

# GENERAL AGREEMENT ON

## TARIFFS AND TRADE

RESTRICTED

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1989 CONSULTATION WITH BRAZIL  
UNDER ARTICLE XVIII:12(b)

Statement submitted by Brazil under Simplified  
Procedures for Consultations<sup>1</sup>

The following is the statement provided by Brazil for the consultation.

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<sup>1</sup>BISD 20S/47.

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## Evolution of the Balance of Payments - Crisis and Adjustment.

### I) Introduction

The eighties have been a period of extremely serious difficulties for Brazil, requiring considerable efforts on the part of the authorities to achieve the necessary conditions for resuming economic growth. One of the main limitations in the Brazilian economy is the high external debt which was accumulated in recent years. These circumstances have brought about major transfers of financial resources to foreign creditors since 1980 (US\$ 48.1 billion net). The substantial rise in international interest rates since 1982 and the simultaneous disruption of financial flows to developing countries by the international banking system have further aggravated this situation.

2. In view of the economic crisis and the suspension in the flow of international resources, the Brazilian authorities were forced to undertake an external adjustment that caused serious damages to the internal adjustment efforts. The burden of this adjustment has been high. It has meant the worst recession of the post-war period, followed by an acceleration of the inflationary process, a decrease in the level of consumption of the population and a slump in investments. The internal per capita revenue fell by about 13% in the 1980-83 period alone.

3. In 1985 and 1986, there was some recovery in economic activity, based essentially on the utilization of the existing idle capacity and the partial recovery of real wages. The existence of this non-utilized capacity has permitted to reconcile autonomous growth with the achievement of high trade surpluses up till the second half of 1986. Once this capacity was fully utilized, economic growth became more dependent on the rise in the rate of investment, which, in turn, requires a reduction in the outflow of funds.

4. The process of technological modernization of Brazilian industry was interrupted in the recession years, following the fall in the level of economic activity as well as in the level of investments and imports. This recession obviously harmed the competitiveness of the industrial sector, and the expansion of exports thus became dependent on exchange rate devaluations. Furthermore, the stabilization policies adopted in Brazil have often been frustrated by instability deriving from the external sector.

5. It becomes evident that only self-sustained growth can assure the resumption of the country's capacity to meet its financial obligations, generating trade surpluses that can represent a contribution to the normalization of Brazil's international financial relations.

## II. Adjustment of the Brazilian Economy 1987/88

6. In 1987, international economy was characterized by instability and uncertainty, reflected in the stock market "crash" and in the record fall of the US dollar. The rate of growth in world output maintained the slower pace that had been detected in 1985; inflation rates increased and the expansion of trade was insufficient to compensate for the imbalances registered in international finances. The debt crisis of the developing countries remained unresolved, while the US trade and fiscal deficits kept growing, putting at risk the stability of the international financial system. The international exchange market revealed, in 1987, the growing concern prevailing in financial markets, as there were no effective results from the efforts to reduce the disequilibrium in the balance of payments of the major developed countries.

7. As far as the developing countries were concerned, inflation continued to be one of the main economic problems. According to IMF statistics, developing countries registered, in 1987, an average rate of increase in consumer prices of 40.3% compared to 29.9% in 1986. For Latin American countries, this rate has increased from 88.4% in 1986 to 130.8% in 1987, primarily as a result of the persisting difficulties to absorb successive external shocks and of the effort required to enable the necessary transfer of funds abroad.

8. In Brazil, alongside these negative exogenous factors, the drastic reduction in interest rates, which occurred in the context of the "Plano Cruzado", in 1986, brought about a rapid fall in savings and foreign reserves, as well as an increase in consumption without the necessary compensation in the level of private sector investment.

9. With the de-freezing in prices and wages at the end of the year, the economy was faced with the simultaneous threat of hyper-inflation and recession. The rate of inflation reached an average of more than 20% per month, recording a peak of 26% in June, the highest in the year. The disequilibrium in relative prices, together with the reduction of foreign reserves, caused the temporary suspension of interest payments to private foreign banks in February 1987.

10. As for as the industrial activities, a severe financial crisis was experienced by the private sector, particularly from April onwards. This led to an increase in the level of unemployment and a fall in the real purchasing power of wages. The strategy designed to revert this situation was outlined in the July 1987 Macro-economic Control Plan. This plan included short-term stabilization measures, consisting of a temporary price freeze, followed by a controlled and gradual flexibilization, medium-devaluation of the cruzado, and an institutional reorganization of public finances.

