We are now meeting in a moment of foremost importance for the history of GATT. Profound changes are occurring in our world, and these changes affect not only the economies of the highly-industrialized countries, but affect as well those of such countries as are now beginning to fight for prosperity and a more equitable social order.

The General Agreement has not remained aloof from such changes. On the contrary, it has either encouraged outright, or given careful and sympathetic analysis to, and co-operated with these changes within the framework of its limitations. Many times, GATT has even been forced to adapt itself to new conditions, which showed themselves stronger than the forecasts of the Contracting Parties.

The present circumstances are a crossroad of expectations, anxieties of promises and doubts, hopes and promises for the more highly developed countries which may foresee a forthcoming era of prosperity, wealth and greatness - doubts and anxieties for those countries which, less favoured by fortune, becoming more and more painfully aware of the obstacles sewn across the path of their endeavours for progress, obstacles and difficulties only to be matched, perhaps, by the ever growing determination of the poorer countries to escape the chains of their poverty.

However, even those relatively few countries which, through enormous efforts, have reached a stage of self-propelling development, now look forward in fear to their possibilities of unhindered economic growth at a satisfactory pace, as the gap which separates them from the greatly developed countries widens more and more.

We are not unaware of the efforts which GATT has been making, particularly through the work of its Committees II and III, in the analysis of our problems.

We deem, however, that the moment has come for us to give to the conclusions of such analysis a more effectual and fruitful destiny, indeed the only apt destiny for the fulfillment of the objectives of GATT and of the avowed intentions of the governments which established it or which, later on, acceded to it.

Allow me to treat the proposed items of the Agenda, in a manner more adequately suited to the nature of the observations my Government intends to bring to the consideration of the ministers herewith present. Given the inner interdependence of these items, which, from the point of view of the less rich nations, consist merely in as many other obstacles to the orderly developments of their foreign trade, it is our opinion that our suggested approach is not only valid but perhaps it is also, under the present circumstances, one of the most fruitful.
My Government has never lost sight, in the formulation of its economic policies, of the commitments it accepted in the General Agreement. The Brazilian Government considers that the principles upon which the Agreement is based correspond to the real objectives of the growth of the international trade of the country.

Before I pass on to the anxieties my Government feels, with respect to the manner in which GATT principles are being applied, though, I would like to present a very quick glance at the economic evolution of my country and its prospects, so as to give to all here a better insight of our position with respect to the problems of the international trade community.

Without excessive simplification, it may be said that our modern economic development - that is, the evolution which occurred not within, but, on the contrary, outside and against the original framework of the colonial institutions - began to gather momentum during the phase of intensive industrialization, that began during the decade immediately preceding World War II. Soon enough, however, we learned the high price of progress in a world which was not prepared to consider its needs and its problems. Our balance of payments, which had shown not more than ten years with a deficit, in the whole 109 years elapsed between our independence and 1930, began to worsen markedly in the following years, of which about one-third showed payment deficits, and almost half had negative trade balances. This was the immediate cost of the painful effort to increase our per caput rate of growth from 1 per cent, to a still very modest 1.9 per cent per year. If the current level of income from our exports is maintained, we will have to incur a continuous balance-of-payments deficit of the order of 350 to 450 million dollars per year, just to be able to achieve a mere 2.5 per cent yearly growth of gross product per caput, even in case the average net influx of foreign capital remains the same as in the last ten years. I need not stress that our preoccupation with a reasonable minimum rate of growth is not an idle exercise, and that we consider 2.5 per cent per year the real bare minimum which our community will accept without very serious political and social soul searching.

It has been estimated that, in order to pay for the imports required to keep our economy growing, during the next crucial years, at a real annual rate of 2.5 per cent a year, our total exports would have to increase some 8 per cent each year, which means another 100 million per year, beyond and above the current total of 1,300 million dollars. Beyond this, it would still be necessary for us to obtain a net inflow of capital from abroad much larger than that of the last decade.

