

RESTRICTED

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Statement by the Representative of Uruguay,
H.E. Mr. J.A. Lacarte, before the Council on
27 September 1961

At the end of the Second World War the desire to organize the peace, in other words to control in a rational way the harmful economic effects of the conflict, resulted in the creation of various international organizations - the International Monetary Fund, the International Bank for Reconstruction and Development, the Food and Agriculture Organization, the International Trade Organization and the General Agreement on Tariffs and Trade - whose activities were directed towards that common objective; there was a certain resemblance among them because of the basic principle underlying their activities.

The General Agreement was first drafted in order to lay the foundations for an agreement for the regulation of international trade which was to have led to the establishment of the ITO; that objective was not achieved and the General Agreement took on many of the theoretical aims of the ITO, but its action was limited because of complex and sometimes contradictory situations from which it endeavoured to draw some general rules; the effect of those rules was, however, limited by the granting of certain exceptions, so that the practical spirit which prevailed at the inception of the General Agreement might jeopardize the liberal policy on which it was based.

The early efforts towards international understanding in trade matters were aimed at greater freedom for imports and exports. It must be acknowledged, however, that it has become a common practice to proclaim a principle and then grant certain exceptions which to some extent made it inoperative. Thus the General Agreement authorized certain methods which were of a more or less permanent nature and they were retained after the 1955 revision; many of them are empirical and imperfect, yet they have the merit of reflecting negotiated solutions which offer an acceptable and reasonable balance to each acceding country.

Some years have gone by, and with the development of its own special situation, a country like Uruguay must ask itself in what way its accession to GATT has brought advantages justifying the deposit of instruments of ratification.

Having regard to its contractual commitments as a contracting party, the Government of Uruguay considers that it complies fully with its obligations.

The balance-of-payments consultation held at the sixteenth session pursuant to Article XII was a success, and when the economic situation which is not always favourable obliged us to introduce special measures, those measures were authorized in accordance with the relevant provisions of the Agreement, as may be seen from the Decisions of 8 May and 18 May 1961; and our relations with the International Monetary Fund, pursuant to the provisions of the Agreement relating to exchange, were strengthened by the monetary and exchange reform enacted under the Law of 17 December 1959, as may be seen from the opinions expressed by the Fund which are in the main favourable. Uruguay applies no discriminatory measures affecting imports nor any quantitative restrictions and, as may be seen from GATT document L/1470, the measures taken by the CONTRACTING PARTIES with regard to residual restrictions do not apply to my country.

For many years - and this fact of fundamental importance has been emphasized more than once in our discussions - the economy of the so-called developing countries has suffered from unfavourable changes in fields on which the General Agreement has a direct bearing.

At the twelfth session, to take a fairly recent example, which was distinguished by the simultaneous convening of a meeting at ministerial level, emphasis was laid on certain disturbing factors which deserved careful study, such as generalized agricultural protectionism which results in the adoption of measures to restrict international trade in agricultural products and foodstuffs, the accumulation of stocks of products which cannot be disposed of through the normal channels of trade, the extreme instability of commodity prices which causes wide fluctuations in the foreign exchange receipts of producing countries, and the inability of

countries in the process of development to expand their export trade so as to keep up with their growing import needs.

This problem which has unfortunately lost none of its relevance, and indeed has become still more serious, led to the preparation by the Haberler Committee of the report entitled "Trends in International Trade" published in October 1958.

The conclusions of this report are so well known that I shall merely remind you of the statement that the primary producing countries have some justification for feeling that the rules and conventions at present applied to commercial policy are relatively unfavourable to them. That report resulted in the establishment of Committees II and III of GATT.

Now, almost three years later, we find that Committee II has not yet reported on the essential part of its terms of reference, while Committee III is conducting studies and has made a few recommendations, but so far has not really tackled the problems involved.

