

GENERAL AGREEMENT ON TARIFFS AND TRADE

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PROPOSAL TO PROLONG THE ASSURED LIFE OF THE SCHEDULES

Amendments proposed by Brazil to the Draft Declaration in L/108

The Brazilian Delegation suggests the following amendments to the draft "Declaration on the Continued Application of the Schedules to the GATT" (L/108):

1. redraft the second paragraph on page 2, to read as follows:

"Considering further that it would be particularly undesirable to arrive at such a result at a time when a number of contracting parties are studying ways and means for the obtainment of a more realistic instrument of policy that shall guarantee the gradual elimination of trade barriers and the achievement of the other economic development and full employment objectives of the General Agreement;

2. include a new paragraph, immediately following the redrafted paragraph above, that shall read as follows:

"And considering finally that the extension period offers the opportunity for the CONTRACTING PARTIES to revise the principles of the General Agreement, so as to enable the contracting parties to enter into new tariff negotiations that, in 1955, shall supersede the existing ones."

The compelling reasons that prompt the Brazilian Delegation to suggest these amendments have already been stated on different occasions by Brazilian representatives, both in plenary meetings and in committee sessions.

They are essentially constituted by points of general principle, the landmarks that should really guide the activities of the CONTRACTING PARTIES in dealing with the different aspects of the problem of cooperation in the international field.

The Brazilian Delegation feels that the original objectives of this cooperation, as set down by the United Nations some eight years ago, have gradually been lost sight of, through the normal frictions and difficulties of implementation.

This progressive divorce from original or ultimate objectives, springs obviously from the impossibility for the human mind to cognise reality as a whole, in all its complexities, and is the logical consequence of the need to simplify and abstract from details.

When, after the war, the United Nations decided to embark upon a programme of international economic cooperation, it was decided for obvious methodological reasons to separate this programme into its logical components, so as to attack separately each aspect of the general problem.

The overall separation of the programme into long-term and short-term financial problems, to be coped with, respectively, by the International Bank and by the International Monetary Fund, and of the "real" problems of development, stability and trade, to be dealt with by the I.T.O., are easily defensible on these methodological grounds.

On the other hand the creation of the special GATT machinery to reduce tariffs and regulate trade, even before final agreement was reached on the broader I.T.O. programme, had a different conceptual basis, namely, that it was impossible to do everything at the same time, and that the I.T.O. would eventually come into being and embody that special machinery into its more ~~en-~~compassing structure. It was essentially a case of political expediency, fully justified at that time and in those special circumstances.

But the fact that some of the commercial-policy provisions of the Havana Charter were thus given provisional effect even before the Charter itself was signed, and long before it was likely to be ratified, should not overshadow the more important fact that most of the countries which accepted provisionally the General Agreement did it under the assumption that the I.T.O. would come into being and that the GATT was only the result of an expediency measure, and that its isolated life was justified essentially as an interim organization.

The objectives of the I.T.O. as set down in the Charter, are:

- (1) To assure a large and steadily growing volume of real income and effective demand, to increase the production, consumption and exchange of goods, and thus to contribute to a balanced and expanding economy;

- (2) to foster and assist industrial and general economic development, particularly of those countries which were still in the early stage of industrial development, and to encourage the international flow of capital for productive investment;
- (3) to further the enjoyment by all countries, on equal terms, of access to the markets, products and productive facilities which are needed for their economic prosperity and development;
- (4) to promote on a reciprocal and mutually advantageous basis the reduction of tariffs and other barriers to trade and the elimination of discriminatory treatment in international commerce;
- (5) to enable countries, by increasing the opportunities for their trade and economic development, to abstain from measures which would disrupt world commerce, reduce productive employment or retard economic progress;
- (6) to facilitate through the promotion of mutual understanding, consultation and cooperation the solution of problems related to international trade in the fields of employment, economic development, commercial policy, business practice and commodity policy.

The truth is, however, that of all these objectives set down by the Havana Charter, the propositions of Chapter IV, which in a general way deals with the problem of reducing tariffs and other barriers to trade, were practically the only ones actually incorporated in GATT.

It should be quite obvious to all that this drastic scaling down of the international cooperation planned in London, Geneva and Havana, to a single of its aspects, which can be permanently separated from the others only for conceptual purposes or methodological reasons, cannot fail but to mean a very unbalanced approach to the problem of international economic cooperation.

The reduction of tariffs and of trade barriers and the setting down of rules for the elimination of discriminatory treatment of commerce are very desirable measures, **provided** they can be implemented. But as stated in I.T.O. Charter itself (see above) it is first necessary to enable countries, through economic and industrial development, to abstain from measures which may in some ways push trade through channels different from the so-called "natural channels".

It is an interesting fact that the GATT itself establishes as its ultimate purpose the raising of standards of living, full employment and a large and steadily growing volume of real income and effective demand, the

development of the full use of the resources of the world and the expansion of the production and exchange of goods.

But the fact is that so far it has dealt with trade problems only, abstracting completely from its more general goals. In the face of the double failure of the I.T.O. to come into being and of GATT to interpret its terms of reference from a broader standpoint, and taking into consideration the failure of the International Bank and of the International Monetary Fund to live up to expectations, it becomes evident that a general reappraisal of the situation becomes necessary.

It is because of these reasons that the Brazilian Delegation feels that the moment has come for a review of the basic principles of the General Agreement so as to make a more realistic document of it.

In the view of the Brazilian Delegation the inclusion of a clause of this type in the draft "Declaration" thus constitute a prerequisite for the acceptance of the full text of the Declaration itself. Otherwise, the CONTRACTING PARTIES would be again confronted in 1955 with the same problem they are trying to solve now, namely, the extension for another period of an instrument which most of the parties to it have acknowledged to be inadequate to its purposes.