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REPORT

by the Committee on External Economic Relations

on economic and commercial relations between the European
Community and Brazil
(B3-0882/91)

Rapporteur: Mr Manuel Porto

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Or. PO

* Consultation procedure requiring a single reading
**| Cooperation procedure (first reading)

**|| Cooperation procedure (second reading) requiring the votes of a majority of the current Members of Parliament
*** Parliamentary assent requiring the votes of a majority of the current Members of Parliament

C O N T E N T S

	<u>Page</u>
Procedural page	3
A. MOTION FOR A RESOLUTION	4
B. EXPLANATORY STATEMENT	8
<u>Annex I</u> : Table(s)	16
<u>Annex II</u> : Motion for a resolution B3-0882/91	22

At the sitting of 11 September the President of the European Parliament announced that he had forwarded the motion for a resolution by Mr Cano Pinto on economic and commercial relations between the EC and Brazil, pursuant to Rule 63 of the Rules of Procedure, to the Committee on External Economic Relations as the committee responsible.

At its meeting of 17 July 1991 the committee decided to draw up a report and appointed Mr Porto rapporteur.

At its meeting of 23 September 1991, 21 September 1992 and 6 October 1992, the committee considered the draft report.

At the last meeting it adopted the resolution unanimously.

The following took part in the vote: De Clercq, chairman; Cano Pinto and Stavrou, vice-chairmen; Porto, rapporteur; Christensen Ib; De Vries, Dido, Gröner (for Benoit), Hindley, Killilea (for Guillaume), Marck (for Chabert), Melandri, Miranda de Lage, Peijs, Planas Puchades (for Mihr), Rossetti, Sainjon, Sonneveld (for Price), Speciale (for Junker), Suarez Gonzalez and Visser (for Martin David).

The report was tabled on 19 October 1992.

The deadline for tabling amendments will appear on the draft agenda for the part-session at which the report is to be considered.

A.
MOTION FOR A RESOLUTION

on Economic and Commercial Relations between the European Community and Brazil

The European Parliament,

- having regard to Council Regulation (EEC) 2613/82 establishing the first framework-agreement on cooperation between the European Economic Community and the Federative Republic of Brazil¹,
 - having regard to its resolution of 23 January 1987 on economic relations between the European Community and Latin America²,
 - having regard to its resolutions of 25 October 1990 on the preservation of tropical rainforests³,
 - having regard to the motion for a resolution tabled by Mr Cano Pinto on economic and commercial relations between the Community and Brazil (B3-0882/91),
 - having regard to the Commission proposal for a Council decision including a new framework agreement on cooperation between the European Economic Community and the Federative Republic of Brazil (COM(92) 209 final) ,
 - having regard to the report by its Committee on External Economic Relations (A3-0310/92).
- A. whereas the political transition period which began in 1985 re-established democracy and the freedom to exercise individual rights and freedoms, and opened the way to modernizing and opening up the Brazilian economy,
- B. whereas relations between the Community and Brazil have hitherto failed to reflect the scope for development offered by the two regions,
- C. whereas, in particular, Brazil is both the major customer and supplier of the Community in Latin America, accounting for one third of total trade between the two regions; whereas, there is, however, a marked deficit on the Community side in these commercial exchanges,
- D. whereas the Brazilian economy is under pressure and experiencing serious difficulty in controlling inflation and meeting the burden of servicing both the external debt and the internal public debt,

¹ OJ No. L 281, 4.10.1982

² OJ No. C 46, 23.2.1987

³ OJ C 295, 26.11.1990

- E. whereas the persistence of major social imbalances and marginalization conducive to violence continues to be a source of grave concern to the Brazilian authorities,
- F. whereas the efforts to attract foreign investment to Brazil would be more successful if the Brazilians invested in their economy themselves instead of exporting their capital abroad;
- G. whereas the Brazilian Government is about to implement a wide-ranging programme of structural economic reforms including fiscal reform and deregulation of the economy by privatizing public undertakings and liberalising foreign trade,
- H. whereas the Brazilian Government's modernization programme includes a major administrative reform which requires the amendment of the Constitution itself,
- I. whereas Brazil is particularly committed to the liberalization of trade and regional integration in Latin America; mindful, in this connection, that it is one of the signatories of the Treaty to establish a common market in the Southern Cone of the American continent (MERCOSUL),
- J. whereas, finally, Brazil's demographic and economic potential mean that it must rank as one of the European Economic Community's major partners in the world context,
1. Welcomes resolute attitude adopted by the new Brazilian administration since coming to power in March 1990 with regard to respect for human rights and combatting violence;
 2. Believes that this policy must be vigorously pursued, and that the removal of current inequalities and marginalization constitutes a sine qua non for the success in the medium-term of the economic modernization measures being implemented;
 3. Hopes that the current crisis will soon be overcome (and notes the correct functioning of the democratic institutions, which inspires confidence in their stability), so as to safeguard the current reforms which are essential to the country's development and to the greater well-being of its people;
 4. Notes that over the last two years, Brazil has made considerable efforts to eliminate the major economic imbalances inherited from the military dictatorship; voices its concern, nevertheless, that successive structural adjustment plans have as yet failed to achieve the desired results, particularly with regard to reducing inflation;
 5. Believes that the control of inflation demands that there be concerted action on the part of the government and Brazil's various economic and social operators, accompanied by the stepping-up of deregulation measures within the country, liberalization of external trade and modernization of the public administration;
 6. Believes, moreover, that it is essential that alongside greater rationalization in the management of public spending, the fiscal reforms

