The following statement was made in plenary session, on 23 October, by Mr. Julio Augusto Barboza-Carneiro, leader of the Brazilian Delegation, introducing the discussion on the new customs tariff which has been submitted for the approval of the Brazilian Congress.

Subsequently, the Contracting Parties decided to set up a working party to study the question in detail.

"At the meeting held on 15 October Mr. José Maria Alkimin, Minister of Finance of Brazil, outlined the economic and financial position of my country and informed you of the measures taken by the Brazilian Government in order to tackle the problems resulting from that position. He pointed out that one of these measures was the plan for a new ad valorem customs tariff which is being debated in the House of Deputies and he mentioned the application which will be submitted to the Contracting Parties in order that they may adopt a resolution providing for the application of this tariff immediately after its approval by the National Congress.

"As we are to begin today the study of item 20 of the agenda, 'the Brazilian tariff', I should like to take this opportunity to describe at somewhat greater length not only the reasons which led my Government to revise the present tariff but also the technical, fiscal and economic aspects of the new tariff as well as the probable consequences of its application. Finally, taking account of Brazil's obligations as a contracting party to the General Agreement, I should like to outline the type of action which my Government would feel it most appropriate for the Contracting Parties to take at this time.

"First of all, I should like to point out that the present tariff has been in force for several decades and cannot protect the legitimate interests of national production which is developing very rapidly; on the other hand, the tariff cannot yield the revenue which the Government needs in order to cover the ever-increasing budgetary expenditure. The nomenclature is obsolete; it is confused, it does not provide for many goods which are produced as a result of new techniques. But what is still worse than the nomenclature is the present system of import duties and the very rate of these duties and this is clearly
shown if one considers the fact that whereas in the year 1934 the customs revenue constituted 33 per cent of the total revenue budget, this percentage had fallen to less than 3 per cent in 1955. Furthermore, from the economic point of view, the levy based upon specific duties, at a time when in Brazil we are wrestling with inflation and the constant rise in the price of imported goods, justifies fully the statement that the economy of the country is entirely without protection through its customs tariff. This situation, that is to say the heavy demand for foreign products, the low level of revenue derived from our exports and the inadequacy of foreign capital investment, has led the Government, in view of the very serious disequilibrium of our balance of payments, to establish quantitative restrictions, first of all under the import licensing system and ever since 1953 by a system of auction sales of foreign currency for purchasing foreign goods; in other words we divert to imports a substantial amount of the revenue from our exports. Thus, instead of the protection of national labour being effected through import duties, it is at present being assured due to the level of agios resulting from the auction sales of foreign currency. The amount of currency allocated is broken down into five categories according to the essential nature of the goods which we desire to import. However, the Government felt that protection should be established on a more appropriate basis, that is, on the basis of the customs tariff. However, I should point out that the changes envisaged in no way imply the abolition of exchange control; this control is necessary not only because the currency available is very limited but also because we have to take account of the requirements of our economic development.

"As a first step towards revising the present tariff, we set up in 1951 a committee composed of representatives of the various federal administrative departments as well as representatives of the various sectors of economic activity. In view of the obsolete nature of the nomenclature, it was decided first of all to adopt the nomenclature recommended by the 1950 Brussels Convention. We also took into consideration the studies published by the Customs Cooperation Council.

"With regard to the level of import duties which should be included in the new tariff, the Committee took full account of the experience and practical results which had been obtained from the application of quantitative restrictions for more than ten years. These restrictions, as all delegations here present are well aware, became necessary because of the constant disequilibrium in our balance of payments. The Brazilian Government feels that the new import duties correspond not only to the immediate and long-term interests of our country but also to the composition of imports during the period which I have just mentioned. Furthermore, the Commission had to take account of the inflationary pressure which is still being felt in Brazil. These are the basic reasons which led us to recommend the adoption of the ad valorem levy system."
"In presenting the text of the new draft tariff for consideration by the Contracting Parties, my Government would like to stress its conviction that this new tariff will not lead to any increase in the cost of imported goods, nor will it lead to any change in the composition of imports, nor to any decrease in their volume.

