OPENING STATEMENT BY THE REPRESENTATIVE OF SPAIN

The balance of payments in 1968 may be regarded as in equilibrium, even if an increase in foreign exchange reserves of $71 million, although constituting an acceptable result compared with the previous financial year, cannot be regarded as the consequence of an economically stable situation. Moreover, of the above positive balance, some $10 million should be deducted, since this item corresponds to convertible pesetas, which may at any time be converted into foreign currency by its owners.

An adverse trade balance has always been the main feature of the payments situation. Although exports have increased at a relatively higher rate than imports, Spain continues to be among the countries in which the import-export ratio shows a marked bias in favour of imports. It should not be overlooked that until very recently our foreign sales were almost exclusively confined to the agricultural sector and that only quite lately has there been any attempt to find an opening for manufactures in the international market, where the products of the industrialized countries enjoy positions consolidated by time and quality.

The negative trade balance has been compensated as always by the positive results of services, transfers and capital, details of which are given in the relevant report. There is, however, a fact which in the long run is bound to affect the positive accounting results of tourism and family remittances, i.e. the steady rise of the level of living in Spain. If, as we expect, per capita income in my country continues to grow, this would undoubtedly lead to a considerable increase of expenditure by Spaniards abroad, to reduced emigration and a return of workers, with a consequent reduction of wage transfers. Freight and insurance charges will continue to increase with rising foreign purchases and sales, and the inflow of long-term public and private capital, to which balance-of-payments equilibrium is basically due, is not only very sensitive to world monetary movements (the radical reduction of French and North American investments in 1968 should be remembered), but at the same time creates a deficit by the transfers of interest on capital and by repatriations. The fact that balance-of-payments equilibrium has only been maintained thanks to the influx of more than $585 million clearly demonstrates the precarious nature of the balance.

In the circumstances, it has not been possible to contribute to a further rise in imports - which reached alarming proportions in the first six months of 1969 - by the liberalization of further products, which would undoubtedly increase the unfavourable trade balance. Moreover, it does not seem logical for Spain, a country which is not developed and maintains balance-of-payments equilibrium with some difficulty, to remove the few restrictions which it still applies, when fully-developed and industrialized countries continue to maintain residual quantitative restrictions that are inconsistent with the provisions of the General Agreement and are not covered by any waiver from those provisions, and without holding out any hope or giving a specific undertaking as to the time at which these restrictions will be abolished.

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To the difficulties resulting from these restrictions for Spanish exports should be added the repercussions of the ever more frequent international monetary crises on trade as such. At the last meeting of the CONTRACTING PARTIES, reference was made to the need for a detailed study of the restrictive monetary and other measures adopted by the various countries to defend their currencies. In the case of Spain, it should be emphasized that those measures have had an undoubted influence, particularly in the case of import surcharges and restrictions on the outflow of capital, whose effects have been reflected in the balance of payments which we are examining. Stability in this most important sector would be desirable, but recent events hold out no serious hope whatever that this can be achieved in the very near future. This means that a further factor of uncertainty has been introduced into our planning for development and for a normalization of the national economy. There is no need to stress the importance for a country like Spain of imports of foreign capital, which, apart from promoting the establishment of new industries and activities, are in fact the basis for balance-of-payments equilibrium, the influx of $585 million under this heading having made it possible to add $71 million to our foreign exchange reserves.

International monetary crises, with their sequel of devaluations, changed rates of interest, and so on, have affected the Spanish balance of payments also in other ways: they have been reflected in short-term movements of capital, which are often uncontrollable but are immediately translated by a reduction of the country's foreign exchange reserves.

In view of the foregoing, I believe that the Committee will admit the justice of the reasons for which Spain refrained from introducing further liberalization in its foreign trade in 1968. Such liberalization continues to be our aim, but until a more favourable international trading situation permits and the obstacles to the development of a major part of our export sectors, including particularly the agricultural sectors, disappear, we cannot continue along this road, because to do so would further aggravate our serious trade balance situation.