Spain is once again attending the periodic review in this Committee, in the hope that my country's constant readiness to comply with the GATT rules will be rewarded by the spirit of understanding and co-operation which has always characterized the activities of this Committee.

My country's balance-of-payments deficit, which had been eliminated in 1968 after three years of adverse results, has again reappeared in 1969 and indeed so forcefully that our external reserves have suffered perhaps the greatest reduction in the present decade. The deficit reached the record level of $231 million and as a result our reserves of gold and foreign exchange dropped by $262 million. At the end of the year, existing reserves were only sufficient to cover less than three months' imports. This situation was no more than a reflection of the great tensions which the Spanish economy experienced throughout the year under consideration.

In the light of these circumstances, my Government has adopted a series of measures designed to contain the growth rate of internal demand within limits that the national economic system can tolerate. These measures include two increases in the rate of interest - from 4.5 per cent to 5.5 per cent on 22 July 1969, and from 5.5 per cent to 6.5 per cent on 23 March of this year; stricter instalment-purchase terms; a reduction in the growth rate of bank credit; postponement of part of planned public investments; and the establishment of a prior deposit on imports.

As you can see, my Government has spared no effort in its desire to attain economic equilibrium; the measures adopted cover a wide range, and one of them is particularly painful, namely the postponement of public investments which represent so much for our country's economic and social development.

Thus, the Spanish Government has not resorted to superficial measures or to import restrictions to save the external deficit, but has acted in depth, by attacking the basic causes of disequilibrium, without affecting Spain's position in international trade, as might have been the case if other measures had been resorted to.

In this connexion, the introduction of a system of prior import deposits in December 1969, equivalent to 20 per cent of the value of imported goods and for a period of six months, constitutes an additional instrument of the policy to restrain demand; and as a result approximately $350 million have been immobilized between the date when the scheme was introduced and 30 April of this year.

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This measure is not designed to restrict imports because, at the rates of interest prevailing in the Spanish market, the increase in the price of imports is equivalent to less than 1 per cent of the value of the imports concerned and it would be difficult to expect otherwise in a country where marginal import propensity is very high, as demonstrated by the fact that over the decade 1959/1969 Spain's imports increased seven-fold. Immediate experience also bears out this contention because in the first quarter of this year Spain's imports continued to increase strongly, and in April this year were more than 35 per cent above the level recorded for the same month of 1969. There is therefore no doubt that the effects of this measure are essentially monetary and that it only affects imports indirectly, except in those cases where the imports concerned were not based on any firm desire to carry out the transaction, or those of an essentially speculative manner.

On the other hand, the Spanish Government has been concerned that its action should be in conformity with the GATT rules; accordingly, the deposit is not discriminatory either with respect to products, since all products are subject to this measure, or with respect to countries, since the deposit is applicable regardless of the origin of the goods.

Lastly, this measure is of a strictly temporary character; the decree establishing the scheme specifies that it will lapse in December of this year; this shows the desire of the Spanish Government not to establish any new difficulties for foreign trade, beyond what is strictly necessary.