

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

C/W/112
12 January 1967

Limited Distribution

COUNCIL
10 January 1967

Original: English

BRAZILIAN TARIFF REFORM

Statement by the Representative of Brazil at the Meeting of the Council on 10 January 1967

1. On 21 November 1966, the Brazilian Government enacted a Law reformulating the Customs Tariff dated 14 August 1957. The new Tariff will come into force on 1 March 1967.
2. The approval of this measure by my Government was deemed necessary as a response to fundamental requirements of the Administration programme for internal economic stabilization, and for recovery of the rate of development, since these objectives could hardly be achieved without the coming into force of a new Tariff instrument that would make it possible for the economy to achieve a degree of stability compatible with our objective of accelerated and sustained economic development.
3. In order to illustrate this point, I would like to mention that from 1947 to 1961 the Brazilian economy presented an average annual rate of growth of 5.8 per cent on its gross internal product; this, in spite of a population growth of approximately 3 per cent per year, allowed a satisfactory growth rate of the per capita gross internal product. In 1962, however, the gross internal product rate of growth began to slow down and, in April 1964, it had declined to the rather low rate of 1.4 per cent which, in the light of an ever-increasing rate of population growth represented in fact economic regression.
4. The set of economic policy measures adopted after April 1964, with the objective of fighting inflation and resuming a satisfactory rate of economic development was not enforced without sacrifices. Thus, the induced sectorial and inter-sectorial readjustments that took place since then, had a serious distortive impact in the economy as a whole which, although kept under control, was nevertheless felt in the rate of economic activity. It is gratifying to

acknowledge now that the most significant adverse effects of this readjustment period have been successfully met by the Administration with appropriate measures.

5. The emerging positive results of the new economic policy caused a reversion of expectations in my country which, in turn, rendered possible the harnessing of the whole economic system to the solution of other important problems. Among these problems, it is worth mentioning that of foreign trade in connexion with the steps taken by the Brazilian authorities to reformulate trade policy in order to adequate the foreign trade system to new conditions resulting from the overall economic and financial measures adopted since April 1964, being guided in this endeavour mainly by the market mechanism.

6. The results of the new policy in the field of foreign trade have also been very promising. Exports, which up to 1964 were levelled at an average annual value of approximately 1,400 million dollars, reached in 1965 1,600 million dollars or about 14.3 per cent increase over the 1964 total value. From January to June 1966, the rate of increase was 17.2 per cent as compared with total value of exports in the same period of 1965. Furthermore, estimates for the entire year of 1966, based on the last few months for which dates are available, indicate total exports of 1,750 million dollars, i.e. 9.4 per cent higher than 1965, and 25 per cent higher than the average prevailing up to 1964.

7. In the implementation of the new economic, financial and trade policy, the Government has also given special attention to trade promotion, its action having been facilitated by the efficient co-operation of the GATT International Trade Centre, whose rôle in this field should be again emphasized. Furthermore, the liberalization measures adopted together with an increased rate of growth resulting from a general resumption of economic activities in 1966 stimulated imports which increased 38 per cent from January to October of that year, as compared with the same period in 1965.

8. The successful implementation of these measures made possible a progressive liberalization of imports. The CONTRACTING PARTIES have already been informed, on several occasions, of the efforts of the Brazilian Government towards the progressive elimination of exchange, fiscal and administrative devices bearing on imports, the negative effects of which were, in most cases, disguised by the exceptionally high rate of inflation then prevailing. Among these, it is worth

noting: (a) suspension, on a reciprocal basis, of consular fees applicable on commercial invoices; (b) elimination of the 5 per cent ad valorem fee on customs clearance, effective as of 1968. At one time or another during their application these devices had the following burdening effects on the cost of imports:

- (1) advance deposit equal to 100 per cent of the value of the exchange contract for products classified in the General Category, and 200 per cent for those in the Special Category;
- (2) financial charges equal to 30 per cent of the value of the exchange contract for the import of all products;
- (3) guarantee deposit equal to 100 per cent of the exchange contract for the import of all products.

9. To the above charges, one should add another obstacle, whose effect on the cost of imports is more difficult to measure: the then prevailing hard currency weekly limit of 30,000 dollars for each importer.

10. The products classified in the Special Category of imports, subject to import licences, had the additional onus of the "agio" for the auction of the licence promise, which represented at least 100 per cent of the value, in cruzeiros, of the exchange contract.

11. Finally there were administrative questions with unconcealable effects on the financial aspect of imports, such as the need for the importer to sign the exchange contract before obtaining the certificate of exchange coverage or the import licence. The new policy replaces these papers by a comprehensive import form and the importer, after obtaining such document, has 120 days to order shipment of the products and may obtain the contract of exchange whenever it is most opportune. The proof of the exchange contract is only required for customs clearance at the final port of destination.

12. With the entry into force of the new Brazilian Tariff, on 1 March 1967, all these supplementary measures are eliminated, including those deriving from the two-category import system.

13. After 1 March 1967, only the rate of duty will be applied to the imported products.

14. The rates of duty of the new Brazilian Tariff, to come into force on 1 March 1967, shall reflect the same guiding lines of the commercial policy which led to the measures referred to above.

15. The new customs tariff has the same structure as the previous one, and, like the former, is based in the Brussels Nomenclature. It has the following main objectives:

- (a) the elimination of excessive rates of duty on the 1957 Tariff which are no longer justified now. It was found that those rates should not be maintained as they came to have negative bearings on the fiscal side as well as on the composition of the internal prices;
- (b) the correction of strong distortions, aggravated by time, in the relative customs treatment of products entering into the domestic productions;
- (c) the reduction of the level of duties on a considerable number of products, for which there is no domestic production, thus favouring directly the consumer, and the country's production system as a result of a considerable lowering of the cost of imported raw materials;
- (d) the adoption of a more rational protection of the national economic activities, through adequate level of protection to some production sectors non existent in 1957.

16. A re-orientation of such scope will take in due account the changes which have taken place in the Brazilian economy after April 1964, and will provide, when needed, adequate level of protection to industrial sectors developed after 1957. The products of some of those sectors are specified in Schedule III - Brazil.

17. For these reasons, which represent, on the one hand a complete re-orientation of the commercial policy, and, on the other hand a significant contribution to the expansion of international trade, according to the guiding principles of the General Agreement, having in due account the spirit of the Kennedy Round of trade negotiations, the Government of Brazil has requested in conformity with Article XXV, paragraph 5, of the GATT, a waiver of its obligations under Article II of the General Agreement, to the extent necessary in order to apply its new tariff as from 1 March 1967, without previous negotiations and within the limits established by the Brazilian law.

18. Within the one-year period for which we have asked, my Country shall enter into negotiations and consultations for the readjustments deemed necessary on Schedule III - Brazil. Such negotiations and consultations should be finished by 1 March 1968.

19. My Government expects that its request for a waiver of its obligations under Article II of the General Agreement will receive due attention and understanding of the contracting parties. It is understood that the re-negotiation of Schedule III - Brazil will be conducted in accordance with Part IV of the General Agreement.

20. I believe that I am not overstating when I say that my Country is making history in the GATT. Indeed, Brazil is requesting a waiver to introduce a minimum of modifications in the Schedule III in contraposition to a maximum of trade liberalization, including the elimination of all restrictive practices which we present also as an outstanding contribution to the objectives of the Kennedy Round of Trade Negotiations.