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GENERAL AGREEMENT ON TARIFFS AND TRADE

CONTRACTING PARTIES
Eleventh Session

Working Party on the Brazilian Tariff
and Schedule

DRAFT DECISION PROPOSED BY THE CHAIRMAN OF THE WORKING PARTY

HAVING RECEIVED from the Government of Brazil a notification to the effect that it has been compelled to take emergency measures directed towards the solution of an acute internal problem arising out of the impossibility of continuing the existing fiscal structure which has proved incapable of meeting the needs of orderly and progressive economic developments, and that an essential factor in its programme for the reform of its fiscal structure is a tariff revision so comprehensive that it constitutes the enactment of a new customs tariff,

CONSIDERING that the entry into force of the new tariff will involve the withdrawal or modification of a large number of the concessions negotiated by Brazil and incorporated in Schedule III and that in view of the urgency of the situation it will not be practicable for the Brazilian Government to carry out negotiations in accordance with Article XXVIII before the entry into force of the new tariff, and

NOTING, without prejudice to the rights of contracting parties in respect of nullification and impairment of benefits accruing to them under the General Agreement, that the Brazilian Government has given assurances to the CONTRACTING PARTIES

- (a) that during the period covered by this Decision 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,
- (b) that the entry into force of the new tariff will be accompanied by the elimination of certain discriminatory aspects of the controls at present in force, and in particular that the Brazilian Government will establish rules for the conversion of exchange for customs valuation so drawn and administered as to eliminate discrimination as between sources of supply and between different types of goods,
- (c) that, simultaneously with the introduction of the new tariff, the Brazilian Government intends to eliminate the discriminatory application of internal taxes and has introduced legislation for this purpose, and

- (d) the Brazilian Government is conducting a review of its customs procedures, including consular formalities, which it is confident will bring them into conformity with the provisions of the General Agreement and also, as far as possible, with the recommendations of the CONTRACTING PARTIES and in particular is taking steps to discontinue the requirements for the presentation of consular invoices,

THE CONTRACTING PARTIES

ACTING pursuant to the provisions of paragraph 5(a) of Article XXV

DECIDE that the provisions of Article II paragraph 1 of the General Agreement are waived to the extent necessary to permit the Brazilian Government to put into force its new customs tariff immediately following its enactment subject to the following terms and conditions:

1. The Brazilian Government will undertake to begin negotiations, as soon as possible after the new tariff is enacted with other contracting parties in order to establish a new schedule of Brazilian tariff concessions, the negotiations to be completed and the results put into effect within a period not to exceed one year from the date of such enactment, provided that this period may be extended by the CONTRACTING PARTIES upon application by all the parties to the negotiations.
2. Pending the entry into force of the results of the negotiations, the other contracting parties will be free to suspend the application of concessions initially negotiated with Brazil (subject, as regards contracting parties which have a principal supplying interest or a substantial interest, to procedures analogous to those provided for in Article XXVIII) as well as the application to Brazil of those provisions of the General Agreement which give to any contracting party with a principal supplying interest or a substantial interest a right to negotiation or consultation with respect to concessions initially negotiated with another contracting party.
3. As soon as the negotiations referred to in paragraph 1 above are completed the Brazilian Government and other negotiating contracting parties shall submit to the CONTRACTING PARTIES a report on the results of the negotiations and on other action taken in pursuance of this Decision. The CONTRACTING PARTIES may make such recommendations to Brazil and to other contracting parties as they may deem appropriate. In particular, if any negotiating contracting party considers that the situation resulting from the negotiations and other action pursuant to this Decision does not constitute a mutually satisfactory adjustment, the CONTRACTING PARTIES shall authorize the suspension of the mutual obligations of that contracting party and of Brazil under the General Agreement.

4. Together with the report referred to in paragraph 3 above, the Brazilian Government and other negotiating contracting parties will submit to the CONTRACTING PARTIES the revised schedules resulting from such negotiations provided that any contracting party determined by the CONTRACTING PARTIES to have a principal supplying interest or a substantial interest in any concession which would be modified or withdrawn as a result of such negotiations will be entitled to withdraw substantially equivalent concessions initially negotiated with the contracting parties having modified or withdrawn such a concession. Such action will have to be taken not later than six months after such concession has been modified or withdrawn and after the CONTRACTING PARTIES having been duly notified.

THE CONTRACTING PARTIES DECIDE FURTHER to establish a Tariff Negotiations Committee to consider questions of general concern to the negotiating parties and to make the necessary arrangements for the conduct of the negotiations referred to in paragraph 1 above.