already initiated be given concrete form in the shape of a simplified and more equitable system, and ensure the gathering of revenue sufficient to cover spending;

7. Welcomes the initial results of the privatization programme, which has already to some extent improved the efficiency of the Brazilian economy and achieved a certain reduction of the internal public debt;
8. Welcomes the process of liberalizing Brazilian external trade which began in May 1990 with a plan for the abolition of quantitative restrictions and their replacement by tariff duties and the reduction of the tariff levels by 1994; in this connection, welcomes the review of the policy of a closed market for data-processing equipment, which was highly damaging to the modernization of the Brazilian economy;
9. Believes, nonetheless, that inspite the progressive steps already taken or planned, tariff protection continues to be excessive in certain sectors:
10. Welcomes also the efforts being made by the Brazilian administration to reduce port costs, opening up the operation of ports to private bodies and seeking to end the trade union monopoly on contracting dockers;
11. Welcomes the fact that in July 1992, Brazil reached an agreement with the creditor banks, on the reduction of its external debt, in keeping with the Brady plan, leading to a considerable reduction in the debt and a substantial postponement of repayments; welcomes also the agreement reached, in the form of a 'debt-for-nature swap', to use the external debt to fund a macro-project to preserve the Amazon rainforest;
12. Believes that it is of major importance that mutually advantageous investments be stepped up, and, in this connection, notes that the EC International Investment Partners programme could represent a particularly useful means of encouraging industrial cooperation between undertakings in both regions;
13. Calls on the Brazilian Government to take appropriate measures to stem the flight of capital from Brazil's own potential investors;
14. Welcomes, in the warmest terms, the decision of the Council of Finance Ministers at the ECOFIN in Porto in April 1992 to include Latin America amongst the regions selected for loans from the European Investment Bank (EIB); proposes to the Bank's Council of Coordinators that it set up an operative unit for Latin America with a view to establishing a direct dialogue with the region, analysing investment projects and adopting appropriate technical decisions with greater dispatch;
15. Believes that the regulations guaranteeing investments in Brazil and the level of protection available for intellectual property remain inadequate, and that the revision of Brazilian legislation in the areas constitutes an essential step if economic or financial and commercial relationships between the two regions are to be put on a more dynamic footing;
16. Supports the project for a pilot programme for the Brazilian Amazon basin, co-funded by the European Economic Community, the Brazilian Government and the World Bank; suggest to the Commission that it encourage regional

cooperation between all the Amazonian countries with regard to establishing and implementing a strategy for the conservation and rational exploitation of the rainforest;

17. Welcomes the agreement reached with the International Atomic Energy Organization, which represents a major contribution to international peace and security in Latin America and the world;
18. Welcomes Brazil's political commitment to proceed with the establishment of a common market in the Southern Cone of the American Continent (MERCOSUL); observes, however, that the programme established for tariff reductions could come to grief if imbalances resulting from macro-economic disparities distorting competition are not reduced;
19. Supports the Commission's initiatives with regard to providing technical support for the implementation of the next stages of the integration of MERCOSUL, drawing on its own experience;
20. Welcomes the cooperation agreement under consideration, which was signed on 13 June 1992, believing in particular that it creates opportunities for cooperation in new sectors and sets-up mechanisms of particular importance not only for strengthening economic relations but also for supporting social development and democratic consolidation in Brazil;
21. With regard to social development, calls on the Commission to set up specific programmes without delay, in agreement with the Brazilian Government, with a view to implementing each and every one of the measures listed in Article 21 of the Framework Agreement, particularly in the areas of public health, education and subsidized housing;
22. Calls on the Commission, when implementing this agreement, to encourage scientific and technical cooperation by supporting associations and study and research centres in both regions, and to collaborate in exchanges of knowledge and in finding joint solutions to problems of mutual interest;
23. Proposes that the Commission should submit an annual report to Parliament on the implementation of the agreement so as to enable the latter to assess the extent to which the objectives laid down have been met; this report should, in particular, publish the results established by the Joint Committee referred to in Article 29;
24. Instructs its President to forward this resolution to the Council and Commission, the governments of the Member States and the Federative Republic of Brazil.

