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BRAZIL'S TRADE POLICY

(Chapter III)

Preliminary Version

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Prepared by the ECLA Washington Office. The opinions expressed do not necessarily reflect those of ECLA.

(D R A F T)

III - BRAZIL'S TRADE POLICY

a) Recent trends

1. Ever since its early phases import substitution has played an important role in Brazil's industrialization process. Although the Brazilian economy started to obtain a more open character in the mid sixties, when trade policy reforms facilitated an impressive export growth, in the seventies subsequent external shocks obliged the country to reinforce balance of payments restrictions and to intensify the orientation towards import substitution, which in fact had never been really given up. The main characteristic of Brazil's trade policy is thus the existence of strong export incentives simultaneously with severe import restrictions.

2. Until the mid sixties industrialization through import substitution was instrumented mainly by multiple exchange rates, high tariff protection and a severe application of the "Law of National Similarity". This protectionist policy implied an anti-export bias, all the more increased by the absence of exemption of payment of indirect taxes on exports (the exported product thus suffered double taxation) and by the obligation to obtain licences for primary exports, which many times were not granted in order to keep domestic food prices at low levels.

3. The protection granted to domestic industry permitted high economic growth rates during the phases of "easy" import substitution, however the process became more complicated in later phases when intermediate products and capital goods had to be substituted, due to the still

rather small size of the domestic market which couldn't be enlarged by exports in order to achieve economies of scale, thus creating idle capacity in several sectors. The slow growth of export earnings also hampered the continuation of this process by creating restraints on the balance of payments.

4. After the stabilization policy of 1965-1967, high economic growth was achieved in the period 1968-1973. At the same time, the Brazilian economy acquired a more open character, partly due to trade policy reforms. On the import side, protection for domestic industry was reduced by lowering import duties and by a less severe application of the "Law of National Similarity". Exchange rate markets were unified, although they maintained a large part of the exchange rate controls. On the export side, the tax system was improved with the elimination of the discrimination against exports by granting exemptions from payment of indirect taxes on exported goods and introducing the "draw-back" system. Genuine export subsidies were introduced, such as the exemption from the corporate profit tax on exports, and fiscal credits (the IPI and ICM credit premiums, see section 27 ). Preferential finance of working capital for the production of exportable goods was also increased. These genuine export subsidies were intended to compensate for the still existing anti-export bias due to an overvaluation of national currency and to the fact that protection to domestic industry was still high. Although the national currency continued to be overvalued the exchange rate policy obtained a more neutral character by the introduction of a crawling peg system that was aimed to maintain the real value of the exchange rate, adjusted to external inflation.

5. In 1974 Brazilian economy suffered a strong external shock related principally to the oil crisis. The import bill doubled due to the sharp increase in oil prices and a significant increase in both volume and prices of other imports. As a result, the balance of trade in goods,

which had been slightly positive in 1973, showed a large deficit of 4,700 million dollars in 1974.

6. The economic authorities tried to remedy this balance of payments crisis by selective measures, orientated towards import controls and export promotion, resorting mainly to foreign debt and drains on international reserves, in order to avoid a major devaluation of the Cruzeiro and the application of severe global policies which most probably would have led to an economic recession. This policy orientation, which accepted the sacrifice of only a small part of the high economic growth rates, might be explained by a widespread belief in Brazil at that time that real oil prices would fall rapidly and that the economic recession in the industrialized countries would soon come to an end. This policy was facilitated by the easy availability of new loans in the international money markets at low or negative real interest rates.

7. However, some important trade policy measures were . . . On the import side tariffs were increased by additional duties on a great number of products, mainly on those considered to be superfluous; quantitative restrictions were imposed, principally on external purchases by the public sector, whereas the "Law of National Similarity" was to be more severely applied. A compulsory cash deposit on imports was introduced with a maturity of one year, without any accruing of interest or monetary correction whatsoever. The import substitution policy was also intensified. On the export side funds designated to export finance were increased and the BEFIEX program (see section 39 ) that had been created in 1972 and put into operation in 1973 became much more important.

8. The effects of import controls were heavily concentrated on some economic sectors, which can be explained by its selective character. The selectivity of effective import controls was achieved thanks to the existence of a large number of special policies which grant fiscal incentives to imports thus permitting the economic authorities to bear influence on the composition of external purchases, which is also facilitated by the high direct participation of the public sector in total imports. Import controls affected principally industrial products and more specially capital goods.