These considerations show the seriousness of the problems of our economic development, problems which are not ours alone, but reflect to a large extent that which is now happening in many other countries.

We cannot visualize fulfilling our needs by means of net foreign private capital alone. We all know the many uncertainties of the flows of such resources. Neither can we regard as feasible to complement our needs for capital from abroad solely by means of foreign public and private financing. Important as they are, the available funds fall definitely short of existing requirements.

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and, because of that, are subject to an excessive bidding from the less rich countries. We should think, even less, of a solution of self-sufficiency. Experience has shown us that such a heroic and radical answer can rarely be achieved without subversion of the existing institutions, a development which, I think we will all acknowledge, is no longer a matter for the exclusive concern of the country primarily affected by it, but also results in an actual serious danger for the very survival of the existing international order.

What has been said above is not a new position for us. Since the very first meetings of the Contracting Parties, we have indicated our conviction that the most serious hindrance to our economic development, as well as to that of other countries in comparable circumstances, was the low level and the insignificant rate of growth of our exports. Frequently, moreover, we called the attention of the Contracting Parties to the typical problems of countries which export commodities, particularly to the short-term fluctuations of income from exports, and to the long-term trend of this income to fall increasingly shorter of the minimum requirements of importation of goods and services.

Accordingly, what later on came to be defined as the fundamental principles of GATT, constituted, already from the beginning, the guiding rules of our action among the contracting parties.

It was our firm belief that, were international trade to be conducted on a non-discriminatory basis; were reasonable protection to local production of a competitive nature to be achieved through external tariffs alone; and were the mechanism of consultations to be founded on the equitable weighted ponderation of the differences between economic capacities, and power of the different countries - then would we have found the tool required for the disciplining of international trade.

That was not the case, however, and from the very beginning several exceptions were agreed to the rule of the most favoured nation, which resulted in a growing insulation of Latin America.

Later on, when Brazil presented its programme for the orderly substitution of its specific tariffs by ad valorem duties, we were faced with the firm and general re-vindications of equality of concessions, which, at best, should be considered contrary to true economic equity, since this consists in treating differently unequal parties.

Finally, it must also be said that the appeals of our various delegations to the Contracting Parties did not prevail to help convince the highly industrialized countries to eliminate, or at least to reduce their measures which restricted the trade of commodities.

These are the reasons why I allowed myself to approach the proposed Agenda from the point of view of the application of the fundamental principles of GATT, to the trade of the less-developed countries.

We have already mentioned the violations to the principle of non-discrimination. We also said that such violations contribute to the increasing insulation of Latin America.
Other countries, too, besides those of Latin America, are beginning to suffer the consequences of the trade preferences which are now tending to become hardened among the countries connected with the European Community.

At this point, it is convenient to clear our position, once and forever, from misunderstandings with respect to where we stand in relation to the European Economic Community. We are not contrary, by any means, to the treatment accorded by EEC to the countries of associated overseas territories. We have strived, and intend to go on striving, for a more favourable treatment of less-developed countries. We find it highly stimulating to register that the principle of equity, which we define as treating unequal countries unequally, has been consecrated in a text of such significance as the Treaty of Rome. Nevertheless, as we have always fought for this high principle, it becomes rather difficult for us to accept that it be marred and mutilated by its exclusive application to a few, to the exclusion of many.

Nothing that we say should be construed as our being in any way opposed to the European Economic Community itself. We favour and support all such collective efforts of co-operation for development. What we cannot endorse, what indeed we have to disapprove and to fight, is that progress for some be achieved through unfair penalties for others.

