

## BREXIT AND POSSIBLE IMPACTS TO BRAZIL: OVERVIEW

On June 23<sup>rd</sup>, the people of the United Kingdom decided that the country should withdraw from the European Union. The exact conditions of this exit shall be negotiated within the next two years, after which the treaties of the European Union will no longer apply to the United Kingdom.

According to Vera Kanas, partner in our International Trade practice group, the impacts are limited for Brazil.

The vast European regulatory framework, that comprehends standards for the commercialization of goods and services, rules on capital movements, investments, consumer Law, competition Law, and environmental Law, shall be progressively modified. The incentives and financing programs granted by the European Union to several sectors will no longer be available to British companies.

In this context, Brazilian companies should review any existing agreements which encompass companies, investments, imports and exports of the United Kingdom, in order to evaluate if there is any consequence to these agreements. Impacts may exist due to expected changes in legislation after the Brexit, due to cuts in incentives and financing programs, as well as other measures that may affect the execution of the agreement. Special attention must be given to clauses that establish obligations over the European Union's territory – which will now exclude the United Kingdom.

A second impact – to be expected in the medium term – regards the United Kingdom's standards and regulations to international trade. The European Union promoted an extensive harmonization between the rules of each of its members, reducing costs of conformity to producers within the block and exporters from third countries.

With the Brexit, the United Kingdom will likely alter its own standards and regulations, moving further away from the European regulatory framework.

Complex regulations such as REACH – applicable to the commercialization of chemical products in the European common market – may suffer changes in the medium term.

These changes will result in costs to Brazilian companies: Brazilian producers intending to export goods and services to the United Kingdom will need to conform their exports to different standards than the ones adopted today by the other European countries.

Finally, the negotiations between Mercosur and the European Union will no longer include market access commitments to the United Kingdom, and neither will the United Kingdom open its markets to Brazil and its customs union partners.