INFORMATION FOR THE PREPARATION OF ANNUAL REPORT UNDER ARTICLE XIV: 1 (g)
ON THE DISCRIMINATORY APPLICATION OF IMPORT RESTRICTIONS

BRAZIL

Statement transmitted on 4 August 1956
in response to the questionnaire annexed to L/465

A. THE SYSTEM AND TECHNIQUE OF RESTRICTION

1. Methods of restrictions

Except for a few specified items, all private imports into Brazil require import licences. They are granted freely to holders of exchange certificates purchased at auction, provided the application complies with the regulations in force; they are prerequisites for obtaining exchange at the official rate; the licensing of, and the payments for, imports are thus strictly related, and for both purposes imports may be divided into the groups described in the following paragraphs.

1. Specified commodities for which payment, if necessary, is not effected through the auction system. In this category are: government imports, including imports of wheat; newsprint and paper imports by publishing companies or book printers; maps, books, newspapers, magazines, etc., which are subject to a surcharge of 25 cruzeiros per US$1 or the equivalent in other currencies (i.e., the weighted average of bonuses paid to exporters), and imports without exchange cover. Exchange for government imports, newsprint and other printing paper is allocated directly by the Council of the Superintendency of Money and Credit.

2. Imports of petroleum products. In addition to being subject to import license, these imports must be authorized by the National Petroleum Council. Exchange is allocated on a half-yearly basis, and purchases of exchange are effected through special auctions. The auction premia for the first half of 1956 are as follows (in cruzeiros per US dollar): liquified petroleum gas, fuel oil and diesel oil, 15 cruzeiros; aviation gasoline, 25 cruzeiros; crude oil, kerosene, signal oil and lubricating oil, 35 cruzeiros; gasoline, 70 cruzeiros.

3. Imports of groups of equipment financed in foreign currency and intended for the production of commodities classified in import Categories I, II, or III (see paragraph 4, below) may be authorized by the Foreign Trade Department if the annual payment installments do not exceed 20 per cent of the total value financed. Exchange for such equipment may be granted by the Exchange Department at the official rate, provided the importer prepa
data surcharge, which until further deliberation is fixed at 40 cruzeiros per US$1 or the equivalent in other currencies. The

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commitment on the part of the Exchange Department to provide exchange availability, and the amounts corresponding to the obligations assumed must be earmarked. The Exchange Department may also permit payment to be made, in whole or in part, through the free market. Capital goods used in the production of commodities other than those classified in the first three import categories may be imported in accordance with the above provision only by a special decision of the Superintendence of Money and Credit, taking into account the criteria proposed by the National Council of Economy.

4. All other imports. These imports are subject to the purchase of exchange certificates at auction and to subsequent import licensing. For the purpose of allocating exchange in accordance with essentiality, these imports are classified into five categories according to the following general criteria:

Category I - Essential commodities necessary to promote employment and agricultural production, as well as pharmaceutical products, etc.

Category II - Essential raw materials and codfish;

Category III - Other raw materials and highly essential spare parts and equipment;

Category IV - Fresh fruits, less essential spare parts and equipment, office machinery, and certain consumer goods;

Category V - All other products.

The price of the exchange certificates purchased at auction must be paid within three days from the moment of purchase, and the application for an import licence must be filed within the following thirty days. Importers in possession of an exchange certificate and an import licence may purchase the exchange at the official rate at any time, for delivery in accordance with the terms of the exchange certificate; however, goods must be shipped within the period of validity of the import licence.

2. Non-discriminatory administration of the restrictions

The control system is operated by the Bank of Brazil under the direction of the Council of the Superintendency of Money and Credit. The Exchange Department of the Bank organizes the auctions of exchange for imports, establishes the total amount and the distribution among the various cities in Brazil where the exchange is auctioned, and issues exchange certificates. Government departments and public entities are requested to present to the Exchange Department a semi-annual estimate of their needs for imports and service payments. With these estimates as a basis, the Council of Superintendency of Money and Credit allocates the maximum quota to be utilized by each entity. The Foreign Trade
Department of the Bank of Brazil issues export and import licences, classifies import commodities into categories - subject to the approval of the Council of the Superintendency of Money and Credit - for the purpose of distribution of exchange availabilities, determines the percentage of total exchange auctioned to be distributed to each category of import commodity and exercises control over prices, weights, measures, classification, and commercial types declared in export and import operations. The Advisory Commission on Foreign Trade makes suggestions to the Foreign Trade Department regarding the classification of the import products into categories and on those measures which it considers advisable for the development of foreign trade. It also suggests general criteria concerning export and import licensing. A few government imports have to be approved by the President of the Republic. Imports of wheat, newsprint and petroleum products are subject to specific treatment by specialized agencies. All sales and purchases of exchange pass through banks authorized for this purpose.

The import restriction system applied by Brazil does not discriminate against countries, groups of countries or areas.

B. DISCRIMINATORY APPLICATION OF RESTRICTIONS

Questions under this heading are disposed of in answer No. 2, above, with exceptions of the following remarks to question No. 8.

8. Bilateral commitments

Prescription of currency is enforced in relation to the currency of the country of origin of imports, and of the country of final destination of exports, unless otherwise specifically prescribed or authorized. Payments with payments agreement countries are effected through the respective agreement accounts, usually maintained in "accounting dollars". Brazil has bilateral payments agreements with Denmark, France, Iceland, and Sweden and, requiring settlements to be made in "payment agreement" dollars with Argentina, Austria, Bolivia, Chile, Czechoslovakia, Finland, Greece, Hungary, Japan, Norway, Poland, Portugal, Spain, Turkey, Uruguay and Yugoslavia. Agreement with Belgium-Luxembourg, Federal Republic of Germany, the Netherlands, the United Kingdom and Italy arrange for settlements on a multilateral basis with those countries in any of their currencies. Payments with countries with which Brazil has no payments agreements are usually made in US dollar or other freely convertible currencies.

C. STATE TRADING

9. Import restrictions through state trading

With the aim to discipline the commerce of wheat and to impede an exaggerated increase in internal price of this cereal, indispensable to Brazilian diet, the importation of wheat is effected by the Government.

For balance-of-payments reasons most imports of wheat are processed through bilateral payment agreements.
D. PROTECTIVE EFFECTS OF RESTRICTIONS

10. Incidental protective effects of the restrictions

As we already explained, Brazilian exchange restriction system does not aim at discrimination against countries or currencies but at keeping the country's imports within the amount of revenue in foreign currencies earned by exports and to endeavour to control imports with an eye to providing for the basic sectors of Brazilian economy. Brazilian economic policy will continue to be aimed at stabilizing the balance of payments.

11. Action to avoid damage to trade of other contracting parties

The import of essential and less essential goods is permitted from all currency areas, subject to the possibility of providing the necessary exchange for payment in each area.

Imports of commercial samples are permitted provided they are not for resale or use in the production of goods for sale.

III. FUTURE PROSPECTS

12. Current programme and the prospects

Taking into account that, notwithstanding the fact that the present exchange and licensing system does not carry any content of discrimination in imports as well as exports against any country or currency, it is nevertheless understood that the existing system developed into complexities which are hampering normal activity in importing. Therefore, studies are being made of legal measures aimed to simplify and place on better basis the importing business.