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Speech by H.E. Mr. Garcia Oldini (Chile)
delivered in plenary session on 10 November 1954

The debate, as it has developed, seems to me characterized by a somewhat
technical aspect and by the predominant consideration of certain factors in­
fluencing the development of trade. My impression is that economy as such,
and trade as such, seem to be the basic preoccupation of a large number of the
speakers who have preceded me. This enhances the value of the remarks of the
Minister of Economy of France who established the principle of the precedence
of the social over the economic aspect, and the remarks just made by the
Minister of Finance of Cuba who emphasized that same question in its same
aspects. These statements have been useful, not only for their intrinsic value,
but because they recall and emphasize the terms of the preamble of the Agreement,
as affirming the true objectives of this instrument which are sometimes confused
with the means of attaining them. As we all know, and as has been recalled here,
the Agreement proclaims that relations between the Contracting Parties in the
field of trade and economic endeavour should be conducted with a view to raising
standards of living, ensuring full employment and a large and steadily growing
volume of real income and effective demand. In fact, we are the artisans
of an economic and social enterprise; financial, trade or customs techniques
are instruments to achieve the objectives before us. Trade and its development
are only the consequence of the raising of the levels of real income.

In 1947, and sometimes even vehemently, we demanded that different
treatments be given different countries - those which had achieved full
economic development and those initiating or which were in the first stages
of that development. In actual fact, divergencies of development between
the peoples were implicitly accepted, but have never been recognized in the
Agreement. Legally, countries in process of development are therein subject
to the same rules as countries which have reached full development. As was
pointed out here, the most which is provided for are exceptions, and they seem
to signify that economic development is alien to our action - something which we
tolerate, but not one of the objectives, in fact, the principal objective of
the Agreement.

Today I shall not repeat what I have already said previously, and shall
adapt the remarks I have made on other occasions on this question to the present
circumstances. The difference between developed and highly industrialized
countries, and those in process of economic and industrial development are so
obvious; they are on such a scale, and the consequences they may entail are so
serious, that to illustrate them I will recall a witty remark by a lecturer
at Harvard University. Referring to similar problems, he said that if the
economy of the United States caught a chill, it would bring about pneumonia
in the dollar zone. It seems to us obvious that such a difference in
vulnerability requires difference in treatment.

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I shall not deal with all the problems and all the questions which are of concern at present to the Contracting Parties; I shall not even deal with our own individual preoccupations. But I cannot fail to point out the questions which are of special importance to us and in regard to which the views already expressed here have sometimes caused me some concern.

We consider it was an error to have failed to introduce into the Agreement the provisions of the Havana Charter relating to primary commodities. We have said so on several occasions. We dealt with this subject already at the Torquay conference and have often reverted to that point in meetings of the Contracting Parties. Of course, circumstances have changed since 1947, and the text which was drafted then should be revised in the light of the experience gained since the Havana conference. But the essential characteristics of Chapter VI of the Havana Charter may serve as a basis in drafting provisions which will correspond to present realities and answer the problems and meet the requirements of today, and above all, promote the development of production and consumption of primary commodities, avoid unbalance between production and consumption of these products, and consequently eliminate or moderate excessive fluctuations in the price and volume of trade of these commodities. Such provisions should also enable unjustifiable or unjust differences between the price levels of primary commodities and manufactured goods to be eliminated.

The highly industrialized countries seem to have some difficulty in understanding the imperative nature of our desire in this matter. This is normal, since they have already gone beyond the indispensable industrialization stage. They are not experiencing the anxiety and vicissitude which are the daily lot of insufficiently developed countries. They are not aware of, nor do they apprehend the daily requirements of these countries and the efforts the latter have to put forward to maintain equilibrium in their balance of payments, or to avoid a drop in the level of their monetary reserves or the precarious financing of their budget. To illustrate this situation which, as I have already said, causes us sometimes the gravest anxiety, I shall give two instances. The economic crisis of 1929 - 1931 practically wiped out our monetary reserves. Through vigorous efforts and sometimes by depriving ourselves even of the basic essentials, we managed to accumulate a reserve of about $100,000,000 which we were defending by what were sometimes very great sacrifices. Yet it was sufficient for prices of copper to fall last year, and, as a result, for exports of that metal also to fall, to reduce our dollar earnings by almost $70,000,000 or two-thirds of our monetary reserve. This problem, which appears on the surface to have a purely financial aspect, had serious repercussions on the living conditions of our population and often compelled us to make drastic reductions in our imports of essential goods.

I have just read in an official publication, that following the reduction in exports of copper, we were compelled to reduce in 1953, by $15,000,000, our meat exports. Without wishing to appear demagogical, I may say that
the lack of security in the prices and sales of its principal export product has cost Chile (calculated at the official rate of exchange which is far from reflecting the reality) 1,650 millions of pesos from our iron reserve.

This situation is not confined to Chile; it is common to all insufficiently developed countries who can never look to the future without anxiety, nor can they make a conservative appraisal of their possible dollar or currency incomes for the immediate future. Thus, in a document of the United Nations it is stated that in an average year, any Latin-American importer may expect his profits of the previous year to rise or drop by 22 per cent, and that this margin may possibly be greatly in excess of these wide variations.

We feel that the GATT cannot remain indifferent to this situation and it is essential that either in the wording of the Agreement or in the attributions of the new organization, adequate provisions be introduced to remedy an evil of this scope.

