ACCESSION OF SPAIN

Statement by the Representative of the Spanish Government at the Meeting of the CONTRACTING PARTIES on 27 May 1960

On behalf of the Spanish Government, I have the honour to submit to you Spain's request for accession to the GATT.

Spain has followed with ever-increasing interest the activities of the CONTRACTING PARTIES and wishes to take an active part in them, both in her own interest and in the interest of the international community.

I should perhaps recall, to begin with, that Spain is one of those "third countries" which, for the time being, belongs to neither of the two economic groups in Western Europe. It is of vital importance to the future of Spanish exports - the bulk of which find their outlets in the European markets - that these two regional groups should be as outward-looking as possible. We are fully aware of the magnitude of the efforts undertaken in GATT with this very end in view.

I know full well that the CONTRACTING PARTIES can only reach a decision if they are acquainted with the economic situation and the main features of the trade policy of my country. I shall, therefore, if you will bear with me and if I may have your attention for a few moments, briefly outline these two aspects of the situation obtaining today in my country.

GENERAL OUTLINE OF THE SPANISH ECONOMY

Spain has achieved substantial progress in her economic development, although it is difficult to assess with any degree of accuracy the extent of this progress or the scope of the problems which affect it, unless due account is taken of the following two main factors.

In the first place, Spain is not a wealthy country, although it must be recognized that her poverty in the past was attributable to the inadequate development of her domestic resources.
Secondly, her industrial expansion, which is the outstanding feature of her recent economic history, has only just started and has been advancing at a rapid pace in the last few years. We feel that the progress achieved by the Spanish economy under difficult circumstances and under the strain of scanty resources is all to the credit of the country.

It would be a fallacy to compare Spain, in certain respects, with some of the more advanced countries of Western Europe. Considering the true nature of her resources and of the progress which has been achieved, a comparison with other countries in the Mediterranean basin which are affected by similar unfavourable weather conditions and the same paucity of resources would be more plausible.

A brief review of the situation prior to 1906 will make it easier to arrive at a correct understanding of Spain's present economic situation. The country, which had remained economically backward and almost exclusively dependent on farming had been practically unaffected by the industrial and agricultural revolutions which worked the most thorough changes in the United Kingdom and a large part of Europe. Two-thirds of the gainfully employed population worked on the land and the rate of productivity was extremely low. The most part of that small portion of the population which was employed in the industrial sector were local handicraft workers. Apart from the Catalonian textile industry, the large manufacturing concerns were few. The first attempts to emerge from this basically rural economy were made in the early part of this century. But foreign investments and capital repatriated from former Spanish colonies were necessary to support these initial steps towards industrialization. At first, foreign capital was mainly attracted by the mining resources which had remained almost entirely untapped, but foreign capital soon joined domestic financial resources to participate in the production of steel and electricity, in the operation and development of the railway network and port equipment.

The first world war further stimulated the mining industry, in particular the coal industry, and, during the period between 1917 and the end of the war, the productive capacity of our power plants increased four-fold. However, the industrial advance accomplished by 1923 was insignificant in comparison with the progress achieved later, during the administration of General Primo de Rivera, under the favourable influence of post-war trade and industrial prosperity throughout the world. The Government of General Primo de Rivera stepped up the rate of industrialization, with particular emphasis on basic production. The Government also fostered urban development with programmes of public works and for the improvement of the road network and the transportation system, which had been outmoded and was thus brought to an unprecedented level.

In the early thirties, industrial progress came to a halt as a result of the world-wide depression. The civil war from 1936 to 1939 prolonged and intensified the stagnation, and the second world war cut off Spain's sources of supplies for raw materials and equipment and isolated the country from its traditional export outlets.
Our policy of intensive industrialization, which is still being vigorously pursued today, is the direct consequence of the second world war. As a result of the loss to Spain of her export markets, our country was also deprived of the means of payments for imports of manufactured products, many of which, in any case, could no longer be obtained from countries engaged in the war. Similarly, exports of agricultural and mineral products had been declining since the period before the civil war, with the result that Spanish exports were limited.