11. In short, the internal anti-inflation plan sought to reduce aggregate demand through a more restrictive monetary policy, as well as measures focused on contention of the public deficit and a revision in incomes policy.

12. In spite of the success reached in averting the diversion of savings to consumption, the last quarter of 1987 was characterized by an acceleration in the inflationary process. Nominal interest rates registered a rapid increase following the resumption of the inflationary process, with the various financial assets showing, in global terms, a positive remuneration.

13. Although the Brazilian economy, in 1987, presented some unsatisfactory indicators, it also registered favourable results, such as the high surplus in the trade balance, the reversal of the recessive tendency, an excellent agricultural harvest and the avoidance of the immediate risk of hyper-inflation.

14. The Brazilian Balance presented a deficit of US\$ 2,987 million in 1987, despite the significant trade surplus of US\$ 11,173 million. Repeating the performance of the seven previous years, the net expenditure on services was greater than US\$ 12 billion. Expenditure in interest, considering the US\$ 3,428 million in arrears to foreign banks and US\$ 318 million refinanced by the Paris Club, represented 72.9% of the net outflow of capital.

15. In reality , the preponderant negative factor in the results of the 1987 balance of payments was that Brazil became a net exporter of resources to international financial organizations, BIRD, IDB and IMF (around US\$ 2 billion), which led to a net capital outflow of US\$ 1,363 million.

16. In 1988, Brazilian economic performance was characterized by a worsening of the inflationary process and a decline in the level of internal activity, which had already shown a sluggish trend in the previous twelve months. Towards the end of the year, the attempt to control the growing inflationary spiral led to the forging of an understanding between businessmen, labour unions and the government on attaining objectives relating to the readjustment of prices and wages in the short term. This agreement permitted a relative control of the inflationary process, contradicting the expectations of a considerable acceleration of prices at the end of 1988.

17. Industrial production fell 3.2% during the period, as a consequence of the retraction of the domestic market. One of the main factors that contributed to this result was the negative performance (-5.4%) of the farming sector which is responsible for one-third of the industrial production. The mining industry increased by 0.4%, due mainly to the production of iron ore and the processing industry showed a decline of 3.4%. The production of capital goods fell 2.1%,

as a result, among other factors, of the curb in public investments, scarcity of funds in the private sector and high financial costs.

18. The consumer price index, in the first half of the year, showed monthly variations of, on average, 18%. These variations increased to 25% in the second half of the year, reaching 28.79% in December, equivalent to an accumulated rate of 934% for the year.

19. A noteworthy feature of 1988 was the normalization of the relations with the international financial community through the rescheduling of the external debt with the international creditors and governmental agencies, and the "stand by" agreement with the IMF.

20. The external factors influencing the Brazilian economy had a diversified performance. The rate of growth in economic activity in the industrialized countries, which are Brazil's main trading partners, maintained its upward trend, thereby contributing to the high rate of expansion of world trade. Oil prices fell to US\$ 15 per barrel and, although there was decline in the international prices of some commodities, the significant rise in the price of others that are important Brazilian exports compensated for the negative effect on Brazilian export earnings. Alongside these factors, however, there was a revaluation of the US dollar, an upsurge of protectionist practices and a rise in international interest rates. The rise in import prices

(excluding oil), which was higher than the rise in export prices, led to a deterioration in the terms of trade for the second consecutive year.

21. The Brazilian trade balance registered a surplus US\$ 19.2 billion, with exports amounting to US\$ 33.8 billion and imports US\$ 14.6 billion. This export performance can be explained by the relative recovery of commodity prices and by the growth-led increase in demand by the industrialized countries and by the decline in internal demand.

22. At the same time, however, the rise in the outflow of capital intensified in 1988 reaching, in real terms, 6.0% of GNP, in contrast to the average of 3.9% for the 1983-87 period.

### III. Brazilian Trade Policy

23. It is worth stressing that from the beginning of the industrialization process in the late 1950's up to 1982, the trend in Brazilian foreign trade was never to generate large surpluses. In the period between 1960 and the first half of the 1970's the equilibrium of the accounts was a constant feature. As a consequence of the oil crisis in the early seventies, however, Brazil experienced a series of deficits which persisted until 1982.