B
EXPLANATORY STATEMENT

I. RECENT POLITICAL DEVELOPMENTS IN BRAZIL

1. The direct presidential elections of 15 November 1989 marked the final stage of the country's return to democracy, bringing to an end the transition period which began in January 1985 with the appointment of Tancredo Neves as President of the Republic.

Twenty years of military dictatorship (1964-84) had preceded the four years of liberalization leading to the direct presidential elections: these were seen as the culminating point in the consolidation of the return to democracy. During the process of liberalization, major achievements had included the promulgation of the 1988 Constitution, the establishment of a new party system, an amnesty for political exiles and the direct election of the governors of the 25 states of the Federative Republic of Brazil.

2. Since it took power on 16 March 1990, the government has had to deal not only with a serious ongoing economic crisis but also with the problem of violence in a variety of forms, springing not so much from the given circumstances of the moment as from major structural backwardness and inequality affecting both the economy and Brazilian society.

Guarantees that human rights will be respected have, understandably, been a priority for the authorities, who have taken a resolute stance with regard to combatting human rights violations.

However, the problem is one that can only be resolved if development is accelerated and greater equilibrium achieved. Here, closer relations with the European Community could be of major importance.

3. The allegations which lie at the root of the current political crisis are grave, and may lead to the destitution of President Collor de Mello; this unhappy episode is damaging the country's image and may jeopardize development currently under way.

Nonetheless, we should note both the independence of the Brazilian press and the speed with which the Parliamentary Commission of Inquiry is carrying out its work as evidence of the maturity of the country's democratic institutions.

In view of the country's problems, it is essential that this crisis be speedily resolved if the current process of reform is not to be held up or even compromised.

II. THE IMPORTANCE OF THE BRAZILIAN ECONOMY IN A LATIN AMERICAN AND WORLD CONTEXT

1. Whether in terms of geography, population or economic strength, Brazil is not a small country. Its surface area is 8.5m km², almost four times that of the European Community. The population of almost 150m is 43% of that of the Community, and its GDP is equal to that of Spain and places it 8th amongst the economic powers of the western world.

Brazil has gained dramatically in importance in this century, particularly in recent decades. Its population has increased ten-fold since 1900, and between 1968 and 1980 economic growth in real terms was at a rate of 8% per annum.

The importance of the Brazilian economy at world level is due to the positions occupied by certain products. This applies to certain agricultural products; Brazil is the world's premier coffee and sugar cane producer. It is the second-largest producer of beef and cocoa, third-largest grain, fourth pigmeat and fifth wood. It is the world's second-largest producer of tin and iron, fourth-largest of bauxite and magnesium, sixth of gold and eighth of chrome. Domestic oil production meets two thirds of national needs, and increased by 5.5% in real terms from 1989 and 1990. But Brazil's importance as an industrial power is also very considerable, ranking 10th on the world scale. Industry is variegated; we could cite annual production figures such as 25m tonnes of steel and 800 000 cars, but the country also manufactures aeroplanes, weapons, machine tools and chemical and pharmaceutical products. Supply levels for public works are also remarkable.

Although industrial development has to a great extent been the result of a traditional strategy of import substitution, in many sectors Brazilian industry is remarkably competitive on the external market, and the volume of exports of industrial products in fact exceeds that of agricultural exports.

The dynamism of the economy, combined with high levels of protection for the internal market, have meant that since 1983, Brazil's balance of trade has enjoyed sizeable surpluses: in 1990, the surplus was US\$10 500m (although this was not even enough to meet the charges for servicing the country's external debt, which are in excess of US\$11 400m).

2. All this means that Brazil's significance within Latin America is even greater, accounting for 38% of the continent's GDP (whereas in the 1960s it was only 28%); Mexico accounts for 20.6% and Argentina for 11.7%. Brazil's share is naturally far larger in the context of the four MERCOSUL countries, occupying three quarters of their combined GDP (77%), followed by Argentina with almost 20%, leaving Uruguay and Paraguay with small percentages of the total.

