GENERAL AGREEMENT ON TARIFFS AND TRADE

Meeting of Ministers

The attached press release contains a revised text of the statement made by H.E. Dr. Roberto Alemann, Minister of Economy of the Argentine Republic, on 28 November 1961. This text was submitted by the Delegation of Argentina.

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STATEMENT MADE BY H.E. DR. ROBERTO ALEMANN, MINISTER OF ECONOMY
OF THE ARGENTINE REPUBLIC, ON 28 NOVEMBER 1961

The Argentine Republic, which is one of the most recent members of GATT, already applied a commercial and financial policy consistent with the principles upheld by this organization before its provisional accession to the General Agreement. Our currency is now fully convertible, and our trade is based on the principle of most-favoured-nation treatment, to which we adhere strictly.

In the past few years, we have reverted to the principles of multilateral trade and monetary convertibility, and we have seen with increasing concern how the main Western nations, which carry the main burden of responsibility for world affairs, continue to apply policies of restriction, of disguised or overt subsidization, and of discrimination or preferences, which are frequently contrary to the letter if not the spirit of GATT. As a country exporting foodstuffs and raw materials of the temperate zone, we have suffered more than any other nation from the effects of those measures, which have prevented us from increasing or even maintaining the level of some exports to our traditional markets.

For these reasons, we fully agree with the terms used by the Chairman of the Contracting Parties, Ambassador Barbosa da Silva, in his opening statement, for it is true that the world trading community is now faced with a challenge and a need for decision. We do appreciate the import of this ministerial meeting and wish to sincerely congratulate the Executive Secretary, Mr. Eric Wyndham White, for taking this initiative which, we believe, is particularly promising in the context of the formulation of a common agricultural policy by the European Economic Community and of the negotiations with a view to the admission of the United Kingdom to the Community. Such developments will have far-reaching consequences for the world trade in foodstuffs and raw materials.

The problems besetting this sector of international trade have been sufficiently analysed. Further, the difficulties created by the non-application of the GATT rules are well known. The time has come, therefore, to intensify all our efforts towards international co-operation, in order to find practical solutions to the problems referred to. The future development of vast areas of the world which now suffer from an alarming imbalance will depend on the success of such efforts.

The Second Committee of the United Nations General Assembly has just made a very thorough study of these solutions, and has unanimously adopted far-reaching conclusions. It adopted a resolution condemning practices which disrupt international commodity trade and jeopardize the efforts of the developing countries to raise their standard of living.

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In the spirit of international co-operation which has always guided our policy, we would like to explain our position with regard to the topics under consideration at this meeting.

We concur in the opinions expressed here concerning the need to find new methods for the reduction of tariff barriers between major industrial nations. Progress in that direction would not only benefit the economy of those nations, but would enhance their ability to create additional flows of capital which would assist the development of the less-favoured areas of the world. Such formulas as that of global tariff reductions by groups of commodities must be applied in the first instance by the highly industrialized countries among themselves, while it is necessary to proceed with extreme caution in countries where industrialization is still in progress.

It will not be possible to act in any other manner so long as these countries have not re-established normal trade relations and strengthened their industry so as to be able to compete with fully developed countries on equal terms.

We therefore second the proposals for the freeing of trade in raw materials and manufactured products, both categories being placed on the same level of tariff liberalization. Such a method would enable the developing countries to diversify their exports and attain the stage of manufactured goods, while developed countries would find it possible to adjust their industrial structures, devoting their additional resources to an expansion of more complex manufacturing processes.

The problems connected with world trade in primary products, which so closely affects the development of vast areas of the world, are today added to by the practices followed by important industrial groups in highly developed countries, which have chosen to flood world markets with surpluses sold at prices lower than those obtaining internally, at cost price, or even at a loss, in order to ensure full utilization of their production capacity.

The most serious problem in international trade is most certainly that of barriers to trade in foodstuffs and raw materials, which hinder the process of development in exporting countries and seriously threaten the co-operative endeavours of developed countries in the financial field. One cannot deny that there can be no economic development without increased exports; therefore, financial aid becomes useless, or even produces contrary effects, if it is not accompanied by a vigorous expansion of exports.
The development of trade in foodstuffs and raw materials is slowed by obstacles which are often insuperable. The causes of such a state of affairs are well known and we shall not list them now. We wish, nevertheless, to explain our position with regard to the restrictive policies applied by industrialized countries, which thwart the efforts made by other countries with a view to bridging the excessive and widening gap between their present situation and full development.