24. 1982 marked a turning point in the historical performance of Brazilian balance of payments accounts. The

interruption in the inflow of external credits and the negative effects of the significant rise in international interest rates converted the debt service in a disproportionate burden for the standards of the Brazilian economy.

25. After this point, Brazil was forced to generate larger surpluses in its trade balance in order to meet outflow of capital.

26. Although it is desirable to adjust by raising the volume of exports, the existing limitations, including difficulties in access to external markets, required the adoption of measures in the area of imports, the only field of the current account under effective domestic control.

27. If, however, the surpluses obtained helped to avoid a scenario of structural insolvency, they also contributed to various undesirable effects, such as technological lag and undermining of the anti-inflation policy. In reality, this line of action, resulting from an inherent understanding between the Brazilian government and the creditor nations, implied the diversion of payments previously made to the productive sectors of the industrialized nations for the import of high aggregate value goods to the financial sectors of those same nations.

28. Although there was no definite progress in either the internal or the external fronts, the Brazilian

authorities decided to undertake a policy of progressive trade liberalization, thus revising the main mechanisms adopted at the start of the balance of payments crisis. This decision reflected a perception of the fact that it was no longer possible to keep the country's industry subjected to controls that hindered its modernization. The goal of this reform was, therefore, to liberalize exports and imports, to rationalize the instruments of governmental action so as to preserve the price system as the regulatory element in the market.

29. Thus, from 1987, several liberalizing measures were adopted, among which it is worth pointing out: the elimination of the financial operation tax (IOF) on imports; the elimination of the port improvement tax; reduction in the list of imports temporarily suspended; flexibilization of import programs and of minimum compulsory external financing periods; and tariff reform which encompassed a significant reduction of the average value of duties.

30. In 1987, imports recovered by 7.2%, despite the retraction in the domestic market and the scarcity of credits for the import sector. The purchase of consumption goods, mainly foodstuffs, regained the level reached before the "Plano Cruzado", in 1986.

31. In October 1987, in light of the signs of recovery of the trade balance, the number of products for which imports were temporarily suspended was reduced from 4,441

items to 2,358 through CACEX Communique No. 177. In order to ensure adequate domestic supply and the technological modernization of some specific sectors, the Customs Policy Commission (CPA) adopted measures exempting or reducing import duties for several products. Among these items were: soy-bean oil, beans, jute, mallow, leather, chemical products and fertilizers, aluminium plates, copper, parts for boats, containers and material for petroleum prospecting.

32. The global limit for imports into the duty-free zone of Manaus for 1987 was initially US\$ 600 million FOB, a value 10% higher than for 1986. In November 1987, Decree No. 95.176 increased this limit to US\$ 702.1 million.

33. The budget of the Secretariat for State Companies fixed the amount of US\$ 2,534.2 million as the limit for direct imports in 1987, and CZ\$ 4,770.8 million as the amount for purchase of foreign items in the internal market including "leasing" for the operation of the public offices of the direct and indirect administration as well as for the supervised foundations. These values increased about 15.2% and 180.6% respectively compared to the value of the previous year.

34. The policy of daily mini-devaluations of the cruzado, together with two medium devaluations of 8.5% and 9.5% in May and June 1987, respectively, had a considerable impact on the external accounts, assuring the

competitiveness and the subsequent rise of Brazilian exports.

35. Taking the month of February 1986 as a basis (before the Plano Cruzado was announced), the real exchange rate of the cruzado in relation to the dollar recorded, in December 1987, a valuation of 6.2%; if related to a basket of currencies of twelve developed countries that are the main importers of Brazilian products, the valuation of the cruzado, in the same period, was 0.4%.

36. In 1988, trade policy was basically directed at the reactivation of the import sector, mainly in the second half of the year, when a considerable surplus in the trade balance was anticipated. In May, CONCEX Resolution No. 155 eliminated quantitative and qualitative restrictions on exports and imports of soy-bean and derivatives, cotton, rice and corn in grain. This new system of trade liberalization in agricultural products was regulated by CACEX Communique No. 197, of June 1988.

37. In May 1989, Decree No. 2.434 provided for exemption and reduction of taxes on imports. Later, in June, CPA Resolution No. 1516 introduced significant changes in the level of the rates of the import taxes; IOF was eliminated and so were the tax for improvement of the ports and some special exemption regimes. These changes reinforced the Tariff Reform, as a result of which the average of tariff duties were brought down from 51% to 41%.