"As far as the first point is concerned, it seems obvious that the offers for the purchase of currency made by importers at the auction sales of foreign currency will necessarily be influenced by the import duties on the products for payment of which the currency is required. The logical result of this will be that the offers will be lower than at present, for the importer will have to take account of the price limits on the domestic market.

"It is obvious, also, that the purchase offers will become higher and higher if there is an aggravation of inflationary processes while the amount of foreign currency available remains stationary. Thus, we may conclude that the new tariff will not result in an increase in the cost in cruzeiros of the imported goods.

"As to the second point, i.e. the breakdown of imports, we may quite logically say, as I have already done previously, that the natural consequence of the implementation of the tariff will be the transfer to fiscal revenue of a share of the amount at present levied on imports, this amount being made up by the agios resulting from the auctioning of foreign currency. It is therefore technically probable that the composition of imports will still be the same after the new tariff becomes effective.

"Let us now turn to the last point. It is hardly necessary to recall that for countries in the process of economic development the volume of imports will always depend on the foreign currency available to them.

"I would now draw your attention to the following passage in the declaration of our Minister of Finance. I quote: '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 these reforms are primarily of an economic nature, it is necessary to point out that its effect in the fiscal field in particular justifies the urgency of its implementation. In fact, the increase of revenue which we expect from these measures will constitute one of the most powerful weapons at the Government's disposal in its struggle against budgetary deficits. That is why we have no alternative solution. Inflationary pressure is such, and the
need for some decisive action in the pursuit of our programme of financial recovery so imperative, that the problem of our commitments towards the GATT must be considered with realism.

"I do not think that it is necessary to insist any further in order to justify the urgency of a full implementation of the new tariff. All that remains for us is to consider, in relation to the commitments resulting from the Agreement, which steps the Contracting Parties feel should appropriately be taken in order that the measure may become effective in full immediately after its approval by the National Congress.

"The Brazilian Government feels that the rules for renegotiation, contained in Article XXVIII of the General Agreement, which only make provision for the introduction of certain modifications to the content of the schedules are not adapted to the peculiar aspects of the complete revision of the Brazilian customs tariff. This seems clear from the statement of Mr. Alkimin, and I hope I have made it equally clear today. It is sufficient to recall the difficulty which would arise in transposing into the new tariff the concessions contained in Schedule III, a difficulty which is mainly due to differences in the nomenclature. For instance, the 1,300 items which have been negotiated by Brazil correspond to more than 4,000 items in the new nomenclature, for example, if we consider item 1106 of the present tariff relating to 'intermediates not specifically mentioned for the manufacture of analine dyes', we note that it is very difficult to find this item among the more than 3,000 items included in Chapter 29 of the new tariff, covering organic chemical products. Furthermore, it is equally difficult to determine what would be the possibility of granting compensation if we consider that almost 65 per cent of the value of our imports were negotiated at Geneva, Annecy and Torquay.

"We believe that, in view of its exceptional and urgent nature, our case should rather be considered in the light of the provisions of Article XXV, paragraph 5, of the General Agreement, so that, if the Contracting Parties recognize the urgent and exceptional nature of our application, a waiver of our commitments under Article II should be granted.

"It seems important to point out that the Brazilian Government is firmly convinced that the interests of contracting parties will not be affected by the implementation of the new tariff. This is based on the various arguments and the information to which I referred a little while ago, full details of which will be provided for the consideration of this matter by the working party which we hope will be set up for this purpose. Furthermore, I should like to stress that the Brazilian Government recognizes that any contracting party has the right to suspend the application of the concessions granted to Brazil, and it is ready to negotiate with any contracting party which might possibly feel that there was damage to its interests.
"In conclusion, I should like to re-affirm Brazil's great interest in remaining a party to the General Agreement on Tariffs and Trade. As our Minister of Finance stressed, when he addressed the Contracting Parties, Brazil's traditional policy 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 the pooling of resources.' We are sincerely convinced that in setting our case before you we may count upon your understanding, and that it will be possible to find a solution which will satisfy the interests of all contracting parties, without, however, weakening the structure of GATT.