Such restrictive policies find direct or disguised expression in the payment of subsidies to marginal productions. If we analyse the restrictive practices of developed countries, we find that a wide range of such restrictive practices consist of nothing else but subsidies. When these subsidies are not in the direct form of grants out of public funds, their negative effect is felt by developing countries in the form of a drop in prices and a limitation of their export opportunities.

It has been said that the principles of multilateral trade cannot be applied in the agricultural field and that there exist in developed countries economic and social problems which prevent the implementation of these principles. We reject such assertions. There are no legitimate reasons which would prevent respect for the principles on which GATT is based and which the developed countries have undertaken to observe.

Our people, who are making the efforts and sacrifices which the difficult adjustment process of economic development requires, cannot understand why countries which have reached maturity and have shown their ability to solve political and social problems should delay the adjustment of their process of subsidized marginal production, while our peoples have to face the risks of reforms which are much more serious on account of their political and social implications.

We realize that such policies of subsidization lead to the accumulation of surpluses of foodstuffs and certain raw materials which might be used in areas unable to acquire them on commercial terms. We have listened with interest to the views expressed by the French Minister for Finance and Economic Affairs, Mr. Baumgartner, which deserve careful study. A realistic assessment of the problem may lead to a solution which must not be unilateral, but integrated in a general policy based on the following principles:

1. Countries which openly subsidize uneconomic productions out of public funds should implement a programme of gradual reduction of such subsidies.

2. Countries which indirectly subsidize uneconomic productions by means of restrictive practices should switch to direct financing out of public funds, and, during the transitional period, allow competitive and non-discriminatory access to their expanding markets to products from countries which do not subsidize their exports.
3. Importing countries should give priority of access to their markets to products from countries which do not subsidize their exports, thus discouraging excessive subsidization of uneconomic productions by certain countries.

4. In the field of international co-operation, consideration should be given to possible methods of establishing world stocks of food and raw materials produced in excess of commercial demand through artificial incentives. Such stocks should be made up exclusively of surpluses produced in countries which subsidize their exports, for use in areas not traditionally supplied from normal trade flows. All exporting countries, whether or not they subsidize their exports, should participate in the administration of such international stocks on equal terms.

5. All residual discriminatory practices, whether motivated by political considerations or by bilateral arrangements, should be immediately eliminated; all programmes for the disposal of surpluses through barter arrangements or other methods contrary to the basic GATT rules should likewise be eliminated.

6. The traditional flows of international trade should be safeguarded, and their continuity should be ensured within the framework of present trading arrangements and increasing demand, in order to ensure that developing countries can maintain their foreign exchange earnings and to enable them to implement adequate policies for encouraging exports. To this end, present restrictive practices should give way to formulas which would provide for progressively wider access to markets.

7. Countries with systems of State trading should permit direct access to their markets, on the basis of reciprocal policies in developing countries, in order to permit the establishment of new trade flows.

8. The developed countries should stimulate consumption of foodstuffs by means of appropriate liberalization measures and tax reductions.

In conformity with the above programme, international trade in foodstuffs and raw materials can be progressively reallocated in conformity with GATT principles. Developed countries will be able also to readjust their marginal production processes. The first step in that direction merely calls for a change in the policy of subsidization and restriction, with a view to dispelling hopes placed in the continuation and enlargement of such unwarranted subsidization policies. A second and subsequent step would be the gradual readjustment of the marginal production process.
Our intention in suggesting this programme is to clarify the situation. Should the responsible Ministers fail to share our belief that every effort should be made in that direction, it would be desirable that they should state their position as clearly as we have done. In that case, it might be desirable that in future GATT meetings the Finance Ministers of all countries should assemble with a view to seeking agreement on the level of subsidization which each of them would be prepared to grant its subsidized exports.

We must choose between maintaining the policy of return to a multilateral pattern of trade, and looking for other trading methods. In either case, my country is ready to seek practical formulas which would safeguard its vital interests. But we shall most certainly not condone the perpetuation of a situation in which some countries submit to the rules of international trade, as we do, while highly-industrialized countries proclaim those rules, but do not follow them.