Brazil Pushes Panic Button and Slaps Restrictions on 60% of Imports

Contributed by Newsroom
Wednesday, 28 January 2009

The Brazilian government announced it has imposed restrictions on 60% of imports "to soften" the impact of the global crisis in its trade balance, which in the first four weeks of January has registered a totally unexpected deficit of 645 million US dollars.

The Brazilian Foreign Trade Department has begun to demand non-tariff requirements and import licenses for 17 trade sectors which represent 60% of imports.

"The decision means the return to the control of imports which Brazil applied strictly in the eighties and seventies," pointed out the prestigious daily Folha de S. Paulo in its Tuesday front page edition.

The measure is geared to reverse the dramatic drop in Brazilian exports and the difficult situation faced by the domestic industry, where in the state of São Paulo only, last December 120.000 jobs were lost.

Actually 650.000 Brazilians joined the ranks of the unemployed during December allegedly because of the impact of the global crisis and the fall in exports, points out the São Paulo publication.

Some of the sectors which now require an import licence are the wheat and flour industry, plastics, iron and steel, copper, aluminum, capital goods, electric equipments and machinery, textiles, auto parts, automobiles, surgical and optical instruments.

Until this latest round decided by the Foreign Trade Development Office, non tariff barriers in Brazil only applied to 10% of imports.

"Undoubtedly it is a protectionist measure. It's a crisis year and the government is looking how to defend itself in trade terms," said Gustavo Dedivits, president of the importers' association.

Roberto Gianetti da Fonseca, head of the Trade Department from the powerful FIESP, São Paulo's Federation of Industries, said the decision "seems a bit precipitated and taken out of fear."

In the first four weeks of January Brazilian imports were 645 million US dollars higher than exports, a monthly report that has not happened since 2000, according to the Ministry of Development and Foreign Trade.

LatAm's Job Losses

The International Labor Organization (ILO) says as many as 2.4 million Latin Americans could lose their jobs this year due to the global economic crisis.

The ILO says urban unemployment in Latin America will increase for the first time since 2003, to between 7.9% and 8.3%.

According to an advance of the Global Employment Trends report released by the ILO regional office in Lima, Peru's capital, the global slowdown will reverse last year's gains in urban employment.

Joblessness last year dropped to 7.4% from 8.1% in 2007, in the region as a whole. However this was in the context of a regional average GDP growth of 4.6%, while the forecast for 2009 is 1.9%.

ILO is expected to issue its full annual Global Employment Trends report (GET) assessing the impact of the global financial crisis on employment, unemployment, working poverty and labor market vulnerability in 2009 later this week.

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