As for the second principle of GATT, which is that protection of domestic production should be sought for by means of tariffs alone, we must confess our sadness at seeing it taken as a desideratum, rather than as a criterion. And this is still so notwithstanding the valuable work of Committees II and III on the subject of the forms and nature of the several tariff and non-tariff barriers which the more highly developed countries oppose to imports from the poorer ones. Almost all highly industrialized countries avail themselves of non-tariff restrictions, such as internal taxes, import quotas, subsidies to local producers, and other means which disfigure, and impose a bias on international trade, bringing about a prospect of steady deterioration of the value of the exports from the producers of commodities. An apt example is the treatment accorded to coffee, which is the second biggest item in world trade, and which, in the case of Brazil, contributes with no less than two-thirds of the value of its exports. Finally, we do not deem correct the manner in which the mechanism of consultation is now being applied. When we submitted that our coffee exports were going to be seriously impaired on account of the preferences accorded to our competitors while, at the same time, high tariffs were to be levied on our own product, we received the answer that actually such impairment had not yet substantiated itself and, as a consequence, our allegation would not justify a modification of the equilibrium of the concessions. How is it possible though that a concession of preference might have any effect but to make it preferable to choose one instead of another?

As they postponed sine die the examination of the compatibility between the text of GATT and that of the Rome Treaty, the Contracting Parties forced those countries which did not derive any benefits from this Treaty - Brazil among them - to negotiate with the European Community under the terms of Article XXIV:6 of the General Agreement - in spite of there being no previous analysis of the applicability of said article, since, we repeat, it is not yet known whether the provisions of GATT are compatible with the Treaty of Rome.
In the defence of its interests, Brazil entered this rather extraordinary debate armed only with the letter and the spirit of the General Agreement, without means of economic or political pressure, and without even the backing of the majority of the contracting parties, whose position was either already covered and protected, or was not directly affected by restrictions imposed on imports of agricultural commodities from tropical areas.

It is estimated that 75 per cent of our exports to the European Community countries will be affected by the proposed common external tariff. This tariff does not take into account the fact that the volume of trade and the individual tariffs existing prior to the enforcement of the Rome Treaty tended to bear upon imports in a manner quite different from that resulting from the proposed common tariffs. We are thus suffering from a derogation of our rights under the General Agreement, and are facing one of the most serious menaces ever opposed to our foreign trade.

What is left for us to do before such sombre prospects? Should we, perhaps, stop our economic development and try to indoctrinate our people to the new realities of economic stagnation?

I am sure that this is not the objective of the European Economic Community. The world today does not tolerate closed economies. Either is economic progress fairly common to all, or will the resulting inequalities lead to social revolt and turmoil. There is no more place for the few chosen in a tightly interdependent world. This is not our opinion, but that of the large majority of those who hope for a decent future and who are now facing such resistance to their efforts towards co-operation as they cannot understand nor accept.

My country has been taking, to their fullest possible extent, all those measures it deems necessary, as a large producer and exporter of agricultural commodities, to help stabilize world markets and ensure adequate price levels for all exporters of such commodities. These problems, however, are not to be solved through unilateral action alone. If complementary measures are not taken by importers, or by the competing exporters, then all our efforts will result in unnecessary and painful self denial.

We have not yet given up our hopes of finding within the framework of the General Agreement the necessary solutions, to which the less rich countries are eminently entitled.

We are willing to employ, to the very end, all the possibilities of persuasion afforded to us by the mechanism of consultation. Nevertheless, should our efforts continue to prove of no avail, then we will have to resort to such measures of self defence as GATT itself entitles us to use.

As a result of the substitution of the lists of concessions of the contracting parties which are members of the EEC, we have been obliged to suspend the remittance to our Congress, of the protocols of negotiations with France and Benelux for the revision of List III - Brazil, pending a more accurate analysis of the situation. Of course, this analysis implies not only the examination of said protocols, but the whole of concessions to other member countries of EEC.
If necessary, Brazil will have to suspend the effect of concessions already approved by Congress, though evidently taking into consideration the substantial interests of third contracting parties.

Moreover, in case the preferences contemplated in the Treaty of Rome ever come to be put in force, it will prove extremely difficult for the Brazilian Government to avoid the retaliatory application of protective measures contained in its Tariff Law, which foresee the levying of higher duties to those countries which oppose difficulties to our exports to their markets.

