Mr. Chairman.

I wish, first of all, to associate myself, on behalf of my Government to the words said here before by those who have expressed recognition for the unexceeding hospitality extended in this generous country both to GATT and to individual representatives.

Most of us have undertaken a lengthy journey in order to attend this session. I would like to point out, however, that, to many of us, this meeting in spite of all its importance, would constitute but an additional reason for our coming to Japan. Other motives would lie not only in the cultural and human interest presented by this enchanting land but in the wish to be in close contact with a people who has dedicated itself to the task of rebuilding its economy and securing for it a place among the most advanced industrial nations through a laborious, unfailing and creative effort. The step forward made by Japan in these recent years do ensure for this country an era of progress and prosperity to which it is entitled as a reward to its enterprising spirit and unswerving determination.

We have received, in the last fifty years, a significant contribution to our economy through Japanese immigration.
Over four hundred thousand Japanese nationals and their descendents work today in Brazil in different walks of life.

My country sees in a healthy and reconstructed Japan an added pledge of peace and security for the free world. The great achievements of this nation, under a regime of unhampered freedom and democracy cannot fail to stand as a striking example and a source of inspiration to all peoples who strive to make fast and steady progress, without parting with their fundamental rights and freedoms.

The Brazilian Government was amongst those which have invoked Article XXXV when Japan joined the General Agreement. Later, in 1958, such reservation was withdrawn. We sincerely hope that Contracting Parties still resorting to such Article should find it possible to give due consideration to a revision of their present position on this matter. Should the Contracting Parties deem it advisable to set up a working party to that effect, as proposed by the United States Delegation, the Brazilian Government would gladly support such a move.

Although the system of international economic and financial cooperation established after the war has failed to correct the main adverse feature of the economic conditions then prevailing, it has produced, however, through the opportunity provided for debate, a better understanding of the issues involved. This main adverse feature I refer to is clearly the income gap that prevailed and unfortunately still prevails between the industrialized and the less developed countries.
A deep-seated feeling of interdependence among nations revealed in the objectives of the Agencies which emerged from Bretton Woods made it possible the reconstruction of war-stricken areas within a relatively short time. But other institutional and structural aspects of world economy were not tackled in the same efficient way, thus preventing a more even economic growth in different areas.

It should be mentioned in this respect the striking disequilibria of income levels in such areas. It is well known that their rate of growth is mainly conditioned by an economic structure based on primary production and on a low index of capital invested by employed inhabitant.

Recent developments in the international field reveal a growing awareness of the importance of this fact, the correction of which constitutes a challenge for the whole system of international economic co-operation.

It begins to be felt that prompt and adequate action should be taken if we are sincerely desirous to respond to such a challenge. This is why the Brazilian Finance Minister, in the recent Fund Meeting in Washington raised the question before Fund members by saying that, since the reconstruction period was over, it had become necessary to promote the reformulation of the instruments of Bretton Woods, so that endemic pauperism could be fought in a more flexible way. The Brazilian Government by taking up the subject was not minimizing the work done in the past by the International Monetary Fund. It wanted merely to call the attention of member States to the fact that the social and economic requirements of countries with low per capita income are calling for a new set of specific principles different from those which were applied successfully in dealing with different conditions.
If a new approach is being required in the financial field, which is the specific province of the Agencies set up in Bretton Woods, recent developments indicate that a parallel action should be pursued in the field of international trade. Here it is fair to say, however, that GATT has already started to play its role meeting this challenge. Two important steps have been taken by this Organization which indicate its willingness to adjust itself to rapidly changing conditions in world economy, namely the revision of the General Agreement in 1954 and its outstanding economic surveys. Much more, however, should be expected in future years from the work of this Organization, as neither the mere revision of the General Agreement can be considered wholly satisfactory, nor have the highly qualified surveys exhausted the range of studies and analyses which the GATT may carry out. My Government is convinced that the international system of economic and financial co-operation among which GATT holds a most significant position is going through a crucial moment. I hope I am not over emphasizing my point by saying that stagnation is equivalent to retrocession. It is to be expected therefore that the Contracting Parties should endeavour to give our Organization the means to check the trend towards impoverishment of large sections of mankind. Evidence of the need of such support is brought out in the excellent report produced this year by our hardworking Secretariat under the able leadership of Mr. Wyndham White.

Although some of its conclusions are already quite familiar to most of us yet they contribute to refresh our memory and assist us in understanding the task that lies ahead of us: that of turning GATT into a forceful instrument in the field of international trade realtion. It may be well to mention for instance some figures related to world exports.
While exports from highly industrialized countries increased between 1953 and 1958, by 45 per cent, those of primary producing countries show an increase of only 26 per cent. It can be easily understood that even if they had not to face unfavorable structural conditions in their foreign trade that decrease export proceeds would prevent those countries from narrowing the income gap which separates them from the industrialized countries. Our experience in Brazil in the last 15 years do fully warrant the conclusion emanating from the Report. We have been keeping a high rate of investment in order to maintain economic expansion ahead of the population growth. Such an investment effort has imposed a heavy burden on the Brazilian people, in view of its relatively low standard of living, but a slackening of the investment rate required to alter the economic structure of the country will not be due to unwillingness to bear such sacrifices but will derive from the marked instability for our export commodities. Such instability, the long term deterioration of terms of trade and the constant downward pressure on prices of primary commodities constitute the permanent threat to domestic development plan known as it is that for each unit of investment we still have to import nearly half a unit from abroad. It is unfortunate that available statistics hardly touch this problem. If we are to carry our analysis a little further we shall detect other features which further aggravate the highly unfavorable position of countries such as ours, still heavily dependent on primary production as a main source of export earnings.

