GENERAL AGREEMENT ON TARIFFS AND TRADE

Fifteenth Session of the CONTRACTING PARTIES

STATEMENT BY MR. MAX DE LA FUENTE LOCKER, AMBASSADOR OF PERU,
AT THE PLENARY MEETING ON 28 OCTOBER 1959

My Government, which is directly concerned with trade policy, which falls within the province of GATT, has accepted to be represented for the second time at the Ministerial meetings organized in connexion with our annual sessions. As I see it, nothing could be more profitable than such an exchange of ideas and opinions. It makes it possible for us to acquire a deeper knowledge of the problems and needs of the various contracting parties which are represented here by their Ministers for Trade, and thus to evolve the broad outlines of concerted international action in the economic field. Through the secretariat of GATT, the Intersessional Committee and the three committees set up at the thirteenth session to deal with the expansion of international trade, GATT has paved the way for a new policy which was first signalled by the Haberler Report, the value of which I need not stress, and by recent reports on international trade.

GATT activity has been directed with considerable dynamism towards the study of the economic problems which the less-developed countries have to contend with and the search for a solution to remedy the seriousness of their situation. I am of the opinion therefore that this problem should constitute the main theme of our deliberations and that the work of the fifteenth session will be of vital importance for the economic future of those countries.

The problem which confronts us is the question of commercial exchanges and therefore that of regulating trade in commodities. The instability which affects commodity prices on the world market is indeed one of the main features of the present world economy. The solution, however, is not to be found in the economic policies pursued by individual countries. Not only have commodity prices declined but we are also faced with other manifestations such as protectionist policies, quota systems, un-economic over-production resulting in surpluses which are disposed of on international markets to the detriment of under-developed countries, the appearance on an increasing scale of synthetic products which are substituted for traditional materials, continuing diminution in the use of some raw materials, and the resulting contraction of the demand. Demographic pressures in these countries, more than anywhere else, aggravate their difficulties. These difficulties are a threat to their economic development and slow down or limit the rate of their economic development. Thus a problem has appeared, the seriousness of which for the world as a whole causes serious concern to the countries which suffer and to the industrialized countries. There is no need to dwell upon this problem at any great length to realize what it is all about.
As far as Latin American countries are concerned, their 1958 exports have decreased by $700 million compared with 1957. In 1958 the export values of the six most important Latin American products: sugar, lead, zinc, maize, cotton and wool have dropped by 20 per cent compared with 1957. Between the middle of 1957 and the middle of 1958 the export prices and earnings of the under-developed countries have dropped from 17 to 8 per cent.

The repercussions of this decline in prices which has brought about a weakening in the currencies of the less-developed countries have naturally been reflected in the exports of the highly industrialized countries. Thus, imports into Latin America have decreased by 11 per cent in 1958. In spite of the restrictions upon imports imposed as a main safeguard, the balance-of-payments deficit of Latin America amounted to $900 million in 1958.

These figures can give some idea of the repercussions which economic developments in the highly industrialized countries may have on those countries whose economies do not afford adequate means of self-defence. These losses have compelled the less-developed countries to cut imports drastically to the detriment of their plans for industrialization. They have had to introduce restrictive measures, to alleviate taxation and to resort to a series of internal measures which have not succeeded by themselves in correcting their balance-of-payments difficulties and have not had any decisive influence in bringing about a solution to this problem.

GATT has clearly understood that it was essential to tackle these problems as a matter of urgency. Its action is not limited to an analysis of the causes, since the aim is to achieve a lasting solution taking into account the aspirations of less-developed countries. This action has now reached a decisive stage considering the conclusion which has been arrived at by the committees on the expansion of trade. I can only congratulate the Executive Secretary of GATT for the reports he has submitted to the CONTRACTING PARTIES, for the work which he has accomplished with remarkable efficiency and in particular for the implementation of a programme of world-wide scope.

It appears from the work which has been done that we should establish a climate of mutual understanding. The intentions which have been affirmed by the highly industrialized countries during the discussions of Committee III lead me to believe that close co-operation for the search for solutions is already an established fact. Such co-operation will enable us to view with optimism the evolution of our work and the conclusions which contracting parties will have to reach on the basis of reports from the three committees. It will then be possible for us to define those measures which will afford the less-developed countries an opportunity to achieve economic normalcy in conformity with their basic aspirations. In other words, they will be in a position to diversify their production, carry out their industrialization programmes, raise their standard of living which is still extremely low, and finally have free access for their products to the international markets without obstacles, discrimination or delay.
This obviously, Mr. Chairman, demands both time and care. But the situation is so urgent that decisions must be taken at least on a provisional basis in order to facilitate the main task of changing the economic structure of these countries. However, this process should not apply to the under-developed countries alone. In the course of the discussions of Committee III mention has been made time and again of the possibility for highly industrialized countries to modify some of the aspects of their production by relinquishing the manufacture of some articles which the less-developed countries also produce, so that these should be able to find employment for their increasing manpower and outlets for their goods. For highly industrialized countries this problem requires transfers of manpower but no retraining because their manpower is already highly skilled. Obviously this approach calls for the most serious consideration but it is also appropriate that it should be mentioned here in passing.

It is also essential to bear in mind the conclusions of Committee III, in particular those which have to do with unilateral concessions which highly industrialized countries might grant to the less-developed countries. These concessions should be granted on the occasion of and in addition to the coming round of tariff negotiations and it will also be necessary to consider the negotiability of fiscal taxes on the same basis as tariffs themselves. Such concessions could become operative at once.