9. While imports diminished slowly in relation to GDP the export share remained relatively unchanged. However manufactured products, receiving a high level of export subsidies, increased their share in total exports. As the import controls maintained the anti-export bias, export subsidies also had to be maintained or even increased. The combined effect of high subsidies granted to manufactured exports and the increasing participation of these products in total exports led to a significant rise in the burden of subsidies borne by total exports. Although its immediate goals, i.e. a high growth rate and a rapid diversification of exports, were fully accomplished, it became clear that the export subsidies had many disadvantages such as their high fiscal costs and a certain lack of rationality. For instance, the fiscal credits per sector were granted in relation to IPI and ICM rates, which in turn were established according to special criteria that didn't take into consideration the domestic costs of foreign exchange earnings. A lack of selectivity thus existed as export subsidies were not granted on the basis of economic criteria such as the exploitation of comparative advantages. The high level of genuine export subsidies also provoked adverse reactions on importing countries, principally the United States, which in some cases applied countervailing duties to imports of Brazilian products (mainly footwear).

10. The existence of strong import controls simultaneously with ample export subsidies as well as the deficits on the trade balance of goods in the period 1979-1980 indicated an overvaluation of the national currency.

11. The above mentioned factors plus the unilateral commitment of Brazil, announced during the Multilateral Trade Negotiation (MTN), to gradually eliminate its principal export subsidy, the fiscal credits led in 1979 to several trade policy measures. In January, Brazil decided to phase out the fiscal credit until June 1983, in combination with faster real exchange rate adjustments. The policy package of December included a 30% increase of the value of the US dollar against the Cruzeiro, the total abolishment of the fiscal credits and the elimination of the previous cash deposit charged on imports.

12. During 1980, Brazil's trade policy suffered various modifications. At the beginning of that year it was decided that the increase of the Cruzeiro value of the US dollar until the end of the year would be only 45%. The main reason for this policy was to stimulate external borrowing by maintaining the cost of loans in foreign currencies below the cost of domestic loans. As domestic interest rates were controlled and as the monetary correction factor, which is the legal basis for debt adjustments, was pre-established for the entire year, the cost of external loans could only be kept below that of domestic loans if the exchange rate variations were also controlled. The preestablishment of total exchange rate variation was also aimed at reducing inflationary expectations.

13. This exchange rate policy meant a considerable loss of export profitability during 1980. In the first quarter of 1981 the real exchange rate adjusted for external inflation had lost almost completely the effect of the devaluation of December 1979. The abolishment of fiscal credits thus meant a net loss of competitiveness to exporters of manufactured products. To compensate for this loss more emphasis had to be put on preferential working capital finance.

14. In the meanwhile the Brazilian economy suffered another external shock, due to a new increase in oil prices. On the contrary of what had happened after the first oil shock, the industrialized countries reaction was to put emphasis on deflationary policies, whereas interest rates showed an anti-cyclical pattern. The simultaneous stagnation of world trade and the sharp increase in interest rates put a heavy pressure on the foreign debt service of Brazil (and other developing countries).

15. As a consequence of the balance of payments difficulties import controls were further reinforced, in 1980, principally by the application of the Financial Operations Tax (IOF) to import-related exchange rate operations, which meant a 15% surcharge on imports. In spite of fortified import controls and a high growth of export earnings, the high deficit on the balance of trade in goods observed in 1979 was practically maintained during 1980. The deficit on the current account reached 12,9 billion dollars, whereas the international reserves dropped to a level equal to the value of only three months of imports. This unfavorable development must be explained by a persistent deterioration of the terms of exchange in 1980 due principally to a 50% increase in prices of imported oil and to the rise in interest rates in international money markets. To a lesser extent the balance of payment difficulties can also be explained by the high economic growth, achieved specially in 1980, and to stockpiling of imported products, encouraged by the combined effect of the exchange rate policy, the controls of domestic interest rates and the fear of tighter import controls in the near future.

16. The highly unfavorable situation of the external sector at the end of 1980 led to new reforms in the economic policy. These reforms marked the beginning of a period of a more austere economic policy and a pronounced reduction of economic growth. The principal policy measure was the liberalization of interest

rates which in combination with a tight monetary policy and heavy borrowing by the public sector suffered a substantial increase. This sharp rise in interest rates made it possible to increase the rhythm of the Cruzeiro devaluation without discouraging external borrowing as its costs remained below that of domestic loans. During 1981 the Cruzeiro was devaluated according to domestic inflation, without adjustments to external inflation, which was supposed to be sufficient to recover gradually the profitability of exports lost in 1980 due to the then prevailing exchange rate policy. However, for exports towards countries whose currencies devaluated strongly against the dollar, principally the EEC these effects were partly or fully annulled.