38. Six months after the new tariff had come into force, an analysis of the effects of the Tariff Reform demonstrated the need for further improvement, since the average tariff duty rate was still considered high. At the same time, the pressure on industrial costs persisted, since tariffs applied to raw materials not available in the domestic market and essential to the chemical and capital goods industries were still relatively high. In September 1989, therefore, the Brazilian government, in the spirit of liberalization that underpins the current round of Multilateral Trade Negotiations in the GATT, undertook a new revision of the customs tariff, which was concluded with the publication of CPA Resolution No. 1666, reducing the custom duties average from 41% to 35.5%.

39. As of May 1988, the Central Bank changed the conditions of external payments that were laid down in Resolution No. 767, October 6 1982. This Resolution stated that Brazilian companies should obtain external financing to import machinery and equipment. In November, Resolutions Nos. 1485 and 1492, of May and June respectively, were derogated by Resolution No. 1537, which reduced the time limits for payments of imports and raised from US\$ 100,000 to US\$ 200,000 per importer the maximum value per annum, for cash payment. This measure afforded small and medium companies improved access to external financing for the import of machines and equipment.

40. CACEX Communiqués Nos. 204 and 208, dated September and November 1988, respectively, established administrative rules and a list of items for which the requirement of import licenses was suspended. The list of these items has decreased, since the last BOP consultation in 1987, from 2,358 to 1,165 items, i.e. a reduction of about 74%.

41. In November 1988 CACEX published Communiqué No. 207, requiring that companies produce a program of imports for 1989, in order to permit the elaboration of an annual forecast of imports and the monitoring of external purchases. It should be stressed that the quantitative limits foreseen in the program would not apply to imports of sulphur, potassium fluoride, ammonium sulfate and phosphoric acid.

42. For 1989 the global limit for imports via the duty-free zone of Manaus was set at US\$ 1,020 million, an increase of 43% compared to the previous year.

#### IV. The Economy in 1989

##### a) Domestic Sector

43. The new surge in the inflationary process towards the end of 1988 and the need to bring it under control led the Brazilian authorities to adopt, in January 1989, a new

program of economic stabilization, which aimed essentially at the disindexation of the economy and the promotion of adjustments in the public sector.

44. The mining industry showed, in the first months of 1989, a negative variation of 1.9%, due mainly to the production of crude oil and washed stone coal, while the decline processing industry was of about 3.7%. The retraction process also affected the industries of capital goods, durable consumer goods and intermediary goods. Conversely, the agricultural sector has been maintaining in 1989 the trend towards positive results. The average rate of unemployment in May was 3.4%, slightly lower than the rate recorded in the same period of the previous year (4.0%), but higher than the one recorded in December 1988 (2.9%).

45. The behaviour of the main indicators of the economy, in the early months of 1989, point to a possible decline in GDP, due to the retraction in industrial production vis-a-vis the performance of the agricultural sector.

#### b) External Sector

46. In the first half of 1989, the external sector suffered the adverse effects of the following: increases in inflation and interest rates, slowing down of economic activity, increased value of the American dollar against other currencies and lower growth in international trade.

All of these factors required greater efforts on the part of Brazil .

47. The commodities market, which had been reacting favourably to Brazilian exports, entered a period of decline, particularly in the case of soybeans after news was published of an increase in the area under cultivation in the United States. At the same time, international oil prices moved upward in the first half of the year.

48. Notwithstanding these developments, the trade surplus through July totaled US\$ 10.6 billion, or the same level as in the corresponding period of 1988. This result was based on exports of US\$ 20.0 billion and imports of US\$ 9.4 billion. In relation to the figures for the same period of the previous year, exports increased by 8.2% and imports by 17.3%. It is now projected that the 1989 trade surplus will close at US\$ 16.0 billion, based on exports of US\$ 34.0 billion and imports of US\$ 18.0 billion.

49. In the first half of 1989, remittances of profits and dividends rose sharply. In the first half of the year, these operations totaled US\$ 1.5 billion, equal to the amount remitted in all of 1988. Returns of risk capital totaled US\$ 550 million, an amount greater than in each previous year, except 1986,

50. At the same time, the inflows of new resources, expected to amount to US\$ 3.0 billion for the year, did not occur. Of

this amount, US\$ 1.6 billion was to have been obtained from the World Bank and Japanese sources, US\$ 800 million from the IMF and US\$ 600 million from the commercial banks.

