of timber and agricultural products.

Now, there is simply no evidence that the acts, policies, and practices at issue discriminate against or unfairly disadvantage

U.S. companies.

In fact, Brazil consistently ranks among the tenth largest trade surpluses that the United States enjoys with the rest of the world.

We are the two largest democracies in this hemisphere and we should be talking to each other, not fighting each other. Any issues should be resolved by continuing dialogue and cooperation.

CNI welcomes initiatives that strengthens the ties between the United States and Brazil and promote economic growth and improve market access and market conditions in both countries.

I suggest we seize this opportunity to do great things together and thank you again for this opportunity.

I noticed that the clock probably was very generous to me. I don't know if it was blocked or something but I hope you are as generous as the clock.

Thank you.

CHAIR GRIMBALL: Thank you, Ambassador Azevedo.

I cannot see the placard, do we have

Ms. Andrade or --

(Off-microphone comments.)

CHAIR GRIMBALL: Oh, yes, okay, thank you, you have the floor.

MS. ANDRADE: On behalf of the Brazilian Confederation of Agriculture and Livestock, CNA, I would like to thank you for the opportunity to contribute to this public hearing, reaffirming our commitment to transparency, dialogue, and fair trade between Brazil and the United States.

CNA is a private organization that represents and advocates for over 5 million Brazilian farmers across all sectors, including soybeans, coffee, fruit, and honey, and of all sizes, from small family farmers to large scale producers.

The competitiveness of Brazilian agriculture has arisen from legitimate foundations, such as rich natural resources and continuous investment in innovation, and not from unfair trade practices.

With a limited network of trade agreements, most of Brazil's international trade is not covered by this type of instrument.

In the case of the agriculture and livestock sector, only 5.5 percent of Brazilian agri business exports benefit from preferential rates that are currently in place.

Some examples are the preferential agreement signed with Mexico and India, which represent just 1.9 percent of Brazilian imports and which do not disadvantage the competitiveness of North American products in the Brazilian market.

More than 90 percent of our imports follow the most favored nation principle, ensuring equal treatment for North American products.

In 2024, Brazil imported 17 times more ethanol from the United States than from India, while imports from Mexico were insignificant.

In terms of environment, Brazil has one of the strongest regulatory frameworks in the world. The Forest Code establishes a legal requirement for the preservation of native vegetation on private properties.

And this legislation ensures that 66 percent of the country's territory is currently covered by native vegetation, of which more than 33 percent lies within private property, and is maintained by farmers.

As regards the Amazon Biome, it is important to note that only 2 percent of its total area is used for agricultural activities, reinforcing Brazil's commitment to environmental conservation and responsible land use.

Lastly, it is important to emphasize that Brazil's trade relationship with the United States is mutually beneficial.

While the U.S. market is the third largest destination for Brazilian agricultural exports, we are also a significant consumer of inputs, technologies and industrial equipment produced in the United States.

In 2024, Brazil imported over 1.1 billion U.S. Dollars in fertilizers, agricultural machinery, and seeds from the United States.

The partnership between our two countries promotes innovation and generates jobs and income for both Brazil and the United States.

CNA rejects any allegations that Brazilian products rely on any improper business or environmental practices to access the American market.

Brazilian farmers operate within strict compliance standards, ensuring safety, quality, and transparency for international consumers, including those in the United States.

Therefore, we reaffirm the Brazilian agricultural sector's commitments to engage in constructive dialogue and cooperation with the United States, in the certainty that a trade relationship based on evidence, integrity, mutual respect, and common goal is essential in order to address the global challenges of agricultural food security and sustainability.

Thank you for your attention.

CHAIR GRIMBALL: Thank you, Ms. Andrade.

Mr. Matos, you have the floor.

MR. MATOS: Thank you for the opportunity to appear today to provide testimony. My name is Marcos Antonio Matos. I am the Chief Executive Officer at Cecafe, the Brazilian Coffee Exporters Council.

Coffee holds significant social, economic, and cultural importance for both the United States and Brazil.

When it comes to coffee, Brazil and the United States are indispensable to one another.

The United States domestic coffee consumption is projected at 25.5 million, sixty kilograms bags. And Brazil accounts for more than 30 percent of the U.S. coffee market, making Brazil its leading supplier.

It's important to highlight that USA produces less than 0.3 percent of its total coffee demand.

Brazil is the world's largest coffee producer and exporter. Brazilian coffee is produced by around 300,000 farmers, mostly family farmers, in approximately 39 well-established agricultural regions.

Brazilian coffee is a key component in the blends offered to American consumers. Its natural attributes, aroma, flavor, body, acidity, sweetness are distinctive and irreplaceable. Coffee drinkers expect these characteristics.

As such, longstanding brands, icons of the American economy, could be negatively affected if forced to alter their blends.

Brazil is the coffee orange with an

organized, efficient and transparency production chain with indicators of social environmental compliance, which is capable of credibly meeting all the needs of North American industry to guarantee its sustainable supply and the daily supply of coffee to the population of the United States.

Beyond its recognized importance to Brazil, coffee is also of major relevance to the United States. According to an economic study conducted by NCA, the U.S. National Coffee Association, more than 70 percent of U.S. population consume coffee. Annual spending on coffee and the related products reach $110 billion, $301 million per day.

And coffee accounts for more than 80 percent of the total value of the U.S. food service industry.

The U.S. coffee industry also supports over 2.2 million jobs and generates more than $101 billion in wages, benefitting all States and the local communities.

For every $1.00 in spending is spent on imported coffee, an additional $43 is injected into the U.S. economy. In total, the sector generates $343 billion annually, equivalent to 1.2 percent of the country's GDP.

In light of coffee's importance to both American consumers and the U.S. economy, the decision to impose a tariff on Brazilian coffee will result in significant increases in the prices of coffee and inflation, as the added costs will inevitably be passed on to consumers. And coffee prices in the United States are already increasing, as our prices in international coffee exchange.

In this regard, we're observing a significant increases in the coffee prices around the world. Take ICE, the Intercontinental Exchange, New York and London as coffee prices referenced in the world.

In July 31st, the Coffee C contract, the world benchmark for Arabica coffee, was 284 cents per pound.

Since then, coffee has -- coffee prices have been rising significantly. Now it's around 308 cents per pound, plus 35 percent. This continuing unprecedented price increasing will impact the U.S. consumers directly.

Following the signing of the

Executive Order by the U.S. President, Mr. Donald Trump, in July 30, established a 50 percent tariff on imports from Brazil, including coffee, Brazil reiterates its commitment to continue engagement with its U.S. counterparts to advocate for coffee to be recognized as an available, natural resource in the United States with a zero tariff rate so that Americans can continue to enjoy an affordable cup of coffee from Brazil as they have for decades.

Thank you again for the opportunity to appear today.

CHAIR GRIMBALL: Thank you.

Ms. St. Louis or St. Louis, you have the floor.

MS. ST. LOUIS: Good morning, and thank you for the opportunity to testify at today's hearing. I'm Melinda St. Louis, the Global Trade Watch Director of Public Citizen, a national consumer public interest organization in the U.S. with more than 500,000 members and supporters.

Our submission to the USTR in this matter is co-authored with Data Privacy Brazil, a Sao Paulo based nonprofit organization that carries out research and advocacy related to data protection and digital rights.

For the sake of time today, I will focus on two points.

First that the USTR should not misuse Section 301 as a fig leaf to implement politically motivated trade sanctions against Brazil.

And second, Brazil's general data protections laws, social media regulations, and digital payments regulations are not unjustified, unfair, unreasonable, or arbitrary, and they do not discriminate against U.S. companies.

Please see our full written submissions for more details, including on Brazil's intellectual property laws, which we -- which provide adequate and effective protection under international obligations and should be respected to protect public health.

First, as we know, President Trump announced punitive tariffs on Brazil via a social media post on July 9th, 2025. This was not motivated by any real economic or legal factors, but was, instead, an attempt to interfere in Brazil's domestic judicial processes on behalf of his long-time friend and ally, Jair Bolsonaro, while pushing the de-regulatory agenda of Big Tech companies.

The President's letter to Brazil and his Executive Order made clear that the tariffs against Brazil were meant to punish the country over a domestic criminal case. The letter also claimed a U.S. trade deficit as justification for a national emergency --

CHAIR GRIMBALL: Ms. St. Louis, I see that you have a bit about the tariffs --

MS. ST. LOUIS: Yes.

CHAIR GRIMBALL: -- could you please move to your discussion --

MS. ST. LOUIS: Yes, the current –-

CHAIR GRIMBALL: -- on digital?

MS. ST. LOUIS: Yes, the current proceedings under Section 301 seem to be an attempt to provide the tariffs against Brazil with some measure of post-hoc legality of functioning as a fig leaf to cover the arbitrary and illegal imposition of tariffs on Brazil for matters that are political in nature.

We caution the USTR against being used –

CHAIR GRIMBALL: Please move --

MS. ST. LOUIS: -- as a political --

CHAIR GRIMBALL: Please move to the digital discussion.

MS. ST. LOUIS: Okay.

CHAIR GRIMBALL: Thank you.

MS. ST. LOUIS: So, second, Brazil's digital regulations do not discriminate against or otherwise unfairly target U.S. companies.

Brazil as a sovereign, democratic nation, is well within its rights in implementing public interest regulation over companies providing services within its territory.

Needless to say, all multinational corporations are required to follow the domestic laws of the country they're operating within.

The United States expects the same of all foreign companies operating within our territory.

The three specific digital regulatory policies named in the investigation, the General Data Protection law, social media regulation, and e-payments regulations, are not unjustified, unfair, unreasonable, or arbitrary, and they do not discriminate against U.S. companies.

First, Brazil's data protection law aims to ensure that Brazilian privacy rights are respected, no matter where the data is processed. Numerous countries implement some form of restrictions on cross-border data transfers.

The United States itself implements a number of such measures at both the federal and state levels, which are often stricter than those seen in Brazil's data protection law.

Thus, any finding that Brazil's regulation of cross-border data transfers violates Section 301 would expose similar U.S. laws to trade challenges, thereby putting U.S. privacy rights and security interest at risk.

Second, on social media regulation, there is an emerging global consensus of the urgent need to tackle issues such as online hate speech, misinformation, and violence against women, children.

And further, that intermediaries and digital platforms have a role in pushing back against the growth of such illegal content.

Countries around the world are increasingly moving away from legal frameworks that confer complete immunity to intermediaries for hosting illegal third-party content to frameworks where platforms are required to adopt appropriate content moderation and takedown processes.

Here in the U.S., there's a bipartisan vigorous debate on the need to tackle the harms arising from social media, including through potential revision of Section 230 of the Communications Decency Act.

Brazil is no different and, therefore, there's nothing to suggest that its new social media regulations are designed to target only U.S. companies.

And finally on e-payments regulation, PIX, the payment system launched it by the Central Bank of Brazil serves several important public interest purposes.

Not only has PIX enabled greater innovation and competition in the FinTech sector, it has enabled a huge jump in financial inclusion, including to a number of broader social benefits of the ability of previously unbanked and underbanked to access formal financial services.

And no evidence has been presented of

any discriminatory actions against U.S. companies. The complaints have been only theoretical.

In conclusion, by carrying out this unjustified Section 301 investigation against Brazil, the USTR could discredit this important tool and shaking the global faith in the U.S. as a country governed by the rule of law and weakening the case against adversary nations that take similarly illegal actions.

Public Citizen and Data Privacy Brazil believe that the current investigation doesn't hold up to legal scrutiny and we encourage the USTR to close its investigation into Brazil's supposed illegal and unfair practices in the context of digital regulation and intellectual property, without returning finding suggesting a breach of Section 1 by Brazil -- Section 301 by Brazil.

Thank you.

CHAIR GRIMBALL: Okay, thank you.

At this point, we're going to move to questions from the government panel to the witnesses.

As I said at the top, this hearing is

on actionability of matters under Section 301.

So, despite perhaps the testimony presented here today, the questions that you will receive from the government panel will address actionability.

MR. VOLTAGGIO: The first question is for Mr. Herrington.

Your testimony summary and your written comments, as well as your testimony here today, address conflicts that arise from the Brazilian Central Bank's operation and regulation of the government run electronic payment system, or PIX.

Could you please expand on these concerns and how specifically they may affect U.S. firms?

Thank you.

MR. HERRINGTON: Sure, I'll say -- I appreciate the question. I'll say, first of all, I want to -- I'll submit a written rebuttal response just to be very, very thorough.

But on the surface, I think, certainly, as I said in my testimony, we agree, and I think our members agree, that PIX has been beneficial for issues like financial inclusion and digital inclusion.

The real -- the question becomes, what -- when you work as both regulator and operator. And we believe that there's a lack of transparency and separation in the governance of -- between the -- being a regulator and being an operator in that sense.

And obviously, there are other Central Banks around the world that operate in that sphere, but they have, frankly, much more robust governance procedures.

So again, it's the division between -- we'd like to see the division between -- ensure competitive playing field for private providers, ensuring that the peak system is divided between -- that the responsibilities between operator and regulator are clearly defined and ensure transparency and fair competition.

And again, I'll follow up in writing with a more robust answer.

MS. COTA: This next question is for Mr. Brzytwa of Consumer Technology Association.

Could you please elaborate on your written comment that Brazil's courts continue to press internet platforms to take responsibility for select third-party content. And as a result, companies would likely remove any content that might not come close to violating the law.

And how are your member companies currently evaluating whether to take down content or not in Brazil?

MR. BRZYTWA: Thank you so much for your question.

Look, companies in general want to comply with the regulations they are subject to.

And I think it's no different here where companies might overcompensate for the rule. They want to come into compliance and that might have unintended consequences.

So, I can't speak to the specific practices of individual companies in this regard, but just as a general matter, and we've seen this across numerous types of regulation, even here in the United States, where companies might say, I need to submit all this documentation because I --- my company, we want to make sure we're in compliance.

And it might be too much documentation that might go too far in terms of take down and removing content that otherwise should be, you know, kept online.

So, we can follow up in post-hearing about this if you want more detail but, you know, I think the comments stand for themselves.

MS. BONNER: This question is for Mr. Murray. Thank you.

In your written comments, you state that private players in the digital payments landscape are required to create ecosystems where participation is voluntary.

Whereas, PIX receives benefits such as access to competitive information, mandated bank investments in PIX, and regulation dictating priority placement of the PIX icon.

Could you please elaborate on how, if at all, electronic payment service providers from the U.S. or elsewhere may be affected by these alleged benefits received by PIX?

MR. MURPHY: Thank you very much for the question.

Let me begin by saying that Information Technology Industry Council and our members have no issue with government managed payment systems when they compete fairly with private sector payment systems.

And as my colleague from the U.S. Chamber said a moment ago, in the case of Brazil, this is not the situation.

The Central Bank of Brazil both regulates the financial sector, including many of the measures you just referred to, which are in our long form comments, but also operates a state championed entity that is a competitor to the private sector companies.

I'd be happy to take back and provide more written detail, but I think that the position that we stated, which you just summarized, which includes certain preferential elements such as again, I'm sorry, I forgot the name of the word, the -- I'm sorry -- can you tell me what was the you said it was?

MS. BONNER: Yes, the PIX icon, it was the priority placement of that?

MR. MURPHY: Yes, I'm sorry, thank you for that.

So, for example, on digital devices where you would normally access and conduct financial transactions, PIX is given prominent places.

For example, if you were -- an equivalent would be if you were to walk into a bricks and mortar store and a competing product that is supported by the government has prime placement in a store and you have to then go search to find other alternatives that are operated by commercial service providers, it is itself, a de facto discrimination, and an impediment to fair access.

Again, as I said, I'd be happy to elaborate more in writing, but that is a summary of an example of how we view the situation.

MS. BONNER: That's helpful, thank you.

MR. BAN: I have a few questions for Ambassador Azevedo.

CNI's comment contends that, in 2024, the applied effective tariff on U.S. exports to Brazil is only 2.7 percent, significantly lower than the 11.2 percent average tariff published in the WTO database.

Common attributes the lower rate to various special customs regimes and tariff exceptions, and notes that goods of other non-MERCOSUR countries are subject to effective tariff rates higher than 2.7 percent, but still lower than the 11.2 percent average rate.

The comment seems to suggest that the sectoral composition of imports matters to the variation between effective rates across countries.

What about other factors such as differences in importers' abilities to meet compliance requirements to benefit from many special customs regimes and exceptions?

Second, you have provided data for 2024. Has CNI calculated effective rates for prior years and how much variation is there from year to year?

AMBASSADOR AZEVEDO: All right, well, thank you for the question.

And as you can imagine, those numbers came after a number of calculations were made. I mean, it depends very much on how you look at the numbers and the data.

I'm more than happy to go a little bit deeper into all of those calculations, the methodology we use to get to those numbers, but in the written comments, we will definitely be doing that.

The only thing I can say is that, at least from my personal experience in this particular arena, those numbers didn't surprise me at all. They sound very much like what we had looked at in the past, especially if you look at the numbers of the other trading partners.

Those margins of preference, for example for Mexico, India, they are very small and they don't apply to a very significant portion of the imports of Brazilian goods.

So again, I'm more than happy to go deeper into the calculations and the methodology that was used. We can break down all the elements, but the numbers, they don't surprise me at all.

I don't know if I answered your question properly, but if I didn't, we'll do better with the written comments.

MR. BAN: Thank you, Ambassador, written comment would be helpful.

AMBASSADOR AZEVEDO: Thank you.

MR. HUFFMAN: My question is for Ms. Andrade from CNA.

CNA's comments note that the existence of a U.S. trade surplus with Brazil demonstrates that Brazil's preferential trade agreements have a limited impact on bilateral trade.

In your opinion, what would be the impact on the U.S. trade surplus with Brazil if U.S. goods could compete on equal footing with goods from India and Mexico?

MS. ANDRADE: Thank you for the question.

As I mentioned in my statement, Brazil has a very limited network of trade agreements.

In our sector, for example, the agricultural sector, our main partner is, in terms of exports, is Asia. And we have zero trade agreements with them.

So, I think that's Brazilian agri business sector, it's so competitive in the international market, not because of preferential rates.

So, I think that in terms of the trade relationships between Brazil and the United States, if we have, like we do today, we have a fair in trade bilateral relationship, our -- will be -- probably increase our trade.

MR. ABBOTT: Mr. Matos, I'd like to focus on Cecafe's comment in the USTR portal relating to the issue of unfair preferential tariffs.

You note that preferential agreements signed by the country follow multilateral standards, granting reciprocal and balanced benefits to trade partners without harming competitors from other markets.

Could you elaborate on this view, specifically on the position that U.S. firms are not harmed by these agreements?

Wouldn't U.S. firms be more competitive in the Brazilian market, absent the preferential tariff treatment that Brazil has granted to its other trading partners, including India and Mexico?

MR. MATOS: Thank you very much for these excellent questions.

The relationship between Brazil and USA, it's two -- almost two centuries and the companies treat each other very well.

As I mentioned, if Brazil is the biggest exporter, USA is the biggest consumer. So, when I say it's irreplaceable, it means because USA is so huge of the global market.

And we are in a moment that production faces challenged times in climate anomalies.

Brazil, we have a difficult harvesting period for the five last -- five seasons and in the world as well.

The stocks, the ending stocks in the world is the lowest since 1990. In the Arabica coffee, that's the majority product we export to USA represent 80 percent and Arabica coffee is the lowest level.

So, there is a relationship for a specific characteristics that match consumers in USA and production regions in different production regions in Brazil.

So, we export to 120 countries, but for us, USA is the number one, and we understand that it will not change. We will -- can't -- it's possible to find a way to solve that, because it cost benefits for U.S. economy.

And coffee is the symbol of culture in the United States since the independence times, USA abandoned tea and embrace coffee as a national symbol.

So, Brazil is ready to keep that collaboration and this relationship.

Thank you very much.

CHAIR GRIMBALL: Thank you.

And this last question is for Ms. St. Louis.

You know, I believe in your written comments that Section 301 confers significant power to the executive to ensure that American trade and commercial interests can be protected when faced with genuine threats.

I want to focus on the reference to genuine threats.

Can you please explain what you mean by genuine threats and if you are referring -- and if that phrase, rather, refers or has any relationship to the acts, policies, and practices that were referenced in the initiation notice for this investigation?

MS. ST. LOUIS: We -- yes, thank you for the question.

As our submission focused on digital regulations and intellectual property, we believe that there were not justified acts that would impact U.S. workers and U.S. jobs, and that those would -- those are not genuine, genuine threats.

And so that was what we focused on.

CHAIR GRIMBALL: Okay, thank you.

Just a reminder for everyone, you are able to supplement your responses to questions from the panel in your written comments seven days after this hearing.

And with that, we release Panel 1.

We can take a five or so -- a little bit over five minute break.

Let's return with Panel 2 at 11:10.

Thank you everyone.

(Whereupon, the above-entitled matter went off the record at 11:02 a.m. and resumed at 11:13 a.m.)

CHAIR GRIMBALL: Thank you. We are joined by some additional government panelists. So, I'll just ask those additional people to the panel, to introduce themselves.

MS. NEUMANN: Good morning, I'm Sabina Neumann. I'm with the Foreign Agricultural Service here in Washington, D.C., U.S. Department of Agriculture, Biofuels.

MR. REYNOLDS: And, I'm Tobias Reynolds at the Department of Commerce

International Trade Administration.

CHAIR GRIMBALL: Okay. And, with that, Mr. Cooper, you have the floor.

MR. COOPER: Well, thank you and good morning. My name is Jeff Cooper and I'm the President and CEO of the Renewable Fuels Association. We are the leading trade association for U.S. ethanol producers.

I appreciate the opportunity today to voice our support for the Section 301 investigation into Brazil's unfair and discriminatory ethanol policies.

RFA strongly believes a thorough investigation is justified and necessary. And, we commend the USTR for bringing much needed scrutiny to Brazil's prejudicial and unreasonable actions.

Over the past eight years, Brazil has implemented tariff and non-tariff barriers, specifically designed to block U.S. produced ethanol from entering the Brazilian marketplace. These barriers have been highly effective in achieving the outcomes desired by Brazil.

After peaking at $760 million in 2018, the value of U.S. fuel ethanol exports to

Brazil collapsed to zero by 2023 and remains negligible today.

Whereas Brazil was once the world's largest importer of U.S. ethanol, the market has disintegrated over the past five years due to the imposition of numerous barriers.

Among the many discriminatory policies implemented by Brazil, two specific barriers stand out as being the most injurious to U.S. ethanol producers and distributors. First, Brazil levies a punitive tariff on U.S. ethanol imports.

The tariff rate currently stands at 18 percent and has been as high as 20 percent. In 2017, Brazil abandoned its policy of reciprocal duty-free access for U.S. ethanol.

As a result, U.S. ethanol exports to the country rapidly deteriorated. Over the past several years, diplomacy efforts by U.S. industry and government to secure the removal of Brazil's tariff have ultimately proven unsuccessful.

The second barrier I wish to address, is Brazil's low carbon fuel regulation, known as RenovaBio. Under the program, fuel distributors must achieve annual reductions in the carbon intensity of the fuels supplied to the marketplace.

Certified producers of low carbon fuels receive valuable credits that may be sold to other parties who must comply with the program's requirements.

Through an opaque process, Brazil's government has certified nearly all Brazilian ethanol facilities for participation in the RenovaBio program.

However, not a single U.S. ethanol facility has been certified or otherwise allowed to participate in the program.

U.S. ethanol is blocked from accessing the RenovaBio program via Brazil's use of questionable life cycle carbon intensity modeling and the imposition of inequitable and unfeasible feedstock tracking requirements.

U.S. officials have repeatedly encouraged Brazil to adopt the same land use and feedstock tracking approach that we use here in the United States for our renewable fuel standard.

