

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

RESTRICTED

MTN.SB/SN/2  
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Special Distribution

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Surveillance Body

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STANDSTILL

Notification

The following reverse notification is circulated in accordance with paragraph 2 of the agreed procedures for the surveillance mechanism established by the Trade Negotiations Committee (MTN.TNC/2). It was received by the secretariat on 4 June 1987.

Participant Notifying: United States

Participant Maintaining the measure: Brazil

Description of the Measure: Expansion of the list of products for which the issue of import licenses is temporarily restricted.

The United States submits this notification concerning an action taken by the Government of Brazil which the United States considers to be inconsistent with the Punta del Este standstill commitment.

Brazilia's recent direct prohibition of certain imports violates the Punta del Este Standstill undertaking, as the measure is inconsistent inter alia with GATT Article XI. We note that this action was notified (L/6126) under GATT balance-of-payments provisions, but the United States is reserving its position on the consistency of this action with those provisions.

The Carteira de Comercio Exterior (CACEX), the foreign trade department of the Banco do Brasil, routinely denies the issuance of import licenses for approximately 5,600 items, listed in CACEX Comunicado No. 172 of 16 January 1987. This list includes approximately 2,500 items which were not prohibited before this date.

Items added to the list include chemical industry raw materials, various machinery, typewriters and calculating machines, various alcoholic beverages, automobiles, yachts, tobacco, movie and still cameras and projectors, certain foodstuffs, live animals, certain medical products, fish and kraft paper.

The prohibition does not apply to donations made without foreign exchange implications or to imports for technical, scientific, cultural, educational, or philanthropic purposes. Products traded in accordance with agreements reached in the context of the Latin American Integration Association (ALADI), imports for the Manaus free trade zone, and imports under drawback are not affected.

The measure effectively denies market access to potential exports to Brazil in the categories which were added to the prohibited list.

Comments by the participant maintaining the measure:

Pursuant to the provisions of the GATT, Brazil notified, on 2 February 1987, modifications introduced in the list of products for which the issuance of import licences is temporarily suspended, for balance-of-payments purposes. The Brazilian communication on that was circulated as document L/6126. During informal consultations held by the Chairman of the

Committee on Balance-of-Payments, one delegation suggested that the consultations with Brazil in the Committee, which will be held in the second semester, should be full and not simplified. The Brazilian Delegation did not oppose this idea.

The Punta del Este Ministerial Declaration contains, in its section C(i), the commitment of each participant "not to take any trade restrictive or distorting measure inconsistent with the provisions of the General Agreement or the Instruments negotiated within the framework of GATT or under its auspices". The measures presented in document L/6126 are not only consistent with, but also based on the General Agreement. Moreover, they did not go beyond that which is necessary to remedy the balance-of-payments difficulties which Brazil has been facing. In this context, they are absolutely consistent with section C(ii) of the Ministerial Declaration. The temporary nature of these measures should also be stressed.

As with other measures taken by other contracting parties under Article XVIII:B, the Brazilian ones are not to be considered in the context of the Uruguay Round, but in the adequate forum, the Committee on Balance-of-Payments. In document C/W/517 and Add.1 and Corr.1, issued for the next Special Session of the Council, the Brazilian measures were included under the heading "Import measures notified as being applied for balance-of-payments purposes".