III. THE EUROPEAN COMMUNITY'S RELATIONS WITH BRAZIL

Since 1962, apart from the period between 1982 and 1987, the Community's importance as a trading partner for Brazil exceeded that of the USA. In addition to the traditional Brazilian exports of coffee and minerals (and other agricultural products), the volume and range of industrial exports, particularly steel products and transport-related materials is growing; in relation to imports, the diversity of capital goods and intermediate goods indispensable to the country's economic activity should be stressed. Within Latin America, Brazil is, in its turn, the most important of the Community's markets.

Trade patterns over the years have reflected a deficit for the Community: over ECU 5500 m in 1990. Brazil's protectionist policies are to blame, but Brazil could also point the finger at protectionist practices on the part of the Community, for example with regard to steel and agricultural products (CAP). To a certain extent, the Community deficit can also be explained by Brazil's sheer competitiveness both in the production of raw materials and that of certain industrial goods.

IV. PROBLEMS FACING THE BRAZILIAN ECONOMY

Despite its strength, the Brazilian economy is nonetheless burdened with major problems.

1. The very large - and growing - population means that per capita GDP is small, approximately US\$2280 in 1988, far lower than that of the industrialized countries and even of two of the other three MERCOSUL countries, namely Uruguay and Argentina with US\$2908 and 2685 respectively.

2. Moreover, these figures hide massive imbalances in the distribution of wealth and income.

With regard to farming, the 1988 census revealed that 'minifundios' (small holdings of less than 2 hectares), which account for almost half of Brazil's farms, occupy only 2.5% of the total surface area, while 'latifundios' (holdings of over 1000 hectares), which represent only 1% of farms, account for almost two thirds of the total surface area.

A comparable imbalance is also to be found with regard to population distribution. Two thirds of jobs are located in the south-east of the country, with the state of S. Paulo, which has 21% of the population but, accounts for 48% of industrial jobs. As a result, the per capita GDP in this area in 1980 was 3.4 times higher than in the north-east.

The privileged status of the south-east, however, has also produced a massive influx into the cities (this is particularly true for Sao Paulo, which is currently the third most populous city in the world; but what is happening in Rio de Janeiro is also worrying) has led to the marginalization of a significant part of the population, which to a great extent explains the violence to be found there.

3. Alongside these problems of inequality and marginalization - nor can economic fluctuations be separated from the underlying structural conditions - the Brazilian economy is in grave difficulty due to inflation.

The fight against inflation has therefore come to be a fundamental goal - a keystone - of Brazilian economic policy throughout the current process of re-establishing democracy. This was the case as early as the Cruzado Plan launched on 28 February 1986, and it is still the case today with the second Collor de Mello Plan.

The results, however, do not match the effort made, other than during freezes and other temporary restrictions on the economy, which in their turn only have recessive effects and cause prices to shoot up as soon as they are lifted. After an average inflation rate of 200% between 1983 and 1985 and 58% in 1986 (the sole year in which inflation was reduced to two figures), prices rose 360% in 1987, 990% in 1988, 1760% in 1989 and 2360% in 1990.

Hyper-inflation of this kind was bound to condition the behaviour of consumers and of all economic operators, with highly negative consequences for economic forecasting and encouraging speculation.

4. As a result of the economy's imbalances, whether structural or resulting from external circumstances, Brazil has run up vast debts, both abroad and at home in the public sector.

4.1. With a debt of US\$ 116 173m, Brazil is currently the most heavily indebted of all the developing countries. Although it is not the highest per capita debt or the heaviest with regard to exports, it is a very considerable debt, in tax terms accounting for almost a quarter (24.1%) of Brazilian per capita income.

This situation is the result of a process which began to accelerate from 1964 onwards, when the total debt was US\$3 000m (by 1980 it had already reached US\$57 000m). This was to some extent caused by the commercial deficit of the 1970s as a result of oil imports and the carrying out of major industrial and building programmes. But basically it has worsened as a result of external factors, notably the rise in interest rates, which between 1975 and 1982 rose by a factor of 5 to between 15 and 17%. The Brazilian economy thus found itself over-indebted, with not only repayment but interest payment becoming problematic. And growth in its turn was to a large extent determined by the need to transfer resources so as to meet debt obligations (according to the Interamerican Development Bank, transfer of resources abroad between 1984 and 1989 reached between 4 and 5% of the Brazilian GDP).

A first agreement reached some two years ago between Brazil and the creditor banks for the payment of over US\$8 000m in interest accumulated since 1987 constituted a fairly major step, in accordance with the Brady Plan, towards unblocking the existing situation¹. Over and above this particular Plan, Brazil has, in recent years, served as a 'testing ground' for various financial methods for converting or repaying the debt, e.g. the debt equity swap (US\$5 115m in 1988 and US\$4 724m in 1989), the controversial buy-back agreements (repurchase of the debt on the secondary market), and the debt-for-nature swap which allowed part of the debt (US\$1 500m) to be converted to support preservation of the Amazon Jungle in a pilot project involving the Brazilian Government, the European Community and the World Bank (which was supported by the Group of 7).