The rigidity of behaviour on the part of the member countries of the European Economic Community, may lead the Brazilian Government to invoke the stipulations of the General Agreement relating to the safeguard and defence of concessions granted by any of the contracting parties, in particular those which allow the annulment of concessions in order to compensate for losses incurred.

We would resort to such extreme measures very much against our wishes, and only in case no alternative is left open to us. However, after so many years of waiting to see such innumerable appeals for equity in international trade incorporated into effective policies, our time is now running rather short.

The ministers who attend this meeting represent the countries which add up, by far to the largest part of world trade. No fairer opportunity could be thought of to start a new phase in the history of GATT. We would have taken a firm step towards a strong surge of development of all nations, rich and poor alike, if we found here a resultant of the forces of economic expectations of the peoples herewith represented.

Indeed the Brazilian Government hopes to see here defined the real course which the Contracting Parties should follow in their economic policies, if GATT is to remain alive in spirit, and effective to the letter of the Agreement.

I would, therefore, like to submit, not as an appeal, but as a proposal, which our Government deems to constitute the resultant of economic expectations above referred to, the suggestion that the governments herewith represented acknowledge the measures that may lead to the normalization of world trade, and that they act accordingly in their policies.

With respect to tariff restrictions, it is necessary that the governments of the industrialized countries give priority to the reduction of customs duties now imposed on commodities, the definition of which should also be expanded to include certain semi-manufactured products exported by the less-developed countries. Such exports should be stimulated, not hindered, as they represent an outlet for the less-developed countries to reduce the incertitudes resulting from their dependence on exports of commodities, particularly in cases where such exports amount to almost the whole of the foreign income of those countries.
Quantitative restrictions, whenever contrary to the General Agreement, should be abolished. In case of their being imposed under the terms of the Agreement, they should be eliminated gradually, as causes that justified their imposition wither away. Moreover, it is important that their elimination benefits without discrimination commodities exported by the less-developed countries.

Internal taxes, which add to the cost of imports of commodities produced by less-developed countries, frequently make void all efforts to increase the consumption of such commodities. In some cases, these taxes have proven so excessive as to impair one of their alleged objectives as a source of fiscal receipts. There may be cases in which their reduction should actually increase the revenue collected by the governments, on account of a more than proportional increase in consumption. Anyway, since such taxes are, for the most part, incident on products imported from less-developed countries, nations that impose them may find themselves having to spend in the form of economic aid, the proceeds of taxes levied on foreign imports.

We consider it highly desirable that internal taxes which apply to commodities of a non-competitive nature, imported by industrialized countries from the less-developed ones, should not be higher than the average of taxes levied on internal products of the same nature, less the amount of subsidies paid to the domestic producers of these commodities. In this case, evidently, there is no reason for protective tariffs.

As for taxes that may apply to commodities of a competitive nature, such taxes, added to subsidies paid to domestic producers, should not exceed the average level of tariffs which the more developed countries levy on imported commodities in general.

This is, in fact, the minimum that be asked in view of a more efficient allocation of resources in the industrialized countries, where as a rule we now observe an exaggerated subsidizing of the less productive agricultural sectors by the industrial sector. These policies hurt the less-developed countries, giving cause to imbalances in their primary production, which is the main spring of their national income, as well as the almost exclusive source of their foreign revenue.

These are the suggestions which the Brazilian Government wishes to offer to the consideration of this meeting. We are sure that they will not be interpreted as prepossessing demands, but, on the contrary, as reasonable requirements of the international order itself. We ask nothing which GATT itself has not recognized already, in the work of its most valuable Committees, as necessary and urgent. And we are convinced that a serious mistake will be made if once again these ideas, which are now a part of the expectations of the less-developed nations, do not deserve here, from the more advanced countries, the consideration they should be given.