

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Working Party on Structural Adjustment and Trade Policy

RECORD OF DISCUSSION ON COUNTRY CONTRIBUTIONS RELATING TO EXPERIENCE WITH STRUCTURAL ADJUSTMENT

Argentina (Spec(82)6/Add.7)

1. The representative of Argentina introduced his delegation's submission by recalling the very considerable efforts that his authorities had made - in particular during the last six years - to reshape economic structures and open up the economy. While the government played a subsidiary role in Argentina's economy, certain reforms had been introduced, such as the liberalization of interest rates and the development of the capital market. The Argentine economy still encountered great problems, but an attempt was made to bring about a full adjustment by modernizing industry and by a continued growth of imports of capital goods and new technology.
2. The process of structural adjustment which was still going on was hampered by protective measures taken abroad. At the same time, tariffs as well as non-tariff barriers had been brought down considerably in Argentina as shown in the submission. Some of the obstacles which the adjustment process in this country had come up against were well known in the GATT; they consisted of "conventional" measures - both discriminatory and other practices, including subsidization - and, more recently, economic sanctions which had not been based on trade or economic but solely on political considerations.
3. One member of the Working Party wondered whether detailed statistics on sectoral employment changes could be supplied. He also asked whether the legislative moves taken to secure a more efficient reallocation of resources in the sectors where Argentina has a comparative advantage could be explained. Finally, he asked whether the Argentine delegation could elaborate on the harmful effect arising from the fact that traditional importers of Argentinian products not only substantially reduced their imports but also stepped up competition in third markets by exporting their own products. The representative of Argentina stated that subsidized goods from third countries had had a very clear impact on Argentine exports; in many sectors where Argentina was an efficient producer it had had to seek new markets.
4. One member of the Working Party enquired whether the statistical figures provided in the submission were given in constant prices. He also

wondered whether there was a contradiction between the information given (on page 4) that the tariff range did not exceed 60 per cent, and his own delegation's data which showed that imports of, for instance, automobiles encountered a 95 per cent and sugar a 100 per cent tariff. He also sought more information on the adjustment process taking place in Argentina, e.g. in the automobile sector, and what influence the internal legislation, as described in the submission, had had on this process.

5. In reply the representative of Argentina stated that the statistical figures were given in constant value at 1970 prices. He emphasized furthermore that the rates were not given on a line basis but as averages for groups of products. Moreover, the tariff rate was 29 per cent for sugar and 55 per cent for cars. For instance the import tariff for sugar decreased from 100% in December 1977, 1978 and 1979 respectively to 48% in December 1980, to 33% in December 1981 and to 29% in October 1982. He also gave a brief account of the restructuring of automobile production brought about by mergers and necessitated by the fact that several producers had been competing in a quite limited domestic market. He stated also that domestic legislation had improved trade in the motor vehicle sector, but it was too early to be able to evaluate the effective influence of this factor.

6. In reply to a question when the Argentine government expected to unify the exchange rate and the present practice of paying for imports in dollar bonds, the representative of Argentina stated that it was not possible to respond in the Working Party as this was a matter of general economic policy. He also questioned the relevance of certain other points raised, e.g. one requesting an explanation and elaboration of the new import restrictions and export incentives announced in July 1982.

7. Another member thought that the legislation and the procedures relating to state intervention which were referred to in the submission seemed to imply that a system of government involvement in structural adjustment had existed. He wondered what techniques were used to effect structural adaptation and whether these techniques were of a general nature, such as tax incentives, or were directed towards specific sectors. He also wondered whether it could be concluded that the tariff was now the major or only instrument used by Argentina for structural change purposes. Finally, he asked whether Argentina had instituted any trade restrictive actions related to structural adjustment and, if so, whether further information might be provided on the type of measures used and their effectiveness in fostering structural adjustment.

8. The representative of Argentina stated that since 1976 the government had relied more heavily on the market forces than on state intervention. To the extent that the government continued to play a rôle, it was a subsidiary one and concentrated on non-private sectors. He went on to say that although tariff administration had been one of the most important economic policy instruments it had not been the only one because in addition regional economies had been encouraged and various internal measures had been applied to adjust the countries economic structure. He stated furthermore that Argentina had not introduced any trade restrictions for structural adjustment purposes.

9. One member asked whether Argentina had encountered trading problems as a result of rigidities elsewhere in the world economy. He enquired also

what was the percentage of foreign trade in the GDP of Argentina. The representative of Argentina stated that the problems encountered by Argentina in the international market for primary and industrial products were well known. One example were the rigidities shown by developed countries in the textile sector or the measures adopted by some of them in respect of iron and steel products. In reply to the second question he stated that the share of exports in GDP in 1979, 1980, 1981 and the first quarter of 1982 was 11.6 per cent, 11.2 per cent, 13.1 per cent and 13.05 per cent respectively and the share of imports in GDP amounted in the same periods to 10.7 per cent, 15.0 per cent, 13.4 per cent and 9.15 per cent respectively; the share of foreign trade as a whole in GDP for these periods was 22.3 per cent, 26.2 per cent, 26.5 per cent and 22.2 per cent respectively.