The EPA applies what it calls an aggregate compliance approach, and they apply that to Brazilian imports as well.

We have encouraged the Brazilian Government to adopt that same approach, and they have so far steadfastly refused to adopt an equitable approach for feedstock tracking.

Adding insult to injury, Brazilian ethanol has had virtually unfettered access to the U.S. market for the past 14 years, facing only a 2.5 percent ad valorem duty.

In fact, policies like the RFS and State Low Carbon Fuel Programs actually give preferential treatment to Brazilian sugarcane ethanol imports over U.S. grain-based ethanol.

In closing, we are confident that the Section 301 investigation will provide indisputable evidence that Brazil's unfair policies have severely injured U.S. ethanol producers and farmers.

Thus, we support the following actions to ensure U.S. producers are protected against the deleterious effects of Brazil's policies.

One, continue negotiations focused on permanently removing the Brazilian tariff on imported ethanol. Two, work with Brazil to eliminate the unfeasible barriers that block U.S. ethanol producers from participation in the RenovaBio program.

Three, collaborate with EPA to implement their proposed adjustments to RFS compliance credit values for ethanol imported from Brazil. Four, remove Brazil's generalized system of preferences or GSP designation.

And, five, until the Brazilian tariff on U.S. ethanol is removed, strictly enforced the reciprocal tariff on Brazilian ethanol imports recently enacted by the Trump administration.

Thank you again for providing the U.S. ethanol industry an opportunity to share our perspective, and I look forward to your questions.

CHAIR GRIMBALL: Thank you, Mr. Cooper. Mr. Bliley, you have the floor.

MR. BLILEY: Thank you. My name is Chris Bliley and I'm the head of Regulatory Affairs for Growth Energy.

Growth Energy is the nation's largest association of biofuel producers collectively representing more than half of our country's ethanol production.

Our written comments provide additional details on ethanol market access, preferential tariffs, and deforestation.

But, above all, I want to emphasize that we want three things, fairness in our bilateral trade with Brazil, fair deals that support the United States as the ethanol supplier of choice around the world, and equal treatment and accuracy in how international modeling treats U.S. ethanol.

Brazil has not treated U.S. ethanol and U.S. agriculture fairly. The country's actions have led to the imposition of unfair and misguided requirements on U.S. agriculture by other nations.

For too long, Brazil has restricted U.S. access to their ethanol market by using discriminatory practices on tariffs, as well as restrictive measures under their low carbon fuel program, RenovaBio. We applaud USTR for taking action to level the playing field.

Among our requests on preferential tariffs, we ask that USTR seek equal access for U.S. ethanol into the European Union. Fair treatment that is no less favorable than what

Brazil will potentially secure in the yet to be approved MERCOSUR EU Trade Agreement.

On deforestation, we ask USTR to expand the section scope to look more broadly at Brazil's agricultural and land use to ensure U.S. ethanol and American agriculture are not restricted globally because of Brazil's practices.

Today, inaccurate life cycle assessments by some international organizations artificially favor Brazilian ethanol over U.S. ethanol.

Brazil's questionable sustainability claims are already restricting our export market potential, and this continued imbalance will jeopardize our ability to expand exports and seek new uses for ethanol, including in the maritime and aviation sectors.

On ethanol market access, Brazil has actively sought unfettered access to the U.S. market and cited the need for free and fair trade between our countries.

Unfortunately, Brazil's actions to impose one-sided tariffs have made bilateral collaboration on ethanol, largely untenable.

Without fairness, Brazil shows other countries that restrictive policies and isolation are the only means for their biofuels industry to flourish. Brazil also emphasizes that both of our countries have minimal need for imports given domestic ethanol production.

But, this is exactly why Brazil should remove its tariff and non-tariff restrictions on U.S. ethanol. If domestic production is so strong, then why does Brazil's biofuel industry need protection in the form of unfair trade barriers?

Additionally, Brazil's assertion that there is only a slight potential for greater ethanol trade is another reason why USTR should include other goods and scenarios beyond ethanol in its attempt to remedy these trade imbalances.

Additionally, the U.S. ethanol industry has worked very closely with Brazilian regulators on RenovaBio, a program designed specifically to meet the needs of Brazilian industry structured very differently than similar programs in the U.S.

We appreciate the work done by USTR and the U.S. Department of Agriculture to address the many structural issues associated with U.S. feedstocks and default values under this program.

We have patiently waited and worked for years to resolve this, but Brazil has acquiesced to their domestic industry's demands to functionally keep U.S. ethanol from effectively, fairly, and widely participated in their program.

Conversely, Brazil can participate unabated within U.S. programs. This conflicts with Brazil's commitments under the WTO, and we urge USTR to take further action.

U.S. ethanol exports set a record in 2024, nearly two billion gallons valued at $4.3 billion. 2025 is forecasted to be another record year, but it will take bold action by USTR under this investigation to secure the fairness, accuracy, and economic competitiveness that will be vital to maintain the U.S. ethanol global trade surplus.

Growth Energy strongly supports this investigation, and we'd be happy to provide additional information at USTR's request. Thank you for the opportunity to appear today.

CHAIR GRIMBALL: Thank you, Mr.

Bliley. Mr. Rockstad, you have the floor.

MR. ROCKSTAD: Good morning. I am Neil Rockstad, a fifth-generation farmer from Ada, Minnesota, and I am the President of the American Sugarbeet Growers Association.

I represent 10,000 family farms across the 12 states that raise sugarbeets and the U.S. Beet Sugar Association that represents the eight farmer-owned cooperatives who turn our sugarbeets into sugar.

Our industry generates 100,000 American jobs and contributes $13.4 billion annually to the United States economy.

The entire U.S. sugarbeet industry is in financial distress due to excessive foreign imports, jeopardizing this nation's food security. We have closed 12 processing plants in the last 25 years, with the most recent one just this year.

Thank you for allowing me to testify and work with this committee and the U.S. trade representative to stop this loss of our American industry.

Brazil is the world's largest producer of sugar. For 2024, Brazil's tier two out of quota imports amounted to 802,000 metric tons, compared to their initial TRQ of 156,000 metric tons. That is 414 percent more tier two than TRQ, leading to the market collapse and current economic crisis.

Brazil's actions and policies including illegal deforestation, currency manipulation, ethanol and sugar market subsidization, and third-party manipulation of customs classifications has undermined American sugarbeet farmers and led to an oversupply of Brazilian sugar on the U.S. market, and an unsustainable depressed price for the American farmer.

Brazilian sugar production has grown significantly in recent years due to land expansion, with 19 percent attributable to deforestation.

As its government lifted the ban on sugarcane cultivation in the Amazon rainforest and central wetlands, the Brazilian sugarcane industry unfairly benefitted by pushing other ag industries into the Amazon basin.

Next, the extended depreciation of the Brazilian currency has contributed to

Brazil's rise to dominance in global agricultural markets. USDA predicts that the Brazilian Government's deliberate depreciation of its currency could boost Brazil's exports of major ag commodities by 5.6 percent and lead to a decrease in international prices of 2.7 percent.

That change will have a detrimental impact on U.S. sugarbeet farmers, including a higher risk of more plant closures and American job losses.

The Brazilian ethanol and sugar markets are closely related. Brazil is the world's largest producer of sugarcane ethanol.

It engages in a wide variety of nonmarket practices, resulting in the equivalent of at least $2.5 billion in subsidies to the ethanol market that effectively cross-subsidize their sugar industry and artificially depressed world sugar prices. Combined with weak enforcement efforts, these policies unfairly manipulate global sugar trade, harming U.S. sugarbeet farmers.

Finally, a cane sugar refinery outside the U.S. is using cheap subsidized Brazilian sugar to circumvent the tariff system and bypass U.S. import restrictions.

Brazilian producers export raw sugar to a third country, where it is minimally processed and exported to the U.S. as so-called sugar molasses and sugar syrups, which are exempt from TRQ and tier two tariffs.

After importation, importers are further refining it into sugar, creating a huge price advantage directly injuring American sugarbeet farmers.

We recommend three distinct remedies. The current sugar tier two duties on raw and refined sugar no longer reflect the original intent of restricting out of quota volumes.

In 2000, the last year in which the quotas were adjusted downward, the tariff was roughly 200 percent of the world refined sugar price, and 300 percent of the world raw sugar price.

After 25 years of inflation and depreciation of the Brazilian Real, the duty rates should be more than double to achieve the same intended effect. Farmers need a level playing field to preserve a vibrant American sugarbeet industry.

Second, strictly limit Brazil to its minimum TRQ. This practice would prevent Brazil from dumping high volumes of tier two sugar and additional end quota sugar in American markets and injuring American farmers.

And third, close the molasses classification loophole scheme that uses Brazil sugar to the detriment of U.S. sugarbeet farmers.

This can be achieved through the promulgation of appropriate testing and verification requirements as mandated by Congress in FY2025 and expanded in the FY2026 Senate Appropriations ag legislation that was passed. CBP should issue the final action on the Section 1516 Petition following Congress's prescribed testing.

I would like to thank the committee and the administration for allowing me to testify. It is time to enforce our trade laws to make Brazil play by the rules, and in doing so, we can reinvigorate America's rural economy, preserve our sugarbeet farm families, and save our industry.

CHAIR GRIMBALL: Thank you, Mr. Rockstad. Ms. Almeida, you have the floor?

MS. VERISSIMO: Good morning. My name is Andrea Verissimo, Director of International Affairs and Communications for UNEM, the Brazilian Corn Ethanol Association.

UNEM is a national advocacy organization that represents the interest of the Brazilian corn ethanol industry. We are grateful for the chance to speak to you today about ethanol trade between Brazil and the United States.

The notice of initiation identified ethanol market access in Brazil as an area of concern. UNEM has already submitted detailed comments in writing that clearly demonstrate that Brazil has not adopted X policies or practices that are actionable under Section 301, and United States should instead work alongside Brazil to expand emerging end use markets and address third country market access.

The American and Brazilian corn ethanol sectors are highly integrated. The Brazilian ethanol industry is a significant importer of U.S. production equipment, technology and inputs, which generated over $1 billion in value for the United States.

Moreover, there are ethanol producers in Brazil owned by American companies, distributing over $338 million in dividends to U.S. shareholders.

The notice raises concerns about Brazil's current 18 percent MFN tariff on imports of ethanol. It states that the U.S. suffers from higher tariffs on ethanol by Brazil and from imbalanced trade due to Brazil's decisions to change its tariff policies.

To be clear, Brazil's trade policies have not harmed U.S. ethanol producers. In 2024, the United States enjoyed record success in production volume and exports.

The U.S. production of ethanol was nearly double that of Brazil, and export shipments increased approximately 35 percent from 2023.

As the two largest global ethanol producers, U.S. and Brazil have a limited need for imports to meet domestic demand, and the majority of each country's production is dedicated to domestic consumption.

As a result, bilateral ethanol trade between the U.S. and Brazil represents a small portion of overall trade. From 2015 to 2024, U.S. ethanol exports to Brazil represented only 1 percent of total U.S. exports to Brazil.

Prior U.S. administrations introduced regulatory barriers such as the Renewable Fuel Standard, which effectively block Brazilian ethanol from accessing the U.S. market on an equal footing, and caused Brazilian ethanol exports to the United States to sharply decline over the last 10 to 15 years.

Brazil's 18 percent tariff applies equally to all imports of ethanol, regardless of country of origin, and is significantly lower than the United States' current targeted 52.5 percent tariff on ethanol from Brazil.

Changes in Brazil's tariffs on ethanol have not had an impact on U.S. ethanol exports to Brazil. In fact, its flow is driven by local supply and demand conditions in Brazil, not tariff adjustments.

You can see this trend most clearly in the '22-'23 period when Brazil's tariff on ethanol imports was 0 percent, and U.S. ethanol exports actually decreased.

In contrast, U.S. exports to Brazil

were higher in the '24-'25 period with the 18 percent tariff than in the '22-'23 period when the tariff was 0 percent.

Importantly, any linkage between Brazilian ethanol and deforestation is unfounded. Brazilian ethanol producers operate on one of the most rigorous environmental frameworks in the world, the Brazilian Forest Code, which is enforced with strict monitoring systems.

Specifically, Brazilian corn ethanol, is produced mainly as an intermediate or multi-cropping crop, which is grown on consolidated agricultural areas.

The International Civil Aviation Organization's decision to recognize the environmental benefits of multi-cropping in producing sustainable aviation fuel, only reinforces that the global community recognizes the science and sustainability of the rigorous practices used in the Brazilian ethanol sector.

The recommendation was adopted unanimously within the IKO Council with the sole exception of the United States.

Finally, it's important to clarify that, contrary to certain claims, the RenovaBio program is not limited to Brazilian producers. U.S. ethanol plants have already been certified, demonstrating that the program is open and based on rigorous technical and environmental criteria that any producer can meet, regardless of country of origin.

The continued growth of the U.S. and Brazilian ethanol industries depend on increasing ethanol demand. There is massive potential for the increased use of ethanol in emerging end-use markets, including the sustainable aviation fuel and maritime sectors, which will account for over 75 percent of new biofuel demand by 2030.

However, U.S. and Brazilian ethanol producers face persistent discriminatory barriers to enter and maintain access in various third country producers, markets, I'm sorry, including the EU, Thailand, and India.

The U.S. and Brazil should focus their efforts on collaborating to promote the use of ethanol in emerging end-use markets and open/closed markets.

Thank you for your attention.

CHAIR GRIMBALL: Thank you. And, just for the record, the witness is not Ms.

Almeida, it's Ms. Verissimo. So, just in case you didn't catch it. Thank you.

Next, Mr. Barral, you have the floor. Thank you.

MR. BARRAL: Yes. Madam Chair, members of this committee, good morning, and thank you for the opportunity to testify. I'm a counsel for UNICA, the Brazilian Sugarcane Bioenergy Industry Association.

UNICA represents companies responsible for more than half of Brazil's ethanol, sugarcane, and bioelectricity output.

Many of our members are longtime commercial partners of U.S. firms and investors. And, our supply has helped to stabilize the U.S. fuel markets in off season windows.

I'd like to advance three points. First of all, Brazil's tariff regime for ethanol is MFN consistent and nondiscriminatory.

Second, Brazil's ethanol materially advances U.S. decarbonization goals at competitive cost. And third, there's a constructive path to address perceived asymmetries between, regarding bilateral trade.

On the first point, I'd like to

emphasize that Brazilian tariff, first we don't have a Brazilian tariff.

In fact, we have a MERCOSUR common tariff, and this tariff of 18 percent is within the bound tariffs at the WTO. So, we are consistent with GATT, Article I and II.

On the other hand, as of August 2025, the U.S. duties applied to Brazilian ethanol reach 52.5 percent. So, a level that in fact is three times the Brazilian tariff today.

Second, regarding the climate on fuel objectives, I'd like to emphasize that the U.S. EPA recognized that the sugarcane ethanols average 61 percent reduction on emissions compared to gasoline.

When we talk about the second-generation ethanol, that's 91 percent of reduction in emissions. We also have, in the case of Brazil, an official program since 1975 that supplies 45 percent of liquid fuel for Brazil's vehicles and light vehicles.

And, in the case of the RenovaBio, we have to clarify some points here. It's an origin neutral certification program. It's based on lifecycle analysis and on verification aligned with the spirit of the renewable fuel standard of the EPA.

These measures are also guaranteed and justified under Article XX and also consistent with the famous US - Gasoline case when it recognized the measures to defend the environment.

Regarding some of the criticism on the sector, we have shown true, some of them are overstated. We have to understand that first, the trade flows between Brazil and the U.S. that reflect a very complex sector, a complex trade.

It involves oil price cycles, blending mandates in Brazil and the U.S., and seasonal complementarities.

There is also regulatory asymmetry in the U.S. For example, the EPA by intermediary rule requires full segregation of food stock through export, and that limits the Brazilian access to the local market.

And then, when we talk about the linked products on the same value chain, the sugar TRQ caps imports equal to 120 percent ad valorem tariff regularly. So, that underscores that a need for reciprocity is on the other way.

Regarding some proposals that we could put here, we'd like to propose a constructive path, and for some opportunities to expand the ethanol market.

We have to understand that the ethanol market has a huge challenge in the future, especially regarding the SAF, the sustainable aviation fuel.

We should launch a mutual recognition work stream between the Brazilian and the U.S. authorities. That could reduce the applicative certification costs.

Yet, we could calibrate some federal rules in the U.S. that could allow multi-buyer pathways with chain of custody assurance that would reduce costs for anyone in the U.S. market.

And, regarding the TRQ, we create seasonal TRQs, green windows could destabilize the market and could help the U.S. consumer.

In the medium term, we should review the TRQ for sugar and have a more effective administration system. On the other hand, talking about specifically about SAF, the world is going to need a lot of SAF.

The U.S. and Brazil could be the main

producers. There are natural conditions in both countries and domestic laws should be aligned to allow that.

We have also opportunities to urge our governments to create a working group, for example, for MRV interoperability milestones, bio intermediary adjustment options, and seasonal TRQs.

Our specific ask and our specific goal, is to terminate the Section 301 action and initiate the regulatory and TRQ pilots above. This approach solves the real friction, preserves U.S. consumer benefits from diversified, lowers CI supply, and respected WTO disciplines.

Thank you.

CHAIR GRIMBALL: Thank you, Mr. Barral. Ms. Schmid, you have the floor.

MS. SCHMID: Thank you for the opportunity to testify on the ethanol market access issues. My name is Linda Schmid, and I manage multilateral ethanol policy for the U.S. Grains and Bioproducts Council.

We work to secure market access for our members who produce corn, sorghum, barley, distillers, dried grains with solubles, high protein animal feed, and ethanol.

We advance the export interests of our members who include 200,000 farmers on 90 million acres in the United States and 200 ethanol plants. We work to supply the world with on-road aviation and maritime transport ethanol fuel.

In Brazil, we seek the reduction of tariff and non-tariff barriers that inhibit cross-border flows of ethanol.

In addition to eliminating the 18 percent tariff Brazil imposed in 2024, we seek a pragmatic path forward to amend non-tariff barriers contained in the implementation of Brazil's biofuel policy and associated regulations.

American farmers and ethanol producers excel in innovation and production, which makes U.S. corn-based ethanol the most competitively priced high quality fuel blend in the global marketplace.

On August 12, the U.S. Department of Agriculture forecast average corn yield at a record high of 188.8 bushels per acre, up 9.5 bushels from last year for a total of 16.7

billion bushels. Record yields are expected in Idaho, Illinois, Indiana, Iowa, Minnesota, Missouri, South Carolina, South Dakota, Tennessee, Virginia, and Wisconsin in 2025.

Ethanol plants experienced a 6.5 percent increase in ethanol yield from 2.7 to 2.86 gallons a bushel of corn in 2022. Today, record production and historically low commodity prices drive the search for new and expanded markets abroad.

USTR can strengthen the economic position of American farmers and ethanol producers by securing cross border flows of ethanol to Brazil under the Section 301 investigation.

My remarks focus on our members' experience engaging with the Brazilian market and provide a clear path forward in eliminating obstacles to ethanol trade.

We highlight the impact of Brazil's tariffs on U.S. ethanol exports, we describe our members' experience grappling with non-tariff and tariff barriers. Brazil's overarching biofuel policy requires refinements to secure nondiscriminatory trade in ethanol.

Although provisions of Brazil's biofuel policy under the 2017 law promote the principles of free competition in the market for biofuels and the protection of consumers' interests as to price, quality, and offer of products, consumer -- Brazil's imposition of 18 percent tariff on ethanol imports does the opposite.

Brazil's 18 percent tariff has limited competition in its domestic market and raised the cost of ethanol, particularly in the north and northeast regions, which experience a consistent seasonal deficit of ethanol.

In addition to the tariff, our members contend with significant non-tariff barriers in the implementation of Brazil's biofuel policy. Despite many years of extensive private and public sector consultations with Brazilian regulatory agencies, including exchange of letters, sharing of U.S. laws and regulations on deforestation and demonstration of an on-farm and ethanol production practices, Brazil's biofuel policies retain discriminatory provisions.

And, I would direct your attention to

the chart that we've provided in our testimony. We've worked very hard to break down the type of discriminatory barriers we face, and how they privilege resilient ethanol producers in their domestic market, and how they discriminate against U.S. producers.

Part of the challenge is that the RenovaBio and RenovaCalc policy is so complicated that it's hard to gain market access under the way that it is implemented.

The Council urges USTR to work with Brazil to address the shortfalls in the implementation of Brazil's biofuel policies. And, I would like to conclude my remarks with specific recommendations.

And, they are that --

CHAIR GRIMBALL: Twenty seconds, Ms. Schmid, we're over.

MS. SCHMID: The USTR should negotiate permanent removal of the 18 percent tariff to ensure a level playing field for U.S. ethanol, which provides a competitive marketplace and delivers on consumers' interests as to price, quality, and offer of products; negotiate amendments to Brazil's non-tariff barriers;

eliminate non-tariff barriers.

USTR should seek mutual recognition of the U.S. industries --

CHAIR GRIMBALL: Please conclude. Please conclude.

MS. SCHMID: I will. I'm just --

CHAIR GRIMBALL: You're over 38 seconds.

MS. SCHMID: Yes.

CHAIR GRIMBALL: Please conclude.

MS. SCHMID: I certainly will, madam. USTR in coordination with partner agencies should advance interoperability of carbon accounting methodologies that do not discriminate --

CHAIR GRIMBALL: Your time has expired. Your time has expired.

MS. SCHMID: Unfairly against --

CHAIR GRIMBALL: You can follow up with written comments.

MS. SCHMID: Corn-based ethanol. Thank you so much.

CHAIR GRIMBALL: Mr. Hartman, you have five minutes.

MR. HARTMAN: Can you hear me? Yes. Good morning. Thank you for the opportunity to appear before you today.

My name is Kenneth Hartman, Jr., and I am the President of the National Corn Growers Association or the NCGA.

The NCGA represents 36,000 dues-paying corn growers and the interests of more than a half a million corn farmers who grow corn in the United States. NCGA's mission is to protect and advance the interests of corn growers.

Personally, I am a fifth-generation farmer from Waterloo, Illinois and have worked on a farm my whole life. I professionally farm corn, soybeans, and wheat with my wife and my daughters.

U.S. corn growers plant and harvest the most high quality efficient corn crop in the world. We depend on export markets for both corn and ethanol so farmers can make a living and feed their families.

And, we play by the rules, supporting competition and opposing trade barriers. Unfortunately, Brazil does not value the level playing field and unfairly penalizes U.S. corn growers.

Over the past decade, Brazil has taken target trade actions and aimed at evaporating current and future demand for U.S. farmers. In our view, Section 301 investigation into Brazil trade action is deserved and long overdue.

U.S. corn growers and ethanol producers used to enjoy a level playing field with Brazil until 2017. In that year, without any reason, Brazil imposed a 20 percent tariff and tariff rate quotas on U.S. ethanol.

The tariff was temporarily suspended but later was reinstated at 16 percent. Then, January 1, 2024, Brazil increased the tariff to 18 percent once again without any cause.

In 2018, the U.S. ethanol exports to Brazil were a value of $761 million. Brazil was the top market for U.S. ethanol exports by far.

But, as soon as the tariff was reimposed, the market was in a free fall decline. This clearly shows how Brazil tariffs led to declining market access for American ethanol exporters.

While Brazil was imposing tariffs that resulted in declining American exports, Brazil sugarcane ethanol was being imported in the United States at an increased rate. This export largely went, the exports largely went to California, peaking in 2019 at 195 million gallons.