Those same problems are mentioned in the Economic Survey of Europe in 1960 of the United Nations, which states: "The matter is urgent not only because the issues must be widely understood before public opinion will permit governments to take measures running counter to long-standing prejudices and apparent short-run interests of particular groups, but because major decisions about the future industrial structures of the western European countries are at present being taken in the framework of the EEC and EFTA integration schemes. In this context, the challenge of the trade needs of the under-developed countries becomes an opportunity which may be lost in a few years' time."

"In weighing the issues, the industrialized countries will do well to consider the alternatives. If the developing countries are not enabled to finance their growing import needs by expanding their exports on the lines discussed above, they have at best two possibilities. One is to attempt to develop their economies on as nearly autarkic a basis as possible. This is a realistic course only for two or three of the very largest, semi-continentaL, under-developed countries. The other is to

push forward their programmes of development in the teeth of mounting balance-of-payments difficulties - and that means slowing down their rate of development. Either alternative involves a substantial loss of economic welfare to the world as a whole. Either also implies a loss to the developed countries, not least to the highly industrialized countries of western Europe ...!"

The United Nations World Economic Survey for 1960 gives very clear indications of recent trends in primary producing countries.

For example, it states that out of eighty-seven countries, fifty-nine witnessed a decline in their trade balance in 1959 and 1960, while only twenty-eight recorded an improvement.

The Survey goes on to state:

"The failure of the average commodity price index to register any advance in 1960, compared with 1959, had grave implications for most of the primary exporting countries. Instead of being able to finance the upsurge in imports by means of a parallel rise in export earnings, most of these countries found their trade balances deteriorating rapidly. The result was a spate of overseas borrowing, a considerable rise in foreign short-term liabilities and a drawing down of the exchange reserves that had been accumulated in the previous year. By the end of 1960 the problem of financing the trade deficit was again the principal determinant of internal policy and many of the primary exporting countries were putting into effect measures designed to reduce the demand for imports. Where foreign credits were not available this often involved a cut in the rate of growth in investment."

It may be noted in passing that in the period 1953-60 Uruguay's trade balance deficit amounted to US\$307,435,000.

At the recent economic conference held at Punta del Este, the Colombian delegation noted that Latin America's dollar earnings had fallen from US\$4,311 million in 1951 to US\$3,268 million in 1959 - in other words a drop of more than \$1,000 million in a period of ten years.

Furthermore, between the end of 1955 and the beginning of 1958, world commodity prices fell by an average of 5 per cent and the repercussions on the non-industrialized countries were worsened by a simultaneous rise of some 6 per cent in prices of manufactured goods. The problem is becoming still more serious for, in general, commodity markets expand more slowly than outlets for manufactured goods.

The United Nations Commodity Survey for 1960 states: "The recovery in primary commodity prices that began early in 1959 was not maintained in 1960. Though the price index of primary commodities in international trade was almost 3 per cent higher in the first quarter of 1960 than at its low point a year earlier, it made no further advance in 1960: instead it levelled out and began to drift downwards again. By the third quarter it was back to the corresponding 1959 figure, an eighth below the pre-recession peak and 3 per cent below the pre-Korean average of 1950. And the fourth quarter appears to have brought a further decline."

The contracting parties are familiar with this matter for in the past three years there have been 39 consultations pursuant to Articles XII and XVIII:B.

The United Nations Economic Bulletin for Europe reports that Europe's imports from countries in the process of development have at best remained stable in recent times, while there has been a marked increase in purchases from other areas of the world with the result that the share of the developing countries in western European imports has declined even for those commodities of which they are the principal suppliers.

The primary-producing countries have recently expanded output, owing partly to improvements in techniques and prompted by the need to cover their increasing requirements of foreign currency "with the result that much of what they might have earned from a larger volume of exports they have lost through reductions in price"; and the Bulletin goes on to state: "The lessons to be drawn by the primary-producing countries from their experience during the most recent western European boom are thus discouraging. Although it is necessary that the developed areas should maintain a high rate of economic expansion and avoid cyclical fluctuations,

so as to generate rising demand for the commodities traditionally exported by under-developed countries, this in itself is evidently not a solution for the developing countries' trade problem, and other means have to be sought."

