STATEMENT MADE BY H.E. MR. PINHAS SAPIR,
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We attach great importance to this meeting. Its success or failure will
have a decisive influence on the economic growth and progress of all our coun-
tries, and certainly of those which are still in the early stages of development.
These countries with the aid and advice of more developed nations have begun to
diversify their economies, modernize their agriculture and exploit to the full
their natural resources. That they have to compete, as exporters on equal terms,
is difficult enough, without their having to face new and growing preferential
tariffs in important areas. Will the major trading nations find a way, through
GATT, to draw the logical conclusion of their aid to the developing countries
by removing barriers to the products of those countries and encouraging trade
in them?

This, for the developing countries, is the question which has to be
answered. And on this answer depends the continued existence of industries
already laid down - but no less important, the answer will determine the position
of future investments. If exports have to face barriers to trade, investments in
these countries will not be made.

In stressing these points we are not unmindful of the importance of the
success or failure of the present attempt of GATT to liberalize trade for the
highly industrialized major trading nations of the world. If they succeed in
expanding their mutual trade in industrial and agricultural products, we can
all hope for world-wide economic growth and expanding markets for the traditional
producers of primary commodities and agricultural products; as well as for the
widening of markets for existing and new industrial products. In this expansion,
the exports of the new countries must find their rightful place. Obviously these problems are dramatically acute for countries like my own which because of limited domestic or regional markets depend largely on free access to foreign markets for their economic development.

We therefore greatly welcomed the initiative taken by President Kennedy and his administration in drawing the practical conclusions resulting from the success of the progressive dismantling of customs barriers within Europe and in initiating a new round of trade negotiations within GATT. Therein we see the major importance of the Trade Expansion Act.

We have been encouraged that the European Economic Community, the United Kingdom and other European countries have expressed their agreement in principle to co-operate in this "across the board" tariff reduction and in an effort to remove other trade barriers.

Let me now, using my country's situation as an illustration, address myself to the specific tasks before us. These have been outlined in the agenda and in greater detail in the constructive and helpful documents prepared by the different working groups and by the most able and efficient secretariat of our organization.

We are a country engaged in the process of development. In the relatively short period of fifteen years our population has increased from seven hundred thousand to two million four hundred thousand and we expect it to reach three million during the next five years.

About half of this increase we hope will come from new immigrants who must be absorbed. We suffer and will continue for some time to suffer from a structural negative balance of trade which in 1962 was of the order of 400 million dollars representing 50 per cent of our total imports. This in spite of a significant steady rise in export earnings from goods and services from 85 million dollars in 1952 to 500 million dollars in 1962. These figures of import and export reflect the character of our economy in development. We are in the process of industrialization and are therefore investing heavily in capital goods. The gap in our exchange balance can be closed only if the fruits of these investments can be sold.

Our country is short of raw materials, and land and water are limited. The closing of the gap must be made therefore by increased exports mainly of industrial products from industries which are still infant or whose establishment has been planned or is on the way. We will only be able to reach our targets if we can have access to those markets which for geographical and structural reasons are able to absorb progressively rising quantities of our industrial and agricultural products.

We look for new markets in Africa, in Asia, in Australia, in Central and South America but we have to maintain and expand our exports to our traditional markets of Europe and North America. May I add that it is essential that these countries from which capital goods for the establishment of industry were bought, take some responsibility for allowing fair entry of the products made from these capital goods.
We import twice what we export - this is a pattern which must change for us as for other developing countries - if our exports have to face difficulties of entry into the major trading areas we shall not be able to import: this pattern, multiplied for the other developing countries could well mean, not an increase in world trading but a drastic reduction in it.

At this very time our exports are faced with new and increasing preferences in the European Economic Community and European Free Trade Area. Countries not members of these organizations are having to compete on worsening terms.

We are accustomed in GATT to allowing protection in infant industries: what we must ensure is that the new customs unions, free trade areas and other regional economic groupings do not in fact become protective areas for the industries of the developed countries against the exports of the infant industries newly established in those far less developed. We realize that there are many difficulties and pitfalls involved in modifying the application of the most-favoured-nation treatment on which the GATT is based, but the object of assisting developing countries in diversifying their economies through intensive industrial development seems vital enough to us to warrant changes in time-honoured conceptions and practices.

We therefore support the suggestion that in the forthcoming trade negotiations, study be made of the ways and means of granting preferences in the markets of the highly-developed countries to the products of infant industries in newly industrializing countries. This study is, in our views, vital and urgent because even if we succeed in arriving at a general lowering of customs duties by 50 per cent in 1970, this will by no means solve the problems created by the steadily increasing competitive position of the industries in the new preferential areas.

New industries in countries in the early stages of industrialization are certainly unable to keep step with them if not granted at least equal opportunities of entry into markets. An effort must be made within GATT to provide a system which will give these industrial exports the additional impetus they need, if they are to survive and thrive. For these reasons, we hope that this meeting of the Council of Ministers will decide to go to the limits of the possibilities provided for in the Trade Expansion Act, namely a reduction of at least 50 per cent in tariffs in as short a period as possible. If the United States through their legislation are bound to a five-year period this need not mean that other industrialized and highly competitive economies cannot adopt a faster pace and greater magnitude in their lowering of customs duties and other barriers to trade.

What is needed is the widest possible cut in the shortest possible time.
As regards those products which the developed countries wish to exclude, we have welcomed the recommendation of the Working Party that these should not be goods which are main export items of developing countries. Here it is important to consider not whether the country is a principal supplier of the product but whether the product is a principal export of that country.

We ourselves are concerned that our main agricultural item, citrus fruit, should be included in the tariff reductions; without this, and without a wide range of reductions on industrial manufactured goods and chemicals, we feel that the term "across the board reduction" is meaningless.

As to the other problems of the developing countries, we believe that the "Programme of Action" of which we are happy to be one of the sponsors should form the basis of any conclusions adopted at this meeting designed to promote their trade and economic development.

I have limited myself in my comments to some of the subjects closest to my country's direct interest. This by no means intimates a lack of active interest in some of the urgent problems like that of trade in agricultural commodities or the specific difficulties in relation to the preferential customs areas with which my country like others is most urgently faced. I confined myself at this stage to the two or three points I touched upon because we believe that first priority should be given to launching the present enterprise with the greatest speed and in the greatest order of magnitude in terms of reduction of customs and other barriers to trade. At a further - we hope early - occasion in GATT there should be the opportunity to try and reach higher targets. At this stage to sum up our views and suggestions in relation to the task before us, we believe we should adopt the following:

1. Early arrangements for "across the board" trade negotiations to include provisions for a linear tariff cut of not less than 50 per cent.

2. Adoption of the "Programme of Action" for the expansion of trade of the developing countries.

3. Investigation of the possibilities for the granting of preferences in favour of the infant industries of the developing countries and extension of the principle of free entry for their products.

4. Expansion of the "non-conventional" aspects of the work of GATT as proposed by the Executive Secretary.

5. Studies on the impact of the removal of trade and customs barriers and the widening of access for the products of the developing countries on the economy of the industrialized nations and measures to be taken in this respect.

May I, in conclusion, urge on all my colleagues here today representing at ministerial level the overwhelming part of world trade that we must not leave this session without a clear programme of action for wide-scale reduction of tariffs and other barriers to trade; and without a precise time-table for its realization.