OPENING STATEMENT BY THE REPRESENTATIVE OF SPAIN

At the end of October 1964 my country consulted for the first time with the Committee on Balance-of-Payments Restrictions. Then, as now again, our desire was to co-operate and to contribute as much as possible to the common objective of promoting trade between the contracting parties to the General Agreement.

A year-and-a-half has gone by since then, and the real situation in trade in agricultural products, of which my country is basically an exporter, can certainly not be said to offer very favourable conditions now for developing our shipments to traditional markets; this is of the utmost importance for Spain, for approximately 50 per cent of our total exports consists of temperate zone products.

In 1964 and 1965 the trends already apparent before have continued - imports have expanded rapidly, while exports have stagnated or even declined. The trade deficit has been growing: $294 million in 1961, $653 million in 1962, $1,016 million in 1963, $1,073 million in 1964 and probably more than $2,000 million in 1965. Although in earlier years the balance of payments was kept in equilibrium by tourist earnings, remittances from immigrants and long-term investments of foreign capital, in 1965 there was a deficit of approximately $145 million.

In this deterioration of the balance resulting from our commercial and financial transactions with other countries, the major factor has been and still is the disproportionate increase of imports in general, and more particularly imports of foodstuffs, raw materials and capital goods.

This import pressure undoubtedly stems from the development process of the Spanish economy, particularly in the sectors of industry and services, which has increased the demand for consumer goods; and this has had the two-fold and pernicious effect of raising internal prices and depleting export goods, since the domestic market has increasingly taken up any increase in the industrial output.
So far as the agricultural sector is concerned, the increase in demand has come up against a domestic supply shortage because of poor harvests; as a result, internal prices have risen and imports of foodstuffs have had to be stepped up, particularly meat and dairy products, cereals, sugar, coffee etc.

The Development Plan has had very appreciable effects on demand for capital goods and raw materials. As compared with 1963, domestic industry expanded by 14.4 per cent in 1964, with particularly rapid progress in metallurgy, mechanical engineering, transport equipment, and prepared foodstuffs; for example, cement production grew by 10 per cent, steel by 15 per cent, electricity by 12 per cent, automobiles by 52 per cent, and lorries by 24 per cent. On the other hand, output of tractors declined. In 1965, industrial output continued to grow, though more slowly. The chemical sector expanded faster than other sectors, while mining remained stationary.

The industrial growth has brought a higher standard of living for much of the working population; from the human aspect, this has resulted in a higher consumption capacity for non-durable goods, and from the industrial aspect, in a substantial increase in import requirements of raw materials and capital goods.

The upswing in the industrial sector has unfortunately not been matched in agriculture. Spain's agricultural production declined by 9 per cent in volume and 7 per cent in value in 1964 as compared with 1963. Harvests were better than in 1965, particularly wheat, citrus fruit and olive oil. Low productivity continues to be the major problem for Spain's agriculture, which still employs one third of the country's labour force while agricultural production accounts for one quarter of the national income.

The combined result of these factors has been that after remaining stationary in the first six months of 1964, the price level rose by 9 per cent in the second half of the year. In the first nine months of 1965 the increase fell to 4.6 per cent following the introduction of anti-inflationary measures. The principal factor in these increases was the rise in the prices of foodstuffs.

The cost of living, which rose by 5 per cent in 1963, increased by 13.5 per cent in 1964, and by the smaller figure of 6.7 per cent in the ten first months of 1965.
The Spanish economy can therefore be said to be traversing a period of inflationary demand which must be corrected as quickly as possible in order not to jeopardize the application and effectiveness of the 1964-67 Economic and Social Development Plan. One measure that is already being applied is to expand imports in order to offset and remedy the rise in internal prices. This means that in the coming period one must expect an increase in foreign purchases of foodstuffs, manufactures, raw materials and capital goods in general, and for this we intend to maintain and even step up the present rate of imports.

For all these reasons, I wish to state that despite Spain's delicate internal situation, the growing trade deficit and the balance-of-payments deficit in the last annual period, my Government has not only refrained from adopting any new restrictive measures in order to slow down the growing pace of imports, as might perhaps have been desirable in some cases - but is still observing our intention gradually to eliminate the quantitative import restrictions still applied in Spain, in accordance with the wish already expressed in the report previously submitted to this Committee. I consider that this intention has been fully observed, as may be seen from the measures adopted which are described in Part VI of the report now before you.

In presenting the report to the Committee on Balance-of-Payments Restrictions, it remains for me to reiterate my Government's intention of progressing towards the elimination of obstacles and barriers of all kinds, for this is the principal objective of the Trade Negotiations now in progress.