Our Government supports any effort towards the establishment of regional agreements to the extent that these involve the creation of internal markets, increases in production and therefore in consumption and contribute to the betterment of the standards of living. But such agreements established in the form of free trade areas, such as the plan for the economic integration of Latin America, should in no circumstances lead to the constitution of blocs which might sooner or later be detrimental to all those who are not members. That is why my country views the Rome Treaty sympathetically to the extent that it represents progress towards the economic and political unity of Europe. However, as has already been stated by our Ministerial representative at the thirteenth session of the CONTRACTING PARTIES, my country is concerned with the consequences which the association of overseas territories might have for Latin American countries which have similar production. The time has not come to deal with the question of safeguards which have to be provided or the consultations which will have to take place, because it is not yet possible to assess what the concrete results will be. However, the coming into force of the Rome Treaty calls for a careful examination of the situation and requires that the consultations foreseen under GATT should take place in a spirit of loyal co-operation and with a genuine understanding of the interests of the less-developed countries.

I will now deal with the economic and commercial policy of Peru. My Government for the past eleven years has been following a free trade policy without quota restrictions or discrimination of any kind. Peru is a staunch believer in freedom of trade and exchanges. Such freedom makes it possible for free enterprise to play its role to the full without submitting it to excessive control and restrictions. Therefore, the
Government of Peru does not intend to impose controls or quantitative restrictions to resolve its balance-of-payments difficulties. On the contrary, my Government is determined to abide by the spirit of GATT and to maintain a free trade system. It holds the view that far from contributing to a solution, controls in general further aggravate the position. We continue along the path that we chose to follow in 1948 and my Government has adopted a series of measures aimed at increasing the level of production and creating new sources of wealth, checking inflation and facilitating the training of skilled labour.

As other less-developed countries whose economies mainly depend on exports of primary products, Peru has had to adopt a number of measures which safeguard its balance-of-payments position and its currency. It has not and could not have avoided the crisis which has been our concern for some time. These problems are attributable not only to certain internal problems such as demographic pressures, the increasing needs of the population and the continuing expansion of public expenditure but also to external factors which are beyond the control of primary producers. However, my country is fully confident in the recovery of its economy, which is fundamentally sound. And although we recognize that many of the underlying causes will be eliminated as a result of the measures of financial readjustment we have adopted, we consider at the same time that one of the main causes for the present situation has to do with the loss in currency earnings due to lower price levels for our products in world markets, and to restrictions on imports of our products into certain countries. These restrictions are reflected in a degree of agricultural protectionism which is not acceptable in the present circumstances, and limit drastically our exports of many other staple commodities, such as cotton, sugar, minerals and metals.

In brief, I consider that the problem of the less-developed countries has two essential aspects. These are, first, the difficulties against which they have to struggle to secure outlets for their primary products and as a consequence a continuing crisis which leads to a permanent state of economic instability. Secondly, the overriding necessity for these countries to endeavour - as the only reasonable and meaningful solution - to diversify their production and to pursue the implementation of their plans for industrialization. To this end, Peru agrees that it is necessary to establish regional entities superimposed upon the national economies leading to the gradual and progressive formation of a regional Latin American market on a multilateral and fully competitive basis. To that effect we should broaden domestic markets by eliminating or harmonizing tariff barriers and by gradually eliminating certain tariff duties.

It is essential, however, not to lose sight of the fact that in order to implement this plan we should take into account the need for an adequate inflow of capital and export earnings. If the first problem is not resolved, then the less-developed countries will still have to pursue a considerable struggle in order to secure the fulfilment of their legitimate aspirations. The highly industrialized countries therefore still have a very essential role to play in order to contribute to the
welfare of the less-developed countries and to the achievement of their economic objectives. The elimination, by the industrialized countries, of restrictions and tariff barriers in international trade would be a very substantial contribution to the economic progress of the less-developed countries. Temporary balance-of-payments difficulties may be regarded as a normal phenomenon in developing countries, but it cannot constitute a continuing obstacle to that development. It is therefore essential to reach a solution with the urgency which characterizes this situation, and to remedy a set of circumstances which is far in excess of what one can rightly regard as foreseeable and temporary and seems to be with us permanently. My country has full confidence in GATT and we pay tribute to the efforts which it has been making in order to solve these problems. The GATT has initiated a new policy which is bold and straightforward which recognizes the aspirations of the less-developed countries. Its field of activity has become much wider and in addition to the traditional type of tariff negotiation we now have a new and direct approach to this serious problem which consists in bringing specific solutions, the broad outlines of which are already apparent. I should like to repeat here what was said by Ambassador Boza, our previous Ministerial representative, at the twelfth session, i.e., that the Government of my country is fully aware of the goodwill with which all contracting parties contribute to the solution of these serious problems.

May I, Mr. Chairman, before I conclude, say a few words on the discriminatory application of Article XXXV to Japan. I wish to associate my country and my Government with the urgent appeal which has been made here by Under-Secretary of State Douglas Dillon for the elimination of restrictions applied to Japanese trade. I have to put it on record not only as a personal view but also as an unequivocal statement on behalf of my Government and the President of my Government that Peru was one of the first countries to recognize the right of Japan to benefit from all the advantages which should be derived from continuing participation in GATT. We are determined to go forward until this unfair treatment is completely abolished. My Government believes that recourse to Article XXXV is no longer justified in the case of Japan and we agree with the proposal made by Under-Secretary of State Douglas Dillon that a group of experts should be appointed without further delay in order to study this problem provided, however, that the procedure to be established shall not be of a dilatory nature.