STATEMENT MADE BY H.E. MR. FERNANDO GARCIA OLDINI,
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TO SWITZERLAND, REPRESENTING THE MINISTER OF
ECONOMIC DEVELOPMENT AND RECONSTRUCTION
ON 16 MAY 1963

On numerous occasions we have spoken in the GATT forum of the dangerous situation through which the developing countries are passing, and from which they will be unable to break out unless multiple, far-reaching and vigorous collective action is taken. Only in this way will it be possible to bring to an end the deterioration in terms of trade which for Latin America was reflected between 1955 and 1960 (ECLA statistics) in a loss of more than $7,000 million, and to remove the obstacles to trade which, in conjunction with the rapid population growth, have reduced the per capita value of Latin American exports from $58 in 1930 to $39 in 1961 (ECLA statistics). As is well known, this state of affairs not only upsets the balance of payments of the countries concerned but also disrupts their domestic economic, financial and fiscal situation and brings to naught all their development efforts.

At the last ministerial meeting I quoted figures similar to those which I have just mentioned and referred to the limited practical effect of the recommendations adopted by GATT, and I pointed out that the time had come when the great industrial, financial and trading powers would have to take bold decisions which would open the way to a rapid solution of the complex, serious and bitter problems with which the less fortunate countries are faced.

Time has gone by and although some efforts have been made we are still very far from the minimum essential objective. Realizing this, the developing countries presented the action programme which is set forth in the key section of the report of Committee III that is to serve as a basis for the work of this meeting. It contains seven concrete suggestions which, if they are endorsed by
the Ministers, could lead, in a rational manner and within reasonable time-limits, to the elimination of customs duties and to an obligation not to impose new charges on the primary products important in the trade of developing countries, to the elimination - within a period of one year - of quantitative restrictions which are inconsistent with the General Agreement and are applied on imports from those same countries, the elimination or progressive reduction of duties on semi-processed and processed products, and the gradual elimination of internal fiscal charges and revenue duties levied on articles produced in those countries.

The programme is a comprehensive and reasonable one and its application - within specified time-limits - would greatly diminish the risk of economic strangulation of the less privileged countries. But an examination of the situation shows that even the adoption of all these measures would not suffice to bridge the gap which exists between those countries' needs and their export earnings. Nor would this be achieved through the advantages - whose importance we all recognize - which the non-industrialized countries can derive from the tariff negotiations proposed by the United States Government on the basis of the Trade Expansion Act. It is necessary, therefore, as indicated in point 8 of the action programme, to consider other solutions, and for this purpose to reconsider the GATT in the light of present-day realities, envisaging the mechanism of trade policy and international trade as one of the principal instruments of development, recognizing that, at least on a transitional basis, the non-industrialized countries should receive special treatment and, as a consequence, embarking on a re-thinking and remodelling of the General Agreement which, once and for all, should be endowed with the legal form and status of an organization.

We have already referred to the forthcoming tariff negotiations and should like to state clearly, without now going into technical details on points yet to be clarified, that we appreciate the comprehensive spirit in which the various proposals have taken account of the situation of the less-developed countries. We realize the magnitude and scope of the undertaking. But we consider it premature to make any pronouncement regarding possibilities of taking part in them because - as is the case of other countries - our present negotiating capacity is extremely limited and we are not in a position to be able to offer compensation. Nevertheless we shall study the situation closely and shall determine our position once those more closely concerned have specified the objectives and procedures of the proposed conference.

It should be said here and now that so far as we can see the advantages which we could obtain, substantial though they might be, would not suffice - and nor would the measures included in the seven first paragraphs of the action programme - to solve the distressing problem of the developing countries. For this reason, those countries have proposed that the industrial nations should by mutual agreement grant preferential treatment to certain selected goods; this would enable them during the difficult period of their industrial development to compete with efficient production by the long-established, wealthy and experienced
industries which today dominate the import markets. At the same time it would be necessary to permit them to grant preferential treatment to certain specified products imported from any other underdeveloped country.

At the Havana Conference (1947-48) the Chilean delegation fought virtually alone to improve the terms of Article 15 of the Trade and Employment Charter; at the review session of the General Agreement (1954-55) it strove, again almost alone, for the introduction of a provision concerning the use of preferences for reasons of economic development and had to be content with a reference in the relevant report to the effect that recourse to such preferences could be authorized under the provisions of Article XXV; the Chilean delegation hopes that its old endeavour can now, when it is presented with strong support, meet with the success denied to it on earlier occasions. This would make it possible to do away with the illogical and unjust procedure which consists of granting the same treatment to two economically distinct worlds and leads to a situation in which concessions granted with the best of intentions to the most needy countries operate in practice to the advantage of nations which are more wealthy and better equipped.

This new conception of relations among countries which might be adopted now should be embodied in the new legal framework of GATT, with appropriate provisions for simplified and rapid action in keeping with the ever increasing rate at which events take place in the world of today.

It seems to us of equal or even greater importance - and this has been emphasized in the report of Committee III - to establish an organic relationship between economic development (which is one of the essential objectives of the GATT), international trade (which is its principal instrument) and financial assistance (which should be its motor nerve). As is only natural, this calls for dynamic, close and continuing co-operation with the specialized organizations, and in particular with the International Bank, the Organisation for Economic Co-operation and Development, the Inter-American Development Bank, etc. In this regard it should be noted that this is no new idea. It was contained in rudimentary form in the Havana Charter (Articles 12 and 87) and the Chilean delegation endeavoured, without support and with limited results, to revive it at the GATT review session.

From the discussions in Committee III it appears that the principal activity to be developed in this field could be outlined as follows: with the assistance of GATT the countries concerned would draw up a plan for the establishment or modernization of industries with a view to expanding their export capacity and their foreign exchange receipts. Simultaneously a thorough study would be made of potential markets and of probable import demand. Financing would be arranged through the channels resulting from joint action by GATT and the international financing organizations. And when, as a result of this concerted system of convergent activities, an export flow was established, GATT would have to make sure that world markets gave the necessary guarantees that the new export possibilities
of the developing countries would not be nullified or impaired by systems of restrictions, administrative measures, high customs duties, internal charges or other protectionist measures.

The preliminary steps in this direction have already been taken. And the advantages of the system and the outlook for it seem so clear that I make bold to hope that the Ministers will take the necessary steps to give it concrete form and to enable immediate action to be taken.

We believe that the suggestions contained in the action programme, preferential treatment on two levels, as suggested by the authors of the programme, the creation of machinery for continuing co-ordinated action with the international financing organizations, and the planning, in agreement with them and with those concerned, of a dynamic programme for the establishment of new export industries in the developing countries, constitute a lucid and practicable plan which, with its immediate results and long-term projections, merits the attention and support of the Ministers. We trust that this support will be given to us, without prejudice to any other measure of an effective nature which may be adopted, and we trust that the ideas presented will be transformed into reality before it is too late.