At its last session the United Nations Economic and Social Council adopted by sixteen votes to none with two abstentions a resolution which reaffirms "the views expressed in resolution 1515(XV) of the General Assembly, which inter alia stressed the importance of enabling 'less-developed countries and those dependent on the export of a small range of primary commodities to sell more of their products at stable and remunerative prices in expanding markets and so increasingly to finance their own economic development from their earnings of foreign exchange'". The resolution calls on the governments of the highly-industrialized countries to "pursue national and regional agricultural policies which (a) encourage and make allowances for an expanding world commercial trade in agricultural products especially by avoiding excessive agricultural protection and (b) avoid prejudicing the trade prospects of efficient producers from outside their countries and regions". In conclusion, the resolution invites the governments to consider the possibility of liberalizing such revenue or fiscal charges or other barriers to trade "as may at present unduly limit consumption of agricultural commodities from under-developed or other developing countries".

The preamble to the resolution contains a provision of basic importance reading as follows: "... the rate of growth in world trade, particularly commercial trade in agricultural products, depends not only on market forces but also on official policy decisions of governments, and that policies of excessive agricultural protection or the maintenance of unduly high revenue and fiscal charges on agricultural commodities by highly industrialized countries have contributed to retarded growth of the export trade of, and therefore adversely affected the economic development of, many countries relying on their commercial export of such commodities".

The Economic and Social Council resolution was followed by the decisions taken at the recent meeting of the Inter-American and Economic Social Council held at Punta del Este.

In the chapter relating to measures of international co-operation the conference unanimously adopted the following declaration:

"1. Member countries should make co-ordinated and, if possible, joint efforts for the following purposes:

- a) To remove as rapidly as possible any undue protection for production of primary commodities.
- b) To remove taxes and reduce excessive domestic prices which discourage consumption of imported primary products.
- c) To take the necessary action in order to put an end to preferential agreements and other measures which limit world consumption of Latin American primary products and hinder their access to international markets and more particularly to those countries in Western Europe which are in the process of economic integration and countries with a centrally-planned economy.
- d) To establish appropriate machinery for consultation in order to ensure that their trade policy will not impair the stability of commodity markets.

"2. The industrialized countries should co-operate to the full with the less-developed countries so that primary commodities can be exported after having been processed to the fullest economic extent.

.....

"4. Member countries should support the efforts made by international commodity study groups and the Commission on International Commodity Trade (CICT) of the United Nations. In this regard, it should be considered as a joint responsibility of producing and consuming countries to take measures at the national and international level in order to reduce market stability.

.....

"7. Member countries will invite other producing and consuming countries to co-operate in stabilization programmes, having regard to the fact that primary commodities of the western hemisphere are also produced and consumed in other parts of the world."

These texts which show complete unity of views, coupled with the many statements made both at the governmental level and in the private sector, serve to emphasize our concern with these problems. What relation is there between the General Agreement and the grave problems to which I have referred? What is the link, if any, between this decline in the foreign trade of so many countries and an agreement which was intended to stimulate international trade? Unfortunately we need not seek far for an answer.

GATT documents have reported the numerous barriers to trade in products which are of basic importance for many contracting parties. The Uruguayan delegation has taken those studies still further and following its investigations has drawn up a table of restrictive and discriminatory measures which has just been distributed to representatives present here.

This table relates to thirty products which account for 97 per cent of Uruguayan exports, and to nineteen countries which account for 85 per cent of our export markets. It should be noted that even without taking account of prohibitive customs duties, subsidies, bilateral agreements and preferential systems arising out of the European Economic Council and the European Free Trade Association - all of which are matters for deep concern for us because of the adverse effects which they threaten to have or already have on our foreign trade - the table shows 576 individual restrictions, some of them permitted under the General Agreement and others not, which hinder trade in Uruguayan products; 576 restrictions which might well be still more numerous, for in some cases it was not possible to complete our enquiries.