Apart from the immediate causes mentioned above, there was another fundamental reason why Spain endeavoured to speed up her industrial development. At the turn of the century, the "terms of trade" had given rise to serious difficulties in the case of countries such as Spain, whose economic structure depended on exports of primary commodities. While the population was rapidly expanding, the national income needed to cover its requirements was steadily declining. If existing levels were to be maintained - let alone raised - for an expanding population, it was essential to increase the productivity of the working population. Thus, in view of the need to mop up an increasing volume of unemployment, in particular in the field of seasonal agricultural labour, and having regard to the improvement in the standard of living inherent in the process of industrialization, our policy of intensive but cautious and gradual industrialization was fully justified.

The expansion of the Spanish economy since 1940 has been steady and spectacular, and is really praiseworthy, having regard to the difficulties which have constantly beset our country. The effects on international trade of the outbreak of the second world war made it extremely difficult for Spain to secure the necessary supplies of raw materials, machinery and industrial equipment. After the end of the war, while the whole of Europe was being granted lavish financial assistance from the United States, Spain did not receive a single dollar. Spain, therefore, had to inch her own way to recovery and to rely only on her own scanty resources. There is no doubt that the present economic well-being of Spain is, in principle, attributable solely to the efforts of the Spaniards themselves.

It is a fact that, at the present time, the economic expansion of Spain is proceeding at a rate which is among the fastest ones in the world, as evidenced by the fact that the average increase in the per capita income over the last ten years has been in excess of 5 per cent - a significant rate of growth indeed.

Whilst industrialization accounts for the major part of this increase, the Spanish people still derive their main source of income from agriculture, which is benefiting from the transfer to industry of surplus farm labour.

There is, therefore, today in Spain a dynamic balance between the various components of the domestic economy. Although the country's resources are neither very valuable nor very plentiful, they are, nevertheless, relatively adequate, notwithstanding the absence of oil, prospecting for which is in progress to permit considerable future development, having
regard to the possibility of international assistance and co-operation to help us, in accordance with present policies for determined and continuing economic expansion, and considering also our own plans for the development and improved utilization of domestic resources and manpower.

EXTERNAL ECONOMIC POLICY

The expansion of the Spanish economy after 1939 encountered the typical difficulties which confront any country in the process of development. Stimulated by a determination to achieve a high level of employment and to speed up economic progress, the demand increased to a point which was not always compatible with the maintenance of price equilibrium. Price increases were particularly marked in 1955, 1956 and 1957. On the other hand, as stated previously, the development of the Spanish economy since the beginning of the century has taken place in an atmosphere of severe protectionism, forced upon the country at different intervals by external circumstances, such as world wars, economic blockades, etc.

The stabilization programme which consists of a series of measures enacted in July 1959, reflects a deep-rooted desire to resolve the two problems under reference and to lead Spain on to the road of improved international competitive ability.

Allow me now to outline very briefly the outstanding features of our stabilization programme.

Two sets of measures are intended to bring about the stabilization of internal demand; on the one hand the limitation of budget expenditures, and thereby the elimination of excess demand in the public sector; on the other, the containment of private demand by means of increases in the discount rate and of credit stringency.

The stabilization of internal demand should have beneficial effects on our balance of payments, in limiting imports and promoting exports - in particular if due account is taken of the devaluation of the peseta whose rate of exchange with the dollar has been increased from 42 to 60. We also believe that our foreign exchange earnings will increase as a result of an inflow of foreign capital which will be encouraged by the measures of relaxation and liberalization adopted to that effect.

On the other hand, whilst endeavouring to control and to eliminate inflation, the Spanish Government is moving towards a liberal economic policy in particular in the field of foreign trade. The liberalization of imports is already an accomplished fact. The accession of Spain to the Organization for European Economic Co-operation as a full member, in July 1959, was accompanied by the liberalization of 54 per cent of private imports, not only from the OEEC area but also from a number of other countries which have accepted the convertibility of the peseta.
Subsequently, these liberalization measures have been further extended and a substantial additional percentage of our traditional imports has been liberalized on a global basis. Responsible circles in Spain expect that in the near future that part of private trade still coming under bilateral arrangements will not exceed 10 per cent of the total.

Under the supervision of the International Monetary Fund, which Spain joined in 1958, and of the OEEC, and with the technical assistance of the aforementioned international organizations, the Spanish stabilization programme has hitherto registered very satisfactory progress. The cost of living index was stabilized in June last year and the general price level is now in a downward trend. Whilst business was somewhat hindered in the initial stages of the stabilization programme, it has since reacted and is showing signs of a gradual upsurge as our economy is forging ahead within the new framework.

