Statement by H.E. Mr. J.... Alkimin, Minister of Finance of Brazil, at the plenary meeting held on 15 October 1956

I am delighted at the opportunity given me to explain the views of the Brazilian Government on the question of the Brazilian Customs Tariff Reform, a matter included in the agenda of the conference. The Brazilian Government attaches the greatest importance to this problem, and therefore, after attending in Washington the meetings of the International Monetary Fund and the International Bank, it seemed to me that I should come to Geneva in order to explain to you in frank terms the reasons which have led us to request the National Congress to modify our customs system; this modification which is necessary in view of commitments resulting from the General Agreement on Tariffs and Trade requires the consent of the Contracting Parties. What we want to do is to replace our present customs tariff by another more in keeping with the requirements of Brazil's economic development. I do not propose to go into the technical details of this reform. That will be the task of our specialists, who attended the Eleventh Session of the Contracting Parties as members of the Brazilian delegation. I will, therefore, confine myself to giving a general outline of the programme of commercial and financial policy of the Brazilian Government.

To begin with, I must emphasize the fact that the Government is firmly resolved to ensure the greatest possible liberty for our economic activities, a policy which, in our opinion, is a prerequisite for the promotion of private initiative. Now this is a matter which requires a great deal of time as it is a question of simplifying the exchange and commercial systems obtaining in our country. At the same time, the Government, whose action must necessarily be prudent, must also be convinced that the measures it takes will have lasting results. All such measures must tend to establish stable legal conditions for private capital, whether domestic or foreign, so that it may contribute, in an atmosphere of confidence, to the development of Brazilian economy.

We are all aware, that the achievement of these aims depends essentially on our trade with foreign countries. Hence the importance of GATT for all countries in process of development. Consequently I wish to state here and now - and all available information goes to back my declaration - that Brazil, despite the urgent requirements of the present economic situation, has no intention of adopting measures which, in the long run, would
contribute to a reduction of the volume of its foreign trade. Quite on the contrary, even though the volume of our purchases abroad is limited by available currency reserves, we have always allocated as much money as possible to our imports. We know that there are moments when unavoidable circumstances force us to exceed reasonable limitations. And it is such circumstances which, on certain occasions, have forced us to introduce limitative measures in order to re-establish a satisfactory balance.

It is also important to point out that we have earmarked a large amount of our currency reserve to meet our obligations under the consolidated debt of Brazil. Thus, during the last few years, we have devoted $950 million to the redemption of and the payment of interest on this debt; of that total $420 million were absorbed merely by the payment of interest. There has been no case of default in connexion with the foreign debts of Brazil either at a federal, state or municipal level. The only exception is one commitment, involving a very small amount, the settlement of which is now in the hands of the banks.

I wish to repeat, however, that the policy of the present Government is to establish conditions of freedom of an automatic nature which will stimulate our foreign trade.

The financial situation of Brazil has, however, obliged the Government to adopt and give priority to anti-inflationary measures in all sections of our national effort where they are necessary, and I am very pleased to see the first results of this policy reflected in an improvement in the foreign exchange rates for our national money. This improvement we trust will continue thanks to further measures which we intend to carry out methodically, patiently and tenaciously.

With such ends in view, the first measures taken will be of a fiscal nature and will tend to ensure a balanced federal budget. Four main laws will be introduced and will cover the customs tariff, the consumption tax, income tax and the stamp tax. The four drafts are at present under consideration in the National Congress and the executive authorities hope to be able to apply the new legislation in time to ensure that the 1957 budget will benefit from the increased revenue which they will ensure. I emphasize once again that this plan is of the greatest importance for my Government and I hope that the delegates attending this meeting who represent the same governments as those which took part in Washington at the meetings of the International Monetary Fund and the International Bank will be able to appreciate and ultimately to accept the arguments which Brazil submitted to the International Monetary Fund.

Among the laws at present being reviewed is the Customs Tariff Act, and in view of the formal obligations assumed by Brazil, in particular vis-à-vis the Contracting Parties to GATT, its full application will depend on the approval of the latter.
Although the aims of this reform are primarily of an economic nature, it is essential to point out that it is its fiscal effects which require its immediate adoption. The increase in revenue which will result will be one of the most important factors from which the Government will benefit in its campaign against budgetary deficits. And, in reality, there is no alternative to this measure. Inflationary pressure is so great and the need for prompt and decisive action to re-establish our financial position so urgent that the question of our commitments towards GATT must be considered from a realistic standpoint.

The policy traditionally adopted by Brazil is, in the international field, to support all measures taken to maintain the system of multilateral action which it considers to be the best to safeguard democratic principles and freedom of initiative, by collaboration and a pooling of resources.

Moreover, it seems important to remember that the abandonment of multilateral policy would be equivalent to a return to bilateralism.

We are convinced that the effects of the application of the new tariff will in no way prevent us from putting our case before the Contracting Parties. This conviction is based on the fact that our tariff reforms will introduce no new customs element in the composition of the cost of our import trade. In practice, we are simply transferring to fiscal revenue the part of the receipts which, under the present auction system, constitute a burden on imports.

Furthermore, we feel able to state that the tariff reform will lead to no reduction in the volume of our imports nor to any modification of their present composition, provided always that in drawing up the new tariff due account is taken of our long experience in relevant matters.

That being so, the problem that we are submitting today to the Contracting Parties is not so complicated as appears at first sight, for the general interests which are affected have been duly studied and taken into consideration during a series of technical studies. That is why the Brazilian Government has decided to ask the Contracting Parties for the right to deviate from its obligations under the tariff items in Schedule III annexed to the General Agreement.

As I have already said, it will be for the Brazilian delegation to study the technical details with you. I should like to take this opportunity, however, to re-emphasize my hope that this organization, faithful to its traditional and pragmatic policy, will not refuse to recognize the merits and the justice of our case. The aim of the proposed measures is merely to ensure that our economy and our commercial policy have the support of elements which, according to GATT itself, are from a technical point of view the most suitable to ensure their protection, namely a customs tariff constituting a single tax of a protectionist nature.
I would like to believe that the advantage of the new system over the old will be immediately noted.

I also wish to inform you that when in Washington for the meeting of the International Monetary Fund, I was able to discuss formally and at the appropriate level the problems of a monetary order which result from the application of the new tariff.

Finally, I hope that the aims of the recent review of the General Agreement will be rapidly achieved and that the new Organization for Trade Cooperation can begin to function and to administer the agreement concerned. I hope that the comprehension of all and a spirit of collaboration will facilitate the task of this organization, the utility of which has already been amply proved by facts, despite the legal handicaps which in past years have prevented the application of the Agreement.