

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

DS11/1*

22 January 1990

Limited distribution

Original: English

BRAZIL - TAX ON RAW SISAL

Request for Consultations under Article XXII:1 by the European Economic Community

The following communication, dated 15 January 1990, from the Permanent Delegation of the Commission of the European Communities in Geneva to the Permanent Mission of Brazil in Geneva, is circulated in accordance with paragraph C.3 of the CONTRACTING PARTIES' 1989 Decision on Improvements to the GATT Dispute Settlement Rules and Procedures (L/6489).

I have been asked by my authorities to raise with you the question of the rates of tax on a series of products, in particular raw sisal, implemented by the Brazilian Federal Government under Law No 4.825 (I.C.M.S.) of the 27.01.1989. According to our information the level of the tax on the fob value of raw sisal when it is exported is 13% whereas for Brazilian sisal spinners this tax is either reimbursed on the export of the processed products (balertwine, rope, etc.) or not paid at all.

In the Community's view this discriminatory system of taxes is seriously distorting competition in this sector. Over 70% of the Community's imports of raw sisal are currently supplied by Brazil, moreover the raw material input accounts for a substantial part of the total cost of sisal twine. Consequently, by virtue of the fact that the Community industry must now pay 13% more for its raw sisal than Brazilian processors, competition is not only seriously distorted on the Community market but also on third country markets where Brazilian exporters now have a 13% cost advantage over Community exporters.

The European Community have given careful consideration to these matters without, however, being persuaded of their conformity with both the provisions and spirit of the General Agreement.

Accordingly the Community considers it necessary to enter into consultations with Article XXII:1 of the General Agreement and I would ask that these consultations take place in the first week of February in Geneva.

*The document entitled: "Brazil - Restrictions on the Import of Certain Agricultural and Manufactured Products", previously issued as DS11/1, has been reissued as DS8/2.