In addition to high tariffs on ethanol, Brazil refused to allow the U.S. producers to obtain approval for the domestic biofuels program called RenovaBio. This is a clear discrimination against U.S. ethanol producers.

While the U.S. companies have been allowed to submit applications, none of them have been approved. So, RenovaBio includes stronger incentives for Brazilian ethanol over U.S. ethanol.

The United States does not impose such a restriction or participation in our renewable fuel standard, and Brazil companies are allowed to participate.

Further, Brazilian international advocacy that claims a lower environmental footprint is nothing short of a gimmick to artificially boost their carbon intensity scores over American farmers.

Brazil's claims that its corn is a secondary crop such that inputs and land uses is more minor compared to United States, but this could not be more incorrect, as land conversions from grasslands and rainforest in Brazil is not properly documented.

Recently, Brazil's efforts to pay off the International Civil Aviation Organization, ICAO agreed on recommendations that would further cement incentives for the use of Brazilian ethanol over U.S. ethanol in aviation fuel.

While the United States opposed the development, more needs to be done to regain the market access to Brazil and ensure an international level playing field for U.S. corn growers.

We appreciate the spotlight on Brazil unfair trade actions regarding ethanol, and recommend actions that include a level playing field, removing Brazilian eligibility for trade preference programs, and payment for losses.

We have thoroughly documented our views, supported by the evidence in our comments submitted, and stand ready to work with the Trump administration to fix years of economic harm and fight for what we deserve.

Thank you for your time and I'm looking forward to any questions. Thank you.

CHAIR GRIMBALL: Thank you, Mr. Hartman. Now we will proceed with questions from the government panel.

MS. NEUMANN: Thank you so much for your testimony today. My question is for Mr. Cooper.

We heard a lot of discussion about trade and the importance of trade today. Can you please describe and give us some context about the export market in Brazil in the period after Brazil lowered its tariff, compared to what happened after it increased it?

What effect did the reimposition of tariffs have on U.S. ethanol exports to Brazil?

And then, if you could, maybe speak a little bit to what you foresee would be the impact on U.S. export volumes and value if Brazil did lift its tariff. Thank you.

MR. COOPER: Yeah, well, thank you very much for the question. And, we did in our more thorough written comments, submit some statistics and charts showing just the tremendous volatility in export volumes and import volumes between our two countries, as Brazil has had this kind of haphazard, sporadic application of its tariff and tariff rate quota programs.

I will tell you, and it's been mentioned here a few times already, we saw record exports to Brazil in 2018, of around 500 million gallons. That was our largest market.

Brazil had just recently implemented a tariff rate quota that allowed, I believe it was 150 million gallons in tariffs, you know, tariff-free, and then a 20 percent over quota tariff.

But, what was happening at that time is Brazil's market was short product. And, even with the TRQ and tariff in place, they needed our volume.

You know, this notion that we don't need each other's imports and exports, I think is false. If you look historically, there's been many periods where our market's been short, we've needed product from Brazil and vice versa.

Brazil ultimately by 2020, decided to do away with the TRQ and just implement the tariff.

And, at that time we saw volumes drop precipitously to the Brazilian marketplace. Again, collapsing from that 500 million gallon number down to, you know, 40, 50 million gallons, ultimately to zero in 2023.

And, we've, I think, in the last few years been, you know, roughly in the 30 or 40 million gallon range. Again, when it's economical, even with the tariff.

You know, I think removal of the tariff longer term, would get us back to a situation where, you know, we're not going to be importing 5, or exporting 500 million gallons every year to Brazil.

But, when they have a, you know, a sugarcane crop problem, or we have a drought here, or different issues in our markets, we can exchange products.

And, that's the whole benefit of free trade, is it keeps prices low and keeps product flowing for consumers.

So, you know, we think long-term, structurally we think Brazil should be, you know, 200, 250 million gallon kind of average per year market for our product. Maybe more than that if we get some approvals under RenovaBio.

MR. REYNOLDS: This question is for Mr. Bliley. In your testimony, you mentioned restrictive measures for U.S. ethanol exports related to RenovaBio, Brazil's decarbonization credit program.

Could you further explain why U.S. ethanol producers have been largely unsuccessful in their efforts to get access to RenovaBio?

MR. BLILEY: I mean, I'm not sure I know all the reasons why. I would just say that we understand that one U.S. plant has recently been certified in the program.

Contrast that with, you know, more than 300 plants in Brazil that have been certified and participate in the program as of last August, a year ago.

And, this is something that we've been working to access as an industry, along with our partners in government as well. You know, we have, as an industry, we have, you know, years, decades of experience within our own renewable fuel standard program, California's low carbon fuel program, and other international programs.

So, we've been able to show a great

deal of data to Brazilian regulators. But, unfortunately, we just have not had access to the program.

Conversely, Brazilian producers have actually gotten preferential treatment. They actually are able to access an advanced Biofuel RIN under our RFS program, and have received pretty, very low carbon scores in California's program.

MR. REYNOLDS: Thank you. As a follow up, Mr. Bliley, are you able to share how the calculation of default values and carbon intensity scores affect U.S. exports of ethanol, including in relation to sustainable aviation fuel?

MR. BLILEY: Yeah. No, we have a great deal of data in our written comments that we're happy to provide, if you haven't seen them already.

But, I mean, essentially a lot of countries have their own climate programs. And so, they look around the world at different models and are really insistent on using various models.

You know, as was discussed, the ICAO

model, which has been punitive for U.S. corn ethanol. You know, as our friend Kenny Hartman said, our farmers are the best in the world. They're the best stewards of the land.

And, as an industry, as an agriculture industry, as a biofuel industry, we continue to get better and better and better improving yields and reducing our impact on greenhouse gas emissions.

And, unfortunately, that's not captured in a lot of these international models, because people depend on outdated data. And, ironically, we get penalized for Brazilian land use change, indirect land use change.

So, U.S. producers are penalized for actions of other countries. And, at the same time, you know, Brazil has sought preferential treatment for their second crop corn.

And so, that is where we are essentially, you know, struck with restricted access into some of these other countries, particularly in aviation and maritime.

MR. REYNOLDS: Thank you.

MR. HUFFMAN: This question is for the Brazilian Corn Ethanol Association. In your testimony, you noted that U.S. exports of ethanol to Brazil are driven by supply and conditions in Brazil, not Brazil's tariff policies.

If you believe this to be the case, would you support removal of Brazil's tariff on imports of U.S. ethanol, and explain why or why not?

And, could you also describe the supply and demand conditions in the Brazilian ethanol market?

MS. VERISSIMO: Yes. Thank you for your question. The different thing that has happened in Brazil recently was the beginning of the corn ethanol industry, which coincidentally began in 2017.

So, we have a new player in the market and that is supplying, and it's continuing to grow. So, perhaps our demand for import is not as much, as important as it was in the past.

I don't think it's -- it's above my pay grade to be discussing tariff rates. But, honestly, the heart of the matter for us here, is that we believe Brazil and the U.S. are the largest ethanol producers in the world.

There's a whole world of countries, about 200 countries, and depending on the source that needs to import biofuels.

There are new markets opening up in hard to abate sectors like the aviation sector and the maritime sector. They have to accept our production practices, our sustainability practices.

So, we should rather than discuss a trade among ourselves, who are large producers and almost self-supplied, we should be looking at other markets and work together to make sure that we have a place on the table for the new markets that will open up.

MS. PASTOR: Thank you. Good morning. The next question is for Mr. Barral. In your remarks, you note that Brazil's RenovaBio program is neutral and nondiscriminatory to foreign producers.

I'd like to ask, how would you respond to testimony from others today that have emphasized that the RenovaBio program continues to discriminate against U.S. ethanol producers?

MR. BARRAL: Thank you for your question. Well, specifically if I may, I'd like to elaborate and respond to your writing in my next brief and add more information. But just to advance some arguments and some information, RenovaBio is really an important program in terms of complying with Brazilian climate laws, but it's not discriminatory. For example, recently Plymouth Energy, a producer of iron ore obtained the certification in Brazil. You can add that information to the files.

And then, I'd also like to mention that what again to emphasize that it's not totally nondiscriminatory, but also we've seen the multilateral rules regarding the protection of the environment. Also, that in the case of the tariff, just to mention the case of the tariff, the tariff is -- we've seen the bound limits of the ICAO that was changed in the GATT 1994. So let's remember that in 1994, the U.S. didn't have a surplus of ethanol and the U.S. chose not to negotiate the tariffs then on this sector.

So finally, I'd like to emphasize the only case rather than to work with USTR and the U.S. Government should begin all the initiatives that you mentioned that would expand and integrate this market. Thank you.

MR. VOLTAGGIO: The next question is for Ms. Schmid from the U.S. Grains and Bioproducts Council.

In your written comments, you argue that the bill's actions quote constitute export targeting under Section 301 Part D(3)(b)(2) end quote. Can you expand upon this point and speak more about the particular practices of Brazil that have led you to this conclusion?

You also note that Brazil has taken actions that led the International Civil Aviation Organization's Carbon Offsetting and Reduction Scheme for International Aviation or ICAO CORSIA to accept Brazil's carbon accounting methodology. Can you explain what specific actions Brazil has taken to influence the ICAO CORSIA methodology and why you believe Brazil's methodology is flawed? Thank you.

MS. SCHMID: In terms of export targeting, I think that the written testimony addresses much of that and that was also drawn from a legal analysis that was done. Essentially because Brazil is inhibiting U.S. imports via its tariffs and its non-tariff treatment of U.S.

corn-based ethanol, it is also in foreign market reducing U.S. corn-based ethanol's access due to its actions on the regulatory environment.

So let me talk a little bit about the regulatory environment and I think you'll see in my testimony that we go through extensively the provisions of RenovaBio that essentially do not recognize many of the common production practices for traceability that the U.S. uses. In addition to that, it does not recognize the four stations of the program that the U.S. has that was to demonstrate that farmers do protect their land when they're seeking access into our domestic programs for ethanol use. And I would say essentially what has happened is that the RenovaBio program, in terms of its qualifications, are so extreme that no U.S. providers have been able to enter the market. And if you go online and you look at the recent acceptance of ethanol producers into the Brazilian markets, you will see that in some cases less than .1 percent of their production and we checked that yesterday. So that is quite problematic.

With regard to ICAO CORSIA, you know,

part of the challenge that we have is we have many credible accounting methodologies taking place at the national level and then taking place with the national standard setting bodies. So you have ICAO. You have the IMO and then you have the EU Reg. You have the Canadian regulations on carbon accounting. And for example, with the U.S. and Canada, we have mutual recognition agreements on the way that we produce ethanol and that is identified in my testimony.

With ICAO CORSIA, the problem is that it has been essentially captured by the EU because the EU is very good at writing regulations and we're playing a bit of catch up. And I think the U.S. Grains and Bioproducts Council in coordination with our colleagues here, even at the table, has worked very hard to have ICAO CORSIA reevaluate the way that they are undertaking carbon accounting to give greater deference to the way that ethanol is produced in the United States.

So because we are so efficient, because we have extremely high yields on the farm and increasing yields at the plant level that continue to increase because of research development and innovation, U.S. corn-based ethanol actually has a very low carbon score. But at the same time, we are seeking the U.S. Government to help us with interoperability between all of these increasing carbon mitigation policies that are impeding the cross border flows of ethanol. You can see it in the EU. You can see it in Brazil.

So this is really a challenge that we have and we hope that you will work with us closely to achieve mutual recognition, much like we have done in other industries. If you look at banking, insurance, securities, we have mutual recognition. We have cross-border flows. We are seeking cross-border flows of ethanol and I would just like to reiterate that from the stance of American farmers, we have exceptional yields this year. And we really need to move this corn. We need to process it into ethanol and we need your help restoring robust trade with Brazil. Because at the end of the day, what we seek is robust trade on a competitive playing field. Thank you.

MR. VOLTAGGIO: Thank you.

MS. BONNER: Mr. Hartman, can you please explain the importance of ethanol production to U.S. corn producers and the role of fair access to export markets to rural livelihoods and family farms? And could you please expand on your public comments on how and on what grounds is Brazil seeking to prevent U.S. corn ethanol from accessing future markets in aviation fuels?

MR. HARTMAN: Well, first of all, right now --

MR. BURCH: Will you please turn on your microphone?

MR. HARTMAN: Oh, sorry. First of all, when it comes to the farmers out here in the Midwest, we do have a record crop coming on. So because of that, you know, 35 percent of our crop does go into ethanol and one of the big opportunities for ethanol and for our corn farmers is basically the whole world of marketing ethanol.

As we talked about before, farmers in the United States are very efficient. You know, we've got precision agriculture. We've got plant breeding. We've been between two and three bushels per year, we've been increasing our yields which actually at the same time that helps us be more sustainable and actually helps our CI scores to be lower. So these are all things that the American farmer has done to increase yields to basically try to be profitable because of the fact that there is a big group of corn coming in. You know, we've got a 16.7 billion bushel crop coming in. So because of that, any market that we can have, if it's corn, if it's dried distillers grain, if it's ethanol, it's very important to us. So that's the first answer I think to the question why it is so important to us.

The other thing is when we look at sustainable aviation fuel, we have different models. Obviously, in the United States, we have what we call the Greek model which is we call the gold standard which takes in consideration all of those precision agriculture items, efficiencies that we're doing and because of Brazil looking at the other type of models, they're looking at making us throughout the whole world, you know, they're trying to say that their model is better than I'd say that what we are dealing with.

And at the same time, I get frustrated with the fact that they talk about the double cropping. Well, when you double crop a product, they say that it's helping them, but at the same time, you still put the seed in, you still have to have fertilizer for that crop. You still got to harvest that crop, so you're doing two crops in one year, but at the same time you have the same environmental costs and costs as far as finances to put both of those crops out. So we don't see where that makes any sense as far as that modeling.

Any other questions to that?

MS. REINITZ: The next question is for Mr. Rockstad. The U.S. Department of Labor's list of goods produced with child labor or forced labor has identified child labor and forced labor in the production of sugarcane in Brazil.

To what extent do these or other labor practices in the Brazilian sugar industry impact the competitiveness of U.S. sugar beet growers and the processors? Would these forced labor or other practices undermine the competitiveness of downstream products such as U.S. ethanol?

MR. ROCKSTAD: Thank you for the question. We'll certainly supply some statistics to your question specific to the child labor.

As far as the competitiveness, the U.S. is a net importer of sugar. Any time sugar can be produced cheaper using standards that we as Americans don't have for labor or to put it the other way, we have higher labor standards than any country in the world. We have higher environmental standards.

So as a farmer, I sit here today producing an American-grown product, 100 percent grown on American soil by American farmers and American taxpayers, using American labor and American labor standards and American environmental standards.

And I'm set to harvest a crop in a month that I will not turn a profit on. And at the same time, I'm putting money into next year's crop in the form of land preparation and fertilizers, knowing that if the circumstances in our market don't change, I won't make a profit next year either.

So anything, including a benefit to a cheaper labor source that then in turn gets imported into our country at non-restricted or Tier Two Tariff rates that are no longer relevant and not restrictive, gives Brazil a foreign advantage or unfair advantage over the American farmer. I'd like to see America stand up for what American farmers produce. Thank you for the question.

CHAIR GRIMBALL: Thank you. Thank you to Panel 2. We are running a little bit ahead of schedule, so we will go ahead and break for 45 minutes for lunch. We'll return with Panel 3 at 1:00 p.m. Thank you.

(Whereupon, the above-entitled matter went off the record at 12:12 p.m. and resumed at 1:05 p.m.)

CHAIR GRIMBALL: Okay. Good afternoon. I hope everyone enjoyed a very short lunch.

We'll get started with Panel 3, but before we do, we have a couple of additional faces joining the panel this afternoon, so let's just go around for the record.

MS. BONNER: Sarah Bonner, U.S. Small Business Administration, Office of Manufacturing and Trade.

MS. YU: Good afternoon, everybody. My name Anne Yu with the U.S. Department of

Health and Human Services and our Office of the Secretary, Office of Global Affairs. Thank you.

MS. GIBSON: Kate Gibson, Office of U.S. Trade Representative, Office of General Counsel.

MS. REINITZ: Julie Reinitz, U.S. Department of Labor, Office of Trade and Labor Affairs.

MS. KING: Michelle Sara King, Office of Standards and Intellectual Property at International Trade Administration in the U.S. Department of Commerce.

MR. HUFFMAN: Stu Huffman, U.S. Department of State, Trade Policy and Negotiation.

CHAIR GRIMBALL: And I'm Megan Grimball from USTR, Chair of the Section 301 Committee. And with that we will begin with Panel 3.

Mr. Aziz, you have five minutes.

MR. AZIZ: Thank you very much. My name is Anjam Aziz and I'm the Senior Director for International Advocacy at the Pharmaceutical Research and Manufacturers of America, PhRMA. On behalf of the U.S. biopharmaceutical innovators, PhRMA appreciates the opportunity to provide testimony before the Section 301 Committee concerning Brazil's acts, policies, and practices related to intellectual property.

The U.S. biopharmaceutical industry produces more than half of the world's new molecules, supports nearly five million jobs in the United States, and contributes more than $1.65 trillion in economic output on an annual basis. This global leadership is not guaranteed. It is sustained by strong intellectual property policies at home and abroad, including patents and regulatory data protection which drive and reward high risk medical innovation, ensure timely access to new treatments, incentivize future breakthroughs that benefit patients globally.

Yet, in critical markets such as Brazil, key intellectual property protections are unavailable or undermined. This Section 301 investigation is a critical opportunity to address two long standing, systemic, and discriminatory IP barriers in Brazil well known to USTR that burden or restrict U.S. commerce and harm biopharmaceutical innovation.

So let's first begin with a lack of regulatory data protection for biopharmaceuticals. Despite clear international obligations, Brazil categorically denies RDP for all pharmaceuticals intended for human use. Brazilian law provides RDP for agricultural, veterinary, and pesticide products while explicitly omitting RDP for medicines for human use. This exclusion is not accidental. It reflects a deliberate, discriminatory policy that violates Brazil's international commitments and tilts the scales to favor its domestic pharmaceutical industry.

And what is the result? Brazil authorities routinely allow third parties to rely on U.S. innovative confidential test data to fast track marketing approvals giving local competitors a windfall by forgoing the costs and risks of generating their own data to prove the safety and efficacy of generic or biosimilar products. This practice not only undermines U.S. companies and compromises market access, it also divides innovation and disincentivizes the launch of new medicines in Brazil.

Second, let's consider Brazil's

historically long patent examination backlog first flagged by USTR in 1999. U.S. applicants filed nearly 30 percent of all patent applications in Brazil. Yet, for biopharmaceutical innovators, average examination timelines exceeded 9.5 years between 2020 and 2024, effectively cutting patent terms for biopharmaceuticals in half. To further complicate matters, in 2021, the Supreme Court eliminated a key provision in Brazil's patent law that recognized patents raised in Brazil were egregious and provided a minimum patent term to partially offset these long delays.

Even more concerning for biopharmaceutical innovators, the Supreme Court applied this decision retroactively only for biopharmaceutical and other health sector patents, highlighting once again the discriminatory treatment of the biopharmaceutical innovative sector in Brazil.

So where do we stand today and what is needed? Brazil currently offers no remedy, recourse, or compensation when its Patent Office is responsible for unreasonable delays in the patent examination process. Despite ongoing efforts including Brazil's participation in patent prosecution of highway programs since 2016 and a launch of first ever national intellectual property strategy which covers a period from 2021 to 2030, Brazil has yet to deliver a durable, systemic backstop to meaningfully address the patent backlog for biopharmaceutical innovators.

Simply put, the need for patent term adjustment or PTA to compensate innovators for time lost during the patenting of initial process through no fault of their own had never been more urgent. PTA not only ensures that innovators receive the full benefits of their patent rights, but also provides the certainty and predictability that innovation-driven sectors depend on.

Other Latin American countries, including Chile, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua, all provide PTA mechanisms. Brazil is a glaring outlier. Brazil's failure to provide RDP for biopharmaceuticals and PTA results in noncompliance with its international obligation, places it out of alignment with regional piers, and creates a nonreciprocal trade environment with key trading partners including the United States which grants these protections to Brazilian innovators.

Therefore, in conclusion, we urge USTR to formally identify Brazil's denial of RDP for biopharmaceuticals in the absence of PTA to address unreasonable patent examination delays as discriminatory practices that burden and restrict U.S. commerce, secure the necessary legislation and regulatory reforms through the consultative process and closely monitor the implementation of negotiated outcomes. We thank you for your attention and for your continued leadership in defending American innovation.

CHAIR GRIMBALL: Thank you. Our next witness, Mr. Medrado, you have five minutes.

MR. MEDRADO: Thank you very much, Madam Chair. On behalf of the Federation of Industries of the State of Sao Paulo, FIESP, I appreciate the opportunity to address this hearing. FIESP is one of the largest private sector organizations in Brazil representing 131 trade associations and more than 130,000 industrial companies across the country. Notably, FIESP accounts for more than one third of the country's industrial GDP. FIESP echoes that the United States is a historic and reliable partner in Brazil's industrial development with a bilateral trade flow of $643 billion over the 2015-2024 period.

Consequently, FIESP is convinced that constructive dialogue and cooperation is key to address concerns raised by USTR and to foster mutual trust based on premises of predictability, agility, and legal certainty. In that spirit, FIESP expresses its concern over the possibility of additional tariffs being imposed at the conclusion of this investigation.

The private sector in Brazil was fully aware of the negative consequences that such measures would bring. Of note, is the fact that these additional costs would not only burden companies operating in Brazil, including those with American equity, but also companies in the United States that depend on Brazilian inputs and services. Ultimately, consumers in both our countries would be adversely affected.

While FIESP has addressed issues of preferential treatment and deforestation, this presentation addresses the issues concerning intellectual property. Our presentation focuses on Brazil's significant progress in the protection and enforcement of intellectual property rights over the years. Since the 1990s, Brazil underwent a profound transformation in its intellectual property landscape. Brazil has been consistently implementing legislation and policies, participating in global fora and devoting greater effort in our commitment to meet international standards.

Brazil is a long standing and active member of the global IP community. Since the ratification of the Centennial Paris Convention, Brazil has adhered to numerous treaties including the TRIPS, the Patent Corporation Treaty, the Berne Convention, and more recently the Madrid Protocol. These commitments demonstrate the Brazil alignments with the World Intellectual Property Organization and our readiness to advance towards OECD accession where I think enforcement is a key benchmark.

Brazil's accession to the Madrid Protocol in 2019 simplified the process for Brazilian companies to protect their trademarks abroad and for foreign companies to register trademarks in Brazil. Now, the National Institute of Industrial Property, INPI, operates as an office of origin, submitting and receiving trademark applications internationally. This ensures that trademarks subject to designations from Brazil receive the same level of protection as those filed directly with INPI. The adherence to the Madrid Protocol reflects Brazil's commitment to facilitating global trade and strengthening the competitiveness of its industries and reinforcing its role as a reliable partner in the international intellectual property system.

Industrial property law, combined with corporate law and software law, are the main laws in Brazil to regulate the different issues that may arise. Brazilian legal framework provides severe sanctions against those who commit crimes against intellectual property. Also, the Federal Government, through INPI, has taken concrete measures to make the protection of intellectual property more efficient and transparent.

Our written submission details all measures taken in the past years. Specifically, FIESP highlights the example of Sao Paulo's parliamentary investigation on piracy carried out between 2021 and '23 in Brazil's largest commercial district, namely Rua 25 de Março. This extensive investigation led to concrete recommendations for public policies, awareness campaigns, enforcement managers to curb piracy at the municipal, state, and national levels. Altogether, these measures reflect Brazil's multi-layer strategy, combining legislation, enforcement, institutional coordination and social policy to curb piracy and counterfeiting in a view to protect the companies that carry out their business operations legitimately.