One may well ask oneself to what extent the barriers referred to in this table, and other similar barriers, might prevent a successful outcome of the Tariff Conference currently in progress at Geneva. When the results of the Conference are made known, we shall know to what extent certain contracting parties have faltered at the prospect of reducing their own tariff protection in exchange for illusory concessions. In that case we would have further proof, if any were necessary, of the way in which trade restrictions are undermining the foundations of the General Agreement.

I hope that delegations will point out any factual error which may have slipped into this table, but it results from a very detailed and full analysis of the measures applied by the first group of countries studied; one cannot but note - I would even say with surprise and dismay - that a weighty and complex mass of procedures exists which together serve to impair to a marked degree the volume and value of Uruguayan exports. I say volume and value because unfortunately it is not merely a question of volume, though that would be serious enough. It is well known that in view of the tight market situation and the disadvantage at which they must operate, exporters are understandably afraid of not being able to sell all the products available to them and they are therefore obliged to take the first sales opportunity that comes along, however disadvantageous it may be, so that prices rank second among their preoccupations.

One may well wonder whether this situation is consistent with the new era of world prosperity which is the aim proclaimed by so many of our governments.

Let us now turn to our responsibilities under the General Agreement in this regard. If we speak of trade we must speak of this Agreement and of its effectiveness as an instrument for promoting international trade. And if we speak of this it brings us directly to the very matters and practical measures which the Council must recommend to the meeting of ministers to be held in two months' time, as decided at the eighteenth session.

The General Agreement must make an effective contribution towards the removal of anomalies such as the following: two years ago, agreement was reached between Uruguay and the International Bank for Reconstruction and Development on a loan to be used for encouraging livestock production with a view to increasing exports; this year we may have an exceptional quantity of livestock available and it is a great disappointment to find that, with very few exceptions there are hardly any free markets for meat in the world.

In a Note dated 31 August last, the text of which has been distributed, Uruguay made six proposals which have already been brought to the knowledge of delegations meeting here.

Let us now consider the detailed motives for each of these proposals; I think that my remarks so far provide a general justification for them.

1. Item 4 of the agenda of this meeting of the Council is in itself justification for the proposal that all contracting parties should take the necessary measures to carry out immediately all their commitments arising from the General Agreement and therefore cease applying discriminatory and restrictive measures which are not permitted by the text of the Agreement nor by the resolutions of the CONTRACTING PARTIES. There seems no justification for maintaining so-called residual import restrictions at a time when many countries are admitted enjoying prosperity. Such restrictions should be removed immediately unless they are properly authorized, as in the case of any other existing barriers to trade which are inconsistent with the Agreement.

2. Similarly there seems to be no valid reason for continuing the agricultural waivers which, it must be said, favour nations whose present prosperity and high degree of economic development we all admire. The agricultural waivers stimulate anti-economic activity and are contrary to the letter and the spirit of the General Agreement; moreover, they cause grave damage to the interests of many contracting parties which are still encountering difficulties in their foreign trade relations. The contracting parties with balance-of-payments difficulties are the ones which need help, through the adoption of special measures by all countries which have signed the General Agreement.

3. The Agreement is somewhat vague as to which measures are, or are not, consistent with its provisions and with the resolutions adopted by the CONTRACTING PARTIES. Moreover, the work of Committee II, for instance, as well as the studies by the Uruguayan delegation, which have resulted in the table to which I have already referred, shows that there are certain barriers of which the Council has not been sufficiently informed. Here there is no need for any innovation. I would merely suggest that we should follow the excellent example of the International Monetary Fund in its annual report

on exchange restrictions, and instruct our secretariat to prepare each year a detailed report on restrictions and discriminatory measures of all kinds affecting trade, whether they are, or are not, justified. Thus we would at least have all the problems before us and could examine them objectively in an appropriate manner.

4. In order to clarify the situation, my Government proposes that the present procedures should be strengthened so that all questions in connexion with the interpretation of the text of the General Agreement be solved without delay. We suggest here and now two questions which are fundamental and on which we believe no decision has yet been taken, despite their importance;

- are bilateral agreements, in which one or other of the parties undertakes to import periodically certain quantities or a certain value of one or more products from the other party, consistent with the General Agreement; and
- is the procedure to which some CONTRACTING PARTIES resort, namely, to maintain several lists of supplying countries to which different treatment is accorded, consistent with the provisions of the General Agreement?