51. The shortfall in the expected resources resulted in the need for even greater efforts to expand exports, increasing the goal for the year from US\$ 31.5 billion to US\$ 34.0 billion. At the end of June, an exchange devaluation of 12% was introduced for the purpose of ensuring that the export goal would be reached.

52. The combined effect of the economic and political uncertainties on the economy and of the frustration with the inflow of funds expected in 1989, led further to the need to adopt the centralization of exchange-control at the end of June. As a result of this measure, Brazil began to accumulate the medium and long-term loan debt with commercial banks. The payment of these amounts could have led to a substantial reduction in reserves, which is inadvisable in these times of uncertainty and high inflation.

#### V. Final Considerations

53. Apart from the problems related to rising inflation, low levels of GDP growth, increase in international interest rates and reduction in the level of investment, developing countries are still also facing debt problems and insufficiency of external financing for

implementing economic adjustment programs.

54. The external debt problem has become more acute and the proposals presented up to now do not appear to bring effective and durable solutions. Even some innovations introduced in the debt negotiations process the debt do not seem to assure satisfactory results.

55. It is important that more effective solutions be found to the external debt problem, since the magnitude of the required adjustments of the developing countries' external sector, except for a few cases, have been hindering the achievement of the internal goals of those countries. Some IMF studies show that, since 1982, the more indebted developing countries have experienced a considerable deterioration of their economies, as indicated by the increase of inflation, the decline in investment and in the rate of GDP growth.

56. In the case of Brazil the need to generate high trade surpluses to permit the country to service its external debt, under conditions that become increasingly unfavourable, has been a disturbing factor in the domestic economy. Externally, the renewal of protectionism, the decline of the price of commodities and the slow-down in the rate of growth of worldwide economic activity, have brought about more difficulties for the adjustment of the external accounts, inasmuch as all these factors have been damaging the country's ability to export.

57. The persistence of these adverse conditions has been forcing the Brazilian authorities to maintain measures to control external accounts, as a form of attenuating problems in the balance of payments. Nevertheless, since the last consultation with the GATT Balance of Payments Committee in 1987, Brazil has not intensified any mechanism to restrict imports. On the contrary, important measures towards liberalization of its foreign trade have been adopted.

58. In the period 1985-1988 alone, Brazil has made net foreign transfers of about US\$ 40.0 billion. In the same period, the country's external debt grew from US\$ 105.1 billion to US\$ 112.7 billion. These transfers have resulted, on average, in the same period, in the outflow of resources in real terms equivalent to 4.3% of the GDP. One can better understand the intensity of the effort sustained by Brazil if one considers that those transfer, in terms of GDP, represent the double of the transfers made by Germany between 1925 and 1932, to pay reparations after the First World War.

59. The maintenance of a historical rate of growth requires, therefore, the establishment of a limit to the transfer of funds abroad, so that such outflow will not engage an excessive share of production.

60. It must also be emphasized that the measures taken to control imports that are still in force - program of

imports, products for which the issuing of licenses is temporarily suspended and minimum time limits for payment of imports - are not discriminatory. Since they are taken for balance of payments purposes they are transitory in nature. One could further underscore that these measures are only applied to face the constraints in the external accounts.

61. It must be borne in mind that the Brazilian economy, already overburdened by the servicing of its external debt, can only recover its capacity to invest and increase imports, thereby resuming growth, within a more favourable international environment. It is fundamental, in this context, that our partners, mainly the developed countries, fulfill their obligations in GATT and respect the commitments to standstill and rollback measures contrary to the General Agreement.

**ANNEX I**Temporary suspension in the issuance of import licenses.

CACEX - Banco do Brasil published on June 6 1976, the first list of products for which the issuing of import licenses was temporarily suspended, the so-called "Annex C" to the Administrative Norms that Regulate Imports. In general terms, the list included items considered to be superfluous, non-essential and domestically produced, in order to minimize the serious problems then existing in the Balance of Payments.

After the publication of this list, several communiques were issued modifying and replacing the original list, always taking into consideration the wider Brazilian foreign trade policy and the need generate hard currencies to manage the balance of payments.

The communique that is presently in force, CACEX No. 204 (Administrative Norms that Regulate Imports), dated September 9, 1988, suspended the issue of import licenses for 2,307 tariff lines (number obtained according to the Brazilian nomenclature).

