

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

BOP/R/194  
24 July 1991

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Committee on Balance-of-Payments Restrictions

NOTE ON THE MEETING HELD ON 9 JULY 1991

1. The Committee met on 9 July 1991, under the Chairmanship of Mr. J.-F. Boittin (France), to conduct a consultation under Article XII:4(a) with the Czech and Slovak Federal Republic (BOP/R/193).

2. Under "Other Business", the representative of Brazil made the following statement:

"Since its inception, in March 1990, the Government of President Collor has adopted far-reaching measures towards trade liberalization. Such measures are part of a wider economic programme which aims at increasing the competitiveness of the Brazilian industry, enhancing the instruments of the anti-inflation policy and promoting foreign investment in Brazil.

In accordance with such broad objectives, important actions have been taken in the area of trade, which can be summarized as follows:

- A. Adoption of variable exchange rate (Resolution 1690 of the Central Bank, 10 March 1990).
- B. Elimination of administrative import controls, including: "company and sector-specific import programmes" administered by the former trade agency (CACEX); the list of products whose import was temporarily suspended (Portaria MEFP 56, 15 March 1990); requirement of minimum amortization period for import financing (Resolution 1798 of the Central Bank, 27 February 1991).
- C. Tariff reform, by means of a progressive and automatic tariff reduction for the period 1991/94. The average tariff reduction has been brought down to 32 per cent and is going to be further reduced, according to the following schedule: 25 per cent in 1991, 21 per cent in 1992, 17 per cent in 1993, 14 per cent in 1994.

- D. Substantial reduction in the list of products still subject to "prior authorization". Restrictions still in place relate to phytosanitary, environment, nuclear and security considerations.
- E. Elimination of fiscal incentives to exports (Laws 8032/90, 8034/90, and resolution 1744 of the Central Bank, 30 August 1990).
- F. Institutional restructuring, including the suppression of CACEX and the setting up of small-staffed Department of Foreign Trade (DECEX).
- G. More expedited operational procedures, by means of increased participation of private banks and simplified export documents (Decree 99472, 24 August 1990).

Besides the areas mentioned in "D" above, the informatics sector is the only one in which some restrictions still remain. But even in this sector, important measures aiming at trade liberalization have been adopted since 1990 and it is the intention of the Brazilian Government to eliminate residual import restrictions in informatics, notified under Article XVIII:B, not later than October 1992. The main features of such a liberalization process can be summarized as follows:

- Law 7232 of 1984 ("Law of Informatics") reserved to Brazilian firms some segments of the informatics market;
- on 13 September 1990, just after the announcement of the basic guidelines for industrial policy and foreign trade, the Executive sent to Congress a draft bill introducing important changes in the Law of Informatics, such as: definition of national enterprise along the lines of the concept provided for in Article 171 of the Constitution; setting up of a deadline - October 1992 - for the termination of import controls, requirement of prior approval of new industrial projects, and fiscal incentives foreseen in Law 7232;
- on 21 September 1990, the Decree 99541 reduced to 47 groups of products the cases in which prior consent for imports and production are still required;
- the schedule for progressive tariff reduction in the informatics sector for 1991/1994 foresees the decline of the

import tariff from its present level of 65 per cent to a ceiling of 40 per cent in 1994.

The wide range of trade liberalization measures adopted by the present Government in the first year of its term had not yet been notified to the GATT for two basic reasons. First, up until February 1991, when the last set of measures was adopted, the reform process was still underway and some initiatives might have to be improved or adjusted. Second, the negotiation between Brazil and its creditor banks on US\$8 billion of arrears raised a high degree of uncertainty as to the prospects for the balance of payments. The recent agreement between Brazil and the private banks on the arrears has reduced such uncertainties.

Brazil is thus pleased to notify to the GATT the substantial reforms which have been undertaken in the area of foreign trade and consequently to disinvoke Article XVIII:B of the General Agreement. It does so in the understanding that the Contracting Parties would not challenge the residual restrictions in the area of informatics up until the date foreseen for their elimination, that is to say October 1992.

Despite the fact that considerable balance of payments difficulties still remain, mainly as a result of the external debt burden, Brazil decided to disinvoke Article XVIII:B as an indication of its commitment to trade liberalization, as well as an evidence of its position that Article XVIII:B is, and should remain, an important instrument to the protection of the balance of payments, which is to be invoked when needed and is to be disinvoked when the circumstances allow it."

3. The Committee welcomed the disinvocation of Article XVIII:B by Brazil. The Committee understood that it was the Government of Brazil's intention that import control residual measures notified under Article XVIII:B relating to the informatics sector would not be increased and are to be eliminated not later than October 1992. On this basis, it was also understood that other contracting parties would not challenge the consistency of such measures with the General Agreement during the period.