Like many other countries, FIESP recognizes that there is yet ground to be covered in the strengthening and continuous development of the legislation and enforcement of the IP protection in Brazil, but this to the benefit of all industries in the country with no discrimination including those with American equity which accounts to 25 percent of foreign direct investment in Brazil.

FIESP enforces its believe that by working together, we can foster trade, entrepreneurship, innovation to ensure that industry in both our nations continue to thrive in a transparent and fair global market. Thank you.

CHAIR GRIMBALL: Thank you. Mr. Panzini, you have five minutes.

MR. PANZINI: Thank you for the opportunity to testify today. I represent AmCham Brazil, the largest American chamber of commerce outside the United States. We bring together more than 3.5 thousand companies both American and Brazilian that collectively account for about one third of Brazil's GDP. For over a century, AmCham Brazil has worked to promote trade and investment between our two countries.

First, let me stress why this relationship matters. The United States consistently enjoys a trade surplus with Brazil. Over the past decade, the combined surplus on trade and service totaled more than 257 billion U.S. dollars. Our economies are deeply integrated. Nearly one third of bilateral trade, about 32 billion U.S. dollars in 2024, took place between affiliates of the same multi-national corporations. This means lower costs, stronger supply chains and better competitiveness for American companies.

Investment flows are also mutually beneficial. Brazilian companies support hundreds of thousands jobs in multiple sectors across the United States. At the same time, the United States is the largest foreign investor in Brazil with U.S. companies remitting more than $54 U.S. billion in tax-free dividends to U.S. headquarters between 2015 and 2024.

Second, I want to acknowledge the importance of addressing legitimate trade concerns in the policy areas found in the Section 301 investigation. No economic relationship is without challenge and we fully recognize the need for continuous improvement in Brazil's business environment. However, broad tariffs, such as the recent proposed 50 percent rate in Brazil, carry unintended consequence. The risk raising costs for American business disrupts the supply chain and impacting American workers. In our view, they move us away from solution and they are not effective.

Third, let me point to some opportunities for cooperation. On digital trade, we see an opportunity for dialogue to ensure that future regulation in Brazil is fair and transparent, especially given the leading role of U.S.-backed companies in Brazil. On preferential tariffs, why we do not have a preferential trade agreement, U.S. exports already benefit from low tariffs in Brazil, on average 2.7 percent which is below the world average 5.2. Expanding the ATEC framework, for example, could include bilateral market access.

On intellectual property protection, Brazil has strengthened comparison enforcement with the U.S. cooperation. Still, there is room to improve. Include tougher penalties for counterfeiting and strong enforcement capacity.

On patents, evidence shows that Brazil has lowered its overall backlog, although substantial delays remain, especially in pharmaceuticals. We support both governments to address this challenge.

On ethanol, we encourage deeper U.S.-Brazil cooperation to expand international biofuels trade and to promote higher blending rates with both countries. As world largest producers, we stand to gain from developing global markets together.

Finally, let me conclude with this point. Constructive dialogue works. We firmly believe that the concerns of the U.S. Government and the private sector are best addressed through bilateral engagement, preserving the mutual benefits that define the relationship between the two largest economies in the Americas. AmCham Brazil remains committed to working with both governments and business leaders on both sides. Thank you for the opportunity.

CHAIR GRIMBALL: Thank you. Mr. Leonardos, you have the floor for five minutes.

MR. LEONARDOS: Thank you, Madam Chair. I speak on behalf of the Brazilian Association of Intellectual Property, ABPI. We are a not for profit dedicated to the study and advocacy of intellectual property law. We were founded in 1963. Our international experience stems from our creation as the Brazilian chapter of the International Association for the Protection of Intellectual Property.

We believe that innovation fostered by a strong IP system is essential to Brazil's social and economic development. Our association enthusiastically advances strong standards of IP protection and we were directly responsible for the successful introduction of pharmaceutical patents in Brazil in 1996. We work closely with several reputable entities that share our goals including those that represent international and United States IP interests in Brazil such as the American Chamber of Commerce, Interpharma, and the United States Patent and Trademark Office representation in Rio de Janeiro.

To avoid repeating the comments we already submitted in written form, I will focus my brief testimony on the only two topics that gave cause to this investigation as far as IP is concerned: the fight against counterfeiting and the speed of examination of patent applications in Brazil.

Since the institution of the National Council for Combating Piracy, known in Brazil as CNCP, through a presidential decree in October 2004, we have been experiencing increasingly sophisticated strategies in the fight against IP counterfeiting in all its forms. There is strong awareness that all levels of government, Executive Branch, Legislative, and Judiciary of the importance of fighting piracy. Frequent raids against IP counterfeiters, and both federal and state police officers working together authorized by judicial orders and often assisted by Customs authorities, I assure you that there is no tolerance or leniency from the authorities regarding counterfeiting activities.

Of course, I'm not saying the situation is perfect. Brazil is a huge country with less than optimal resources for law enforcement, especially to patrol our borders as most of the pirated goods come from abroad and enter our country often through smuggling. Our land borders extend for 10,500 miles and for comparison, the U.S. 48 states land borders with Mexico and Canada total only 7,400 miles.

With the cooperation in developed countries like the U.S., there is certainly room for improvement and I am positive that the Brazilian authorities would welcome such cooperation.

As for the delay in the examination of patent applications by the Brazilian Patent Office, it is important to recognize the significant improvements since 2017 when the program to fight the backlog was initiated. Until then, it was common for patent applications to take between 10 and 15 years from filing to granting in Brazil. This program was possible thanks to a political decision that authorized the examiners of the Brazilian Patent Office to base their examinations of Brazilian patent applications filed by foreign companies on the examination already done abroad by the USPTO, by the European Patent Office, and other patent offices of developed countries. I believe this shows the Brazilian Patent Office's commitment to following international standards of patent examination.

The delay that still exists for the examination of patent applications between four and eight years is still high, but hardly catastrophic. The sole reason for this delay is that insufficient funding of the Brazilian Patent Office which annually collects approximately $300 million in fees from the applicants while the Brazilian Government only authorizes the Brazilian Patent Office to spend approximately $50 million per year on this activity.

I know that in a not so distant past,

the same type of discussion happened also here in the United States regarding the funding the USPTO. This discussion has been ongoing in Brazil for several decades and it is not a problem created by the current administration. We believe that we are now close to approving the necessary funding for the Brazilian Patent Office that will allow it to speed up even more the examination of patent applications.

In closing, I wish to affirm that there is absolutely no bias against U.S. companies or interests in the enforcement or application of intellectual property law in Brazil. From the perspective of the organization I represent, there is no justification for Brazil to face penalties on Section 301 with respect to IP protection. In recent years, we have repeatedly submitted our position to the USTR during the annual review of the Watch List, urging that Brazil be removed from such list.

It is important to know that Brazil was included in 1989 in the 301 Watch List and that's prior to the adoption of the trade's agreement by the World Trade Organization and before the enactment of the 1996 Brazilian Patent

Act. It is, therefore, in our point of view, long overdue for Brazil to be removed from the Watch List. Thank you for the opportunity to be heard.

CHAIR GRIMBALL: Thank you. And now we will proceed with questions from the government panel. In some instances, witnesses may receive one or more questions and in some instances the questions might focus more on your written testimony than perhaps your testimony provided here today. So with those caveats, we will begin.

MS. YU: Thanks so much. This question goes to Mr. Aziz from PhRMA. According to the Brazilian IP Association, there has been a lack of resources devoted to Brazilian IP authorities as so noted recently, responsible for patent processing, due to diversion of funds to other unrelated government components.

U.S. industries' experience with INPI suggested that the patent backlog is primarily because there's a lack of resources or are there other reasons for the backlog?

MR. AZIZ: Thank you very much for the question. The funding issue is one that we've been tracking very, very closely. We fully support a fully funded, functioning NP office which I think will help assist with the backlog issue.

There are other reasons for the backlog, so it's not just purely funding. Not so long ago in Brazil, the health authorities had a say in the patentability of products. I think that caused some delays. So there are other things. So that's something that Brazil has done away with, but there are other reasons that helped put this -- put us in the situation that we're in today. Thank you.

MS. YU: Thanks so much. And I have one more question for you, Mr. Aziz.

Your comment cites to a study that if Brazil were to introduce RDP for human use, pharmaceutical products, it would increase the availability of innovative medicines in the country by 39 percent.

How did you organize or evaluate the extent to which the current lapse of RDP discouraged U.S. innovative companies from entering the Brazilian market? And are you able to provide the details of your analysis?

MR. AZIZ: Absolutely. Thank you for the question. Absolutely. So a few years ago, it was actually the Brazilian Government that wanted our take on RDP, what does RDP mean for Brazil? So there's an organization called Copenhagen Economics that did this comprehensive study, looked at what impact RDP would have in terms of the number of innovative medicines that are available, what would happen to the generic industry market, what would happen to clinical trials, what would happen to FDI. We have that analysis. We have the methodology and we're happy to submit that as part of doing a post-hearing submission.

MS. YU: Thank you.

MS. GIBSON: This question is for Mr. Medrado, FIESP. Your written comment notes that persons are subject to 10 to 15 years of prison for a counterfeit-related crime. The various operations that you've summarized with respect to the Rua 25 de Março area, how many persons have been arrested, convicted, or otherwise penalized for their crimes and are you able to provide some statistics or figures on the dispositions of those cases?

MR. MEDRADO: Absolutely, we'll be working on those figures for the submission. I don't have those numbers right now, but I'll certainly make sure you have detailed information so that you can work with that in the report.

MS. GIBSON: Thanks very much. And if we may ask a follow-up, in your intellectual property section, you mention that there is a need to have new legislation providing for severe penalties for municipal officials who exploit their supervisory authority for personal gain. What is the issue behind that recommendation?

MR. MEDRADO: Can you please repeat? It was a little low.

MS. GIBSON: Of course, yes. In your intellectual property section, you mention that there is a need to have new legislation providing for severe penalties for municipal officials who exploit their supervisory authority for personal gain. What is the issue behind this recommendation?

MR. MEDRADO: The issue involves -- I think this is related to the parliamentary entry that was made with respect who -- I think 25 de Março, what the translation would be, 25 of March

Street. And it was, as I mentioned, a large parliamentary investigation to determine what were the causes behind the situation in that street. And then one of the recommendations led to the indication of farther legislation with more severe penalties, especially for municipal authorities. The issues that municipal authorities are responsible to oversee the operation is specifically of municipal commerce and that's why it is a point of attention.

Of course, as you can see, representative, we are dealing with issues of coordination, so it's necessary, especially on intellectual property enforcement to coordinate not only federal, state, and also municipal spheres, and of course, that is a complex issue, but the parliamentary investigation was a first step towards that to understanding what were the real causes for the situation of Rua 25 de Março. We'd be happy to provide more information on that aspect in our written submission.

MS. GIBSON: Great. This question is for Mr. Panzini. Your comment reports that in 2024 INPI hired 130 new staff, 40 of which are dedicated to biopharma and telecom patents. At the same time, the Brazilian intellectual property association, ABPI, notes that there's a division of official fees collected by the BCPO to fund other unrelated expenses of the Federal Government leading to staffing and resource shortage.

How do you reconcile this view with your assertion that INPI has expanded?

MR. PANZINI: Right. So first of all, let me start by saying that AmCham Brazil is constructively engaging with INPI and all Brazilian Government to address these both concerns.

First, I think the new examiners are very welcomed. It's a very old request for Brazilian private sector that we were attending. And then AmCham Brazil when representing American and Brazilian was something that we've been requesting for a long time and I think the results will come out. But as you mentioned, I mean the efforts we have to do doesn't have only to do with examiners. They are important, and they can be targeted, for instance, for pharmaceuticals or other sectors that have more time and standing on that and concessions. But also, we need and we're working on that. There's a bill that my colleague here, Gabriel, has mentioned at the Senate that is working on fixing the budget for INPI. So I think both things together can really make more robust our IP system in the near future.

MR. HUFFMAN: My question is for Mr. Leonardos. Your comment asserts that Brazil has accelerated patent examinations to decrease the patent backlog, but the comment also states that quote in the last four years, the number of the BPTO's decisions on the merits, i.e., the notice of allowance and rejections, decreased continuously as a result of the lack of examiners and investment in IP at the BPTO caused by the diversion of official feels collected by the BPTO to fund other unrelated expenses of the Federal Government end quote.

Does lack of resources impact the efforts toward alleviation of a backlog? In what specific aspect does the BPTO or INPI lack investments? And what part of the government are these funds being diverted to?

MR. LEONARDOS: Thank you for the question. After initial acceleration of the examination, these efforts then lost some traction because of the lack of funding. Even though there were over a hundred new examiners hired last year, we believe that we would need at least another this amount. And not only that, we think that there should be periodical continues at the missions of the examiners, not only once every ten years. That's the problem. There is a lack of regular funding. The funding is oddly enough not really directly diverted to other institutions. It stays in the national treasury under the name of the INPI, but the INPI is not allowed to touch it. And in theory, no other agencies may touch it either. So it just stays there as a sort of last ballast for the other expense of the government.

The Brazilian Federal Government has a limitation on spending so the less they spend in some areas, the more they can spend in others. So that's how it is used. And as I said, it's not a recent problem. It goes back for 30 years. So we really need institutional change to change that, but I preface that, everybody suffers from these poor money management policies. Brazilian innovators also suffer so there is nothing directed against U.S. interests.

MR. STEPHENS: My name is Andrew Stephens representing USDA and also a follow-up question for Mr. Leonardos. This refers to your written submission. And in that, you raise concerns about potential discriminatory treatment under Federal Law 10603/2022. Please expand and explain how the crucial gap in Brazil's data protection framework for human pharmaceutical products raises the concern about potentially discriminatory treatment.

MR. LEONARDOS: Excuse me, you were mentioned about the data package exclusivity. Yes. This submission we made in February of this year at the time of the annual review of the Tier 1, if I may, with all due respect, I believe the current investigation is not based on the lack of data package exclusivity. But this matter has already been raised by Mr. Aziz, representing PhRMA and indeed it is a loophole or a shortage in our legislation. We strongly believe that there should be data package exclusivity for pharmaceutical regulatory approval and we are working on that in our association.

We believe that this is in the best

interest of Brazilians, but such regulation so far has not been introduced. So as far as the largest number of pharmaceuticals that are introduced in the Brazilian market which are innovation based, research based, are pharmaceuticals from international companies, not only U.S. companies. It is clear that, as a matter of fact, these international companies are the ones most hurt back the lack of data package exclusivity. One example is, for example, several European countries also, European countries also suffer from the same shortage or the same defect in our law.

MR. STEPHENS: Thank you.

CHAIR GRIMBALL: And that concludes the panel's questions for Panel 3. We can take a five-minute break. Return at 1:45 with Panel 4. Thank you.

(Whereupon, the above-entitled matter went off the record at 1:39 p.m. and resumed at 1:53 p.m.)

CHAIR GRIMBALL: Thank you for your patience. We are ready to begin with Panel 4.

Mr. Mencer, you have 5 minutes.

MR. MENCER: Thank you, Madam

Chairman.

My name is Joe Mencer. I'm a fourth generation farmer from Lake Village, Arkansas. My family produces soybeans, corn, cotton, rice.

Today I appear on behalf of myself, my family operation, and as a voice for the members of the Agricultural Council of Arkansas. It's a nonprofit industry trade organization representing row crop farmers, landowners, and agriculture-related businesses in Arkansas.

I have the honor of serving as president of this organization at this time, which was founded in 1939. And I appreciate the opportunity to testify today in this Section 301 case examining Brazil's agricultural practices.

I want to focus my remarks on unfair trade production, advantages Brazil has cultivated, which has enabled them, supported by China, in the resulting harm these practices influence on U.S. producers in our rural communities.

Over the past two-and-a-half decades Brazil has dramatically expanded its crop production, particularly in soybeans, corn, and cotton. Brazil has more than quadrupled its soybean production from 40 million tons to over 160 million tons in the last 20 years.

They have more than tripled their corn output.

And their cotton production has gone from 3 million bales to over 18 million bales this last year.

And when it comes to crop acreage, Brazil has expanded their planted acres from 40 million acres in 2000 to nearly 120 million.

It's truly staggering to consider this growth. And much of this expansion has been achieved through deforestation and land conversion, government policies, and investment from Chinese, and purchasing activities and unfair practices that they force upon the Brazilian industry.

The result is a distorted global market where American farmers like me are harmed. Right now it's impossible for an American farmer to survive as costs to farms are far outrunning revenues one can receive from crops produced, even with the highest yields and best management of marketing strategies.

This has harmed U.S. farmers,

especially in Arkansas, and across the country and in other parts of the world because it's increased our cost of inputs, decreased crop prices, and caused us to lose market share around the world. And just unequal standards of practices that we have to adhere to that they do not have to adhere to.

In Arkansas alone our crop producers face an estimated $1.2 billion in lost revenue this year over operating costs. And that's according to the University of Arkansas economists, and that is a direct result of Brazil's cost advantages and overproduction.

The harm to the environment that's created by Brazil is the vast deforestation of land. Some of the most biodiverse and sensitive areas are being destroyed in favor of crop production. Many migratory species from North America are losing habitat.

And Brazil is often referred to as the lungs of the world for its carbon cycling capacity which reduces greenhouse gas emissions, creates oxygen, and shapes weather patterns globally.

And why we're here today is for a

call of action on behalf of myself and the members of the Agricultural Council of Arkansas. We urge USTR, the Trump administration, and Congress to recognize Brazil's practices, coupled with China's investments and involvement, as unfair trade practices under Section 301.

We would like to see them impose more trade remedies as far as tariffs, quotas, or other trade countermeasures to level the playing field.

Conduct more investigations into the environmental destruction in Brazil and its potential impact on climate, migratory species, and diverse ecosystems.

Conduct more investigation into the role of China and any illicit activities they may engage in.

Pursue remedies that offset disadvantages faced by American producers, including compensation mechanisms to ensure that American farmers receive the necessary support while broader trade remedies are pursued.

Leverage U.S. influence in trade negotiations to ensure that environmental, labor, and transparency standards are enforced globally so that American farmers are not competing on an unlevel playing field.

And support initiatives to encourage importers and American businesses to source U.S.-grown commodities rather than commodities grown on land in Brazil that's been deforested since 2000.

CHAIR GRIMBALL: Mr. Mencer, if you can conclude, the time has expired. Your time has expired.

MR. MENCER: I'm sorry.

CHAIR GRIMBALL: That's okay. There will be an opportunity to follow up with questions.

MR. MENCER: Okay.

CHAIR GRIMBALL: Okay. Now we'll move to our next witness. Mr. McKinney, you have 5 minutes.

MR. McKINNEY: Hello, everyone. Thanks for having us here today.

My name is Sheridan McKinney and I'm here on behalf of the U.S. Cattlemen's Association who would like to express their appreciation for initiating this Section 301 investigation.

Like many of the officials in the room today, I am actually a trade lawyer and not a subject matter expert. Yet, as a fellow trade lawyer and a bit of a data nerd what I can hope to do is to maybe point you towards the real experts and help tease out the relevance of what they're trying to convey, and maybe relate a bit of it to this investigation.

And for me, while I've been sitting here today and listening to everything that's been presented, I'm reminded of a certain former USTR general counsel.

I learned a lot from Tim over the years. I think the most relevant lesson here today would be that if you really want to make a point, what you want to do is call out any broader themes that may be echoing throughout the hearing. It really helps to tie the facts together and kind of make your point.

So, here today you've heard a lot of views. You're even hearing different takes on the issues from groups that are representing the same industries.

There's also been a star power here. We have a former Director General of the WTO.

So, how do you make sense of it all? What's going on here? And what really ties all this together?

And I think, from my view, it's rather simple. I think it's time to reset the U.S.-Brazil trade relationship or, at the very least, give it a bit of a facelift. And the Section 301 investigation can. In fact, Section 301 is designed to help achieve just such a goal.

Now, over the past 30 years a portion of the Amazon rainforest equal to the size of Texas has been deforested. That happened at a speed of more than 13,000 standard football fields every single day.

You know what else happened 30 years ago? I think you all know. The WTO agreements, that's the main laws governing the U.S.-Brazil relationship, they went into effect.

Look, it's easy to get lost in the numbers. There's been a lot of data and different versions of data today. Also, I find, you know, is it an average rate, is it a change to a rate? What, kind of what does it all mean? So, that could be said of all the different issues as well. The devil, as it turns out, is kind of always in the detail.

So, I thought I would just highlight a few numbers that I had picked out myself.

Those numbers are 13,000, 80 percent, and 24 percent.

So, 13,000, what is that? To be a little more precise, I crunched the numbers and did the math, it's something closer to 13,334 and some repeat decimals standard football fields have been cleared from the Amazon every single day for the past 30 years. And that does equal an area much larger than Texas, as a matter of fact.

So, 80 percent? Estimates vary. It depends on which reports you're reading and who you're referencing specifically. But somewhere between 80 and 90 percent of the land cleared in the Amazon gets converted to cattle.

Now, if you combine these first two numbers, what you're going to find is that that's about the same area as Texas, minus the waterways, lakes, rivers, so on and so forth.

So, 24 percent, what's that stand for? That is the speed of deforestation that was reduced by 24 percent between 2023 and 2024. Not reversed but a reduced rate of the speed of expansion. In other words, it's getting worse more slowly.

Some claim that this is due to a government crackdown on illegal deforestation. But all I can really focus on is that I see evidence that when motivated to act, enforcement can in fact be quite effective.

And by the way, that reduced 2024 number, that accounts for an area approximately the size of Delaware; so, in one year a Delaware.

So, when you combine all these numbers together what do you get?

Since U.S.-Brazil's individual schedules commitment to the WTO went into effect, Brazil has gained a Texas, one with no cities and few people taking up space, where land is almost exclusively dedicated to competing against U.S. cattle ranchers for domestic and foreign markets.

Finally, that when properly motivated, the Brazilian Government has the capacity to slow that rate of expansion. And no one has even been talking about shrinking this Texas-sized, gigantic cattle raising area.

So, look, this is not a legislative

process, it is an administrative investigation. The imbalances created by runaway deforestation are a problem that we believe you can fix -- you could help to fix by using the tools that you already have at your disposal.

Before wrapping up -- I know I'm running out of time here -- I want to highlight a phenomenon, sounds a bit odd: cattle laundering.

Look, the industry in Brazil is a multi-layered industry. There are producers shuffling cattle from location to location, from owner to owner. And it's virtually impossible to make sure that none of this cattle, nothing that was raised on illegal deforested land or, for that matter, is free from forced and child labor inputs actually make it into the supply chain.

And that last point is a very real concern, one that the United States Government has expressed concern about in the past.

So, I'll just stop there. I see I'm out of time. Thank you.

CHAIR GRIMBALL: Thank you, Mr. McKinney.

Mr. Bacus, you have the floor and have 5 minutes.

MR. BACUS: Good afternoon. My name is Kent Bacus. I'm the Executive Director of Government Affairs for the National Cattlemen's Beef Association, the oldest and largest national trade association representing U.S. cattle and beef industry.

NCBA has been the trusted leader and definitive voice of the U.S. cattle and beef industry since 1898. And our policies are set by our grassroots membership of 44 states and 3 affiliates.

NCBA greatly appreciated the opportunity to share our perspective on the pending 301 investigation into Brazil's unfair trade practices.

To begin, it's important to recognize the lopsided trade relationship we have with Brazil. And in recent years Brazil has emerged as a leading supplier of lean beef trimmings that are used to meet U.S. demand for ground beef.