¹ On two occasions Brazil decided to suspend payment of interest on its commercial debt: February 1987 and September 1989

Of far greater importance, however, is the recent agreement of July 1992 with international bankers which has allowed the debts to be reduced by up to 35%, with payment spread over 30 years. Following the agreements reached with the IMF and the Club de Paris, the compromise which has now been reached has helped normalize Brazil's financial relations with the international community.

4.2. At the same time, the Brazilian economy has had to face the problem of the scale and growth of the internal debt, which absorbs a large part of the country's savings. According to some forecasts, state and local authority debts to the Federal Government will exceed US\$57 000m in 1992, i.e. half of the country's external debt.

To mobilize the savings effort necessary to pay this debt, the authorities have been obliged to offer exorbitant interest rates which are turning Brazil into a paradise for financial speculation. This has created a link between the problems of the external debt and the country's internal public debt.

5. Finally, it should be noticed that large-scale and uncalled-for state intervention in domestic and external economic issues is a weakness of the Brazilian economy, adversely affecting its efficiency and competitiveness.

5.1. Large-scale state intervention in the Brazilian economy has its origins in the long period of industrial nationalism, with the launching of major public works designed to achieve the economic and political unification of the country, e.g. the building of Brasilia and the Amazonian motorway. But the tradition of a strong state authority was also channelled into large-scale intervention in economic activity, including not only guideline planning for the private sector but binding planning for the powerful public enterprise sector, widespread regulations on price controls and various other forms of intervention.

The growth and importance of the public sector was reflected in various ways such as participation in forming fixed capital, the percentage importance of public spending and even the sheer size of the civil service (1.7m civil servants work for the federal administration).

5.2. With regard to external questions, too, there is a strong tradition of intervention, with the country's development policy being based for a long time (1930 - 1979) on import substitution.

Various instruments were used including high customs tariffs and quantity restrictions on imports (in certain cases, with import licences).

All this encouraged the creation and maintenance of inefficient undertakings in various sectors, to the detriment of the wellbeing of Brazilian consumers and the efficiency of the country's overall economic activity; a recent example is the protection policy on data-processing equipment.

V. THE CURRENT POLICY OF LIBERALIZING AND OPENING UP THE BRAZILIAN ECONOMY

Having acknowledged the problems produced by these intervention policies, the Brazilian authorities have now resolutely adopted liberalization policies both at domestic and external levels.

1. First of all, we should stress the privatization policy embodied in a current programme for the sale of 64 undertakings. The sale of 15 of these undertakings, moreover, has already made a major contribution to liberalizing the economy and reducing the internal public debt by an amount of over US\$3 400m.

As a means of promoting efficiency and reducing the sheer bulk of the public administration, a series of measures proposed or already adopted include the cutting of the federal civil service by 400 000 posts.

Since there is still a need to ensure that public spending is covered, and with a view to simplifying the system and making it fair, the draft fiscal reform currently being discussed in Congress should be highlighted; it proposes reducing the number of existing taxes from 22 to 9 and increasing the GNP fiscal income percentage to 3%.

Mention may also be made of the current reform of Brazilian port services as a means of simplifying a very important part of the Brazilian economy which has a major effect on international trade (given the preponderant role of transport by sea). This will not only bring private ports into existence, but will also allow private use to be made of state ports and end the trade unions' monopoly in contracting dockers. The intention is to reduce the inefficiency of Brazil's ports which cost several times as much as the major ports of the European Community and entail export losses of US\$5 000m per annum.

2. With regard to the commercial opening up of the Brazilian economy more direct measures may be noted, namely the elimination of non-tariff barriers and the reduction of customs duties which by 1994 will have a modal value of 20% and an average value of 14.2% as against 40% and 32.2% respectively in 1990. Various sectors still retain a high level of protection, but there are many sectors in which, with values well below those cited above, there will be a major reduction in charges.

We should note the recent abolition of restrictions on imports of data-processing equipment as a result of comprehensive pressure both from within and without the country, as a result of the extremely negative economic effects produced.

There is still a major to ensure better safeguards for intellectual property and foreign investment in the country by adopting appropriate legislation.

VI. BRAZILIAN RESPONSIBILITIES IN THE ECOLOGY AND ENERGY FIELDS

Given the scale of its resources and its programmes, special responsibilities are demanded of Brazil in the environmental and energy fields.

1. In the first instance, the defence and proper exploitation of the Amazon Basin, the major lung of the planet, is of overwhelming importance.