17. As the exports of manufactured products showed an unfavorable development in the first quarter of 1981 fiscal subsidies were reintroduced in April. This policy measure was considered necessary to compensate for the negative effects on exports of the exchange rate policy in 1980, the devaluation of almost all convertible currencies against the dollar, the economic recession in the industrialized countries and the devaluation of the Argentine peso. As the reintroduction of the fiscal credit provoked protectionist pressures in the United States and -to a lesser degree- the EEC, export taxes were charged on sales of certain products to the United States, in the framework of Suspension Agreements between the Government of Brazil and the US department of Commerce, in order to avoid countervailing duties.

18. Import restrictions were fortified once again. The IOF surcharge was increased from 15 to 25 percent. The authorized value of total imports by the public sector (except for oil and wheat) in 1981 was subject to a maximum equal to the value of imports realized in 1980 (3 600 million dollars) and



the major importers (enterprises whose annual imports exceed a value of 100,000 dollars) were obliged to present annual import programs to CACEX. In principle the import values authorized for 1981 were not to exceed the value of imports realized by the same enterprise in the previous year. The volume of authorized imports by both the public sector and the major private importers was reduced implicitly as a result of price increases.

19. In 1982 the Brazilian economy continued to suffer from a series of external difficulties, which have strong effect on its balance of payments. The most striking fact in the first semester of 1982 was the significant fall in export earnings which at year-end reached 13.4%. It has to be noticed that from 1967 through 1981 export earnings had reached an average annual growth rate of more than 20 percent. As a result the surplus in the balance of trade in goods in 1982 was a mere 775 million dollars, far below the initial 3 billion dollar target.

20. As in previous years, Brazilian exports were hampered by the economic recession and the consequent strengthening of protectionist pressures in the development market economics, high interest rates, the continuous high value of the dollar compared to other convertible currencies and, mainly due to these factors, the historically low levels of commodity prices. The decrease in Brazil's exports in 1982 is however due mainly to the balance of payment difficulties of other developing countries, principally in Latin America and Africa and to diminished purchases of Brazilian products by the socialist countries. It must be mentioned that these countries had been the most dynamic markets for Brazil's exports in recent years. The low commodity prices and the stagnation of international trade in combination with the high interest rates in the international money markets caused severe problems to developing countries with high external debt burdens, specially those whose

exports are heavily concentrated on primary products, including oil. Developing countries in Latin America and Africa, including oil exporting countries which had started ambitious development programs, like Mexico and Nigeria, were obliged to take strongly restrictive measures on imports, with dramatic effects on Brazil's exports.

21. The highly unfavorable development of exports in 1982 once again led to a further tightening of import controls in June, and especially in September when the difficulties in Brazil's external sector obtained a dramatic character due to the drastic reduction in the inflow of foreign loans, which caused a severe drop in Brazil's international reserves. The maximum value of imports that would be realized by the public sector was reduced significantly and the CACEX import programs for major importing firms obtained a much more restrictive character. (Currently all private and public importers are subject to the CACEX import programs). The number of products for which no import permits can be obtained was increased significantly and the requirements to obtain external financing for imports were reinforced.

22. In November 1982 the Governments of Brazil and the United States agreed upon the maintenance of the export credit premium through April 30 1985 -for eligible products- at an overall rate of 11% of the adjusted FOB value. As mentioned before Brazil when it signed the GATT subsidy code agreed upon in the MTN committed itself to phase out the export credit premium until June 1983. As the US approved the modification of Brazil's original commitment, it will continue to consider Brazil as a "country under the agreement" and its trade legislation will thus require an injury investigation for the application of countervailing duties on subsidized imports of dutiable articles from Brazil

23. The continuous high value of the US dollar against other convertible currencies, the devaluation of the currencies of Brazil's major trading partners in Latin America and the necessity to obtain large surplus in the balance of trade in goods in order to keep the financing of the deficit in current account under control (given the sharp reduction in the availability of external resources through loans and direct investments) provoked a new maxi-devaluation of the cruzeiro in February 1983 (23%). The new devaluation had relatively little effects on specific trade policy measures and the principle export incentives for manufactured products and import restrictions were fully maintained. However export taxes were charged on a series of primary and agro-based industrial products and the IOF-tax rate on imports was reduced.