In November 1988 CACEX published communique No. 208, dated November 21, 1988, that replaced the list of products published in the Consolidated communique (Annex C). In this new list, the number of products was reduced to 1,165 tariff lines.

## ANNEX II

### Import Program

The import program is a provisional instrument, aiming at permitting the annual forecast, follow-up and monitoring of Brazilian imports, taking into account the real possibilities of the balance of payments. It consists of form filled out by the importer, specifying the imports foreseen for the year, classified by categories of products. At the end of each year, CACEX publishes the norms that apply to the submission, examination and approval of the import program for the next year.

For 1989, substantial changes were introduced by CACEX communique No. 207, published on November 21, 1988, mainly referring to the guidelines for automatic approval of the import program.

Another modification in relation to the previous CACEX communique (No. 184) was that importers whose import perspectives are lower than US\$ 100,000 don't need to submit the import program (this amount is lowered to US\$ 50,000 if the imports are destined for re-sale).

This communique has also implemented basic rules applying to the analysis and approval of the amounts shown in the program. According to these rules, the products were divided into groups for approval: (1) goods for fixed

assets: the program will automatically be approved regardless of the indicated amounts; (2) goods for processing: the program will be approved up to 100% of the quantities shown in the import program for 1988; (3) goods for re-sale: the program will be approved up to 120% of the amount authorized in the program of the previous year.

These quantitative elements do not apply to imports of sulphur, potassium chloride, ammonium sulfate and phosphoric acid.

There are other imports that are not subject to the Import Program such as: imports under the drawback regime; imports of products negotiated in the scope of ALADI (Latin American Integration Association); imports for industrial warehouses; imports of wheat, crude oil and derivatives (by the state enterprise Petrobras); imports of goods for the duty-free zone in Manaus, imports of rice, corn in grain, cotton - not carded or combed (shards), soybean, soya in grain, and soya oil (crude and refined), imports authorized by the government for domestic supply and imports that are considered sporadic by CACEX.

Even after approval, the amounts stated in the import program are only indicative and can be changed at any time if the initial amount cannot meet the needs of the company.

ANNEX III

Import Financing

Central Bank Resolution No. 1537, of November 11 1980, laid down the conditions for payments abroad for imports with exchange coverage, made by individuals or companies, for their own use or for sale. The following minimum conditions for payments deadlines must be met, in order to have the imports covered by Resolution No. 1537 authorized by CACEX:

a) Machinery, equipments, apparatus, instruments, vehicles, ships and vessels and airplanes:

value of estimated imports in the calendar year (US\$FOB or equivalent in other currencies)	Minimum deadline for payment in years
- up to US\$ 200,000	cash
- value exceeding US\$ 200,000	2 (two)

b) Parts, pieces, components and accessories for maintenance, assembly and repair and industrialized durable consumer goods: minimum delay payment 180 (one hundred and eighty) days;

c) Other products: minimum delay for payment 90 (ninety) days;

d) A waiver of these minimum deadlines is granted for imports up to the value US\$ 200,000, per annum, for which cash payment is required.

The following products, among others, are exempted from the deadlines established above:

a) imports by companies under the drawback regime or similar, as well as goods that destined for industrial warehouses and that will be re-exported either directly or aggregated to a product to be exported;

b) imports by agencies of the direct administration;

c) imports by publishing companies (of books, newspapers and periodicals) for their own use;

d) imports of paper for printing books, newspapers and magazines by commercial firms or to supply publishing companies for their own use;

e) the imports paid with funds resulting from:

(i) investments registered in the Central Bank, resulting from currency inflows registered as of September 25 1980, inclusive. The exemption depends on the examination by CACEX of the nature of the operation, the merit, the suitability and the destination of the good to be imported;

(ii) currency loans contracted as of September 29,

1980, including those whose registration certificate shows that they are undertaken to comply with the requisites of the Resolution. The exemption depends on the examination by CACEX of the nature of the operation, the merit and suitability of the good to be imported.

