There are exactly thirty years, that in this same town of Geneva, the World Economic Conference of 1927 recommended a general reform of the instruments of commercial policy in force at the time, with the intention of promoting a general reduction of tariffs, as well as the abolition of quantitative restrictions and differential internal taxes, the adoption of non-discriminatory procedures and the elimination of any other obstacles opposed to the expansion of trade between nations.

It was sought, in this manner, to give a concrete expression to the idea of multilateralism, which was emphasized with an admirable sense of reality by President Wilson, at the exact moment in which the world was suffering the terrible consequences of the first universal conflict.

The great crisis of 1929 demonstrated, in practice, that the economic stability of each people is inseparable from the world economic stability, as a whole. And the second conflagration, in turn, confirmed the thesis that peace and international security cannot be achieved nor maintained through a mere declaration of the principle of juridical equality amongst the States, inasmuch as it is indispensable to supplement it by a collective and persistent effort in order to narrow gradually the existing gaps among unequal levels of economic development.

These principles have pervaded the systems of Bretton Woods and San Francisco, their practical objectives, if not as yet completely attained, as we have consistently pointed out in recent international gatherings, have an intrinsic ethical and economic value which still gives us hopes as to their fully implementation.
The Charter of Havana embodied, in a given moment, the doctrine of multilateralism, designed for application to a reality marked by disequilibria between highly industrialized and less developed nations, principles that would not have any pragmatic value, should they not take into consideration these fundamental diversities.

Detaching itself from the Statutes of the International Trade Organization, the GATT did not incorporate, but partly, the provisions tending to guarantee conditions of equivalence of position to countries differentiated by distinct levels of economic development. Multilateralism, however, has survived, but limited only to its formal aspect, and that exactly because it has not been possible to resort to the corrective factors which have been so carefully inserted in the Charter of Havana.

It also occurred that the maintenance of preferential systems for certain countries and also for non-self-governing regions, besides colliding with the basic principles on which the GATT should rest, implied an unequal treatment to the contracting parties of primary economic structure, the production of which would compete with that of colonial areas.

It would have been in the expectation of supplementing the GATT's system with that of the Statutes of the International Trade Organization, that the majority of the contracting parties of less developed economies - and this was the case of Brazil - agreed to participate in the General Agreement, although it would not comply with the specific demands of their economic development process, nor with the natural hopes of improvement of standard of living of their people.

Our hopes were mostly frustrated. In spite of the efforts spent in Torquay, only in 1955, when the Agreement designed for temporary application had been in force for seven years, the revision of the GATT's text was finally carried out, with the fullest support of Brazil, through a reformulation of the statutes in the light of the experience acquired, in order to compensate, to a certain degree, the lack resulting from the non-ratification of the Charter of Havana.

This step, which opened new horizons to additional expectations, has taken place, however, amidst a reality where other national claims and regional blocks burst-out, and seek to translate themselves into concrete forms of action. Unfortunately, no matter how respectable they might be, these claims at times are becoming effective with no consideration to the prejudice they will bring, under certain aspects, to other, not less legitimate, interests of third nations.

The Brazilian Government is thus forced to consider the political and economic fact of the creation of the European Common Market under two orders of ideas.
We have reasons to praise the initiative that aims at the economic integration of European nations to which we are bound by the closest political and cultural affinities. We regret, however, that such progress - so much in conformity with the doctrine of multilateralism in international transactions - is about to become effective in a manner which will cause so significant reflex damages to the less developed economies.

It will not be necessary to emphasize the efforts in which the countries undergoing a process of economic developments are engaged, to accelerate their rhythm of growth, in order to achieve a recovery of their lagged economies and, through a better distribution of income, to attain more advanced levels of social welfare. If envisaged through this angle, the Treaties of Rome cannot fail to cause them deep concern. Does it not exist in those instruments, although explicitly inspired in the sound purposes of liberalization, a contradiction in their own terms, when they liberate trade and stimulate supplementations within a non-competing group of contracting parties, which isolate themselves from the rest of the world that produces and trades, through tariff and extra-tariff discriminations?

The original failures of our GATT - and I do not need to mention again the preferences to make myself understood - will be broaden, and in a manner to make still less competitive the export products of the contracting parties of the General Agreement on Tariffs and Trade, which already suffered from the competition of the privileged colonial areas.

I take the liberty to recall, at this stage, the multiple problems that such an initiative will arouse, problems that present themselves as most serious obstacles to our economic development. The intensification of preferential competition will arouse serious distortions in the relations of economies such as the Brazilian economy, with those of highly developed countries included in the Common Market, as well as with non-autonomous associated economies. Inasmuch as primary economies have no alternative of exports, any additional restriction to the forwarding of their products to the traditional purchasing markets will undoubtedly represent an equivalent reduction of imports originating from those markets.

With no desire to exaggerate this short critical analysis, but only with the purpose of rendering clear and precise the apprehensions which I have announced, I must remark that the system of preferences contemplated in the Treaties of Rome, magnifies, against our most legitimate interests, those negative aspects pointed out earlier in relation to GATT, for they increase the discrimination gap in a series of cases listed in the text of the agreement. As a consequence of these discriminations, the implementation of the quadriennial programmes might
arise crises in our economy, the intensity of which will be strictly linked to the decrease of competitive capacity to place products in our traditional export markets.