24. Brazil's agreement with the IMF, according to the "letters of intent" (January 1983 and modified in February, on the occasion of the maxi-devaluation and September 1983) on the short run has no significant effects on Brazil's trade policy. However Brazil will reduce foreign exchange restrictions in accordance with the possibilities granted by balance of payments situation. On the long run Brazil intends to continue an exchange rate policy according to the crawling peg system, to eliminate exchange restrictions (towards the end of the 3 years agreement with the IMF) and to develop a system according to which protection for domestic industry will be based on tariffs rather than on quantitative restrictions.

b) Main elements of Brazil's export promotion program

25. Fiscal incentives to exports consist mainly of exemptions from payment of value added and indirect taxes on exports and exemption or reduction of duties on imports of raw materials, intermediate products and capital goods, used fully or partly in export activities.

The exemption from indirect taxes on exports and the exemption from or restitution of taxes and duties on inputs that are physically incorporated into the exported products -normally under the "draw back" system- avoid domestic taxes from affecting export prices and are considered internationally as a normal and acceptable compensation.

Additional compensations that involve a transfer of public resources to the export sector -on export performance- at lower than market prices and that thus permit price discrimination (at a comparable level, e.g. "ex-factory") according to the destination of sales (domestic or external markets) can be considered as genuine export subsidies.

In this survey fiscal incentives in the Brazilian export promotion scheme are divided into two groups, whether they are considered normal compensations or genuine export subsidies 1/.

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1/ This classification obeys practical reasons and does not support the view that genuine export subsidies must be considered as unfair trade. Genuine export subsidies are granted by the government of Brazil to compensate for other (unspecified) internal and external discouragements to exports such as the overvaluation of the exchange rate, the high cost of domestic inputs due to protection of infant industries and import controls for balance of payments reasons, as well as high tariff escalation and trade restrictions in importing countries.

26. Normal compensations of domestic taxes are granted as follows:

i) Exemption from the Industrial Product Tax and the Circulation of Merchandise Tax

Both the Industrial Product Tax (Imposto sobre Produtos Industrializados, IPI) and the Circulation of Merchandise Tax (Imposto sobre Circulação de Mercadorias, ICM), are value added taxes. Exemption from IPI (a federal tax) is granted to exports of all sectors, whereas exemption from ICM (a state tax) normally is granted only to exports of manufactured products. However, exemption from ICM can be granted on export of primary products by special agreements. Tax exemptions normally are granted directly to producers of exportable products. However, similar incentives are available to trading companies and pools of exporting firms through suspension of tax payments.

ii) Suspension of IPI and ICM for Products deposited in Entrepoto Aduaneiro"

This involves suspension of tax payments on products deposited in customs warehouses for eventual exports.

iii) Draw-Back

The Brazilian draw-back system was created in 1966 but has been operating only since 1969. Three different procedures exist:

- Suspension of duties and related taxes (1/) on imports to be incorporated into export products with a higher unit value. This is the most commonly used procedure in Brazil, on the basis of agreements between exporting firms and CACEX.
- Exemption of duties and related taxes on imports to reestablish stocks of imported raw materials, incorporated into (previously) exported products. Previous clearance from CACEX is required.

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1/ IPI, ICM, the Harbour Improvement Tax (Taxa de Melhoramento de Portos) and the Merchant Marine Renovation Tax (Imposto para a Renovação da Marinha Mercante, IRMM).

- Restitution of duties and related taxes involves reimbursement on export of previously paid taxes on imported inputs. This procedure is scarcely used in Brazil.

iv) Exemption from the Financial Operations Tax

Financial operations related to exports are exempted from payment of the Financial Operations Tax (Imposto sobre Operações Financeiras, IOF). These exemptions are granted to export finance, export credit insurance and exchange rate operations related to exports.

27. One of the most important export incentives that can be considered as export subsidies are the tax credits.

The IPI (and ICM) export tax credits ("crédito prêmio fiscal") exist since 1969. Under the old program the exporter received on export a credit that exceeded the indirect taxes that otherwise would have been borne by the exported product and its components. This additional credit could be used for payment of other federal and state taxes or transferred to other companies. In special cases it could also be traded in for cash.