However, as this is a resource which to a great extent belongs to a country suffering from the economic and social difficulties set out above, it would be unfair to make Brazil alone responsible for its conservation. We would therefore highlight the measures which have already been initiated with a view to sharing responsibilities fairly, notably the assigning of part of Brazil's external debt to funding a programme for the defense of the Amazon Basin. In many cases, it is

possible to implement policies which combine proper respect for the need to preserve the environment with a rational exploitation of existing resources.

The pilot programme which the Community is involved in funding is of this kind. We should also stress Brazil's very recent role in organizing the Rio Conference, at which a call was issued for more detailed attention to be paid to the issues at stake, useful experience was exchanged and the participating countries committed themselves to safeguarding and promoting both the environment and development.

2. With regard to the issues of nuclear power, Brazil's scientific and technological capacity and the dynamic growth referred to above, we should mention the agreement with the International Atomic Energy Organization guaranteeing controls on the exclusively peaceful objectives of Brazil (and Argentina)'s nuclear programmes and controls on the export of nuclear materials so as to prevent proliferation.

VII. THE ESTABLISHMENT OF MERCOSUL

Alongside the strengthening of bilateral relations between the international community and Brazil, the efforts at regional integration being made in South America are also of the greatest interest.

Following various unsuccessful experiments in previous decades, prospects for the establishment of a common South American market now appear particularly promising, following the Buenos Aires Agreement signed on 6 July 1990 by Presidents Carlos Menem and Fernando Collor de Mello and open for signature by other countries. Uruguay and Paraguay have already joined.

Its sheer size and potential give Brazil special responsibilities within MERCOSUL, which is intended to lead to a more balanced development of the region and greater openness in relation to the rest of the world, particularly the EEC.

VIII. THE PRESENT AGREEMENT

The agreement which has been reached is a third-generation framework agreement similar to those which the Community has already reached with other Latin American countries. Its scope is extremely wide (much wider than the 1982 agreement) covering, amongst other things, the promotion of trade, general financial and economic cooperation, cooperation in science and technology, the environmental, social and urban development sectors and the fight against drugs, alongside exchanges at cultural, academic, professional training and public administration levels.

Over and above these areas, we should highlight the provision contained in Article 3, which correctly understood does not of course call into question the responsibilities of other countries, namely that the two parties will encourage exchanges of views on international affairs of mutual interest. Here, Brazil could benefit from the status and experience of the Community, which, however, would also stand to benefit from Brazil's standing and diplomatic experience, thanks to its traditional position as an intermediary which means that it is often particularly well placed in international negotiations.

Finally, we should also mention the importance which the agreement under discussion attaches to the establishment and progress of MERCOSUL. The Community thus stresses the role of this move towards integration (as it does that of other such trends) since it is in the interest of all (and, over and above the agreement itself, accords with the undertakings given within GATT) to create an area which can progressively open up its relations with the rest of the world and particularly the Community.

CONCLUSIONS

Although the drawing up of an own-initiative report on economic and commercial relations between Brazil and the Community was the result of a motion for a resolution tabled in May 1991 by Mr Cano Pinto, the European Parliament was already aware of the need to encourage closer links between the two regions. Such drawing-together is, generally speaking, desirable with regard to any country, but in the case of Brazil, its enormous demographic and economic significance and its importance with regard to the ecological stability of the planet make it particularly important. At the same time, there is the sensitive issue of Brazil's major domestic imbalances and problems which the authorities are seeking to resolve in a sustained effort which would not yet have begun or would be very much more painful if such cooperation as the Community can provide were not forthcoming.

Parliament, having already expressed itself in these terms on this subject, can only extend a warm welcome to the agreement which has now been signed with Brazil. It is in keeping with other agreements signed with other Latin American countries, and Parliament believes that, in a comprehensive fashion, it meets real needs.

