

GENERAL AGREEMENT ON TARIFFS AND TRADE

Committee on Subsidies and
Countervailing Measures

COMMUNICATION FROM BRAZIL

The following communication has been received by the Chairman from the Permanent Delegation of Brazil.

1. With reference to the Declaration of Acceptance deposited by the Brazilian Government on 28 December 1979 and circulated in GATT document L/4922, dated 7 January 1980, I wish to inform you that my Government has decided to adjust the phasing out of its IPI and ICM credit rates. These credit rates, which are currently at the level of 11 per cent, will be maintained at the same level until 30 April 1985, after which date they will be extinguished. The Brazilian Government, therefore, maintains its commitment to eliminate this form of subsidy, which had been undertaken according to the provisions of Article 14:5 of Part III of the Agreement on Implementation and Application of Articles VI, XVI and XXIII of the General Agreement on Tariffs and Trade. The Brazilian Government also reaffirms both its commitment contained in paragraph 2 and its understanding contained in paragraphs 3 and mutatis mutandis, in paragraph 4 of the aforementioned declaration (L/4922).

2. This adjustment is unavoidable for Brazil to reduce drastically its deficit on current account. The Brazilian economy must secure a minimum level of trade surplus in order to make the deficit in the service account compatible with the maximum volume of credit that it may safely obtain from the international financial markets.

3. With these measures, it is estimated that the indicators of Brazil's external indebtedness will show a considerable improvement and, in particular, a substantial reduction in the ratio of debt service to exports. Upon completion of this stage of adjustment, the Brazilian demand for international credits will have been brought down to a safer level. The Brazilian authorities consider that at that point in time, Brazil will be in a position to eliminate entirely the IPI and ICM credit assistance to exporters. This is in keeping with the principle that a developing country will use only export subsidies consistent with its competitive and development needs.