

Brussels, 19 January 1984.

## BRAZIL

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The first meeting of the Joint Committee established by the 1982 Framework Cooperation Agreement between the European Community and Brazil will take place on 19 and 20 January 1984. The delegations will be led, on the Community side, by Mr J. Loeff, Deputy Director General for External Relations and on the Brazilian side by Ambassador C.A. de Proença Rosa, Head of the Economic Department of the Ministry of External Relations.

Among the points on the agenda are a general discussion of the economic situation in Brazil and the Community, the activities of GATT and UNCTAD following the recent ministerial conferences, trends in bilateral trade, and areas of possible future economic cooperation.

Relations between the Community and Brazil

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Brazil has been linked to the Community by a trade agreement since 1974 which, aside from the reciprocal granting of the GATT Most Favoured Nation Clause, was mainly concerned with commercial cooperation in agricultural produce, particularly cocoa butter and soluble coffee.

However by the end of the decade both sides felt that it would be useful to expand this cooperation in a broader framework. Negotiations began in March 1980 and the new Framework Cooperation Agreement was signed in September of the same year. It came into force, following ratification by both sides on 1 October 1982.

This agreement is one of a new group of agreements which the Community has worked out in recent years and contributes to the intensifying of its relations with developing countries. Another more recent example is the agreement concluded with the Andean Pact in 1983.

The Community and the Federative Republic of Brazil declare their intention of consolidating and diversifying their trade and economic relations in order to develop their respective economies and standards of living; they propose to do this via pragmatic and open-ended cooperation.

As regards the provisions on trade, leaving aside the most favoured nation clause, the two contracting parties have undertaken to promote trade by endeavouring to reduce non-tariff and para-tariff barriers opposing it. In particular, they will seek to pursue a policy aimed at improving commercial transactions and at bringing together producers and traders in the two regions, whilst taking account of respective requirements as regards access to resources and access to markets for semi-finished and finished products. An appendix to the agreement deals with cooperation in the field of cocoa butter and soluble coffee.

The economic provisions of the agreement are intended especially to be beneficial to the prosperity of the respective industries and to open up new markets. The two parties will also endeavour to cooperate in the field of science and technology, in the energy sector and in agriculture. Moreover, they will attempt to provide conditions which facilitate the expansion of investments on an advantageous basis for each of the parties concerned.

Mutually satisfactory solutions will be sought as regards sea transport between Brazil and the Community and its Member States. A separate protocol has been concluded between the European Coal and Steel Community and its Member States and Brazil.

A Joint Committee has been established and its main task will be to monitor the various forms of cooperation between the two parties.

The agreement has been concluded for a period of 5 years and it may be extended annually.

#### Agreements between the Community and Brazil

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Apart from the 1982 Agreement the Community is also linked with Brazil by two other Agreements.

##### 1961 - Euratom Agreement

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In 1961, an agreement was signed between the European Atomic Energy Community (EURATOM) and Brazil, dealing with cooperation on peaceful applications of nuclear energy. The agreement came into force in 1965 for a duration of 20 years.

##### Textiles Agreement

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In the framework of the Third Multifibres Arrangement the Community and Brazil have negotiated an agreement providing a framework for Brazilian exports to the Community of textile products in the periode 1983-86.

The agreement, which has not yet been concluded, is currently being applied autonomously by both sides.

##### Steel Arrangement

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During the present recession in the European steel industry, the Community and Brazil have negotiated annual bilateral arrangements regulating trade in certain steel products.

##### Industrial cooperation

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The European Coal and Steel Community decided in July 1982 to participate in the financing of the Carajas iron ore project in Brazil. The project which is being internationally financed will provide stable supplies of iron ore to the European steel industry from 1985.

During a visit to Brazil in November 1982 Vice-President Wilhelm Haferkamp signed the first tranche of 200 million dollars. The total amount of the loan, \$ 600 million, will be devoted to part-financing of the infrastructure for the mine.

##### Development and Structure of Trade

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The European Community is Brazil's largest export market absorbing 25% of her exports in 1981 and 27% in 1982.

On the import side the Community is still a major supplier for Brazil but with a decreasing market share as Brazil's oil makes up an increasing share of Brazil's imports.

In recent years Brazil's exports to the Community have shown regular increases from year to year while European exports to Brazil have stagnated at their 1974 level. This trend has led to an increasingly large deficit in the Community's trade balance with Brazil.

The Community's trade with Brazil (in millions of ECU)(x)

	1974	1976	1978	1980	1982	1983 (7 months)
IMPORTS	2291	2781	3089	4242	6119	3710
EXPORTS	2618	2216	2117	2536	2528	1303
BALANCE	327	-565	-972	-1706	-3591	-2407

Source EUROSTAT

(x) The exchange rate ECU/dollar varies daily as the various EC currencies which make up the ECU vary against the dollar. One ECU was worth US\$ 1.2 in 1973, US\$ 1.37 in 1979 and US\$ 1.39 in 1978, US\$ 1.12 in 1981 and US\$ 0.98 in 1982.

Brazil is the Community's largest supplier in Latin America and in 1982 was ranked 16th among the Community's suppliers with 2% of all EC imports. Her main exports to the EC in 1982 were in order of importance soya, coffee, iron ore, cars and lorries, fruit preparations, steel, prepared meat, tobacco, paper pulp, and motors.

In recent years, Brazil has considerably developed its exports of finished and industrial products. In 1978, for the first time, their value exceeded that of raw materials exports. Brazil has also become a significant exporter to the Community of industrial goods. In 1982, Brazil's exports to the Community were made up of 54% of raw materials and 46% of manufactures.

Brazilian exports receive very favourable tariff treatment in the Community. Through the Generalised System of Preferences, 40% of Brazil's industrial exports to the EC and 42% of her agricultural exports were exempted from customs duties.

Until 1982 Brazil was the Community's largest individual market in Latin America but was overtaken in that year by Venezuela. The Community's main exports to Brazil are machinery, chemicals, transport equipment and various manufactured goods.

At the moment, the strict rules applying to exports to Brazil, established because of balance of payments problems, make it difficult for European exporters to penetrate the market.