Basic statistics for Brazil				
	Brazil	LA-20	EC	USA
Area (1000 sq.km)	8,512.0	19,997.1	2,361.6	9,372.6
Population (MIO, 1990)	153.3	442.0	342.0	249.9
Population/sq.km	18	22	145	27
Infant mortality (per 1000):	57.0		8.0	7.8
Expectation of life at birth:	66.3	67.4	76.1	76.3
Demographic dependency (1):	64.9	68.9	48.8	51.0
Gross dom. product (1989):				
MIO USD (cur prices/exc rates)	447,350	926,242(2)	4,850,973	5,131,998
Per capita in PPP USD (1989)	4,951	4,464	14,951	20,998
Annual average growth of per cap. real gross dom. prod. (%):				
1960-1990	3.5	2.2	2.7	1.9
1980-1990	0.5	-0.5	2.1	2.5
1989-1990	-6.0	-2.0	3.1	2.0
Balance of paym. (1990, MIO USD):				
Merchandise: exports (fob):	31,390	121,723(2)	1,319,532	389,540
Merchandise: imports (fob):	20,598	92,715(2)	1,323,466	497,660
Trade balance:	10,792	29,008(2)	-3,937	-108,120
Current account:	-2,032	-1,007(2)	-9,250	-92,160
Direct investment:	65	6,197(2)	-15,807(6)	3,750(6)
Total ext. debt (1990, MIO USD):	116,173	422,592		
Debt service as % of exports of goods and services:	21.8			
Consumption of energy per capita (kg of coal eq.):				
1970	430	727	3,621	10,796
1980	748	1,086	4,296	10,237
1989	798	1,097	4,311	10,131
Labour force (%):				
Agriculture	25.0	25.2	6.7	2.9
Industry	21.4	20.1	33.4	26.9
Services	34.0	32.6	59.9	70.2
Women in labour force (% of total labour force), 1988-90	35.1	31.9	39.7	41.5
Adult literacy rate (%), 1990	78	82	98	96
TV/1000 inhabitants (1986-88)	191	145	310 (1989)	665
Telephones/1000 inhabitants (1986)	55	51	395 (1989)	504
Motor-cars/1000 inhab. (1986)(3)	76 (1984)	65	370 (1989)	566

Sources: Stat. Yearbook for Latin America and the Caribbean, 1991, UN
 Basic Statistics of the Community, 28th edi., EUROSTAT
 Handbook of int. trade and dev. stat., 1991, UNCTAD
 Balance of Payments Statistics Yearbook 1991, IMF
 World Development Report 1990, The World Bank
 External Trade, 1-1992, EUROSTAT
 International Financial Statistics, IMF
 Indice des prix a la consommation, EUROSTAT
 Human Development Report 1992, UNDP
 Labour Force Survey, Results 1990, EUROSTAT
 World Debt Tables, 1991-92, vol. 2, The World Bank
 Le dossier de l'Europe, 6-7/1991, CCE

Production: European Parliament/Statistical Service

(1) Population under 15 and over 64 as % of pop. between 15 and 64

(2) excluding Cuba, (3) estimates for the EC, (4) 1988, (5) 1989

(6) net

Note: Weightings in relations to populations

Community trade with Brazil by commodity classes, 1991

	EC-imports (cif)		EC-exports (fob)	
	1,000 ECU	- % -	1,000 ECU	- % -
Total	9,377,552	100.0	3,999,051	100.0
of which:				
SITC 0+1	3,207,195	34.2	285,827	7.1
SITC 2+4	2,221,140	23.7	63,620	1.6
SITC 3	79,480	0.8	35,342	0.9
SITC 5	455,380	4.9	817,952	20.5
SITC 7	1,055,008	11.3	1,929,872	48.3
SITC 6+8	2,211,887	23.6	634,405	15.9

Source: SIENA, EUROSTAT

Production: European Parliament/Statistical Service

Note: SITC 0+1: Food, beverages and tobacco

 SITC 2+4: Raw materials

 SITC 3 : Energy

 SITC 5 : Chemicals

 SITC 7 : Machinery and transport eq.

 SITC 6+8: Other manufactured products

Community trade with Brazil, 1981-1991

1,000 ECU

	EC-imports (cif)	EC-exports (fob)	Balance
1981	5,740,720	2,655,641	-3,085,079
1982	6,593,664	2,639,283	-3,954,381
1983	7,641,214	2,254,396	-5,386,818
1984	9,546,644	2,977,770	-6,568,874
1985	10,473,304	2,679,864	-7,793,440
1986	7,371,313	3,503,114	-3,868,199
1987	7,273,539	3,353,757	-3,919,782
1988	9,329,496	3,121,585	-6,207,911
1989	10,445,600	3,841,018	-6,604,582
1990	9,196,474	3,635,697	-5,560,777
1991 (1)	9,357,540	3,946,157	-5,411,383
1991: average 1980/81/82=100	164.1	148.0	-----
1991 (2)	9,378,961	4,000,339	-5,378,622

Sources: CRONOS-FRIC and SIENA, EUROSTAT

Production: European Parliament/Statistical Service

(1) only D (West)

