1. The efforts of the Brazilian Government to achieve a foreign trade system based on the market mechanism, as a natural consequence of the economic and financial policies adopted since April 1964, are being impaired by the inadequacy of the Brazilian Customs Tariff in force since 1957, established in answer to the needs of an entirely different economic and financial situation.

2. The CONTRACTING PARTIES were informed of the success of the new Brazilian economic and financial policies on the occasion of the consultation on the Brazilian balance of payments in March-April 1966. Document L/2634, of 4 April 1966, referring to the new Brazilian economic policy, states: "From the outset of the consultation Brazil was congratulated on the comprehensive internal stabilization programme which has been undertaken." And, with respect to matters relating specifically to GATT, the document states further that: "Members of the Committee expressed satisfaction at the considerable improvement in import treatment which resulted from the Brazilian reform measures."

3. Furthermore, in the exchange field, it is necessary to accelerate the dismantling of the restrictions derived from the two-category imports system. It is also imperative to revise and bring up to date the customs tariff, as a complementary measure in the rationalization of the country's foreign trade regulating mechanism.

4. As a result, the Central Bank of the Republic of Brazil, by Resolution 41, dated 22 November 1966, decided that, from 1 March 1967 on, the imports of products still classified in the "special category" shall be carried on in accordance with the procedures prevailing for the import of products in the "general category". So, as a general rule, from that date on, imports will be free from controls and Brazil will base the protection of national economic activities primarily upon the customs tariff, reformulated by Decree Law 63, dated 21 November 1966, which will be applied from 1 March 1967.
5. The new customs tariff has the same structure as the previous one, and, like the former, is based on the Brussels Tariff Nomenclature. It has the following main objectives:

(a) the elimination of excessive rates of duty which were justified in 1957. It was found that those rates should not be maintained as they came to have negative bearings on the fiscal side as well as on the composition of internal prices;

(b) the correction of strong distortions, aggravated by time, in the relative customs treatment of products entering into domestic production;

(c) the reduction of the level of duties on a considerable number of products, in the absence of national production, in order to benefit directly the consumer, and to benefit the country's production system as a result of a considerable lowering of the cost of imported raw materials;

(d) the adoption of a more rational protection of national economic activities, through adequate level of protection to some production sectors non-existent in 1957.

6. It also should be noted that, in the customs field, by force of Decree Law 37, dated 18 November 1966, the Customs Clearance Tax will be abolished on 1 January 1968.

7. On one hand, the new Brazilian Customs Tariff will reflect certain adjustments in production sectors which have developed since the 1957 tariff and, on the other hand, the changes in the inter-industrial relations induced by the transition of the Brazilian economy from a situation of persistent inflation to one tending towards economic stabilization. Products falling in some of these sectors are specified in the Schedule III - Brazil.

8. In view of the foregoing, the Brazilian Government requests, in conformity with Article XXV, paragraph 5, of the GATT, a waiver of its obligations under Article II of the GATT, to the extent necessary, in order to apply the new tariff from the date of its entry into force, without previous renegotiation of the Schedule III - Brazil, and within the limits established by the Brazilian law.

9. The Brazilian Government declares its intention to enter into consultations and negotiations with interested contracting parties, with a view to a recomposition of the Schedule III - Brazil and to complete such negotiations and consultations not later than 1 March 1968. It is expected that these negotiations will take place in accordance with Part IV of the General Agreement, taking into account particularly Article XXXVI, paragraph 8.
10. Finally, the Brazilian Government wishes to stress the far-reaching effects of the new Brazilian commercial policy. In the view of the Brazilian Government, the dismantling of restrictions and the new customs tariff are an outstanding contribution to the improvement of international economic relations.