

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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AUTONOMOUS LIBERALIZATION MEASURES

Brazil

The following communication, dated 16 March 1992, has been received from the Permanent Mission of Brazil.

Please circulate among participants of the Uruguay Round this information on trade liberalization measures autonomously taken by Brazil since the inception of the Round, in line with the spirit of the Punta del Este Declaration and in consonance with the objectives set forth therein.

Most of such measures have been notified to the Committee on Balance of Payment Restrictions of the GATT. They reflect the efforts of Brazil to open its economy to international competition, while having yet to struggle with intractable external debt problems and with providing employment and better living standards for large segments of its population. My Government expects that these efforts will be fully taken into account by participants as they seek further commitments from Brazil in the negotiations on market access in the Round.

Since the launching of the Uruguay Round, in September 1986, Brazil has consistently moved towards trade liberalization. The roll-back of restrictions, indicated below, has taken place amidst unfavourable international trade conditions as major trading partners continued to maintain protective measures on imports of, for instance, steel products, orange juice, textiles, footwear, which rank among the main Brazilian export items. Of no less significance, Brazil's possibilities to increase exports of agricultural products have been constrained by the prevailing distortions and restrictions in international farm trade.

Brazil has adopted trade liberalization measures in spite of the severe constraints imposed by the persistence of external debt problems. From 1983 through 1986, Brazilian authorities had concentrated all efforts to deal with the large deficits in balance of payments on the realisation of yearly trade surplus obtained through a combination of import restrictions and export incentives. This policy, although effective in achieving in the short term a trade surplus enough to honour the debt obligations, had detrimental effects in the long run by impairing the country's prospects to finance capital investment and keep pace with technological modernization.

From 1987 onwards, as the Uruguay Round evolved, Brazilian authorities decided to shift the policy in order to realize progressive liberalization of the foreign trade. Hence, a number of measures undertaken have revised the main instruments utilized to face the balance of payments crisis. The main goals of this reform were to free exports and imports from excessive administrative controls and to rationalize government intervention in the economy so as to preserve the price system as the principal instrument to regulate the market.

The reforming measures, in 1987, included:

- (a) the exemption of imports from the tax on financial operations;
- (b) the elimination of the ports improvement tax (until then assessed on all imports);
- (c) the reduction in the number of goods for which import permits were temporarily suspended (from 4,441 items to 2,358);
- (d) more flexible requirements for company and sector-specific import programmes, as well as for the minimum compulsory external financing periods;
- (e) a tariff reform involving a significant reduction in the average value of duties.

These were followed, in 1988, by:

- (a) the elimination of quantitative restrictions on exports and imports of soya beans and derivatives, cotton, rice and corn;
- (b) more flexible conditions for Brazilian importers to get financing from foreign suppliers;
- (c) further cuts in the number of goods for which import permits were temporarily suspended (from 2,358 items to 1,165).

In 1989, two new rounds of tariff cuts took place, bringing the average of duties down from 51 per cent to 41 per cent in May, and further to 35.5 per cent, in September.

With the coming into power of a new Government, in March 1990, more far-reaching measures were taken towards trade liberalization, which included:

- (a) adoption of the variable exchange rate;
- (b) elimination of administrative import controls, such as: company and sector-specific import programmes; the list of products for which import permits were suspended; requirement of minimum amortization period for import financing;

- (c) tariff reform, by means of a progressive and automatic tariff reduction in the average levels for the period 1991/94, according to the following schedule: 32 per cent in 1990, 25 per cent in 1991, 21 per cent in 1992, 17 per cent in 1993 and 14 per cent in 1994;
- (d) substantial reduction in the number of products whose imports depend on prior authorization; the latter has been limited to imports subject to phytosanitary, environment, nuclear and security considerations;
- (e) elimination of tax incentives to exports;
- (f) restructuring and streamlining of the Government offices responsible for foreign trade;
- (g) adoption of more expeditious operational procedures, including simplified export documentation, as well as allowing for increased participation of private banks in foreign trade.

Upon taking the measures described in the preceding paragraph, the Brazilian authorities notified in July 1991 the Committee on Balance of Payment Restrictions of their disinvocation of Article XVIII:B of the General Agreement. This action confirmed Brazil's intent on pursuing trade liberalization policies, notwithstanding the continuing risk of imbalances in its external accounts, pending a permanent solution to the external debt problems.