28. When Brazil subscribed the GATT Subsidy Code, agreed upon in the MTN, it committed itself to eliminate these tax credits gradually, according to a timetable that established June 30 as its final expiration date. However in December 1979 this program was abolished completely 1/, in combination with the maxidevaluation of the Cruzeiro.

1/ Except for tax credits granted to specific firms under the BEFIEEX program. These credits couldn't be modified for legal reasons as they had been granted under the condition that they would remain in force during the entire period of validity of the firm's export commitment (see section ).

29. As mentioned before, the favorable effects on international competitiveness of exports of manufactured products of the December 1979 devaluation were lost within one year as a result of the 1980 exchange rate policy in combination with the appreciation of the US dollar. These factors were responsible for the re-introduction of the export credit premium on 1 April 1981. As the program was re-instated in combination with a time-table for its gradual elimination through June 1983, roughly equal to Brazil's original MTN commitment, the Government of the US did not oppose the re-introduction and continued to consider Brazil as a "country under the Agreement".

30. After some modification the time-table remained as follows: 15% through 03.30.82; 14, 12.5 and 11% in the second, third and fourth quarter of 1982 respectively and 3% during the first quarter of 1983. However in November 1982 Brazil negotiated with the US the maintenance of the export tax premium -at the prevailing rate of 11%- until April 30 1985.

31. The new export credit premium is different from the former IPI export tax credit as it is granted to all beneficiary sectors at a uniform rate and deposited in cash to the exporter. The deposit is made through the bank involved in the export transaction generally 30 days after the realization of the exchange contract or shipment of the exported articles (under special circumstances the delay can be of up to 120 days).

32. The basis for calculation is the adjusted FOB invoice value of exports, after several deductions. These adjustments include: any agent commissions, rebates or refunds resulting from quality deficiencies or damage during transit, contractual penalties, and the value of imported inputs. In order to receive the maximum export credit premium, the exported product must consist of a minimum of 75 percent value added in Brazil. If this minimum limit is not met, there is a specific calculation to reduce the f.o.b. invoice price when calculating the base upon which the IPI export credit premium is paid.

33. An important incentive is pre-shipment finance granted mainly under the Special Program for Export Finance (Central Bank Resolution 674), which provides working capital for the production of exportable manufactured products, at subsidized interest rates and using preferential Central Bank rediscounti Currently the interest rate is equal to 40% to be paid bi-annually 1/. The sectors and products for which this type of finance can be provided and the amounts they may receive (as a percentage of fob-value) are indicated by the National Monetary Council (NMC). The loans may have a duration of up to one year, independent from the time needed for export production. For the calculation of the adjusted FOB invoice value, which is the basis for the computation of eligible finance, several items must be deducted from the export value, like agent commissions, contractual penalties or refunds exports denominated in cruzeiros, imported inputs over 20 percent of the export value, and a deduction for the company's trade deficit as a percentage of the value of its exports.

Eligible products and/or sectors may receive 12;20 or 40% of the adjusted FOB value of exports in the previous calender year 2/.

34. Another important instrument, available for all export products, is the Export Financing Against Foreign Exchange Contracts (ACC), which involves advances in national currency for up to 90 days (for an amount of up to 100% of the export value) against foreign exchange contracts and receivables, at interest rates that depend on each bank.

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1/ According to CACEX Resolution 832 (June 9, 1983) the interest rate can be up to 60% annualy and will be modified to 3% + 70% of the variation in ORTN in 1984.

2/ This percentage is equal to 40% e.g. for footwear and 20% for Frozen Concentrated Orange Juice and most steel products.



35. The Banco do Brasil can provide finance out of its own resources to support the production of manufactured and semi-manufactured goods with short production cycles. The firm that receives finance must commit itself to export goods to a certain amount during its term, that at present is one year.

36. For profit tax computations the taxable income of firms can be reduced by the percentage of its total sales accounted for by export sales. As a consequence profits made on export sales are not subject to the corporate profit tax of around 35%. This program exists since 1971 and according to the legislation expires at the end of 1985.

37. Tax Incentives in Proportion to Export Increase

Since 1971 exemption from IPI and ICM taxes on imports of raw materials, intermediate and capital products can be granted to exporters in proportion to the increase of their exports. This scheme has had little importance in practice and according to the legislation it expires at the end of 1985.