This represents a small portion of overall beef consumption in the U.S. market. But in the past 5 years Brazil has sold over $4 billion of beef to the U.S., and over $1 billion in the first 6 months of this year.

Brazil has full access to a robust U.S. market with a transparent and consistent regulatory process that allows for market development and investment. Meanwhile, U.S. beef exports face a complex scheme of labeling requirements, facility registrations that discourage Brazilian importers from buying our products.

Over the past 5 years our sales to Brazil have only totaled $21 million, a significant disparity.

We appreciate President Trump increasing the reciprocal tariff on Brazilian imports to 50 percent. And when coupled with the other country TRQ, that results in a 76.4 percent tariff on imported Brazilian beef.

We believe this is a good start.

While the trade deficit should, while the trade deficit should be addressed, our larger concern is the questionable risk that Brazil's access poses to the health of U.S. consumers and U.S. cattle herd.

Despite strong opposition from U.S. cattle producers, Brazil gained beef access to the U.S. market in 2016. And in June 2017 USDA suspended Brazilian beef imports after FSI has refused entry to 11 percent of Brazilian fresh beef products. That is substantially higher than the average rejection rate of 1 percent.

Likewise, Brazil failed to report several cases of atypical BSE for weeks, months, and years at a time, out of step with their obligations as a member of the World Organisation for Animal Health. This calls into question the integrity of their central competent authority. And no other trade partner with access to the U.S. market has exhibited such inconsistencies.

NCBA repeatedly called for USDA to suspend Brazil's market access and conduct thorough audits to verify Brazil's safety standards. Unfortunately, the only time Brazil has shown a willingness to take U.S. standards seriously is when their market access was fully suspended for months and years.

For this reason, NCBA continued to call for the full suspension of Brazilian beef imports until USDA can thoroughly audit and verify Brazil's safety standards for animal health and food safety.

On the topic of deforestation, some

policymakers may prefer to use measures like the European Union's deforestation regulations to restrict beef imports from countries like Brazil instead of using their existing authorities related to animal health and food safety.

We are concerned that creating our own European-style regulations will set a dangerous precedent that may be used against U.S. beef and other U.S. agricultural commodities in the future. By substituting deforestation with another subjective term, U.S. cattle producers may become subject to more unfair trade barriers. And it will be farmers and ranchers who bear the additional costs of compliance.

It is important that we continue to base our trade rules on objective, science-based standards at all times, and avoid following the European example of subjective trade.

Throughout its history NCBA has been a strong proponent of rules-based, science-based, and market-based trade policies. And when those policies are properly enforced, U.S. cattle producers thrive.

Unfortunately, in recent years trade has become increasingly imbalanced due to unfair trade practices from countries such as Brazil that have benefitted from unilateral access to the U.S. market. If left unchecked, this imbalance will create a scenario where U.S. farmers and ranchers grow increasingly less competitive in overseas markets and the domestic market.

We are not seeking retribution, but we are seeking accountability.

Thank you for allowing me to provide NCBA's perspective on this important topic. I look forward to your questions.

CHAIR GRIMBALL: Thank you, Mr. Bacus.

Next we're going to have Mr. Aguiar.

MR. AGUIAR: Hello. Good afternoon to all the members of this commission.

My name is Fernando Aguiar. I'm one of the associate members of Abipesca, along here with the Executive Director of Abipesca, Mr. Jairu Gund.

Okay. A nonprofit organization, non-partisan, Abipesca is the Brazilian fishery association representing the largest industries in the sector. Our members account for approximately 70 percent of Brazil's formal seafood market, and roughly 90 percent of Brazilian seafood exports.

Thank you for allowing us to testify for this Section 301 hearing on Brazil.

Abipesca is actively working to promote sustained seafood consumption. The U.S. Government has already exempted many other products from tariffs. And the Section 301 investigation has no connection to Brazilian seafood. Therefore, it is reasonable to extend the same exemption to Brazilian seafood.

According to the National Fisheries Institute, NFI, the U.S. seafood industries is fundamentally different in that 85 percent of the U.S. consumption depends on imports. According to the Department of Commerce, the seafood trade capacity was $24 billion in 2022.

Brazilian tilapia, rock lobster, snapper, tuna, and croaker have earned a place in the United States market. Our members exported more than 30,000 metric tons of seafood in 2024, representing a growth of more than 30 percent annually. While tilapia exports accounted for more than 40 percent of that growth, Brazil was the second largest supplier of fresh tilapia fillets to the United States.

The increased tariffs on Brazilian seafood raised prices for U.S. consumers, making unaffordable and prompting them to opt for lower quality seafood than the one Brazil supplies. Our products are raised and processed in highly technologically advanced environments, meeting the hygienic and sanitary requirements of the United States, as well as demands for commercial quality.

Brazil has some of the strictest environmental legislation in the world, and has implemented public policies, including measurement measures, catching quotas, and adjustments to monetary system, as well as efforts to combat illegal, unreported, and unregulated fishing, IUU.

Brazil protects 28 percent of its exclusive economic zone, and more than 60 percent of the species are under no catch zones, ensuring their protection and sustainability.

Trade map data indicate that over the past 5 years Brazil has become a significant supplier of seafood to the United States, particularly tilapia, demonstrating the Brazilian seafood industry's capacity to strictly meet the U.S. market sanitary and commercial requirements, ensuring traceability, quality assurance, and compliance throughout the production chain.

Other benefits to the United States include job creation, supply stability, lower costs for consumers, and a supply chain reliability.

In conclusion, applying tariffs to Brazil's seafood products will not only harm bilateral trade but also directly harm American consumers. Brazilian seafood has no place in this Section 301 investigation and should be exempt from any punitive tariffs.

Beyond the trade discussions, it is very important to highlight the human side of the decision.   Behind every shipment of Brazil seafood there are families, small producers, and communities whose livelihoods depends on this activity. But the impact does not stop in Brazil. The United States is also going to suffer some way.

American consumers will face higher prices. And the small U.S. companies that depend on affordable, high-quality seafood, may lose revenues and competitiveness.

I promise you all we are not here to sell you fish recipes, although I'm sure everyone wants to try our Brazilian fish will ask for more. At the end of the day, fish is not just about trade, it's about people. And as we say in Brazil, when there is a good fish on the table there's always room for one more friend.

So, Brazilian seafood is part of the solution to supplying the U.S. and not the problem.

Thank you very much.

CHAIR GRIMBALL: Thank you, Mr. Aguiar.

Our next witness will be Ms. Zieba. You have 5 minutes.

MS. ZIEBA: Good afternoon and thank you for the invitation to testify.

I am Maria Zieba, the Vice President of Government Affairs at the National Pork Producers Council. And it is in this capacity in which I am testifying before you.

NPPC represents the interests of America's more than 60,000 pork producers. Our industry supports more than 573,000 U.S. jobs, and adds about $63 billion to the nation's GDP.

The U.S. pork industry is dependent on maintaining existing and opening new foreign markets, exporting about a quarter of our total production annually to over 100 countries. Unfortunately, Brazil is not one of these countries.

While the U.S. pork producers are all but shut out of the Brazilian market through unfair tariff and non-tariff barriers, the South American country enjoys unfettered market access into the United States for its pork exports.

Over the past decade Brazil pork exports to the U.S. have risen more than 1,900 percent, increasing from $5.2 million in 2024 -- 2014 to more than $104 million in 2024. It is time for Brazil to reciprocate on pork market access.

Brazil ignores international commitments in the WTO's SPS agreement and poses more stringent requirements on imported products than it does on domestic products as a way, it claims, to ensure imports meet an appropriate level of protection for animal health and food safety.

The United States' animal health inspection and food safety standards and systems are the gold standard. And as one of the largest exporters of pork in the world, we operate a world class plant inspection and approval system.

Brazil's continued failure to recognize the U.S. system and insistence on plant-by-plant approvals are an unacceptable barrier to U.S. pork.

Brazil has also failed to finalize an export certificate to allow entry of U.S. pork, despite a decade-plus of negotiations. One concern it has raised is that the U.S. Government's acceptance of regionalization from EU countries that are positive for a foreign animal disease called African swine fever. Brazil does not recognize that regionalization and has raised concerns that recognition would expose Brazilian pork production to foreign animal diseases from third countries.

Oddly enough, Brazil submitted a similar regionalization agreement request to the U.S. for foot and mouth disease regionalization, which the U.S. Government recognized, and which has allowed pork to be exported from Santa

Catarina to the United States.

In other words, while the United States has adhered to international WTO rules, the World Animal Health and Codex Guidelines, Brazil has not followed the same international commitments to allow U.S. pork access to its markets.

Another of Brazil's non-tariff barriers is its insistence that U.S. pork be either tested for trichinae for full testing or frozen in accordance with existing federal regulations. Brazil trichinae-related restrictions on U.S. pork violates numerous provisions of the WTO SPS agreement, including the requirement that SPS measures be based on science and legitimate risk assessments.

Over the past 30 years the United States has implemented a strong biosecurity program for pork production and has reduced the risk of trichinella in the U.S. swine herd to negligible levels. Trichinella has not been detected in the U.S. commercial swine herd in well over a decade.

Although not a trade barrier, Brazil's effort to take advantage of the difficulties U.S. pork producers are having because of California's Proposition 12, non-science based housing requirements that are undermining the U.S. pork industry, in fact, Brazil pork exports to California have increased over the past few years.

It is important to note that NPPC does not formally object to Brazil's foreign market access request. The bottom line is Brazil has a de facto ban on U.S. pork that stymies access for reasons that lack scientific justification and violates several international trade commitments.

We continue to urge the Brazilians to recognize the standard FSIS pork export certificate, not impose additional testing, not create additional registration through monographs and, most importantly, live up to its international commitments.

NPPC welcomes the Section 301 investigation on Brazil's trade barriers to U.S. products, and requests that USTR work to eliminate the country's baseless non-tariff barriers so fresh, frozen, and processed U.S. pork may be shipped to Latin America's largest economy.

Thank you. And I look forward to your questions.

CHAIR GRIMBALL: Thank you, Ms. Zieba.

And we will have our last witness. Mr. Murray, you have 5 minutes.

MR. MURRAY: Madam Chair, thank you for the opportunity to be here today.

My name is Bill Murray. I'm the President and CEO of the National Coffee Association of the United States, the NCA. We represent companies operating across all segments of the U.S. coffee industry and in every U.S. state and territory.

The coffee industry adds more than $343 billion to the U.S. economy every year, and provides more than 2.2 million jobs. Coffee accounts for 8 percent of the overall value of the U.S. food service sector.

More than two-thirds of American adults drink coffee each day, or 73 percent each week. With a large majority of Americans reaching for their coffee first thing in the morning, and often making it at home, coffee is the quintessential kitchen table issue -- a daily touchstone in the lives of Americans, a constant in their grocery baskets, and a highly visible indicator of the cost of living.

For comparison, consider that only an estimated 10 percent of Americans eat eggs each day.

Nearly all that coffee must be imported because it cannot be grown at a large commercial scale in the U.S. We simply do not have the appropriate climate, except in Hawaii and Puerto Rico. While 99 percent of our coffee is imported in the form of unroasted coffee, -- known also as "green" coffee -- roasted coffee, decaffeinated coffee, and instant coffee, tremendous value is added right here at home where coffee is stored, cleaned, shipped, roasted, packed, marketed, prepared, and sold.

For every $1 of green and roasted coffee imported there's $43 generated in economic value here in the U.S.

Coffee imports in all categories have previously entered the United States duty-free. The U.S. coffee industry's value to the United States depends on these imports, which have no domestic substitute, making coffee unique from other sectors and from other products involved in your consideration of our trade relations.

In 2024, Brazil accounted for more than 20 percent of the total value of coffee imported to the U.S., including green coffee, roasted coffee, decaffeinated coffee, instant, and soluble coffee. In terms of green coffee, Brazil provides 30 to 40 percent of green coffee that American businesses and coffee drinkers rely on.

While the coffee we import from Brazil cannot be substituted from domestic sources, and derives tremendous economic value, conversely, coffee only represents about 5 percent of the value of Brazil's overall exports to the U.S.

Tariffs on coffee will, therefore, hurt the U.S. disproportionately, including by diverting the raw commodity of green coffee away from the U.S., from roasting and process to roasting and processing in third countries, Europe, and China, either for domestic consumption or for further trade.

Such supply chain disruptions will increase costs and decrease supply of coffee in the U.S., exacerbating impacts already being felt by U.S. businesses and coffee drinkers.

These disruptions would also deprive Americans of coffee's proven health benefits at the time when the Trump administration is revolutionizing our country's approach to preventing chronic disease.

Decades of robust, independent research associates coffee drinking with increased longevity, reduced risk of obesity, depression, multiple cancers, Type 2 diabetes, and cardiovascular disease. The administration earlier this year affirmed that coffee of less than 5 calories per serving qualifies as a healthy food.

For these reasons we respectfully urge the administration to not include coffee in any proposed tariffs or trade restrictions under the Section 301 review and remove tariffs on coffee from Brazil.

Coffee trade is not emblematic of unfair trade practices, has no domestic alternatives, and a disruption of trade would have significant detrimental effects throughout our economy and our society.

Thank you. And I am happy to answer any questions that you may have.

CHAIR GRIMBALL: Thank you, Mr. Murray.

And now we will proceed with questions from the government panel. Again, some of you may receive one or more questions, some of which may focus more on your written submission.

MS. BONNER: Thank you.

Mr. Mencer, in your written testimony you stated that if left unfettered, we believe American agriculture will be severely damaged, with many farmers forced out of business and many American agriculture companies losing market share in the global market due to unfair and illegal practices.

Could you please provide more specific information regarding which unfair and illegal practices of Brazil are among your greatest concerns?

MR. MENCER: Just for example, last year we lost about 20 percent of the farmers in the Mid-South because of low commodity prices.

This year it's projected to lose another 20 to 40 percent, possibly more. That's from the Farm Credit Administration that operates in the Mid-South.

Some of the companies that we think could be hurt globally would be equipment manufacturers, fertilizer manufacturers, and people that produce inputs for the agriculture in Brazil because of the Chinese involvement, and forcing them to, if we're going to buy your product, you need to buy or source your inputs from Chinese-owned companies.

And it's really putting -- it's gobbling up the demand for the inputs that we need and are going down there, which creates a shortage which caused our inputs to rise. As our commodity prices fall, those input costs are going up.

A lot of this was created during the pandemic when our input price went up 30 to 40 percent. Or in some cases fertilizer doubled in cost. But since then our commodity prices fell because of overproduction in the world, and inputs have not come back down.

MR. REYNOLDS: Mr. Mencer, I have a follow-up question.

Are you able to share the methodology

behind the University of Arkansas' estimate for the $1.1 billion in losses for farmers in Arkansas?

MR. MENCER: Yes. We have a copy of that report that the university has given us. And we're waiting on the updated version.

We have a copy we'd be happy to submit.

MR. REYNOLDS: Thank you.

MR. HUFFMAN: My question is for Mr. McKinney.

Your testimony notes the use of forced labor and child labor in the Brazilian cattle business. Could you please elaborate on the impact of these practices and other labor practices in the Brazilian cattle industry, and what impact they have on the competitiveness of U.S. cattle producers?

MR. McKINNEY: Yes. I can give you that with the understanding that in our post-hearing we'll submit more information and elaborate on that more fully.

The U.S. Department of Labor's ILAB -- that's Bureau of International Labor -- has included the Brazilian cattle and beef industry in their annual report for both forced labor and child labor for a number of years.

In addition to that, there has been quite a bit of good work that's been done out of Brazil itself with some nonprofits. And I can pull some of that information together for you.

And we've also seen a situation where the -- out of Great Britain there's several different studies have been worked up. And it's actually resulted, at least in the United States supply chain, nothing has really come of it. There's not been much notation, as it were, or action.

But what we have seen is that there have been in the corporate world there's been a few companies that have refused to carry, to carry Brazilian beef for this purpose.

But we can elaborate on this answer further in the post-hearing.

MR. HUFFMAN: Thanks.

MR. VOLTAGGIO: This question is for both Mr. McKinney and Mr. Bacus.

Has Brazil's practice of illegal deforestation for the purpose of cattle ranching and feed affected U.S. beef competitiveness?

And has beef production linked to illegal deforestation hurt U.S. beef exports in foreign markets?

Perhaps Mr. McKinney and then Mr. Bacus.

MR. McKINNEY: Well, the deforestation phenomenon has resulted in Brazil becoming the world's largest exporter of beef. And in this, in a very sort of, I guess, simplistic way of looking at it, when you have a situation where you grow the amount of beef you're able to produce in this sort of exponential fashion your prices go down, the cost of land goes down, all your inputs become cheaper.

And are we seeing impacts? I believe that's true, yes.

And we can elaborate on this further in the post-hearing submission. But as a general answer, the answer is yes.

MR. BACUS: We did, we did not submit anything specific to that question.

But, you know, our views on deforestation, you know, obviously deforestation is not an issue we have here in the United States. We have some of the most stable practices in the world. And so, you know, we continue, we continue to work on that as much as possible.

Our bigger concern with trying to use a deforestation angle is, it's really what the European deforestation regulation could mean for U.S. producers. We know that is, you know, really aimed at other countries.

But since we're getting caught up in the same net as many others, you know, I think the concern is that if we are, if we are looking to implement these new trade burdens, then those are similar practices that could be placed on us.

Right now we're trying to work with USTR to remove beef from the EUDR, at least U.S. beef, because we know that those costs of compliance are going to be passed on to our farmers and ranchers. That's not something that, that the packing companies and feedyards, and others that are further up the chain are going to take on. That will ultimately be passed back to the farm.

So, that's why we've been encouraging using existing authorities to restrict trade.

MR. VOLTAGGIO: Thank you both for

those answers.

MR. McKINNEY: May I add a clarification point?

Anything that's said today was not intended to advocate any sort of legislation or a gross change in policy in terms of creating a completely different mechanism.

We are also advocating that you use the authority you have, and specifically in the Section 301, to actually figure out a way to address this.

Thank you.

MR. VOLTAGGIO: Thank you both for adding your thoughts on that.

And as a follow-up to both of you, what steps can be taken, in your opinion, to ensure Brazilian beef does not contribute to illegal deforestation?

And what role can third party certification schemes or additional traceability requirements play in reducing land use change linked to beef production?

MR. McKINNEY: You're going to hate this answer. And I do apologize, but I am going to have to go completely back to my client before

I suggest anything along these lines. I'm outside counsel, and I will have to clear that with them.

But we can address it in the post-hearing submission. Thank you for that.

MR. BACUS: Yeah, I can't speak to Brazil's practices because I'm not an expert on that. I think, you know, the market, if the market does choose to start focusing on that, then we think that there's going to be increased opportunities for our producers.

That has typically been the case with when consumers look at how cattle are raised and look at quality, then that tends to reflect on further premiums for our producers. That is really more of a market-driven angle that we would look to take.

But happy to follow up on this in our further comments.

MR. VOLTAGGIO: Perfect. Thank you both very much.

MS. YU: This question is for Mr. Aguiar.

In your testimony you note that in your opinion Brazil adopts trading and environmental practices that are aligned with its international commitments.

Could you clarify whether this statement applies to just the fishing industry, or do you consider this to be the case in other sectors relevant to this investigation, i.e., other agricultural products, timber, ethanol, et cetera? Please explain.

Thank you.

MR. AGUIAR: Hi. Thank you for your question, Madam.

We are here to discuss mostly about the fisheries. I'm not able to discuss about the other sectors. But the fisheries, yes, we do follow.

MS. YU: Thank you.

MR. AGUIAR: Thank you.

MR. ABBOTT: This question is for Ms. Zieba.

Can you tell us about the market access for U.S. pork in Brazil?

And can you estimate the value of the trades barriers that are currently impacting this market access?

MS. ZIEBA: It's hard to put an

estimate on market access when you haven't had it. And the biggest potential that we have for U.S. pork into Brazil is on the variety side, those are the pork offals.

What I mean by that, for layman's terms, there are many parts of the animal that in the United States we love to eat, for example, ribs and bellies, which we have to import about $2 billion worth in the U.S. because we just don't produce enough.

There are other parts of the animal that, unfortunately, the U.S. consumer is not a big fan of, and that would include kidneys, livers, hearts.

The Brazilian market is quite unique. They have a number of traditional dishes that are made in Brazil that use those parts of the animal. And they do have imports of offals.

So, we would see that as an opportunity for, for our industry because as we, as we look at U.S. trade policy beyond Brazil we are looking at different markets for those offals that don't make us dependent on the Chinese market. That's currently where most of those products are going to. And we're just looking to be able to diversify as much as possible.

MR. ABBOTT: Thank you.

And as a follow-up question, to your knowledge has pork production or the production of inputs to pork production, for example feed grains, in Brazil been linked to illegal deforestation?

MS. ZIEBA: I wouldn't be able to comment on that. I've lived in Brazil, I've traveled to Brazil many times, but I wouldn't be able to personally comment on the deforestation issues.

Now, they do -- they are, I can comment on their competitiveness internationally when it comes to pork production. Brazil has lower costs of production compared to the United States and pretty much every other country out there.

And that has to do with various factors including labor costs being much lower in Brazil than, than in the United States and in Europe. That has made them competitive internationally, so that they've become a powerhouse.

They've also managed to ink deals

with Chinese counterparts where they are supplying pork products to, to China and other Southeast Asian countries where the U.S. had predominance and was exporting to, but we've been edged out and Brazil has taken over those, those market access opportunities.

MR. REYNOLDS: I have a couple questions on third party certification for Mr. Murray.

Has Brazilian coffee placed on the U.S. market undergone third party certification of deforestation pre-production?

What proportion of U.S. imports of Brazilian coffee have undergone certification relative to coffees sourced from other countries?

And how have rates of third party certification changed over time for U.S. imports of Brazilian coffee relative to coffee sourced through other markets?

MR. MURRAY: So, I will give you some statistics on certification in our post-session submission.

With respect to deforestation and coffee, the very concept of deforestation and coffee is, there's a bit of a tension between these concepts. It takes three years for a coffee tree to mature and produce coffee. That tree is then productive for two decades.

So, we know that coffee farmers in Brazil are stationary and they're guarding the long-term interests of their crop.

Statistics are difficult to come by overall with respect to deforestation and coffee. One study has shown that overall, globally, tropical crops, traditional tropical crops account for less than 5 percent of illegal deforestation. That would include sugar, cacao, and coffee -- all together less than 5 percent.

Coffee is grown typically in the states of Minas Gerais, Espirito Santo, Sao Paulo and Bahia, in well-established agricultural areas where the focus is on productivity in those areas.

Brazil has long been a leader in the area of addressing deforestation of the coffee sector in particular. And those efforts have accelerated in the last three years as they get ready to comply with the EUDR, the deforestation directive. And Brazil is a leader in the coffee sector which is its active compliance, which is its activity report at the end of this year.

I visited myself the Province of Espiritu Santo two years ago. The state government has plotted all the coffee growing farms. In fact, in an impromptu visit one of the coffee farmers complained in front of the state Minister of Agriculture that they didn't let him do what he wanted to with his land.

So, we can get you some statistics on certification. But I would simply make the case that there are a lot of different mechanisms that are employed: cooperatives, state supervision, industry work in addition to certification, all of which is leading Brazil to sustainable coffee production.

MR. REYNOLDS: Thank you.

MS. REINITZ: This is a question to all witnesses on the panel.

The Department of Labor's list of goods produced with child labor or forced labor has identified child labor or forced labor in a variety of Brazilian agricultural sectors, including cattle, which has already been mentioned, and as well as coffee and a number of other goods.

Are you aware of efforts by Brazilian producers in these or other industries to combat forced labor, child labor, and other unfair labor practices?

MR. MURRAY: May I address this on behalf of the coffee sector?