CACEX may also authorize imports which do not correspond to the provisions of this Resolution in the following cases:

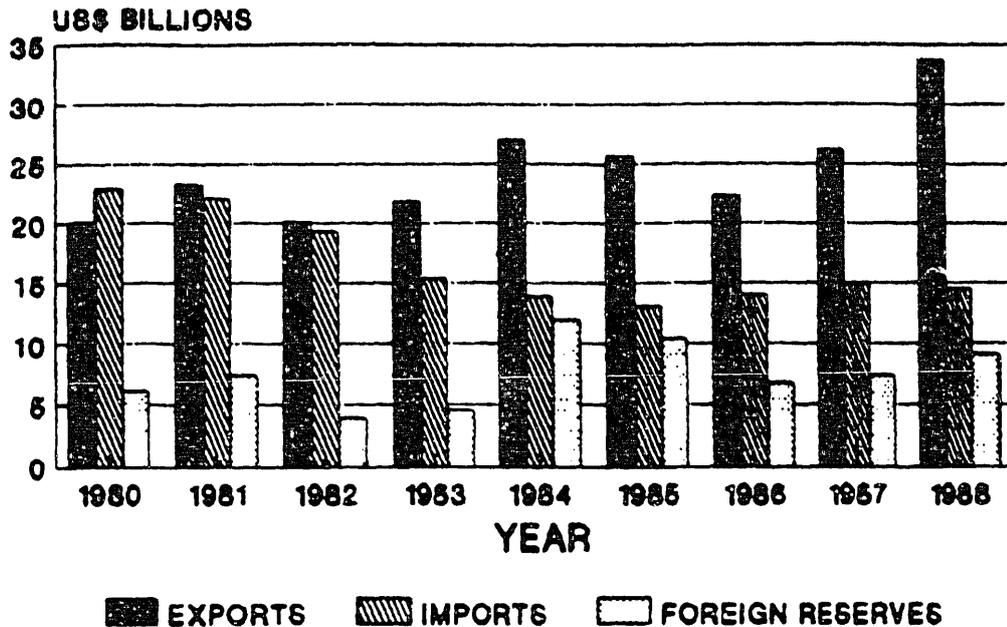
a) imports whose deadline payments in spite of being shorter than those established in this Resolution, are equivalent to the financing granted by foreign governments or foreign governmental entities (including export credit agencies), or by international organizations;

b) operations relating to projects aiming at import substitution or export production.

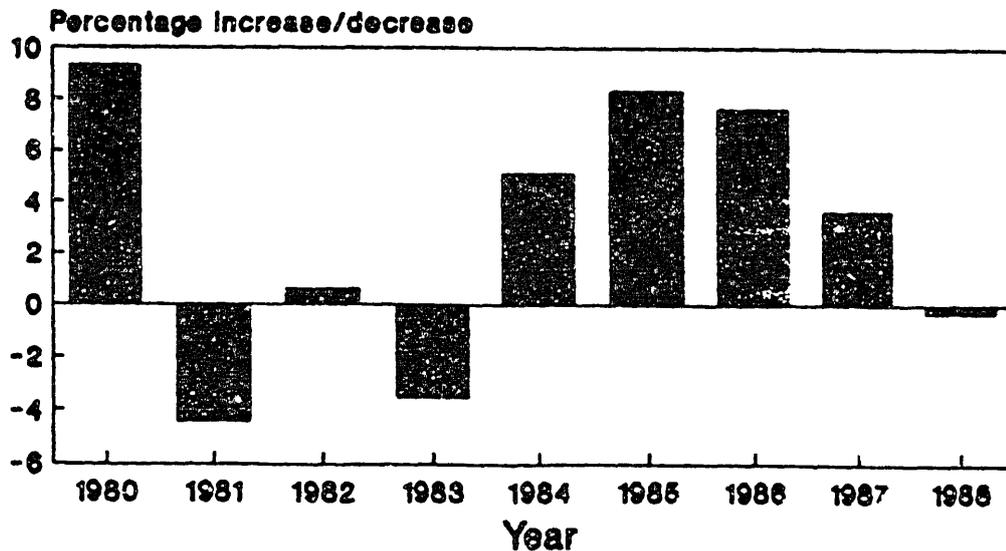
# The Brazilian Economy

## Some Indicators 1980-1988

### Exports, Imports and Foreign Reserves Value (US\$ Billions)



### Gross Domestic Product Real Rates of Growth (%)



## TABLE II

BRAZILIAN BALANCE OF PAYMENTS  
(US\$ MILLIONS)