Linked with the problem of raw materials and forming practically an integral part of it, is the question of liquidation of stocks. We have often mentioned this question when dealing with the matter of primary commodities. Already at the Torquay conference we proposed that Article 32 of the Havana Charter be introduced into the Agreement. Perhaps at that time the moment seemed inopportune, but evidence is now so strong as to the need for introducing that Article into the Agreement, that I feel sure this time where will be no insurmountable resistance. The Agreement would in future afford guarantees to countries which, as expressed yesterday by the representative of Ceylon, always have suspended over their heads a sword of Damocles which may fall or not, may kill or not, but which at all events creates a state of anxiety and insecurity preventing any normal development, and any harmonious relationship between the countries concerned.

The normal impetus of development and the requirements arising out of the situation I have just described have compelled insufficiently developed countries to give a vigorous impulsion to the progress of their industrialization and their economic development. But to develop their economy, these countries have no capital, and this fact, coupled with the instability of the market of primary commodities, and the need for procuring through export earnings the necessary capital for industrialization, compels them, unavoidably, to impost quantitative restrictions.

I can well understand there are countries who consider quantitative restrictions as a capital sin in the conduct of members of the GATT; that capital sin may be a dire sin for those applying quantitative restrictions unnecessarily. But insufficiently developed countries who are in the position I have described cannot act otherwise, and I do not think there are in this hall any representatives of governments who would require of countries who show a deficit in their balance of payments, who are in process of developing their industry and economy without the necessary capital for this enterprise, that they eliminate their quantitative restrictions. I therefore feel that the GATT ought to contain provisions which would be more flexible and would
correspond more accurately to the actual requirements of insufficently
developed countries than the existing ones under Articles XII and XIV of the
Agreement.

Similarly, it would be necessary finally to revise Article XVIII so that
in more simplified form, with a less intricate mechanism and a clearer
procedure, the requirements of countries in the initial stages of their
financial industrial or economic development may be met. We hope that once
the Agreement is reviewed there will be no further cause for those countries
to feel that the expectations raised by the Havana Charter will not be
fulfilled, nor that the new Agreement will not correspond to realities.

As I have often said, industrial development is a delicate undertaking
which has to surmount great difficulties. It would be unrealistic to treat
the countries undertaking this task as if they were not in exceptional circum­
stances. We consider that new industries require to be assured of a stable
and adequate market and that new productions must have a sound basis. We
therefore consider it indispensable to seek to promote a procedure which is
beginning to develop in Latin-America, the aim of which is to integrate
complementary economies. To that end, it would be advisable to incorporate
into the Agreement Article 15 of the Havana Charter. Its application would
open up the path to the integration process to which I have alluded, and at
the same time pave the way for more complete achievements than those referred
to in Article XXIV of the Agreement relating to payments and customs unions.

It is clear that despite all these measures, industrial development cannot
be achieved without capital. I have already mentioned the difficulties
confronting countries in course of development in seeking to procure capital.
The privations they have to endure to assemble the necessary funds to carry out
industrial schemes which they have decided to undertake are insufficient, and
it is obvious that recourse to foreign capital is required. As stipulated in
the Havana Charter, the Agreement would have to contain an Article enabling the
Contracting Parties to undertake action in that sense and to find a way for
capital from wealthy countries to be directed towards countries in course of
development. We have adopted a number of resolutions in Chile in that sense.
We have enacted legislation providing for great facilities for investment of
private capital; but we feel this is insufficient; we think that official
action is necessary, - action on the part of international organizations, and
that measures by the GATT could be taken in that sense. Many current
difficulties would disappear if the complications involved in the process of
industrialization were to be eliminated through positive action in the field
of investment. Subsequently the situation would be favourable to ask under­
developed countries to envisage elimination of quantitative restrictions,
to take certain measures more favourable to the liberalization of trade and,
through the financial channel, the solution of the trade problem might be
reached.
Mr. Chairman, I have pointed out merely the most important items for us in the Review of the Agreement. I have chosen the problems which have the most important impact on the economy of my country, its industrial development and the requirements of the Chilean people. I think most of the matters I have raised are equally interesting for all insufficiently developed countries. They all have the same problems in greater or lesser degree: all are confronted with similar difficulties, they all look towards the future with the same expectation as our own, and I think that all have to wage the difficult battle of international trade with inadequate weapons. Illustrating this situation, the Statistical Bulletin of the United Nations stated that the trade balance of insufficiently developed countries showed a deficit of $4,535,000,000 in 1952. Correlated with this fact, the same document states that only 20 per cent of world population — that of fully developed countries — had a high standard of living; the remaining 80 per cent, that is to say, the same peoples who have deficits in their balance of trade are living a life of disguised poverty or dire distress. In the face of this situation it would mean suicide to close one's eyes. The fact that the Western world is satisfied at having reached a hitherto unsurpassed degree of progress, should not mislead us as to the danger concealed behind a splendid façade. More than one writer has compared the situation of our civilization to that of the Roman Empire at the peak of its splendour, and only a few days ago I read in a paper a sentence which made a great impression on me. It referred to what was concealed behind the power of the Roman Empire and to the inability of Rome to realize it and described the success which at that moment seemed to smile, and in reality did smile on Rome as a "catastrophic achievement".

We should not wish the historians of the future to be able to use any such terms when referring to the present state of our civilization. In fact, I feel sure we shall be sufficiently wise to apply in time the necessary remedy; in time, meaning today, not tomorrow. There is only one moment for effective action. When that moment passes it may be too late. As a modern philosopher said, Concessions should be made in time. In time means when they still have the appearance of being a generous act, a gift; and not too late, when they have the nature of an act dictated by weakness and fear.

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