The announced participation of the world of primary economy in the increase of income and consumption within the frame of the European Common Market is rather doubtful; on the contrary, it is licit to admit that both the commercial and investment policies foreseen in the Treaties of Rome will stimulate trade but only between the metropolises as well as between these and overseas associated areas.

In compliance with the Charter of the United Nations, it is the sacred mission of the metropolitan governments to promote, through all available means, the economic and social development of non-self-governing territories lato sensu. However, we cannot accept without reserve that this development and the correlated idea of progressive autonomy of the colonial peoples could be better achieved through a policy of investments which, meant to be one of recovery of colonial primary economies, might be distorted in its application by commercial interests, at the expense of disruption of traditional commercial relations. Will not the Treaties of Rome, because of political motivations, also exert an influence over a flow of investments which, without these motivations, would tend to follow the traditional trends of commerce?

I feel I do not exaggerate if I say that the balanced and harmonious development of the world economy, as a whole, has often suffered — and, I grant it, without malice — from the confusion established between the rationalization of commercial interests and economic solutions inspired in high social and political objectives. To increase the rate of economic development of the colonial areas with a consequent reduction in the pace of growth of economies that, while politically independent are still insufficiently developed, will not bring a net gain to the world economy as a whole.

In summarizing this analysis of the compatibility of various provisions of the Common Market Treaty with the principles of equivalent competition, I beg leave to repeat that the implementation of these provisions may arise substantial diversions in the world commercial trends. As a consequence of these diversions, the primary economies will suffer, not only because of the reduction of their export proceeds, but also through the resulting effect of decrease in their rhythm of economic development. Furthermore, the Common Market, such as conceived, does not grant us hopes for compensating an eventual reduction of commercial proceeds by a continuous and proportionate inflow of capital. In this manner, I do not see how the idea of the Common Market, however commendable in principle, can improve the position of countries needing to increase sales of their basic products, at prices not below those known as critical levels, in their traditional purchasing markets. The historical experience and the painful lesson of still recent events show that the maintenance or the possible worsening of such limitations to the process of economic development will provide a permanent stimulus to the upshot of the social crises with political repercussions, upon which I do not feel necessary to insist.
Coupled with these considerations, which seem indispensable to us for a better understanding of the nature and the scope of the Treaty of Rome, it is also our duty to verify if, and in what measure, these instruments adjust themselves to the commitments of their signatories as contracting parties of the General Agreement on Tariffs and Trade. Mr. Chairman, the Brazilian Government believes that some provisions of the Treaty of the European Economic Community, besides their incompatibility with the premises that were the basis of those considerations, stand against essential rules of the GATT and thence impair the relative equilibrium which had been attained by the General Agreement after the Protocol containing alterations of its text had been enforced.

This Treaty, submitted to the Contracting Parties, under Article XXIV, does not abide by the rules of same article through which the customs unions have the purpose of facilitating "trade between the parties and not to raise barriers to the trade of other contracting parties with such parties".

These provisions of the Treaty of Rome would exceed, in our judgment, the widest interpretation of this article and determine programmes of action which involve trade discriminatory practices, overthowing the inconditional rule of the most-favoured-nation clause, the very foundation of GATT.

The contracting parties will have the opportunity to compare, in the course of the Twelfth Session, in detail and with all the time required, the texts of the two instruments. Thus, I will not consider now the apprehensions of my Government about the chapters of the Common Market agreement which deal with agricultural, commercial and economic policy, as well as those referring to quantitative restrictions. As to now, I want to advance that the Brazilian Government believes that many of its provisions are contrary, in principle, to the rules of the GATT regarding the scope of action reserved to the Contracting Parties in those sectors.

I want to insist, however, thereby emphasizing its special importance, on the chapter concerning the association to the Treaty of overseas areas. In future, the products originated from these areas will benefit, permanently, from a preferential treatment in the metropolitan markets included in the Treaty of Rome, wherein they will enter free from any customs charges, and protected by tariffs, some of which apparent and some others invisible, applicable to similar products of third countries.

To consider such situation as falling within the terms of Article XXIV, or of those of a waiver in the light of Article XXV, would constitute an inadequate treatment of the matter, leading to the aggravation of unequal competitive conditions within the GATT.

Thus, as the situation, intended to become a reality, exceeds the concept of customs unions contemplated by GATT, and, on the other hand, as it does not adjust itself, in virtue of its permanent character, to the procedures foreseen for the granting of waivers, it might be well to consider its implementation as
requiring an amendment to the General Agreement. In this instance, it should be considered, at the same time, compensations to those contracting parties that, such as Brazil, will be substantially affected in their trade with the Common Market area.

We would deeply appreciate that all these questions could be thoroughly examined in a forum of a wide debate, wherein, helped by the goodwill that leads to constructive solutions, it would be possible to harmonize the legitimate interests of the contracting parties. With this disposition, we consider essential a reaction along these lines by the six friendly countries that integrate the Economic European Community.

To finish, Mr. Chairman, I wish to express my desire that, in the course of this Session, an agreement may be reached to serve as a common denominator to the relationships between countries in process of development and those highly industrialized, included or not in the General Agreement on Tariffs and Trade.

The distortions which I referred to, corrected or compensated, we will have every reason to enthusiastically applaud the high social and political meaning of the Common Market Treaty.