(2) includes F.R. Germany as constituted October 1990

External debt of: Brazil 1980-1990					
MIO USD					
	Total debt stocks	of which: Long-term debt	of which: public guaranteed	Total debt service	Debt service ratio (1)
1980	70,975	57,429	40,824	14,692	63.1
1983	98,269	81,270	59,758	13,415	55.1
1984	105,254	89,942	70,639	13,989	46.3
1985	105,966	91,733	74,557	11,310	38.6
1986	113,550	99,364	84,723	11,809	47.0
1987	123,668	106,031	91,596	12,042	41.9
1988	115,666	101,417	89,903	17,740	48.2
1989	111,311	90,307	84,300	11,552	29.8
1990	116,173	89,869	82,098	7,405	21.8

Source: World Debt Tables 1991-92, Vol. 2, The World Bank

Production: European Parliament/Statistical Service

(1) total debt service as % of exports of goods and services

External trade of: Brazil						
						MIO ECU
	Exports			Imports		
	Total	of which: EC		Total	of which: EC	
		Mio ECU	%		Mio ECU	%
1983	24,548	7,099	28.9	18,875	2,363	12.5
1984	34,228	8,637	25.2	19,277	2,438	12.6
1985	33,594	9,037	26.9	18,785	2,752	14.6
1986	22,777	5,979	26.2	15,815	3,507	22.2
1987	22,715	6,012	26.5	14,365	3,145	21.9
1988	28,571	7,903	27.7	13,571	2,929	21.6
1989	29,644	9,035	30.5	18,179	3,533	19.4
1990	25,338	7,830	30.9	17,622	3,623	20.6

Source: Direction of Trade Statistics, Yearbook 1991, IMF
Production: European Parliament/Statistical Service

Community trade with Brazil by Member States, 1991
 EC-imports (cif) 1,000 ECU

	1991		January-April:		
	1,000 ECU	-%-	1991	1992	Index 92/91
Total	9,378,961	100.0	3,179,199	2,782,691	87.5
of which:					
France	1,205,731	12.9	451,665	366,046	81.0
Belg.-Luxbg	714,608	7.6	223,565	229,741	102.8
Netherlands	1,602,842	17.1	571,160	418,357	73.2
Fr Germany	1,876,097	20.0	634,526	611,862	96.4
Italy	1,481,261	15.8	495,229	459,631	92.8
Utd. Kingdom	1,194,273	12.7	374,735	382,366	102.0
Ireland	35,567	0.4	11,674	10,376	88.9
Denmark	123,250	1.3	45,441	37,459	82.4
Greece	160,971	1.7	45,750	19,558	42.7
Portugal	302,493	3.2	119,635	74,606	62.4
Spain	681,868	7.3	205,818	172,689	83.9

EC-exports (fob)

	1991		January-April:		
	1,000 ECU	-%-	1991	1992	Index 92/91
Total	4,000,339	100.0	1,065,864	1,076,463	101.0
of which:					
France	612,366	15.3	164,041	145,022	88.4
Belg.-Luxbg	133,794	3.3	32,616	46,432	142.4
Netherlands	282,402	7.1	67,113	71,860	107.1
Fr Germany	1,475,926	36.9	406,938	420,800	103.4
Italy	731,954	18.3	198,717	218,559	110.0
Utd. Kingdom	478,225	12.0	145,331	117,884	81.1
Ireland	57,038	1.4	5,438	6,438	118.4
Denmark	70,639	1.8	9,786	14,540	148.6
Greece	3,851	0.1	1,790	1,557	87.0
Portugal	30,256	0.8	5,856	7,421	126.7
Spain	123,889	3.1	28,239	25,949	91.9

Source: SIENA, EUROSTAT

Production: European Parliament/Statistical Service

MOTION FOR A RESOLUTION

by Mr CANO PINTO

pursuant to Article 63 of the Rules of Procedure

on economic and commercial relations between the European Economic Community and Brazil

The European Parliament,

- A. having regard to the considerable efforts made by Brazil over the last two years to restructure and develop its economy,
 - B. whereas, in order to combat the foreign debt crisis, Brazil and its creditor banks have recently reached an agreement on the payment of more than \$8000 million in interest owed on foreign debt and accumulated during recent years,
 - C. having regard to the agreement in principle recently concluded between Brazil, Argentina, Paraguay and Uruguay to establish a common market in the southern part of the American continent in 1995, which will enhance the economic significance of each of these countries,
 - D. whereas Brazil's trade with the Community shows a growing deficit, despite the fact that Brazil remains the Community's leading trading partner in Latin America, accounting for one third of total trade between the two regions,
 - E. whereas the Brazilian Government, the European Community and the World Bank have launched a proposed pilot programme for Brazilian Amazonia which could be the first step in a more extensive programme covering the entire Amazon region,
1. Instructs its appropriate committee to study developments in and prospects for economic and commercial relations between the Community and Brazil.

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