First and foremost, there's absolutely no place for forced labor or child labor in the coffee sector. Nearly all of the suppliers in the supply chain have obligations from their suppliers that their suppliers may commit these, the supplied coffee that is complying with all labor standards.

In Brazil, efforts to comply with labor relations are enforced through a national work plan. There are actions, there is a list of transgressors who are effectively cut out of the coffee business. And there are industry programs, which Mr. Matos may have referenced in his testimony earlier today for Cecafe, addressing a number of social indicators: health, living income, education, and others.

So, there is a commitment within the industry, both here in the U.S., to not procure coffee that is involved in any sort of labor practices that are inappropriate, also in Brazil.

MR. McKINNEY: If I could add a little something to that.

Look, I'll have to give you more granular information in the post-hearing submission.

I am aware, because I have spent a bit of time back in the past looking into this issue, that there are some Brazilian nonprofits that have boots on the ground, that are trying to do work. There are also a variety of environmental groups that get involved in this specific issue. Because there seems to be some sort of crossover there with this particular problem.

But, you know, this was what, this was, in fact, what I was getting at when it, when it came to this notion of cattle laundering. One of the persistent problems they have to this day is that you have a situation where the animal might be born in one place, sold to another farm, then sold to yet another farm, and it becomes very difficult to kind of keep track of what the inputs are.

And when there's a tainted input like

forced labor, like child labor, like illegal deforestation, it's very difficult to keep track of those things. And that's whether or not it's being done intentionally in this notion of laundering or not.

All that said, I will take a moment and dig up some of this information from some of these Brazilian nonprofits that have been doing some work on the ground. I think the take-away from it is that that work is good work. They seem to be making some headway. But the problem persists.

Thank you.

CHAIR GRIMBALL: Do any other witnesses wish to answer this question?

MR. MENCER: As to how it is now, I don't know. I went to Brazil back in 2005 on a rice industry trip and we did see women and children working in the drying process of rice, hand labor, out there turning the rice. They didn't have mechanized equipment to dry the rice with at that time.

And I know there was child labor and women working in that manual labor part back then.

CHAIR GRIMBALL: Thank you.

Please.

MR. AGUIAR: I'd like to contribute.

In Brazil we have the Labor ministry responsible for all the fiscalization inside of our plants, inside of our plant fields. And there's also the collective agreement with the union in each city and each state.

So, a part of that for the future we have the fiscalization of the marine Brazil for the fisheries as well to apply with that -- comply with that.

And also third party auditing companies doing our certifications. For example, even for the fisheries to supply United States they must have BAP standards -- that's agriculture practices.

Also, there is other certifications like Codex, if you might have heard. And this is, they are the ones responsible even though to go deep into this kind of questionings. And the company need to, to prove that they are not using forced labor, child labor, and everything.

And so, we do have a ministry, a labor ministry responsible and taking actions, fiscalization, and also very active doing all the surprise, surprise audits the majority of the time.

So, that is very, it shows that Brazil has a very good, a very good commitment with that.

Thank you.

CHAIR GRIMBALL: Thank you.

If no other witnesses wish to respond to this question we will release Panel 4, take a 5-minute break or so, and come back at 3:55 -- oh, 2:55, excuse me.

(Whereupon, the above-entitled matter went off the record at 2:47 p.m. and resumed at 2:59 p.m.)

CHAIR GRIMBALL: Thank you. We will now begin with Panel 5.

Ms. Amidon, you have the floor and five minutes.

MS. AMIDON: Thank you, Chair and Committee members. My name is Ashley Amidon, CEO of the International Wood Products Association. IWPA is the leading trade association for the North American international wood products industry. We advocate for the growth and acceptance of responsible, ethical, and sustainable forest products sourced globally while supporting communities, trade, and consumers.

IWPA is committed to working with the U.S. Government and key stakeholders to ensure trade and wood products with Brazil neither contributes to illegal deforestation nor violates the legal sourcing requirements of the Lacey Act. We greatly appreciate this opportunity to testify on Brazilian trade practices, specifically in response to USTR's request for information on illegal deforestation in Brazil.

We believe that new processes under existing treaties will best meet the U.S.'s goals to support environmental protection and sustainable agriculture as well as promote reciprocal trade. Brazil's native timber supply chain operates under one of the world's most comprehensive legality assurance frameworks, combining strong legal foundations, advanced monitoring systems, robust enforcement capacity, and innovative deforestation and wildfire prevention programs. This system is effective and has delivered measurable results.

Natural deforestation fell 32.4 percent in 2024, and clearcutting without fire dropped by 8 percent, which is the lowest level on record. Brazil has developed commodity-specific programs addressing agricultural deforestation risks, including cattle and soy, which I know are industries of particular concern to USTR.

For cattle, the Forest Code framework was recently expanded with a national traceability plan requiring individual animal tracking by 2032 with phased implementation benchmarks to ensure steady progress.

In the soy sector, voluntary industry initiatives have proven highly effective. The Amazon Soy Moratorium dramatically reduced deforestation linked to soy cultivation. Before the Moratorium, approximately 30 percent of newly planted soy acreage was a conversion from forest. Now it is roughly 1 percent.

Given this successful record, IWPA recommends that the United States prioritize bilateral cooperation with Brazil to strengthen supply chain transparency and align monitoring, reporting, testing, and verification mechanisms with both countries' requirements so that U.S. industries can continue to thrive and forests continue to be protected.

Globally sourced wood products are critical for maintaining a strong, competitive U.S. manufacturing base. For instance, tropical timber from Brazil is often purchased for its hardness, durability, and moisture resistance because direct domestic alternatives do not exist. Wood is different from most other commodities in that not all species can grow in every country.

This geographic and genetic diversity means that American manufacturers in industries as varied as homebuilding, furniture, cabinets, musical instruments, boats, and RVs all rely on competitive access to materials from around the world. If they lose access to imported timber such as that from Brazil, our industries become far less competitive globally.

IWPA strongly supports U.S. efforts to combat illegal deforestation and promote legal and sustainable wood trade, but we also believe that wherever possible, the U.S. should partner with nations to fight deforestation by ensuring legitimate trade can continue to build value in standing forests.

We therefore recommend using the existing framework of the U.S.-Brazil Agreement on Trade and Economic Cooperation. ATEC created the United States-Brazil Commission on Economic and Trade Relations, mandated to organize expert meetings and establish working groups to study issues of common interest.

This would be an ideal body to address U.S. concerns about illegal deforestation, creating regular ongoing dialogue with actionable government plans. USTR should carefully consider actions taken under Executive Order 14323 on Brazilian trade and determine if additional retaliatory actions are still necessary, given the new 50 percent tariff on most Brazilian products.

We request further actions taken as a result of this investigation be tailored to American manufacturers' needs, as the executive order did by preserving access to limited types of essential tropical lumber unavailable in the United States.

IWPA hopes to partner in this process

and requests USTR replicate the additional comment period for proposed actions used in the Chinese shipbuilding Section 301 investigation with successfully addressed significant industry concerns.

We look forward to serving as a partner and a resource as this investigation continues. Thank you, and I look forward to answering any questions.

CHAIR GRIMBALL: Thank you.

Mr. Júnior, you have the floor.

MR. PIMENTA: Thank you, Madam Chair.

My name is José Luiz Pimenta Júnior. I am a senior foreign trade consultant representing the Brazilian Furniture Manufacturers Association, ABIMÓVEL. I'm grateful for the opportunity to participate in this USTR public hearing.

The Brazilian Furniture Manufacturers Association, ABIMÓVEL, represents Brazil's federally licensed furniture manufacturers and exporters, who collectively accounted for 735 million U.S. dollars in Brazil's furniture exports and have engaged in Brazilian federal and state authorities' implementing traceability, environmental compliance, and anticorruption measures across the wood and furniture supply chain.

Brazil has a robust legal framework aimed at regulating land use and forest management. The Forest Code requires landowners to preserve and restore native vegetation, establish legal reserve percentages ranging from 20 percent to 80 percent. Additionally, it designates permanent preservation areas, APP, to protect sensitive areas. The Forest Code also established the Rural Environmental Registry, CAR, a mandatory registry where all properties must be recorded to reference data about their activities, allowing for tree stability and monitoring of land use.

Furthermore, in the penal realm, the Environmental Crimes Law establishes penalties for illegal deforestation. Penalties include administrative fines, embargoes on products originating from illegally deforested lands, detention or imprisonment, fines and obligations to repair environmental damage. Additionally, the Atlantic Forest Law prohibits the deforestation of primary forests and establishes rules for the use of the biome.

Brazil demonstrates a strong commitment to combating illegal deforestation through substantial enforcement initiatives and significant investments in cutting-edge monitoring and compliance systems, such as PRODES and DETER, which enable real-time deforestation detection.

The project for monitoring deforestation in the Brazilian Amazon by satellite, PRODES, is a government annual monitoring program that tracks the removal of native vegetation and produces official maps and data.

Additionally, the DETER project real-time deforestation detection system aims to identify and map deforestation and other changes in forest cover in almost real time with a minimal area of approximately one hectare.

And lastly, the Deforestation Alert System, SAD, maps the Caatinga, Atlantic Forest, Pantanal, Pampa, and Cerrado. All of this data collected by these monitoring systems are public.

In 2024, deforestation in the Amazon reached its lowest level in nearly a decade, achieving the lowest rate in the past nine years. Between 2023 and 2024, the annual deforestation rate in the Legal Amazon experienced a reduction of 30.6 percent. In the same year, there was a 42.5 reduction in deforestation in uses with a 57.9 reduction in fully protected conservation units.

This data further demonstrates the firm and constant measures taken by the Brazilian Government against illegal practice involving the environment. In 2024 alone, the furniture sector producing approximately 40 million pieces of furniture, which brought in revenues 16.2 billion U.S. dollars and provided jobs for more than 208,000 workers in Brazil.

The United States is the leading destination for Brazilian furniture exports. However, Brazil's share in total U.S. furniture imports remain modest, accounting for only about 0.6 percent, roughly 235 million U.S. dollars a year.

The sector has significantly elevated its commitment to sustainability. Companies are increasingly adopting international certifications, such as FSC and ISO 14001 to ensure environmentally and operationally responsible practices. A key component of this effort is implementing robust product traceability systems. For Brazilian furniture manufacturers targeting export marketings, obtaining the correct certification is not just beneficial but essential. Traceability and certification have become integral components of standard operational procedures.

In the United States, a number of Brazilian companies have established their own retail stores and distribution centers. This direct investment generates employment and fosters economic opportunities within local communities. Given that the U.S. is a strategically vital market for the sector, a growing number of Brazilian companies are exploring opportunities to establish a stronger operational presence there. This includes setting up new distribution networks and manufacturing facilities.

ABIMÓVEL strongly believes that international collaboration is key to tackling illegal deforestation and boosting bilateral trade. Therefore, we emphasize that Brazil is dedicated to making sure that furniture producers follow the best sustainable practice, illegal deforestation-free products to the United States. Thank you very much.

CHAIR GRIMBALL: Thank you, Mr. Júnior.

Ms. Powell, you have five minutes.

MS. POWELL: Good afternoon. My name is Brittney Powell. I'm an attorney at the law firm Fox Rothschild here in Washington, D.C., and Counsel to the Indústria Brasileira de Árvores, or, translated, the Brazilian Tree Industry, or IBA for short. On behalf of IBA, we thank the Committee for the opportunity to be heard on this matter.

The Brazilian Tree Industry is the national association representing 48 companies engaged in the cultivation of plantation forests and the production of a wide range of products, including pulp and paper, wood panels, and biomass for energy derived from renewable and sustainable sources. Their operations are not linked to deforestation of native forests but instead contribute to environmental protection by reducing pressure on natural forests through preservation and conservation efforts.

As sustainable and responsible forest management are core among the values of IBA's advocacy, the organization supports the ongoing and comprehensive national efforts of Brazil to curtail illegal deforestation. Although illegal deforestation is a very serious concern globally, it does not amount to an unfair trade practice in Brazil that is detrimental or restrictive to U.S. commerce as it relates to the plantation forest-based sector.

First, I'll briefly discuss the critical role of Brazilian exports of forest-based products, which are complementary rather than detrimental to U.S. commerce. One such export is the bleached eucalyptus kraft pulp. This is the most important short-fiber cellulose pulp product imported into the United States, and Brazil accounted for over 80 percent of U.S. imports of this product in 2024.

U.S. reliance on this export is not incidental but the result of over four decades of joint development and innovation between Brazilian producers and U.S. consumer goods companies such as Procter & Gamble and

Kimberly-Clark. The outcome has been the creation of highly specialized fibers that form the backbone of American hygiene and household products and are used by some of the most iconic and recognizable brands, brands such as Charmin, Bounty, Kleenex, Cottonelle, among others.

The short-fiber eucalyptus pulp from Brazil is critical to impart characteristics that we all desire in hygienic paper products, such as softness and absorbency. But due to climate and geographical conditions, neither the raw eucalyptus pulp fiber nor the processed pulp is commercially available from U.S. sources. Therefore, Brazilian exports are necessary to fill a critical supply gap in the United States.

Other critical products exported from Brazil include papers for the printing and packaging segments, industrial sacks, thermal papers, and wood panels. Industrial sacks, for example, are widely used in the construction industry with major companies such as Cemex and LafargeHolcim.

With regard to wood panels, half of the U.S. medium-density fiber board consumption is imported, and Brazil plays a strategic role in meeting U.S. market demand. Brazilian MDF panels are sold in major U.S. retail chains, such as Lowe's, for example, with regular and ongoing sales.

We urge the Committee to avoid imposing potential tariffs on Brazilian exports of these products, which would destabilize downstream supply chains, increase costs, and even risk shortages of essential goods, echoing the consumer panic seen during the 2020 toilet paper crisis. The administration should seek to avoid these crises and ensure that raw materials critical for consumer and industrial goods are not a casualty of this investigation.

It's also important to recognize the significant legal and institutional framework that Brazil has established to monitor and prevent illegal deforestation, including strict compliance with the 2012 Brazilian Forest Code, which you've heard about earlier today. Brazil has also entered into several important international commitments.

But these are not merely symbolic gestures. Brazil has demonstrated measured and real progress. According to its sixth annual report on deforestation, the country recorded a more than 30 percent reduction in the deforestation rate between 2023 and 2024. This is just one data point among many that demonstrate Brazil's policies are strong and effective when fully implemented, and contrary to what you heard in the prior panel, the country doesn't need any motivation, external motivation, to combat and prevent illegal deforestation.

Due to the plantation-based forest production model in Brazil over several decades, we're confident that our members' products are not sourced from illegally deforested areas. The production model is based on plantation forests established on previously degraded lands operating under a zero illegal deforestation policy, with georeferenced traceability of all forest-based inputs and third-party internationally recognized certifications.

As a final point, I note that Brazilian companies operating in the sector comply with existing U.S. law, such as the Lacey Act, which prohibits the trade of illegally sourced plant materials.

In conclusion, while illegal

deforestation remains a serious global issue, the forest-based industry represented by IBA operates within a legal and monitored sustainable framework, Brazil's ongoing progress and international commitment to demonstrate a genuine and results-oriented approach to combat illegal deforestation. And we respectfully urge the Committee to consider these points in its assessment of Brazil's environmental practices.

Thank you again for the opportunity, and I welcome any questions.

CHAIR GRIMBALL: Thank you, Ms. Powell.

Mr. Pupo, you have five minutes.

MR. PUPO: Thank you for the opportunity to testify. My name is Paulo Pupo, and I'm here on behalf of ABIMCI, the Brazilian National Wood Association Industry for wood sector representing over 140 companies that account for the vast majority of Brazilian wood growers and processors. The majority of the sector's forest supply originated from sustainably managed planted forests.

ABIMCI and its members are fully committed to sustainable forestry, environment stewardship, and fair trade. It's crucial to understand that Brazilian wood products, particularly those from ABIMCI members, are not made with illegally harvested timber. They've demonstrated this. Over 98 percent of Brazil forestry supply chain outputs comes from planted exotic species like pine and eucalyptus on reforested lands. These are not products logged from rainforest.

Our plantations are strategically located in temperate states in an area south of Brazil, far from tropical Amazon Rainforest where most deforestation occurs. Furthermore, these plantations were established decades ago on land previously degraded by ranching and agriculture, meaning their establishment actually led to reforestations, not deforestations. And many are owned and managed by U.S. firms.

Brazil maintains some of the world's most comprehensive and stringent forest laws, including the Brazilian Forest Code. These laws strictly regulate the use and conservation of private forest lands, including our plantation estates. Beyond national laws, approximately 7.8 million hectares of plantation forest in Brazil are certified as sustainable by globally recognized organizations like FSC or PEFSC. This represents about 76 percent of all planted forests in the country.

These certifications mandate robust traceability requirements, linking wood material directly to its stand of harvesting, ensuring fair labor practice and respecting local land rights. Importantly, plantations on land deforested after 1994 are ineligible for FSC certifications, a standard even stricter than the European EUDR regulations.

Brazilian authorities are actively enforcing these laws. Their efforts, including operations like Operation Amazon Sentinels and Operation Wood at Night, are concentrated in the Amazon basin to combat illegal logging of naturally growing wood. This is distinct from the planted wood species grown on plantations by ABIMCI members in the south of the country.

Our products are subject to rigorous document-based oversight nationwide, including Rural Environment Registry mapping, ensuring full traceability and legal compliance. To our knowledge, no Brazilian wood producers have ever been found to have used forced labor in producing timber or lumber products to export to United States, further underscoring our commitment to ethical practices.

ABIMCI's exports to U.S. are basically raw materials, not finished goods, and are used by U.S. manufacturers to make furniture, doors, and other products. Many U.S. companies have submitted letters supporting continued access to Brazilian wood, emphasizing the importance for these imports for their competitiveness, especially against finished products from Asia, where standards are lower.

Imposing additional tariffs or trade measures on Brazilian wood would not address illegal deforestation, as ABIMCI's supply chain is already legal and sustainable. Such measures would harm U.S. manufacturers, shift demand to less sustainable sources, and undermine the fight against deforestation by penalizing responsible actors.

In summary, ABIMCI members are not the source of illegal deforestation. They are partners in a sustainable trade supporting jobs and communities in both Brazil and the United

States. We respectfully urge the Committee to exempt Brazilian wood products from any new trade measures under this investigation. Thanks a lot.

CHAIR GRIMBALL: Thank you, Mr. Pupo.

Mr. Brightbill, you have the floor.

MR. BRIGHTBILL: Did you want to go to Mr. Webber first, or --

CHAIR GRIMBALL: I switched you up because your seats were switched, but we can go with Mr. Webber first.

MR. BRIGHTBILL: Oh, that's fine. No, I'm ready to go. No trouble at all. Thank you.

CHAIR GRIMBALL: Whichever you prefer.

If you're ready, Mr. Webber, we can go with you.

MR. BRIGHTBILL: That's great. I'll go ahead.

Go ahead, Section 301 Committee members and staff. I'm Tim Brightbill, partner and Co-Chair at the law firm of Wiley Rein, also an adjunct professor at Georgetown University Law Center. I'm testifying today on behalf of the Coalition of American Millwork Producers, an association of wood mouldings and millwork producers from across the United States.

The Coalition represents a quintessential American industry, which you can tell just by looking around this room. We manufacture door frames, window casings, crown mouldings, baseboards, and other wood moulding and millwork products.

Thank you for your time today and your hard work on this investigation, as well as all of your efforts to address unfair trade practices in foreign countries, including Brazil. The Coalition submitted prehearing comments a few weeks ago describing many of Brazil's distortive trade acts, policies, and practices that cause harm to the U.S. mouldings and millwork industry.

Brazil is the largest importer of wood mouldings and millwork products into the United States. In 2024, Brazilian wood moulding and millwork exports to the United States exceeded $360 million, comprising more than 34 percent of all U.S. imports by value. Through the first half of this year, Brazilian exports have increased another four percent.

The aggressive pricing of these

imports has harmed U.S. producers for many years. In fact, unfair market conditions and practices in Brazil have allowed Brazilian wood mouldings and millwork exporters to capture a substantial percentage of the U.S. market at the expense of domestic manufacturers, including our Coalition members.

Brazil is also a leading exporter to the United States of many other timber and wood products. According to the International Trade Commission, Brazil exported more than 3.6 billion dollars' worth of forest products to the United States last year. The Brazilian Government also actively supports exports with subsidies and other support. For example, just last month, the Brazilian Government announced a plan called Sovereign Brazil in which it will provide $5.6 billion in credits and other support measures to Brazilian companies exporting to the United States.

When Brazilian timber and wood products are traded in the United States, they're often sold at below-market prices. In addition, many parts of the Brazilian timber industry are affected by illegal logging and deforestation, driven in part by Brazil's poor management of its timber and wood industries. These unfair prices and practices distort the U.S. mouldings market, which has a direct impact on Coalition members. U.S. moulding and millwork manufacturers, in turn, have to lower their own prices or risk losing sales to low-priced Brazilian imports.

The domestic wood moulding and millwork industry has benefitted greatly from U.S. trade measures, including antidumping and countervailing duties on Chinese wood mouldings and millwork products and Section 301 tariffs. These measures have allowed Coalition members to invest millions of dollars in recent years to upgrade their facilities, expand their capacities, and hire new workers. However, U.S. producers have to be able to utilize this new capacity.

The effectiveness of existing trade programs and the strength of American wood product manufacturing is jeopardized by the ongoing unfair policies and practices of U.S. trading partners like Brazil. Accordingly, the Coalition supports the administration's efforts to investigate and address Brazil's distortive acts, policies, and practices.

Like so many other American industries, the U.S. wood mouldings and millwork industry can compete with anyone, but we are put at a significant disadvantage when competing with Brazilian imports that are unfairly traded or priced.

I'll just highlight a few other points before I wrap up. As part of its latest report on child and forced labor, the Department of Labor continues to find forced labor to be prevalent in the Brazilian timber sector.

Given Brazil's poor management of its timber and wood industries, it is not surprising, as USTR has recognized, that illegal deforestation is widespread in Brazil. In fact, the Brazilian Government has acknowledged that 90 percent of the timber harvested from the Amazon Rainforest is likely done so illegally.

And then I will note there is an impact on prices, too. So there is harm due to deforestation. Legal timber prices are estimated to be reduced by between 7 percent and 16 percent due to illegally harvested timber.

And then, last, it is commonplace in

the Brazilian wood and timber sector for illegally harvested timber to be laundered into global supply chains.

With those thoughts in mind, we appreciate your work. Thank you for your time, and I look forward to answering any questions you have. Thank you.

CHAIR GRIMBALL: Thank you, Mr. Brightbill.

Mr. Webber, you have five minutes.

MR. WEBBER: All right. Thank you, Madam Chair.

Terry Webber, Vice President, Industry Affairs, for the American Forest & Paper Association. We are the national trade association for America's paper mills. We very much appreciate the opportunity to provide testimony in USTR's Section 301 investigation into Brazil's acts, policies, and practices related in particular to illegal deforestation and to other trade practices. We submitted written comments on August 18.

The U.S. forest products industry, including forestry, wood, pulp, and paper, manufactures more than $435 billion in products annually. Pulp and paper represents over $244 billion of that output, and U.S. exports of pulp, paper, and packaging materials totaled 21 billion in 2024. These exports reduce U.S. bilateral trade deficits with key trading partners around the world.

The U.S. forest products industry employs more than 925,000 people, largely in rural America, and ranks as one of the top-ten manufacturing sector employers in 44 states. The industry accounts for approximately 4.7 percent of America's total manufacturing GDP.