In our opinion, there are serious and well-justified doubts as to the legality of these and other practices; they should be clarified once and for all so that we may all know exactly where we stand and which trade practices are, or are not, prohibited by the General Agreement.

5. From what I have said it is clear that certain member countries, including Uruguay, are at a disadvantage. This is a matter not only of the application under special conditions of the obligations involved in the fact of being a contracting party, but of something which goes much further: there is what one might term a structural disequilibrium in the General Agreement which results in a situation where certain supplying countries for primary commodities and foodstuffs are at a disadvantage, and the repercussions affect their balance-of-payments deficit.

I have been present at some recent discussions in Committee II which did not progress as I would have wished.

It is my fervent hope that Committee II will reach just conclusions, for it seems to me that they cannot but assist the cause of Uruguay; at the same time, however, the Committee should make recommendations, for if it were to continue making studies and enquiries, valuable though they undoubtedly are, we would, if we are not already, be faced with the disappointment of seeing innocuous recommendations made which cover up basic disagreement.

Almost three years have passed since Committee II was established -- time enough for it to reach conclusions on a subject which was considered urgent then; and if it cannot do so, then the CONTRACTING PARTIES should be informed of that fact so that they may then take appropriate decisions. Uruguay has, therefore, proposed that Committee II should report within a pre-determined period on point (b) of its terms of reference, i.e. "to consider, in the light of such data, the extent to which the existing rules of GATT and their application have proved inadequate to promote the expansion of international trade on a reciprocal and mutually advantageous basis as contemplated in Article I, and to report on the steps that might appropriately be taken in the circumstances."

As soon as that report is submitted, a thorough study should be made of the situation of supplying countries of foodstuffs and primary commodities, having regard to the disequilibrium from which they suffer as contracting parties to the General Agreement, with a view to finding practical and constructive solutions.

6. Finally, in the event that no immediate solution is found to these problems, however justified the proposals made, the present situation of imbalance cannot be allowed to continue nor any similar situation in which there is no adequate proportion between obligations and benefits. Accordingly, the sixth point proposed by Uruguay is that contracting parties whose interests are adversely affected be authorized by means of an express recommendation on the part of the meeting of Ministers and of a Decision adopted by the CONTRACTING PARTIES to apply, solely for purposes of

compensation, discriminatory and restrictive measures equivalent to those which are applied to them.

* * *

The facts which we have established in regard to trade indicate that the intergovernmental economic groupings recently established or those in the process of development may not always have the effects mentioned in Article XXIV:4 of the General Agreement. In other words, while facilitating trade between the member countries, they sometimes tend to cause diversion of trade and to replace some suppliers by others.

Such a situation would not only be contrary to the provisions of the General Agreement but would also cause serious damage to the interests of many contracting parties, including my own country.

Accordingly, Uruguay is anxious that the ministers should consider this matter in November and that steps should be taken to ensure the full application of Article XXIV:4.

I must emphasize the Uruguayan Government's earnest hope that solutions can be found which are equitable and generally acceptable. It was only after long and thorough study of the difficult conditions surrounding its export trade that my Government decided to make these proposals to the CONTRACTING PARTIES. Before doing so, it had recourse to bilateral consultations and certain other measures in order to try to achieve some improvement. I am glad to say that in certain cases we were successful, but in others that was not so and the extent of existing barriers to trade has obliged us to make these proposals which implicitly involve a question of crucial importance: can the General Agreement really take care in an equitable and just manner of the situation of a country like Uruguay which is an exporter of foodstuffs and primary commodities?

The disequilibrium which exists is serious and we cannot let another day pass without drawing attention to it in a loyal and constructive spirit, but also with all the frankness which circumstances require.

The balance of reciprocity is lost and must be recovered without delay, for passivity would result in economic stagnation and real damage in the social sphere which my country could never permit.