I now wish to refer to two striking features which are apparent to any observer of the present world economic picture:
a widespread claim for a greater liberalization of world trade and a marked trend towards regional economic integration. My Government does not consider the first one as altogether real; it has evidenced this fact in the course of the work conducted by Committees I, II and III. It has been made clear that owing to deeply rooted protectionist policies a whole range of non-tariff barriers is opposed to the growth of exports of primary commodities.

As to the second feature, it reflects the economic requirements of certain areas as well as the effort of several countries in order to surmount the difficulties opposed to continued and satisfactory income growth. It is obvious that there are different ways to promote both the liberalization of trade and the integration of economic areas, but, within the framework of the General Agreement, both trends should exclude the possibility of: first, discriminations which favour some countries to the detriment of others; second, discrepancies eventually observed between the claims of a trade policy and the actual implementation of such policy. More specifically, it is our understanding that GATT should take into due account problems deriving from such liberalization policies, declared but unreal inasmuch as they are distorted by a number of internal measures of a protective character.

My Government earnestly hopes that the fruitful work which is being carried out by Committees I, II and III will make available to the Contracting Parties a substantial amount of information resulting from economic research and free discussion among members of this Organization. It is believed that the new tariff negotiations will be carried out under
new principles and will be conducted with due consideration of the problems of the underdeveloped countries.

I would like to leave on record now the specific position of the Brazilian Government with regard to some positive results arrived at during the work of the three Committees. My Government considers that it is highly inconvenient to embark on tariff negotiations which do not take into account the adverse effect on their results deriving from internal taxation. It is well known that the advantages obtained in such negotiations by countries exporting mineral and agricultural commodities may be nullified through high domestic taxes applied in importing countries. Taxation not aimed at protecting domestic competitive economic activities means that the tariff barriers which should be reduced or eliminated through negotiations are transferred to the fiscal area. Consequently all the efforts made by the producers of such items by cutting down prices, in some instances, do not entail a corresponding increase of their exports but results in the absorption by the Treasury of the importing countries of the incentive which would be given to the consumption by the drop in prices. It seems to me that it is need less to stress the importance
that should be attached to the GATT work in this field. The admission of this principle would constitute an evidence that we are honestly striving to eliminate per capita income gaps by means of a better treatment of exports from underdeveloped areas. Moreover, it would indicate that the Contracting Parties are really intending to impart greater flexibility to the operational system of GATT. This is a task which I believe can be tackled immediately inasmuch as the interpretative note on Article XVII of the Havana Charter does already permit immediate constructive action to be taken. At this point I would like to express my Government's view that coffee is one of the commodities more adversely affected by internal taxes, which are an obstacle to the expansion of consumption. The available studies on the subject prepared by Government experts or by international agencies do corroborate the view supported by the Brazilian Government in Committees I and III. The strongest argument raised against the Brazilian view refers to financial budgetary requirements of the importing countries. It is obvious, however, that such requirements could well be met by other sources of fiscal revenue particularly because the argument is advanced by countries with highly developed economies. I think that we can validly contradict the reasons set forth by countries which are at present taxing heavily the internal consumption of primary commodities particularly coffee, tea, and cocoa by saying that three direct and immediate consequences may be expected from the reduction of imposition. First, the increased consumption would tend as a whole to compensate for the revenue lost through eventual tax reductions. Second, the additional exports of producing countries would strengthen their ability to import and this
would again result in the ultimate benefit of the fiscal revenue of industrialized countries. Third, the general increase in trade in the primary producing countries would result in improved levels of productivity which should likewise contribute to stimulate the export of those countries thus determining the overall expansion of economic activity of the countries which supply machinery and intermediate products.

We feel, Mr. Chairman, that if we preserve our faith in the high principles and objectives which inspired the General Agreement, we shall find the means and the inspiration for correcting some of our shortcomings and the frustrations of some of our members.

It would be futile to ignore those frustrations which stem from lingering economic inequalities in our days, an age of unabated competition in all sectors of human endeavour and national achievement and yet an age of hope. We are confident, Mr. Chairman, that, by approaching those challenging questions and problems with cold and sheer realism, untainted by either fear or discouragement we shall be able to secure a better balance among the various economic structures, by offering to large sections of the world population a fair and equal opportunity to share the benefits of trade.

By giving world trade a sense of finality that would assist in mitigating the effects of rugged and selfish pursuit of individual economic ends, GATT will turn it into a powerful instrument of human solidarity and understanding.