We are proud of the pulp and paper workers whose mission every day is to ensure a reliable source of essential products for all Americans. Our facilities and workers generate a strong tax base for their communities and support hundreds of small businesses, landowners, and others throughout the forest products industry supply chain. We estimate that each forest products industry job supports 3.25 additional jobs in supplier industries and in local communities across rural America.

U.S. tissue manufacturers, in particular, rely on bleached eucalyptus kraft pulp, known as BEK, from Brazil for its unique softness, strength, and absorbency. Quality is not replicable with domestic timber. BEK comprises over 60 percent of the fiber in most retail tissue and toilet paper brands. U.S. climate and corresponding land availability cannot support sufficient eucalyptus growth to meet domestic demand. Brazil's climate makes it an essential supplier.

Illegal deforestation in Brazil is also a focus of the Section 301 investigation. AF&PA members source sustainably, procuring 99 percent of our wood fiber through certified fiber-sourcing programs such as the Sustainable Forestry Initiative, the Forest Stewardship Council, and the Program for the Endorsement of Forest Certification. Each of these third-party certification verifiers applies strict criteria to safeguard forests' environmental and economic value.

Brazilian eucalyptus pulp is sourced from purpose-grown plantations, not native forests, ensuring renewable and responsible fiber supply while preserving conservation areas. Industry demand for certified eucalyptus pulp discourages illegal deforestation and supports sustainable forest management.

AF&PA is also a strong supporter of the 2008 amendments to the Lacey Act, which make it unlawful to trade wood, wood products, or other plant materials harvested in violation of the laws of either U.S. state or a foreign country.

And on a separate, more general trade front, AF&PA would like to express our support for a proposal from the National Association of Manufacturers known as the Manufacturing Investment Accelerator Program that aims to protect access to critical imported materials that support U.S. manufacturing jobs. AF&PA supports fair and reciprocal trade with Brazil that ensures the Brazilian market is open to U.S. pulp, paper packaging, and tissue manufacturers.

In conclusion, U.S. paper companies depend on Brazilian eucalyptus hardwood pulp to produce essential American-made paper products. This pulp cannot be produced in commercially viable quantities in the U.S., meaning U.S. tissue producers have no choice but to import this pulp from Brazil.

AF&PA urges USTR not to impose additional tariffs on eucalyptus pulp, HTS Code 4703.29, as it would harm U.S. manufacturing and threaten American jobs. AF&PA agrees with Executive Order 143323, which exempted Brazilian wood pulp from the additional IEEPA tariffs on Brazilian goods, and recommends maintaining consistency with that approach.

Finally, avoiding tariffs on imports from Brazil under HTS Code 4703.29 would help preserve U.S. competitiveness, support rural jobs, and maintain stable supply chains supporting U.S. manufacturing of essential consumer tissue products.

Thank you again for the opportunity to testify, and I look forward to any questions you may have.

CHAIR GRIMBALL: Thank you, Mr. Webber.

We'll proceed with questions from the government panel.

MR. REYNOLDS: Hello. This first question is for Ms. Amidon. What are the current effects of illegal deforestation in Brazil on U.S. competitiveness and the estimated effects of new tariff actions on the competitiveness of U.S. employment?

MS. AMIDON: I'm so sorry. I'm struggling to hear the question. It was a little echoey. Could you restate it?

MR. REYNOLDS: Of course. What are the current effects of illegal deforestation in Brazil on U.S. competitiveness and the estimated effects of new tariff actions on the competitiveness of U.S. employment?

MS. AMIDON: Thank you so much. I appreciate it. And thank you for the question. So the effects -- if I can take your question in reverse order. So the effects to American competitiveness of increased tariffs -- I do think that this would have a negative effect.

There are multiple products, as I think you've heard both from other folks on this panel and I'm happy to give specific examples if needed, as well, of products and species that are simply not grown here in the United States and do not have a domestic substitution. And so, if tariffs are placed on some of those products, on some of those species, on some of those HTS codes, then there is no choice but the consumer to have to pay higher prices.

In both my spoken and my written testimony, I listed out a laundry list of domestic U.S. industries that depend on imported product, not just from Brazil but from nations around the world. And I won't go through all of them, but the RV industry, the guitar industry, furniture -- I could go on and on.

Some products that are imported from Brazil are substitutable; some are not. And so, in cases where there is no substitution, that manufacturing, whether it's an industry, a company -- they will have no choice but to simply pay the higher price and then pass it on to consumers, which ultimately harms those industries and will contribute to significantly lower profits, less ability to invest in their communities, less ability to hire people.

There really are, I think, a lot of negative follow-on effects that come from higher prices on inputs that simply cannot be sourced here in the United States.

MR. REYNOLDS: Thank you. And as a follow-up question, how do illegal logging and deforestation distort wood product market prices in the United States? Do you have estimates for projected price of wood products and projections on the employment effects in the United States?

MS. AMIDON: So I don't have statistics, but I'm happy to do some research and get back to you in the follow-up question -- or in -- follow up a response to the record. But I can talk a little bit about how U.S. importers approach illegality. And again, this is not specific to Brazil but rather to any wood product coming into the United States.

As has been mentioned, I think, by just about every speaker, we are bound by the Lacey Act. And IWPA has been very supportive of that. We actually hold a grant from the Animal Plant Health Inspection Service that ended last year. We were responsible for educating any industry covered by the Lacey Act as Phase 7 came in.

So I think it's safe to say that we are very much on board with both the spirit and the letter of the Lacey Act. And as part of that, it means that importers have to look at just not an individual shipment or individual product that they are importing into the United

States, but a whole supply chain. And so that means looking at the company, looking at where that wood product comes from, from the stump to the port to the time that it comes into the United States and then is furthered down the manufacturing chain.

So illegality cannot be tolerated under the Lacey Act. And that means, of course, in violation of either U.S. law or Brazilian law in this particular case. And I'm happy to expand on sort of what that means and give some examples.

We have a two-and-a-half-day education course that we teach in person that I've both taken and teach at, so happy to talk in as specific level as you'd like about some of the tips and tricks that we share with people because I -- I will simply close by saying simply checking documents is not enough when it comes to legality.

Permits are incredibly important, whether it's Brazil or any other country. But it is about a holistic approach to legality, a holistic approach to sustainability. And so that's something that we strongly emphasize with our members and our industry and our education to every industry covered by the Lacey Act, that compliance is not checking the box or checking off a list, but it is asking the right questions of the right people and going beyond what is required.

MR. REYNOLDS: Thank you.

MR. ABBOTT: This question is for Mr. Júnior. Could you please provide information on the practices that your members use to ensure that their furniture inputs are made without wood from illegally deforested areas? And how do these practices compare with those furniture makers in the United States?

MR. PIMENTA: Thank you for the question. Yeah. All the inputs that we use in Brazil, the companies represented by ABIMÓVEL, have these high-quality standards in terms of all the certification that it needed to be in comply with international but also national standards of sustainability.

I can quote, for example, FSC. All of them use FSC in their products, ISO 14001 for a long time. And we have a specific program within the government to comply with and of course reinforce that. And of course, I'll be glad to put more in the post-hearing submission for you and for all the Commission.

MR. ABBOTT: Thank you. And as a follow-up question, can you provide additional details about the ways that you have engaged Brazilian federal and state authorities to implement traceability, environmental compliance, and anticorruption measures across the wood and furniture supply chain?

MR. PIMENTA: Yeah. Sure. As all my colleagues here have also put, the forest-based approach and also legal approach in Brazil is strictly restricted and we have to comply with. I can cite -- first quote, for example, the permanent preservation area, for example, the Rural Environmental Registry -- they are part of the sector, not only our sector but part of industry, that we have to comply with and deliver good products and high standard product sales.

MR. VOLTAGGIO: The next question is for Ms. Powell. How effective are forest certification schemes in Brazil, and what is the extent of loopholes or corruption which impede the ability to detect and trace illegal logging and deforestation in the supply chain? How effective are current remote-sensing and geospatial technologies at detecting and tracing illegal deforestation in Brazil, and what are the challenges that remain?

MS. POWELL: Thank you for the question. I will follow up in a more significant manner in our rebuttal comments. As we explained earlier, the plantation-based sector commits to voluntary certifications. There are two primary certification schemes, mentioned earlier. One is the Forest Stewardship Council, and the other is the Program for the Endorsement of Forest Certification.

These management certifications provide for chain of custody and traceability certification so that the suppliers are able to certify the sourcing of the wood products that are being supplied and exported to the United States. They apply to forest producers, and they verify their sustainable management practices, as well, including offering the chain of custody certification, which traders rely on to ensure traceability of the wood products through the supply chain.

The forest management certifications also ensure compliance with the applicable local and international laws, the social and economic well-being of workers, and the rights of -- and socioeconomic property rights of indigenous people. So it's an all-encompassing consideration of various environmental, social, and governance aspects related to the producers' harvesting of wood products. I'm happy to go into more detail in our rebuttal comments.

You had a couple of other questions that, if you don't mind repeating that, I'd be happy to --

MR. VOLTAGGIO: Yes, of course. There's a question on the effectiveness of remote-sensing and geospatial technologies to the extent that you have information about that, and of course you can expand in your comments, and if there's any remaining challenges, you think, to insight into loopholes.

MS. POWELL: I think that the country has made significant strides in recent years to improve and enhance their monitoring and forest cover satellite-tracking to detect illegal deforestation in real time and on an annual basis.

In 2021, they developed an interinstitutional forum which brought together representatives from IBAMA, the Brazilian Institute for Environment and Renewable Natural Resources; the federal police; and various ministries and state environmental agencies.

And since that creation, they have coordinated joint operations resulting in a 28 percent increase in embargo declarations as a result of their enhanced monitoring and a 22 percent increase in criminal referrals related to environmental infractions.

In our written submission, on -- I believe it's pages 4 and 5 -- we detail some of the advanced monitoring technologies. I was happy to see that there's one international partnership with the University of Maryland because it's my essentially my neighbor in College Park, Maryland. So they're obviously engaging with international partners to ensure that they're employing -- deploying, rather -- the most enhanced technologies. Thank you.

MR. VOLTAGGIO: Thank you, Ms. Powell.

MS. YU: This next question is for Mr. Pupo. How does ABIMCI respond to reports that suggest that fraud and corruption contribute to illegal deforestation? In your testimony, you note that Brazil is actively enforcing its forestry laws, but we have heard from panelists today who have mentioned continued high rates of illegal deforestation. Could you address those comments, provide further details on why you believe Brazil's enforcement is effective?

MR. PUPO: As ABIMCI we support every time these kind of efforts from our government. You do have support even environment, atmosphere, and technical one, as we basically produce from planted forests. Basically, locating tree estates of South Brazil is easier for us because it's not so -- Brazil is a continental country. It's not easy to respond for a continental country, but from planted forests, we have the system very closed to 100 percent legality. And all the establishment departments and fiscalization is very up to date with all this chain of custody from the forest to the port.

And ABIMCI laws is one of the most tough laws in the world. And I think our government is doing a great job improving these operations in every -- every -- kind of the country. Even the north have some good examples from planted forests, tropical woods, and that planted forest like Parica (phonetic) who's doing a good job. I was listening to Ms. Ashley Amidon, the importance of Brazilian supply in these things.

And I think it's very clear in the whole process -- documents the whole process and the production process that we support all these legal requirements.

MS. YU: Thank you.

MS. BONNER: This question is for Mr. Webber. As you noted -- well, as noted this morning, the Committee is seeking comment on the existence of unfair or discriminatory acts, policies, and practices that burden or restrict U.S. commerce.

As your comments focus on the impact of potential tariffs on certain Brazilian imports for U.S. pulp, paper packaging, and tissue products, I was wondering if you could also expand your comments to provide information and insight on does your organization have an opinion on the actionability of any of the acts, practices, or policies discussed today, such as illegal deforestation, the existence of loopholes or corruption in certification schemes, or the existence of forced labor, child labor, or other unfair labor practices? Thank you.

MR. WEBBER: I think the issues we focused on in our comments speak to our opinion on that question, the procurement that we do from Brazil. We're confident that we are sourcing from third-party certified, sustainable sources that are in compliance with the Lacey Act.

I think our industry is very proud of its record in terms of both compliance with the law and our own voluntary sustainability initiatives to increase the sustainability of our fiber procurement.

So I want to be clear that our comments are focused on our industry's specific activity in Brazil, and I'm not speaking -- you know, you have to ask the others about other industry practices, but focused on the procurement that we do to the issues that we've commented on in Brazil, we're very confident in both the legality and the sustainability of our industry practices.

MR. HUFFMAN: My question is for Mr. Brightbill. In your testimony, you note that the aggressive pricing of Brazilian imports of wood moulding and millwork products have harmed U.S. producers for many years. Could you expand on the ways in which illegal deforestation has or has not contributed to the ability of Brazilian products to be offered at such competitive prices?

MR. BRIGHTBILL: Yes. Thank you for the question. As I mentioned in my testimony, when there are practices like deforestation or forced labor or any of these things, it does have an impact because it allows Brazil to harvest and ship here at a lower-than-market price.

And the estimate that we gave -- and this came from Congressional Research Service -- is that legal timber prices are reduced by 7 to 16 percent due to illegally harvested timber. And so you're asking U.S. producers to compete with that pricing in addition to other practices, such as subsidies that I described, which also lower the price of products.

So it's not just a pricing issue.

Obviously, no one wants a wood moulding or any other product on their home or in their business that is a product of forced labor or child labor or deforestation or other illegal activities. But there are price effects, and those harm U.S. producers. And that's why it's appropriate for you to be conducting this investigation. Thanks.

MS. REINITZ: This question is open to all witnesses on the panel. Testimonies have referenced certified programs and other data collection mechanisms that track social standards for forest products, many of which largely rely on the Government of Brazil's dirty list of employers who have been found to subject workers to conditions analogous to slavery.

Could you clarify whether these certification schemes track any other sources of information related to the labor conditions under which wood and forest products are produced or utilize other mechanisms to mitigate forced labor risks in exported products? And additionally, are you aware of other efforts by Brazilian producers beyond the use of certification schemes to combat exploitative labor practices in the sector?

MS. AMIDON: I can jump in first on this. So I will say I can't speak directly to certification simply because, as a trade association, we do not favor one certification scheme over any others. We are focused on legality and then ask -- require -- the industry to build beyond that and build something that is unique to their supply chain.

But what I can talk about is some of the ways that we teach the industry to look for forced labor to keep it out of their supply chains. I would defer to others that might have more expertise on the certification side of things.

So we discuss a lot in our education and indeed in our general conferences on how to avoid forced labor, whether that is UFPLA or any other labor standard that might be broken domestically or internationally.

And I can say sort of anecdotally a lot of the tips and tricks that we talk about are things like surprise audits, not allowing someone to rail off parts of a manufacturing facility or a forest, bringing your own translators so that you are ensuring that what you are hearing from people is what they're actually saying, making sure that they're robust SOPs that you are checking, and not just doing a planned audit once a year.

Obviously, you want to have those things built in, but it's important to go, again, above and beyond the letter of Lacey and really -- you know, it almost gets to a gut instinct, right, of the moment you see something that is even the slightest of not a green flag, digging deeper.

And it's also making sure that you're talking to people on the ground. One of the things that IWPA does is we share information -- obviously, we're a trade association, but we share information whether we agree with it or not. So the moment an NGO report is published, we're sharing that with our members.

We are constantly sharing any sort of government webinars on -- whether it's forced labor or any other topic, because we want every single member of the industry to have a comprehensive look at what is going on on the ground, not just from a document, looking at your computers behind your screen, but actually being there on-site, being able to have conversations.

So that, I would say, is probably a more human aspect of compliance and due diligence that isn't specifically outlined in the law but I think is just as important as things like having certification or checking documents.

MS. POWELL: This is Brittney Powell on behalf of IBA. I'm aware that the forced management certification schemes take into consideration meeting certain standards related to the social and economic well-being of workers, but I'd be happy to detail in our rebuttal comments exactly how those schemes are implemented, the standards that they're looking at, what those metrics are, and provide those details there. Thank you.

MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. We can look more into the -- your question of certification, but I just thought I would also emphasize that you have enforcement issues that go beyond certification. So you had an article from this year quoting a major exporting company in Brazil that said laundering illegal timber is so widespread in the country that exporters struggle to verify the origin of the wood. You do have customs officials in Brazil that are checking exports, but they have a lack of capacity. Penalties are inadequate. Fines are often not collected.

So there may be certification issues, but there are also deeper issues throughout the sector. Again, not everyone is engaging in these practices, but it's widespread enough to be a problem that your agencies have all recognized. Thank you.

MS. POWELL: If I may just add to my previous comment, the certification schemes also encompass an annual third-party audit to ensure that the mills are compliant on an annual basis. It's not like a one-time certification and they don't go back and check that they're continuing in compliance year after year.

MR. PIMENTA: José Pimenta for ABIMÓVEL. In my testimony, I focused more on sustainable certification. And as Brittney said, we are -- sorry.

CHAIR GRIMBALL: Can you push your mic back a little bit? He's getting feedback.

MR. PIMENTA: Sure. Sorry. Is that okay now? Okay. I'll continue, then. Sorry again.

So Jose Pimenta for ABIMÓVEL. In my testimony, I focus on more sustainable certification and good practice that our sector have in Brazil. So I'll be more than glad to, in our rebuttal in post-hearing submission, to clarify more and to -- analysis. And another certification scheme that we have in Brazil to tackle, of course -- forced labor. Okay.

CHAIR GRIMBALL: Thank you. And with that, we release Panel 5.

Let's return for the last panel of the day at 5:00. Oh, 4:00. Is it really that early? Oh my goodness. We've been making great time -- at 4:00 for our last panel.

(Whereupon, the above-entitled matter went off the record at 3:52 p.m. and resumed at 4:02 p.m.)

CHAIR GRIMBALL: Okay. We are ready to proceed with the final panel of the day.

Mr. Bernstein, you have the floor and five minutes.

MR. BERNSTEIN: Thank you, Section 301 Committee members and staff. My name is Jason Bernstein. I'm testifying on behalf of the

American Chemistry Council, a trade association representing America's leading chemical and plastic companies.

We support the administration's efforts to protect U.S. manufacturing from unfair policies and practices and create a more fair and balanced trade relationship with Brazil as well as with other countries. We would urge a strategic and targeted approach to this investigation and any resulting actions, prioritizing unfair trading practices while minimizing disruption and uncertainty for U.S. companies.

Brazil has an average final bound duty rate in chemicals of 20 percent, with an average applied duty of 6 percent. In comparison, the United States has an applied rate on chemicals of 2.7 percent.

The United States is also signatory to the Chemical Tariff Harmonization Agreement, which would be a strong foundation to address and reduce tariff disparities on chemicals between our two countries. However, despite these disparities, the U.S. chemical industry has one of the largest trade surpluses of Brazil -- the fact is one of the largest trade surpluses amongst all commodities -- and has strong Brazil ties in terms of investment, complementary production trains and trade flows.

The U.S. chemical industry is a model of what we might call an America-first trade approach with Brazil with a trade surplus valued at almost $7 billion. Brazil is now the fifth-largest destination for U.S. chemical exports, and many raw material imports from Brazil used in U.S. chemical manufacturing are intercompany transactions between U.S.-based companies donned to protect intellectual property rights and ensure the U.S. chemical industry has a secure and resilient source of imports that are not sourced from nonmarket economies.

I might just say that this is actually a little rare because the U.S. has a trade surplus with Brazil in chemicals and all categories of chemical products. Resins, agricultural chemicals, even bulk petrochemical products were facing serious unfair trading practices from eastern hemisphere countries.

Brazil should take steps to reduce its tariff and non-tariff barriers to trade.

Besides relatively high tariffs in chemicals and practices, Brazil applies federal and state taxes and charges to imports, therefore effectively doubling the cost to import products and making it harder for U.S. chemical and plastic exporters to compete in the Brazilian market.

Such barriers could be addressed through a sectoral initiative in chemicals that more effectively address such tariff and other non-tariff barriers while also supporting U.S. production, jobs, and exports and developing common cause and addressing unfair trading practices.

A sectoral initiative in chemicals, which has been done before in other trade agreements, could be based on the following core commercial goals that have greater impact addressing the unfair trading practices in the chemical sector, such as enshrining science-based regulatory frameworks that will advantage U.S. production over non-science-based approaches, increasing market access for U.S. exports through streamlined customs procedures and trade facilitation measures, ensuring a level playing field against unfair trading practice from nonmarket economies, and supporting new value chains where the United States has the competitive advantage, including mechanical and advanced recycling. If you don't know what those new recycling techniques are, I can explain that later.

The Brazilian Chemical Association, ABIQUIM, is willing to partner with us on such initiatives. In the case of chemicals, this kind of collaboration is more likely to be successful in addressing unfair policies and practices than imposing tariffs or other border measures which may inadvertently harm U.S. manufacturers and make U.S. chemical producers more reliant on inputs for economies where our members do not have strong commercial relationships and less production for intellectual property.

This could disrupt our significant trade surplus and competitive advantage with Brazil and shift more chemical production out of the United States. This is not a theoretical concern. We've actually seen in other cases, where we apply tariffs on the wrong products, people are moving total chemical production out of the United States.

Since U.S. chemical production is foundational to almost all key supply chains, including fence, semiconductors, pharmaceuticals, and energy and resource mining, these could also disrupt U.S. supply chains critical for national and economic security.

ACC and its members have supported addressing unfair trading practices in other Section 301 investigations, sometimes through tariffs or other border measures. To the extent that measures are being considered to address Brazil's unfair acts, policies, and practices, we would urge the administration to ensure that such measures do not undermine the strong trade relationship we have in chemicals -- in fact, I would say the strong and unique trade relationship we have in chemicals.

While the United States and Brazil do not share a formal free trade agreement, the Agreement on Trade and Economic Cooperation can provide a strong framework for such chemical sectoral initiative, building upon President Trump's expansion of the ATEC protocol in 2020. Such an initiative would not only be achievable, but it would unlock significant opportunities for both the United States and Brazil.

I appreciate the time given. Happy to answer any questions.

CHAIR GRIMBALL: Thank you, Mr. Bernstein.

Mr. Barry, you have the floor and five minutes.

MR. BARRY: Good afternoon. I'm Peter Barry, and I'm the CEO of WEG Electric Corporation. WEG employs more than 2,000 U.S. workers and is the second-largest supplier of industrial electric motors in the United States. We offer a diverse range of products, from small motors to highly engineered large machines that power U.S. manufacturing, agribusiness, mining, oil and gas, and pulp and paper.

Our products are also used in critical infrastructure, supporting artificial intelligence and grid stability. U.S. companies in these sectors rely on WEG's U.S.-made products as well as WEG's products imported from Brazil.

WEG has nine U.S. manufacturing facilities in Missouri, Minnesota, Indiana, Illinois, Wisconsin, and Georgia. For decades, we've been growing and enhancing multiple businesses and making significant investments in the United States.

WEG believes that the trade relations between the United States and Brazil are mutually beneficial and that action under Section 301 would not be appropriate. In any event, to the extent that the USTR finds that Brazil's practices are actionable under Section 301, WEG requests that the USTR recommend a scope of remedies that do not include tariffs on imports of electric motors and generators from Brazil.

I'll explain how these restrictions on imports of these products hurt the U.S. economy and national security. First, tariffs on motors and generators increase the cost to U.S. companies. U.S. companies in critical sectors rely on these products, but U.S. demand far exceeds U.S. production capacity.

Imported motors and generators produced by WEG in Brazil complement the products manufactured by WEG in the United States. Many are highly engineered products that would take many years to move to alternative suppliers. Tariffs would be a burden on U.S. manufacturers that are setting up new plants in the United

States or replacing motors and generators in existing plants.