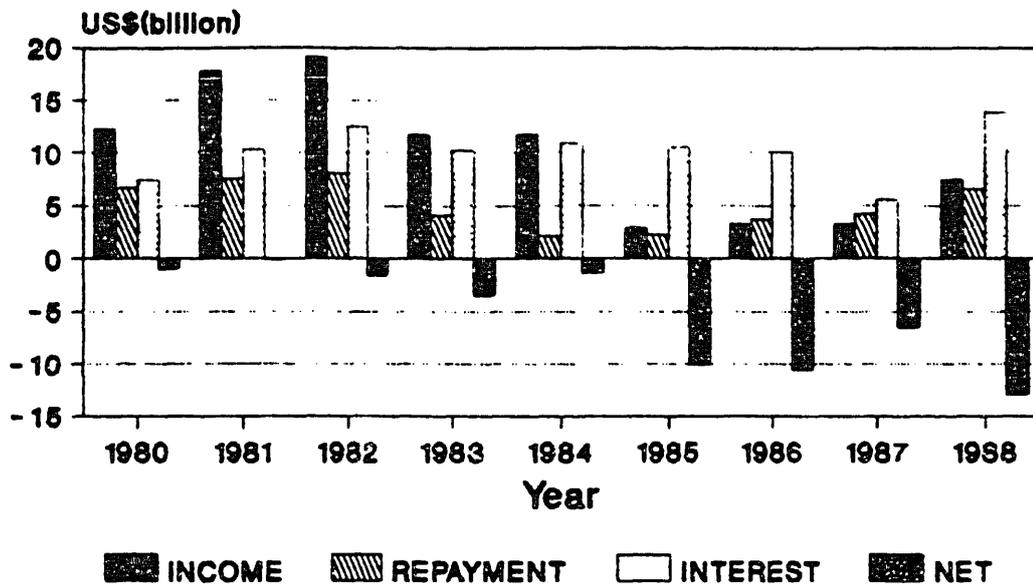
	Year		
	1987	1988	1989*
TRADE BALANCE FOB (A)	11 172	19 181	16 000
Exports	26 224	33 786	34 000
Imports	15 052	14 605	18 500
SERVICES (B)	-12 061	-14 370	-15 890
Interest	-8 792	-9 832	-10 300
Other Services	-3 269	-4 538	-5 680
UNILATERAL TRANSFERS (C)	70	93	100
CURRENT ACCOUNT (D)=(A+B+C)	-819	4 904	1120
CAPITAL (E)	-1 363	2 894	2 569
Direct Investment (net)	531	2 266	200
Financing	2 592	5 177	3 959
Foreign	2 925	5 310	3 959
New Income	2 393	2 631	1 900
Refinancing	532	2 679	2 059
Brazilian	-333	-133	-
Repayments	-13 503	-15 031	-13 652
Paid	-3 105	-7 555	-5 474
Refinanced (includes Paris Club)	-10 398	-7 476	-8 178
Currency Loans	9 343	9 665	7 531
Short Tern	152	-590	-
Long Tern	9 191	10 255	7 531
Inter-company	152	100	130
New Income	152	100	130
Brazilian Banks	1 242	659	399
New Income	-	-	-
Refinancing	1 242	659	399
Foreign Commercial Banks	7 797	9 496	7 002
New Income	-	4 000	600
Refinancing	7 797	5 496	6 402
Other Capital	-326	817	-288
Errors and Omissions (F)	-805	-821	-
SURPLUS (+) OR DEFICIT (-) (D+E+F)=(G)	-2 987	6 977	2 689

(\*) Forecast

Source: Central Bank/DEPEC

TABLE III

## Estimates of Financial Flows US\$ (billions)



Obs: Excluding Buyers  
Source: Central Bank/DEPEC

## TABLE IV

INDEX OF SELECTED COMMODITIES  
(Annual Averages; 1977=100)

YEAR	PRODUCT								TOTAL
	Cocoa	Coffee	Corn	Cotton	Soya-Bean	Soya-feed	Soya-oil	Sugar	
1980	67	68	136	140	102	109	105	354	94
1981	55	60	142	128	101	110	94	207	83
1982	46	47	114	107	86	97	82	103	65
1983	56	46	144	123	108	109	104	104	71
1984	64	49	143	121	100	95	134	63	69
1985	60	49	116	104	79	71	119	49	61
1986	55	74	92	94	74	83	74	74	75
1987	53	35	77	112	76	91	73	82	55
1988	42	39	114	99	109	128	70	124	70
1989(*)	35	36	117	110	102	120	88	149	66

(\*) January to September  
Source: Central Bank/DEPEC