

GENERAL AGREEMENT ON TARIFFS AND TRADE

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BRAZILIAN TARIFF REFORM

Communication from the Delegation of Brazil

The Delegation of Brazil has transmitted to the secretariat as background information for contracting parties in connexion with Brazil's waiver request the following memorandum on the elimination of charges and controls on imports into Brazil.

BRAZILIAN EXCHANGE SYSTEM

Elimination of Charges and Controls on Imports

From the second quarter of 1964 on, the Brazilian authorities, shaping a new and more liberal trade policy, made serious efforts to eliminate the chronic causes of the balance-of-payments disequilibrium. Later on, they became chiefly concerned with the gradual adoption of measures aimed at the total elimination of the existing exchange devices and of excessive controls on imports. This process of simplification of import procedures was finally completed during the second half of 1966.

What follows is an outline of such measures and a brief evaluation of their significance to the achievement of those goals.

1. Abolition of advance deposits

Before the adoption of the new foreign trade policy, Brazilian regulations required that an advance deposit calculated on the equivalent in cruzeiros of the exchange contract for imports be made by importers at the Bank of Brazil. Such a deposit could be used, 30 days after it had been effectively made, to purchase Letters of Exchange issued by the Bank of Brazil without interest, reimbursable at a 180 day term.

This system was gradually abolished by means of "Instructions" issued by the former Superintendency of Currency and Credit (SUMOC), later replaced by "Resolutions" of the Central Bank of the Republic of Brazil, which reduced little by little the percentage of the amount required for advance deposit, as follows:

Instruction No. 263 (19 February 1964):

- 100 per cent - imports of products classified in the "general category" and financial remittances, with a few exceptions;
- 200 per cent - imports of products classified in the "special category", and of some products classified in the "general category"; film rental payments.

Instruction No. 275 (3 August 1964):

- 60 per cent - imports;
- 100 per cent - financial remittances and revenues of foreign movie pictures.

Instruction No. 277 (9 September 1964):

- 50 per cent - imports;
- 90 per cent - financial remittances and film rental payments.

Instruction No. 285 (24 December 1964):

- 50 per cent - imports and financial remittances (including film rental payments).

Resolution No. 9 (13 November 1965):

ABOLISHED ADVANCE DEPOSITS.

2. Financial charges

These charges were adopted in August 1964, to compensate for the reduction of resources at the disposal of financial authorities stemming from the reduction of the percentage of "advance deposits" (cf. Instruction No. 275, quoted above). All remittances exempted from "advance deposits" were also exempted from "financial charges". The use of financial charges was also regulated by Instructions from SUMOC and later by Resolutions issued by the Central Bank, as follows:

Instruction No. 275 (3 August 1964):

20 per cent - imports and remittances.

Instruction No. 280 (22 September 1964):

30 per cent - imports and remittances.

Instruction No. 285 (24 December 1964):

10 per cent - imports;
30 per cent - remittances.

Resolution No. 9 (13 November 1965):

Abolished financial charges on imports;
15 per cent - remittances (10 per cent in the case of firms which undertook to co-operate in price stabilization).

Resolution No. 37 (23 September 1966):

ABOLISHED FINANCIAL CHARGES ON REMITTANCES.

3. Guarantee deposits

On 10 September 1964, a compulsory deposit of 100 per cent of the equivalent in cruzeiros of the exchange contracts was established by decision of SUMOC. Twenty-five per cent of the value of such deposits were to be compulsorily collected by the Bank of Brazil (Circular Letters of SUMOC No. 105 and 106, of 10 and 22 September 1964, respectively).

The purpose of this measure was to reduce the capacity of private banks to finance imports, so as to reduce the pressure on the exchange market.

The Central Bank of Brazil, by its Circular No. 23 (14 January 1966), gave notice of the National Monetary Council's decision to reduce the guarantee deposit to 25 per cent of the equivalent in cruzeiros of exchange contracts.

On 29 April 1966, the National Monetary Council abolished the guarantee deposit entirely. This decision was made public by Circular No. 36, issued by the Exchange Fiscalization Agency of the Central Bank.

4. Weekly limit for the purchase of foreign exchange

For a long time, importers were bound by a \$30,000 weekly limit on their purchases of foreign exchange, in all banks operating in exchange, to cover their current import operations (CIF).

On 14 January 1965, Instruction No. 287 of SUMOC increased that limit to \$50,000 a week.

On 31 May 1966, Resolution No. 23 of the Central Bank abolished the weekly limit for the purchase of foreign exchange.

5. Transfers from the Special Category to the General Category

During the year 1966, more than 1,000 different items classified in the Special Category were transferred to the General Category. These measures were consistent with the intention of Article 48 of Law No. 3,244 (14 August 1957) of gradually reducing the number of goods falling within the Special Category, until it should be completely abolished.

6. Certificate of Exchange Cover/Import Certificate

The Certificate of Exchange Cover, which was formerly issued by the Exchange Department of the Bank of Brazil after scrutiny by the Foreign Trade Department, was replaced by the "Import Certificate", now directly issued by the Foreign Trade Department (Resolution No. 35 of the Central Bank - 17 September 1966) and valid for 120 days.

Thus, importers are no longer required to open forward exchange contracts for imports classified in the General Category in order to obtain an official import document. The new document is good for consular and customs clearance, subject in the latter case, upon arrival of the goods, to proof that an exchange contract has been closed with an authorized bank.

7. Brief description of the new import system

Since the measures of simplification and liberalization described above, the process of importation has become quite simple. For current imports, the importer has only to declare to the Foreign Trade Department of Bank of Brazil (CACEX) his intention of importing a given product, by filling in the "Import Certificate" form in which he must provide all necessary data for the imposition of customs duties at the appropriate time. Once these data have been examined

and found in good order, CACEX issues the "Import Certificate", which enables the importer to order the embarkation of the goods within 120 days; the Brazilian Consulate concerned is automatically authorized to issue a visa on the import documents upon receiving one copy of the "Import Certificate". To obtain customs clearance of the goods, upon the arrival of the merchandise, the importer must only prove the closure of an exchange contract with any bank duly authorized to operate in exchange.

As for imports of a few products still subject to the system of previous licence, no modifications have been introduced as of late. Under this régime are included imports requiring no exchange cover - direct foreign capital investments - and those covered by external financing. Both types of imports are subject to the regulations introduced by SUMOC's Instruction 291, of 12 December 1965, which was designed to direct machinery and equipment imports towards projects of interest to the social and economic development of the country. As for imports covered by external financing, the regulations are designed to grant preference to those operations which offer the most favourable conditions, in order to keep the external debt under control.