Moreover, tariffs on imports of these products from Brazil would increase reliance on imports from Asia, especially China, and increase the costs of motor-driven equipment and make these U.S. manufacturers less competitive.

Second, imports of motors and generators are essential to WEG's transformer business. The U.S. suffers from a shortage of transformers that are desperately needed for grid stability projects and the construction of new data centers.

WEG has invested heavily in its capacity to produce transformers in the U.S., but more is needed. Tariffs on imports and generators will impair WEG's ability to continue investing in the U.S. manufacturing capacity for transformers. Without these investments, the U.S. energy sector will be unable to replace thousands of transformers in our aging infrastructure and to avoid power outages impacting millions of Americans.

In sum, WEG's products, whether manufactured in the United States or imported from Brazil, help the U.S. to build and maintain resilient and efficient operations in critical sectors. This strengthens U.S. competitiveness in the industries pivotal to our economic stability. Brazilian motors and generators play a crucial role in improving the competitiveness of U.S. companies and support WEG's ongoing investments in the U.S. transformer capacity, which are essential to U.S. national security.

Thus, WEG respectfully requests that the USTR avoid imposing tariffs or any other restrictions on imports of electric motors and generators from Brazil. WEG remains committed to working collaboratively with USTR to promote outcomes that foster U.S. economic growth, energy independence, technological leadership, and global competitiveness of U.S. companies.

Thank you for your consideration, and I welcome your questions.

CHAIR GRIMBALL: Thank you, Mr. Barry.

Mr. Vasconcellos, you have five minutes.

MR. VASCONCELLOS: Good afternoon, Madam Chair and honored members, U.S. Trade

Representative and U.S. International Trade Commission. My name is Ricardo Vasconcellos. I'm in behalf of the CCB-USA, Conservative Congress of Brazil USA, in helping this vital proceeding with impact not only the principle of the fair trade but also the integrity of fair elections and global security.

I rise today to speak about Brazil. Brazil political environment and trade relations, lack of transparency of elections, have culminated the practice of Section 301 in the Trade Act identified as unreasonable. The law is clear. Under Article I, Section 8, of the U.S. Constitution, Congress possesses indispensable power to regulate both foreign and interstate commerce.

Under this Section 301, United States is empowered to act when foreign governments impose unfair, unjustified conditions on American trade. Brazil's actions unequivocally fall in this category.

The connection between elections and commerce are incontestable. Brazil's suppression of open debate, lack of public ballot counting, and violate the freedom of speech create the burdens of United States commerce. In addition, U.S. social media firms face disadvantage due to the restrictions imposed in orders from Brazilian Supreme Court Justice.

The situation worsens when Brazil's Supreme Court invalidate the Section 19 of Brazil's Civil Marco Rule, granting censorship authority not only to justices but to all 18,000 judges to the country. Now, any judge can order the global platform to be silenced speech without the due process of law. The implications for the commerce are profound. U.S. technology organizations now face unpredictable censorship and pose a threat to American liberties.

Another issue here is Brazil trade refresher in China. According to Brazil Department of Energy, during the Bolsonaro administration, Brazil imports a slight amount of diesel from Russia. However, under the Lula leadership, Russia supplied 70 percent of the Brazil diesel, well more than $5 billion.

And U.S. refines laws and market share of 20 percent get worse because on August 27 this year, Brazil declared possible reciprocal trade measures, imposing 50 percent tariffs in

U.S. In this move, potentially shift to China into a more favorable trades and statutes burden U.S. exports.

The narrative doesn't stop here. Companies such as BYD, a Chinese electric car manufacturer, are acquiring the major lithium reserves from Brazil, and CMOC Mining Group controls niobium, the mineral that's used to manufacture aerospace ships, missiles, and jets.

China is investing $3.5 billion in mining ventures in 2025 in Brazil, but these jeopardize U.S. supply chains vital to military and defense sectors.

What must be done? The United States should reevaluate the prior recognition of Brazil 2002 election as illegitimate. Second, recognition of Brazil outcome in election in 2026 must be conditioned to measure transparency benchmark to the public of the ballot and the end of censorship of social media, as well, the violations of freedom of speech.

Third, if those benchmarks are not met, proportionate remedies must follow, including tariffs and sanctions against the responsible actors and the third-party countries as outlined in the Section 301.

In conclusion, the United States must supply the Section 301 sanctions and tariffs to protect American trade commerce and help the threat of the various sectors U.S. defend the freedom of speech. Today, Brazil is suffering these violations. Tomorrow, it can be America.

Thank you. I open for questions.

CHAIR GRIMBALL: Thank you, Mr. Vasconcellos.

Mr. Hickey, you have the floor and five minutes.

MR. HICKEY: Thank you.

Good afternoon. My name is Dan Hickey. I'm the Vice President of Government Relations in North America for Embraer, a producer of civil and military aircraft and a provider of aviation services. I appreciate the opportunity to appear before you today.

My testimony will cover two points that should inform the Section 301 Committee's approach to this investigation and any remedial action that the USTR might recommend.

First, I'd like to emphasize that none of the specific acts, policies, and practices at issue in this investigation has any relation to Embraer or its business. Indeed, based on a review of the many comments submitted to your docket, no one has even claimed otherwise.

Second, Embraer and its U.S. affiliates provide massive net benefits for the U.S. economy, American workers, and the flying public. These benefits are detailed in our written submissions, so I will highlight just a few key facts.

Embraer has major operations in the United States and purchases billions of dollars in goods and services from U.S. companies every year. Embraer currently supports 12,500 jobs in the United States, 2,500 employees who work directly for Embraer, and 10,000 additional jobs at U.S. companies that supply Embraer. Our direct employees work at 17 Embraer facilities in the United States, including aircraft production sites in Florida and service centers in Arizona, Florida, Georgia, Tennessee, and Texas.

Absent tariff disruptions, between 2025 and 2030, Embraer intends to buy tens of billions of dollars in goods and services from

U.S. companies, and most of these purchases would consist of U.S. exports to Brazil. In a zero-tariff scenario, these purchases are projected to exceed Embraer's exports to the U.S. by approximately $8 billion. In other words, under this scenario, the net effect of Embraer's operations will be to lower the U.S. trade deficit.

Embraer aircraft also play a critical role in the U.S. air transportation system. Every year, our aircraft safely transport approximately 100 million passengers in the U.S. Embraer commercial jets account for roughly ten percent of all U.S. air passenger traffic and form the backbone of many U.S. carrier fleets. In fact, over 2,000 Embraer commercial aircraft currently operate in the United States for U.S. airlines such as American, Delta, United, and Alaska.

In addition, Embraer supports the U.S. national defense and American air mobility innovation, as detailed in our written submission. I would also add that 88 percent of our shareholders are based in the United States.

Put simply, Embraer and its U.S.

affiliates are good for America, supporting U.S. aviation production and jobs as well as the broader economy. Using Section 301 to impose tariffs on our products and supply chains would harm American workers.

In sum, Embraer generates tremendous benefits to the United States and has no connection to any of the alleged government practices covered by your investigation. These facts strongly support avoiding the imposition of any import restrictions on Embraer's supply chain.

Thank you for your attention and professionalism, and I look forward to answering any questions you may have. Thank you.

CHAIR GRIMBALL: Thank you, Mr. Hickey.

Ms. Coluchi, you have five minutes.

MS. COLUCHI: Thank you for the opportunity to testify today. My name is Alais Coluchi, and I represent the Brazilian ceramic tile industry. Do you hear me?

CHAIR GRIMBALL: Can you move your mic --

MS. COLUCHI: Yeah. Of course.

CHAIR GRIMBALL: -- even closer? Maybe --

MS. COLUCHI: Closer?

CHAIR GRIMBALL: Thank you.

MS. COLUCHI: So thank you for the opportunity to testify today. My name is Alais Coluchi, and I represent the Brazilian ceramic tile industry.

With respect to the concerns raised in the Notice of Initiation, the Brazilian ceramic tile industry respectfully submits that there is no basis to consider Brazil's tariff treatment in this sector as discriminatory or unfair to U.S. exporters. Brazil does not grant preferential tariffs on ceramic tiles to Mexico, India, or any other extra-MERCOSUR partners.

Imports of ceramic tiles into Brazil are subject to a uniform most-favored-nation rate of 12.6 percent regardless of origin. This means that U.S. producers faced the exact same tariff commissions as all other non-MERCOSUR suppliers. In contrast, U.S. tariffs on ceramic tiles are 10 or 8.5 percent, depending on the size of the tile, broadly comparable to Brazil's rate.

Trade in ceramic tiles between Brazil

and the United States is therefore reciprocal and balanced with no evidence of discriminatory treatment or market access distortion. For this sector, there are no acts, policies, or practices that unfairly disadvantage U.S. exporters.

At the same time, the U.S. construction sector is heavily dependent on imports to meet demand for ceramic tiles. In terms of volume, in 2024, U.S. tile imports summed approximately 1.93 billion square feet, accounting for 71.5 percent of U.S. domestic consumption. On a value basis, U.S. imported roughly 1.95 billion in 2024.

The important point is that U.S. manufacturers cannot supply the full range or volume of ceramic tiles demanded by U.S. market. Brazilian exports play a key role in filling that gap, particularly in providing large format, decorative, and specialty tiles not produced at scale in the United States.

Moreover, it's worth mentioning the American capital invested throughout the past years in many Brazilian ceramic tile industries to be specialized for the U.S. requirements. It is also important to note that the ceramic tile industry operates with a high degree of specialization among manufacturers. Our production processes are often complementary rather than competitive.

The synergy amongst manufacturers allow to optimize efficiency, reduce costs, and better serve market demands and specific U.S. consumer demands. Imposing additional tariffs or sanctions on Brazilian ceramic products would disrupt the established supply chains and harm consumers without offering an alternative in domestic manufacturing capacity.

Imposing additional tariffs on Brazilian tiles, ceramic tiles, would place immediate and disproportionate cost burdens on American businesses and families. In June 2025, building materials dealers generated more than 37.5 billion U.S. dollars in retail sales, much of it tied to construction.

The industry is dominated by small firms, over 800,000 non-employer businesses, and about 815,000 employee establishments. The medium home builder in the National Association of Home Builders reports an average of six employees. These are the funds that source ceramic tiles from importers and distributors.

It's reasonable to argue that small retailers, remodelers, and contractors feel a disproportionate burden from tariff-driven cost increase given their reliance on narrow margins, high fragmentation, and limited capacity to absorb increased material costs.

The impact would be felt most acutely in housing affordability. According to the July 2025 Matrix Affordable Housing Report, the United States faces a shortage of two to five million homes. More than 22 million renters already spend over 30 percent of their income on housing, and 12.1 million spend over 50 percent.

Affordable housing programs, including the Low Income Housing Tax Credit, LIHTC, tax-exempt housing bonds, the Home Investment Partnership Program, HOME, and HUD rental assistance are under pressure as construction costs per unit have increased by more than one-third since 2019.

Adding new tariffs on ceramic tiles would only push these costs higher, undermining the ability of federal and state programs to deliver affordable homes to American families.

Ceramic tiles currently represent an important part of the total cost of building a new home. Raising tariffs could magnify project costs disproportionately because tiles is a visible finished product that cannot easily be substituted without compromising quality, building durability, or design.

CHAIR GRIMBALL: Please conclude.

MS. COLUCHI: Yeah. Of course.

We respectfully urge the administration to exclude ceramic tiles from any actions under Section 301. Tariffs in this sector would only raise costs for U.S. families, worsen housing affordability, and undermine a fair and mutually beneficial trade relationship.

CHAIR GRIMBALL: Thank you.

Mr. Gaidzinski, you have the floor and five minutes.

MR. GAIDZINSKI: Good afternoon. My name is Andre Gaidzinski. I represent Eliane Ceramic Tiles USA, our U.S. subsidiary.

Eliane Ceramic Tiles USA has maintained a continuous presence in the United States since 1994, with its headquarters located in Texas. From its inception, the company has structured its operations around the employment of U.S. professionals and the development of a fully domestic network of clients, suppliers, and logistical partners.

This approach has materially contributed to the U.S. economy while consolidating the company's role in the American market. Through its parent company, Mohawk Industries, Eliane also maintains a substantial portfolio of products manufactured in the United States, which constitutes a significant portion of its operations.

Nevertheless, given the scale and complexity of the U.S. market, domestic production alone cannot sufficiently meet consumer demand. In this respect, imports from Brazil perform an indispensable role, complementing U.S. collections with greater scale, variety, and innovation.

The Brazilian ceramic tile industry, with its globally recognized tradition of technological advancement, design excellence, and production capacity, enhances the offerings available in the United States, ensuring alignment with international design trends while maintaining competitive pricing.

Importantly, Brazilian products do not replace those produced in the United States. Rather, they function as a strategic complement by broadening the range of formats, colors, and finishes while also stabilizing costs and mitigating inflationary pressures. This balanced integration of supply strengthens U.S. operations, safeguards employment, diversifies consumer options, and reinforces the global competitiveness of American companies.

At the same time, the Brazilian trade regime applicable to ceramics operates in strict adherence to the principles of fairness, transparency, and reciprocity. All foreign suppliers, including those from the United States, are treated equally under most-favored-nation obligations, reciprocal tariffs, and transparent regulations. The relatively limited volume of U.S. ceramic tile exports to Brazil results exclusively from commercial dynamics, not from trade restrictions.

Brazil is the world's third-largest producer and consumer of ceramic tiles, sustaining a highly competitive domestic industry while U.S. manufacturers primarily serve the North American market, where logistics costs are more favorable. Moreover, the modest level of import penetration in Brazil reflects inherent transportation and product weight factors rather than protectionist measures.

Brazil's tariff framework remains fully consistent with WTO obligations and international trade practice. Accordingly, U.S. suppliers are not placed at any disadvantage in this sector.

In light of these facts, any measures under Section 301 targeting ceramic tile imports from Brazil would lack legal and economical justification. Such restrictions would not remedy a discriminatory practice, which does not exist, but would instead impose unnecessary costs on U.S. stakeholders and undermine a mutually beneficial commercial relationship.

Accordingly, Eliane respectfully requests that the USTR acknowledge the compliance and good faith of Brazilian ceramic tile sector and ensure that no tariff or non-tariff restrictions are applied to imports of Brazilian ceramics. Thank you for your time.

CHAIR GRIMBALL: Thank you, Mr. Gaidzinski.

And our last witness on the panel, Mr. Durbin, you have five minutes.

MR. DURBIN: Good afternoon, and thank you for the opportunity to testify before you today. My name is Jed Durbin, and I serve on the Board of Directors at Portobello America.

I've spent my career in the U.S. tile manufacturing industry, and as a lifelong Tennessean, I have seen firsthand the critical role manufacturing plays in supporting rural communities and creating lasting economic opportunity.

Two years ago, Portobello opened a massive, almost one-million-square-foot manufacturing facility in Baxter, Tennessee. It was a $200 million investment into the U.S. Indeed, our plant is the largest manufacturing investment in Putnam County, Tennessee's, history. It provides over 300 good-paying jobs, and that doesn't include the indirect impact on our community.

Like any large plant, we also support local contractors, transportation providers, and suppliers. This facility represents a major commitment to American manufacturing, and we are proud of the role we play in strengthening Tennessee and growing our U.S. production capacity.

No ceramic tile plant can produce every design or specialty product from day one. To meet the full range of customer needs, we supplement our U.S. production with a limited number of additional tile shapes and designs produced by our parent company in Brazil, Portobello Group, products that we do not currently produce in Baxter.

These imports don't compete or replace our American production tile. Instead, they support our U.S. facility by filling gaps in product portfolio, keeping our product line competitive and making it possible to operate efficiently at scale. Indeed, without the ability to offer these Brazilian tiles along with our Tennessee production, our investment in Tennessee will quickly become unviable.

Unfortunately, the 50 percent tariffs imposed on IEEPA have already placed significant cost pressures on these imports. Section 301 tariffs on ceramic tile, either on top of or in place of the IEEPA tariffs, would only compound these challenges.

These tariffs would not bring new manufacturing jobs to Tennessee or shift production back to the U.S., or at least in the tile sector. Instead, they would threaten a successful high-profile manufacturing investment, reducing sales, weakening operational efficiency, and slowing future growth and hiring. It may also force the delay or even halt the future capital investment and hiring already being planned for our plant in Tennessee for Q3 2026.

Portobello's Tennessee facility is exactly the type of investment U.S. trade policy is meant to encourage, a state-of-the-art plant that revitalizes a Tier 3 rural community, strengthens supply chains, and creates hundreds of jobs. We are proud to have brought this investment to the U.S. and are deeply committed to its success.

But the additional tariffs on ceramic tile from Brazil would undermine this achievement and harm the very manufacturing capacity policymakers want to promote. We want to keep expanding in Tennessee, adding more production lines and making even more of our products here at home.

I respectfully urge USTR to avoid imposing 301 tariffs on ceramic tiles so that companies like Portobello America can continue investing in the U.S., continue growing jobs, and building a stronger future for our communities.

Thank you for your time and considering the real-world impact of these measures on American manufacturers. I'll be glad to answer any questions.

CHAIR GRIMBALL: Thank you, Mr. Durbin.

And now we will proceed with questions from the government panel.

MS. BONNER: Mr. Bernstein, in your testimony, you note that chemical manufacturing is key to a variety of supply chains, including defense, semiconductors, pharmaceuticals, energy, and resource mining. Have any of the acts, policies, and practices the Committee has investigated undermined the competitiveness of American chemical producers or impacted American chemical exports to Brazil? Thank you.

MR. BERNSTEIN: Thank you for the question. No. However, if we impose tariffs on these products -- these are materials which we don't make here, and in order that -- that could have larger effects on those chemical productions.

And specifically, when I mentioned defense semiconductors, some of the three biggest chemical producers and exports that we have, which is the bulk petrochemicals, which is the foundation to almost all chemical production, agricultural chemicals, which are used for fertilizer, and the resins, with are used many times for semiconductor, are such key industries for critical supply chains.

And if we put tariffs on the imports of those raw materials used to make here, that would cause severe cost advantages to U.S. producers.

MR. STEPHENS: I have a question for Mr. Barry in relation to your manufacturing presence in Brazil. You state in your written testimony that action under Section 301 would not be appropriate. Are you taking a position on whether actionable conduct exists, and would this position be based on your company's experience operating in Brazil? Please explain.

MR. BARRY: Yeah. Probably similar to the comments by Embraer, WEG does not have any kind of business in the areas of the sections -- specifically the Section 301 investigation. So we definitely see the benefit of a strong relationship with Brazil and the United States. We do think it's beneficial, although our business really has nothing to do with the six areas of the investigation.

MR. STEPHENS: Thank you.

MR. HUFFMAN: My question is for Mr. Vasconcellos. In your written comments and testimony, you seem to suggest that corruption in Brazil may have commercial and geopolitical effects. Can you please elaborate on any specific incidents of corruption and the resulting impact on U.S.-Brazil trade or U.S. investment in Brazil?

MR. VASCONCELLOS: In the case of minerals? Are you saying about the minerals or not?

CHAIR GRIMBALL: With respect to any sector.

(Simultaneous speaking.)

MR. VASCONCELLOS: What?

CHAIR GRIMBALL: With respect to any sector.

MR. VASCONCELLOS: What?

MR. HUFFMAN: Any sector.

CHAIR GRIMBALL: Any sector.

MR. VASCONCELLOS: Oh. In the case -- here, the minerals situation, the -- China has bought a lot of mines in Brazil since the Lula entered in the president, that higher -- 180 percent increase the previous China buys in Brazil are copper and tin and niobium. They have phosphate mines, and they buy diamonds, lithium.

This area is owned by the CEO of CMOC. That's the mining group from China. They're buying these since 2022. And the diversification of phosphate to -- for fertilizing, too -- that's increased 50 percent of the market. It burdens U.S. commerce, and they're infiltrating directly to Brazil.

And the BYD -- they buy the mines, the lithium, and to build the electric cars and batteries for phones and whatever -- computers. They create, too, 150 square meters, the area.

They have a factory of this car that's produced 150,000 cars per year, this electric car. The China has the preference to buy this, and they buy it very low value and then increase like $250,000 this year in the first week.

And the media looked for the BYD CEO to answer this question. They didn't answer the question. But they have a higher profit when they're sold and put the shareholders and everything -- they've got a lot of. And this is a very serious situation for United States because in the last government, you don't have this kind of protection to China.

And what have right now -- the Brazil is looking for apply 50 percent, the tariffs, to United States to, like, a reciprocal way if United States not change, like blackmail United States. Oh, if you don't do that -- some sectors very important, like this one. We're not saying this is not important. Of course it is. But this is very concerning because this area that you have the niobium -- niobium is -- 70 percent of niobium have the global worth -- is in Brazil. Now China is in this area, controlled this since 2023.

The China has the niobium mines. And they control the production of this. What niobium do? Alloy for the best spaceships and missiles and protection, defense. That's very concerning. That's the point -- I put the burden of the half in Brazil that -- I'm here since the morning. I don't see any other talk about this measure here. This is the most important point in this matter.

MS. REINITZ: The next question is for Mr. Hickey. As noted in Embraer's written comments, the purpose of today's hearing is to receive comments on whether the matters under investigation are actionable rather than potential remedies.

Embraer's written comment states, quote, none of these acts, policies, and practices has any relation to Embraer and its business, end quote. To clarify, should the Committee assume that Embraer is not taking a position on existence of any of the acts, policies, and practices under investigation but rather is making a statement regarding specific impacts to Embraer?

MR. HICKEY: The Committee has the

key facts regarding our major U.S. footprint and contribution to American interests. And as mentioned by Mr. Barry and by us today, Embraer has no relation to the practices under investigation, and we have no comment on how those promises may or may not affect other businesses. Thank you.

MS. REINITZ: Thank you.

MR. REYNOLDS: I have a group question for Ms. Coluchi, Mr. Gaidzinski, and Mr. Durbin. As noted this morning, the Committee is seeking comment on the existence or unfair discriminatory acts, policies, and practices that burden or restrict U.S. commerce.

In your testimonies, you focused on the impact of potential remedy actions by the United States on your industries, which is a separate inquiry. As it relates to issues before the Committee today, have your industries been impacted by any acts, policies, and practices highlighted in this investigation? If so, please explain.

MR. DURBIN: For Portobello, it's the same as Mr. Hickey and Mr. Barry. We don't have any issues with the investigation. They're not part of our practice, and we don't have issue with any of that. It's just simply the tariff on ceramic tile into the U.S.

MR. GAIDZINSKI: I would -- again, not talking about the entire sector, but representing ourselves, I would agree that we don't believe that any of this investigation has to do with our company and neither to the sector itself.

MS. COLUCHI: My comment follows theirs. So we're here to talk about feedback on ceramic tile and unfair and preferential trade. We are not experts on deforestation, digital payment, and any of the other five issues that's being investigated.

MR. REYNOLDS: Thank you.

CHAIR GRIMBALL: Thank you for your participation, for all the witnesses' participation today over six panels.

With that, this concludes our hearing today. As I mentioned at the top this morning, post-hearing comment submissions are due on September 10th, 2025, by 11:00 p.m. So, should you need to supplement any of the answers that you provided to the panel today, please do that using the same portal that that you used to file your written comments.

Thank you. Have a good day.

(Whereupon, the above-entitled matter went off the record at 4:45 p.m.)

CERTIFICATE

This is to certify that the foregoing transcript was duly recorded and accurately transcribed under my direction; further, that said transcript is a true and accurate record of the proceedings; and that I am neither counsel for, related to, nor employed by any of the parties to this action in which this matter was taken; and further that I am not a relative nor an employee of any of the parties nor counsel employed by the parties, and I am not financially or otherwise interested in the outcome of the action.

James Cordes

James Cordes