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AIRGRAM  
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A-1146

TO : Department of State  
INFO : BELÉM, BRASÍLIA, PORTO ALEGRE, RECIFE, SÃO PAULO

FROM : Amembassy RIO DE JANEIRO October 28, 1968  
SUBJECT : Brazilian Export System: Bonded Warehouses  
REF : CHRIP D and A-695 of April 17, 1968

1. Brazilian basic foreign trade Law No. 5,025 of June 10, 1966 and its implementing regulations (Decree No. 59,607, November 23, 1966) foresaw the establishment of bonded warehouses in the Brazilian territory. CONCEX Resolution No. 35 of August 22, 1968 regulates the organization and operation of such warehouses and includes the following main provisions:

AMB  
DCM  
MINECON  
RDG  
KUBISCH  
ECON  
E/COML:5  
CP:2  
POST ROUTING

I - Bonded warehouses shall be classified either "general" when destined to the warehousing of any exportable product or "special" when destined to the storage of oils and liquid products in bulk.

II - Enterprises may deposit goods destined to export without payment of any taxes or specific duties. These may be paid up to the date of shipment.

III - All usual export formalities are to be complied with before the goods leave the bonded warehouse for actual export.

IV - Export formalities, including classification and inspection of the goods, may be effected at any time before shipment.

V - Bonded warehouses may sign "commercial correspondence" contracts with similar entities abroad.

To:	Actn	Inf	Init
PO			✓
DPO			
POL		2	✓
POL/R			
ECON	1		
CONS			
ADMIN			✓
USAID			
USIS			
PC			
FILE		3	

Enclosures:  
As stated.

Action taken:

*Noted file*  
Initials:

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AMERICAN CONSULATE GENERAL

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RECIFE BRAZIL

ECON/COML:JPBecker:ADAnsarout:4a

ECON/COML:JPBecker



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VI - Bonded warehouses may issue warehouse-receipts, or warranty certificates in foreign currency transferable to similar entities with whom they maintain "commercial correspondence" contracts.

Comments:

2. The establishment of a bonded warehouses system is another measure in the series of steps adopted by GOB to promote exports. Specific advantages to exporters include:

- a. - Classification and inspection of goods in the bonded warehouse eliminates the inconvenience of effecting such formalities at ports and shortens the time necessary for shipment with subsequent reduction in handling costs.
- b. - Provides the much-needed pre-export financing for Brazilian export products, through the issuance of warehouse-receipts, or "warranty" certificates. Such a system opens a new horizon for the majority of medium and small exporters who usually have no adequate sources of credit to sustain a continuous export operation and suffer from shortage in working capital.

3. It should be noted that GOB is issuing implementing regulations for bonded warehouses intended to export operations only. There might be some pressures from traditional protectionists to avoid implementing the part relating to the import system, since they consider this type of warehousing as stimulant to imports. A similar regime does exist, however, based on Decree-Law No. 37 of November 18, 1966 (see Rio's A-555 of December 12, 1966) which allows the establishment of customs areas to deposit goods in pre-established premises without payment of import duties and under customs jurisdiction. This system has been lately applied to:

- a. - Premises destined to deposit goods for exhibitions, fairs and similar events.
- b. - Industrial establishments destined to repair or maintenance of machinery and equipment and its subsequent re-export to another country (example: authorization granted to Rolle-Royce S.A., as per enclosed copy of Portaria of the Customs Revenue Department published in Diário Oficial).

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