38. Exemption from Payment of Duties and Value Added Taxes on Imported Plant and Equipment in Relation to Export Performance

The duty free imports of capital goods for export production is considered a subsidy as imported products are not physically incorporated into exported products and thus give an extra benefit to the exporting firm in relation to its sales to the domestic market. This incentive is granted principally by the Special Program of Fiscal Incentives to Exports (Comissão para Concessão de Benefícios Fiscais a Programas Especiais de Exportação, BEFIEX).

39. In some cases a firm can be granted -in relation to its export performance- the benefit of accelerated depreciation of plant and equipment manufactured in Brazil.

40. The BEFIEEX (Special Program of Fiscal Incentives to Exports) program, which has been operating since 1972, aims to promote exports principally of manufactured products, by granting fiscal incentives to imports, facilitating the growth and modernization of enterprises and/or the diversification of its production lines, thus contributing to obtain a modern and internationally competitive production apparatus. By paying special attention to these factors BEFIEEX plays an important role in Brazil's industrial development policy.

In order to receive the benefits of the program, enterprises (individually or in pools) must present long-term export programs, normally for ten-year periods, and reach a minimum domestic value-added content of exports (and of total production). At this enterprise level the total value of imports receiving fiscal incentives, including those realized under the "draw back" mechanism and/or other promotion schemes, should not exceed 50% of the FOB value of exports. In cases where transport and/or insurance is provided by national companies the FOB values of exports can be increased by the corresponding value.

Incentives, negotiated at enterprise specific level with BEFIEEX, can be the following:

- a) A 70 to 80% duty and tax reduction on imports of equipment and machinery. These tax reductions can be authorized even when a "national similar" exists. A waiver is granted to the examination of existence of a "national similar", but imports are subject to previous approval by the Ministry of Industry and Commerce in the case of machinery, equipments and components and by the Council of Customs Policy (Conselho de Política Aduaneira, CPA) in the case of imports of intermediate products.

- b) In special cases the President of Brazil can grant a greater tax reduction if the project is considered of special national interest.
- c) A 50 percent duty and tax reduction on imports of raw materials, components and intermediate products imports, over a total import value of up to one third of the average net FOB value of exports. In special cases, considered to be of national interest, complete exemption from duties and taxes can be granted.
- d) Maintenance of fiscal export incentives during the entire period of validity of the export programs, even if changes occur in the legislation of incentives. This point has proved to be especially important in recent years when the fiscal credits were first abolished (1979) and then re-introduced in combination with a timetable for its gradual elimination (1981). These changes have not affected the fiscal credits granted to enterprises which joined the BEFIEEX program before March 30, 1982.
- e) Exemption from payment of corporate profit tax on exports and from taxes on remittance of profits. Pre-operational and pre-industrial costs can be carried forward for reasons of tax computations for a term of up to ten years.

41. The most important forms of post-shipment finance are the Fund for Export Credit Finance (FINEX) and the Equalization of Interest Rates System (FINEX) is administrated by the bank of Brazil - CACEX). Its resources proceed from the Central Bank of Brazil. The maturity of the loans is between 6 months and 8 years according to the nature and value of the exportable goods and services. In order to obtain the funds involved the exporting firm must negotiate export letters representing the exports of capital goods, consumer

durables or services, with payment terms of more than 180 days. In exchange CACEX pays the Brazilian exporter up to 100% of the export value charging the foreign importer 15% cash before shipment and debiting him for the balance. Interest rates on the dollar value are between 8 and 9 percent.

According to the Equalization of Interest Rates system 1/ commercial banks are authorized to borrow abroad, at interest rates prevailing at the international financial markets increased by spread and commission, to finance Brazilian exports at internationally competitive interest rates. The difference between the cost of foreign loans and the interest rate charged to the imported of Brazilian products is covered by FINEX. Financial institutions authorized to operate under these conditions are private commercial banks, branches of Brazilian banks operating abroad and foreign financial institutions guaranteed by the Central Bank of Brazil.

With regard on Buyer's Credit it must be noted that exports credits supplied directly to the importer of Brazilian products using FINEX funds are scarce and applied only in case of big projects in which several Brazilian firms participate.

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1/ Central Bank Resolution 509 authorizes the obtainance of external resources in accordance with its use for post-shipment finance. However Resolution 637 authorizes the anticipated entrance of all available foreign currency to be used also for pre-shipment finance through Foreign Exchange Contracts (ACC).