The Spanish stabilization plan has three basic features as far as foreign trade is concerned.

1. The Exchange System

The first measure enacted by my Government under this programme provided for the devaluation of the peseta (from 42 to 60 pesetas to the dollar), and simultaneously for the elimination of all kinds of import charges and fees other than customs duties. This involved the complete abolition of such practices as multiple exchange rates, barter transactions, special foreign trade accounts, foreign currency retention schemes, etc. The only features which have been maintained for a transitional period concern export duties on a few items, in order to avoid any internal shortages which might have had adverse effects.

2. Foreign Trade System

The overall objective of the Spanish Government, with regard to foreign trade, is to complete the liberalization programme in accordance with the situation of the domestic economy. Its definite aim is to avoid any discrimination between our trade partners.

We have already eliminated quantitative restrictions, increased, for the time being, existing quotas and placed a number of them on a global basis.

In the field of tariffs, the Tariff Law ("Ley Aranceleria") was promulgated on the 14th of this month, and the new tariff, which is based on the rules laid down in the Customs Co-operation Council Convention, signed at Brussels on 15 December 1950, is to be published by the end of this month. The new tariff will conform to the standard nomenclature and most duties will be "ad valorem" duties, averaging 24.54 per cent as against 16.50 per cent in the Italian and 18 per cent in the French tariff.
3. Foreign Investments

The law of 24 July 1959 regulates and facilitates investments of foreign capital in Spain, which are accorded the same treatment as domestic investments, while income and dividends may be transferred abroad. Payments in free currencies are unrestricted in the case of investments in industries recognized as being of economic or social interest; in all other cases, such payments will be subject to a 6 per cent limit. Capital invested may be withdrawn as from the second year following the date of its entry into the country, and for a period of two years in the case of industries of an economic or social interest, and of four years in the case of other industries. The only investments for which a prior authorization for withdrawal is required are those representing over 50 per cent of the total capital invested in any one undertaking.

Foreign trade is of vital importance to the proper functioning of the Spanish economy. Whilst its quantitative value in relation to total national product is not very high (12 per cent = 7 per cent for imports and 5 per cent for exports), its qualitative significance is considerable, since the bulk of imports consists of foodstuffs, raw materials essential for the supply of home industries, of machinery and industrial equipment of all kinds, liquid fuel (particularly crude oil) and transport vehicles. This is why the smooth development of the Spanish economy requires that such imports should continue uninterruptedly; and this is also the reason why, when the volume of imports was limited, the pace of the country's economic expansion was immediately hindered.

The Spanish trade balance shows a traditional deficit. Fortunately, the other items of the balance of payments (the tourist item in particular) are nearly always sufficient to fill the gap.

The foreign exchange budget for the year 1960 is made up as follows:

<table>
<thead>
<tr>
<th>Income (foreign exchange earnings)</th>
<th>Millions of dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Goods</td>
<td>700.00</td>
</tr>
<tr>
<td>- Services</td>
<td>325.00</td>
</tr>
<tr>
<td>Total current items</td>
<td>1,025.00</td>
</tr>
<tr>
<td>- Private capital</td>
<td>50.00</td>
</tr>
<tr>
<td>- United States aid</td>
<td>90.00</td>
</tr>
<tr>
<td>- Loans from the Import-Export Bank and the Development Loan Fund</td>
<td>15.00</td>
</tr>
<tr>
<td>Total income</td>
<td>1,100.00</td>
</tr>
</tbody>
</table>
Expenditure (foreign exchange outlays)  |  Millions of dollars
---|---
- Goods  |  
  Foodstuffs  |  120,00  
  Raw materials and semi-manufactured products  |  635,00  
  Equipment  |  200,00  
  Other  |  25,00  
  Total current expenditure  |  980,00  
- Services  |  150,00  
- Loan amortization  |  50,00  
  Total expenditure  |  1,180,00  

Such are the results achieved in the field of economic policy and of the Spanish economy, which has been expanded notwithstanding adverse conditions. Our future economic and social development will largely be influenced by the degree of solidarity shown by the GATT countries within the framework of "bone fide" world co-operation.

In conclusion and in conformity with instructions received from my Government, I must state, Mr. Chairman, that my country is desirous of acceding to the GATT, that it is prepared to participate in the forthcoming tariff conference and that, in the meantime, Spain wishes to take part, from now on, in the activities of the CONTRACTING PARTIES.