A new Brazilian customs tariff has been completed and submitted to the Brazilian Congress. Early in the current Session a working party was set up to examine the effects which the introduction of the new tariff would have on Brazil's obligations under the GATT and on the interests of the other contracting parties.

The Working Party agreed that, in view of the obsolescence of the existing tariff nomenclature and of the effects of price movements on the incidence of the specific rates of the existing tariff, a revision had become necessary. It also agreed that, in view of the exceptional circumstances in which the Brazilian Government found itself, it would be reasonable for the Contracting Parties to enable the Brazilian Government to put into effect its tariff reform without delay. The Working Party agreed to recommend to the Contracting Parties a suspension of the Brazilian tariff commitments to enable the Brazilian Government to introduce the new tariff and to see in practice how this new tariff would influence the trend and pattern of imports.

The Contracting Parties have therefore taken a Decision which grants to Brazil a waiver from the provisions of Article II, paragraph 1, of the GATT to the extent necessary to permit the Brazilian Government to put into force its new customs tariff immediately following its enactment by the Brazilian Congress. The duration of this waiver is limited to the time required for the completion of tariff negotiations to replace the present Brazilian schedule of tariff concessions annexed to the GATT and for the entry into force of the resultant concessions. It is suggested that a period of one year from the date of enactment of the new tariff should be sufficient. Pending the entry into force of the results of the negotiations, the other contracting parties will be free to suspend concessions initially negotiated with Brazil.

The Decision of the Contracting Parties contains the procedural and legal provisions which are required to finalize the results of the tariff negotiations and to establish the status of Brazil vis-à-vis the General Agreement on a durable basis.

Under the terms of the Decision the Brazilian Government has given assurances to the Contracting Parties that during the period covered by the Decision (i.e., until the tariff negotiations are finalized and enter into force) the introduction of the new tariff will not result in any significant increase in the cost of imports in the Brazilian market, nor bring about an
alteration of the existing pattern of imports, nor reduce the volume of
trade in accordance with the availability of foreign exchange. It is the
opinion of the Brazilian Government that the entry into force of the new
tariff and the simplification of exchange procedures for imports which the
Brazilian Government intends to undertake, will lead to a substantial
reduction of the present discriminatory aspects of import controls.

The Contracting Parties also decided to establish a Tariff Negotiations
Committee to consider questions of general concern to the negotiating parties
and to make the arrangements for the conduct of the tariff negotiations
referred to above.

The Working Party which examined the effects of introducing the new
Brazilian tariff also considered the long-outstanding complaint, originally
made by France and the United Kingdom, regarding the discriminatory appli-
cation of certain Brazilian internal taxes against certain French and United
Kingdom exports. Assurances were given by the Brazilian delegation regarding
the enactment of a new excise law which would eliminate the discriminatory
aspects of the present legislation and the Working Party hoped that this
question would now be settled.